



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

July 16, 2018

The Honorable Richard Shelby
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Chairman Shelby:

On June 28, 2018, the Appropriations Committee considered the fiscal year (FY) 2019 Labor, Health and Human Services, Education, and Related Agencies Appropriations bill. Overall, according to information provided in the Committee press release, the bill appears to increase funding by about \$11.8 billion, or 7.0 percent above the FY 2019 Budget request. The Administration appreciates the opportunity to weigh in on this bill.

The President's FY 2019 Budget request, as amended, accounts for the Bipartisan Budget Act of 2018 (BBA's) new Defense and non-Defense discretionary spending caps for FY 2019. As we have noted in previous letters as well as the FY 2019 Budget, the Administration strongly supports the overall defense levels included in the BBA. However, given the Nation's long-term fiscal constraints and the need to right-size the Federal Government, the Administration does not support spending at the BBA's non-Defense caps.

The Administration appreciates that the Committee bill includes funding for critical priorities, including:

- **Child Care.** The Administration appreciates the Committee's support for the Child Care and Development Block Grant funded within the Department of Health and Human Services (HHS), which helps low-income families access child care so they can work, go to school, or enroll in job training programs.
- **Social Security Administration (SSA) Limitation on Administrative Expenses.** The Administration appreciates the bill's support for SSA, including its full funding of program integrity activities to ensure that only eligible individuals receive Social Security benefits.
- **Health Care Fraud and Abuse Control (HCFAC) Account.** The bill provides \$765 million, \$5 million less than the FY 2019 Budget request for the HCFAC account within HHS, and provides greater flexibility to adjust funding and program integrity efforts to meet the greatest needs in line with the request. The Administration appreciates the Committee's support of program integrity in health programs.

- Opioid Abuse and Mental Health Funding. The Administration appreciates the Committee's continued funding to address the opioid epidemic and mental health, particularly the \$1.5 billion provided for State grants to address opioid abuse.
- Apprenticeship. The bill provides \$160 million to expand apprenticeship at the Department of Labor. However, it maintains the existing appropriations language which prevents the Department from spending funds on new industry-recognized programs.
- Reemployment Services and Eligibility Assessments (RESEA). The bill fully supports RESEA at the Department of Labor in accordance with the Bipartisan Budget Act of 2018, providing more resources for this evidence-based intervention that reduces improper payments in the Unemployment Insurance program while getting claimants back to work more quickly and at higher wages.
- Charter Schools. The bill provides \$445 million for the Charter School Program (CSP) within the Department of Education, a \$45 million increase from the FY 2018 enacted level, which is slightly below the FY 2019 Budget request of \$500 million. The Administration appreciates the Committee's support for CSP, which funds the opening, expansion, and replication of high-quality charter schools and improves charter schools' access to facilities.

However, the bill underfunds key investments in critical areas supported in the FY 2019 Budget request and/or includes funding that the Administration believes is not in line with the overall restraint in non-Defense spending reflected in the FY 2019 Budget request, including:

- Agency for Healthcare Research and Quality (AHRQ). The bill does not consolidate AHRQ's activities into the National Institutes of Health (NIH) within HHS and provides \$334 million, \$78 million more than included in the FY 2019 Budget request. The FY 2019 Budget request proposed to consolidate AHRQ's activities into the NIH to better coordinate health services research and eliminated funding for potentially duplicative or lower priority activities.
- Unnecessary Department of Education Programs. The bill funds virtually all of the programs—28 in total costing nearly \$6 billion—the Administration proposed for elimination in the FY 2019 Budget request. This includes \$1.2 billion for 21st Century Community Learning Centers and \$840 million for Supplemental Educational Opportunity Grants.
- Teen Pregnancy Prevention (TPP) program. The bill provides \$101 million for the TPP program within HHS. Both the FY 2019 Budget request and the House appropriations bill eliminate the TPP program.
- Protecting Union Members. The bill provides none of the requested increase for the Department of Labor's Office of Labor-Management Standards (OLMS). This additional funding is necessary to restore OLMS's investigative workforce, which the

previous administration allowed to fall by one-third during the past 10 years. The FY 2019 Budget request strengthens protections for union members by supporting more audits and investigations to uncover flawed officer elections, fraud, and embezzlement.

- **School Choice.** The bill does not provide the \$1 billion in funding requested in the FY 2019 Budget to establish the Opportunity Grants program at the Department of Education, which would support the expansion of private and public school choice. Funding this program is critical to empowering more families, particularly low-income families, to choose the school that best meets the unique needs of their children.
- **Student Aid Administration.** The bill funds Student Aid Administration within the Department of Education at the same level as FY 2018 enacted, which is \$93 million below the FY 2019 Budget request. The requested increase is needed to service an ever increasing volume of Federal student loans, improve cybersecurity, protect the data of 40 million Americans, and launch and implement the new servicing system, the Next Generation Servicing and Processing Environment.
- **Expansion of Public Service Loan Forgiveness (PSLF).** The bill provides an additional \$350 million for a temporary benefit in the Federal Student Loan program that expands PSLF on a first-come, first-serve basis. The FY 2019 Budget request calls for the elimination of the entire PSLF program.

The bill continues a provision (section 226) that prohibits changes to the method that NIH uses to pay grantee institutions for facilities and administrative costs. The bill also prohibits other Federal departments and agencies from developing or implementing modified indirect cost policies. This section would prohibit agency staff and stakeholders from developing strategies to make Federal Government programs more effective and efficient. In addition, the bill does not authorize the use of NIH funding to establish and operate the 21st Century Cures Act Research Policy Board, as requested. As a result, the Administration will not be able to establish the Research Policy Board as directed by the Congress.

The bill contains a provision under the Student Aid Administration heading prohibiting the Department of Education from using Student Aid Administration funding for any student loan servicing contract unless the contract “provides for the participation of multiple student loan servicers that contract directly with the Department of Education to manage a unique portfolio of borrower accounts and the full life-cycle of loans from disbursement to pay-off with certain limited exceptions.” Without modification, this provision would require a significant change to the Next Generation Processing and Servicing Environment procurement, increasing the discretionary cost of Federal student loan servicing, and severely restricting the Department of Education’s ability to provide a consistent and improved borrower experience. The Administration would like to work with the Congress to identify language that would ensure fair and open competition in the procurement process as well as provide better outcomes for students and greater value to taxpayers.

In addition, the FY 2019 Budget request reflects the Administration's desire to bring more Federal spending under the caps reached in the 2018 BBA by limiting the use of changes in mandatory programs, or CHIMPs, that generate no net outlay savings to offset real increases in discretionary spending. While there are programmatic reasons for some CHIMPs, most of them simply push the availability of funding from one year to the next, or rescind money from a program that no one actually expected would be spent. The Administration encourages the Committee to achieve its discretionary topline while minimizing the use of CHIMPs.

As the Senate takes up the Labor, Health and Human Services, Education, and Related Agencies Appropriations bill, the Administration looks forward to working with you to address these concerns.

Sincerely,



Mick Mulvaney
Director

cc: The Honorable Roy Blunt
The Honorable Patty Murray

Identical Letter Sent to The Honorable Patrick Leahy