



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

THE DIRECTOR

June 4, 2018

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

Dear Chairman Shelby:

On May 24, 2018, the Appropriations Committee considered the fiscal year (FY) 2019 Energy and Water Development, and Related Agencies Appropriations bill. Overall, according to information provided in the Committee press release, the bill appears to increase funding by about \$7.1 billion, or approximately 19 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:

- **Plutonium Disposition.** The bill provides the \$279 million requested in the FY 2019 Budget for termination of the Mixed Oxide (MOX) Fuel Fabrication Facility project and to initiate design and long-lead procurement for the Surplus Plutonium Disposition project.
- **Nuclear Weapons Modernization.** The bill provides the requested \$1.9 billion for nuclear weapons life extension and major modernization programs.
- **Office of Science.** The bill provides \$6.7 billion, \$1.3 billion above the FY 2019 Budget request for the Department of Energy's Office of Science. The Administration appreciates the Committee's support of prioritizing basic research, and fully funding exascale computing at the request level, but does not support funding in excess of the requested level.
- **Nuclear Energy.** The bill provides \$15 million for the Versatile Fast Test Reactor, equal to the level requested in the FY 2019 Budget. The Administration appreciates the Committee's support of the Administration's request.

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:

- Department of Energy Topline. The bill provides \$35.0 billion, \$500 million below the FY 2018 enacted and \$4.4 billion above the FY 2019 Budget request.
- Army Corps Topline. The bill provides \$6.9 billion for the Army Corps of Engineers (Corps), \$100 million above the FY 2018 enacted level and \$2.1 billion above the FY 2019 Budget request. This is in addition to \$17.4 billion in disaster supplemental funding provided to the Corps in FY 2018.
- Reclamation Topline. The bill provides \$1.5 billion for the Bureau of Reclamation, \$54 million above the FY 2018 enacted level and \$498 million above the FY 2019 Budget request.
- Infrastructure. The Administration appreciates the Committee's strong support for investment in the Nation's water resources infrastructure and for some changes to how the Nation invests in water resources, such as through report language encouraging the Corps to utilize Section 1043 of the Water Resources Reform and Development Act, 2014 to allow the Corps to provide funding to non-Federal sponsors to construct projects on their own. However, the Administration believes the bill could do more to support a more modern approach to investing in the Nation's infrastructure that would facilitate more efficient investment. A key principle of the President's Infrastructure Initiative is to incentivize stronger partnerships between the Federal Government and non-Federal stakeholders in order to leverage a broader range of financial resources for infrastructure investment, encourage more non-Federal leadership, and remove barriers that can impede the ability of non-Federal parties to move forward with investments in water resources infrastructure they deem priorities. The Administration believes the bill could do more to promote this principle and would like to work with the Committee to include provisions that support this goal. The Administration also recognizes that not all non-Federal sponsors can take on a greater role in water resources infrastructure. That is why, for example, the President's Infrastructure Initiative included dedicated funding specifically for rural infrastructure. The Administration looks forward to working with the Committee to strike an appropriate balance in incentivizing and facilitating greater non-Federal participation in water resources projects while maintaining robust support for infrastructure where Federal investment is most warranted and needed.
- Nuclear Waste Management. The bill fails to provide funding for Nuclear Waste Management, which is the same as the FY 2018 enacted level but \$168 million below the FY 2019 Budget request. The Administration encourages the Committee to provide funding to implement the Administration's decision to resume the Yucca

Mountain license application process. The Administration appreciates the bill's inclusion of a provision authorizing an interim storage pilot project that would be funded in the future from the Nuclear Waste Fund, subject to appropriations; this supports the Administration's desire to prioritize interim storage of nuclear waste.

- Office of Cybersecurity, Energy Security, and Emergency Response (CESER). The bill effectively eliminates the Office of Electricity Delivery and Energy Reliability (OE) and creates CESER in its place. The Administration encourages the Committee to support OE and CESER as separate entities as proposed in the FY 2019 Budget and to enact separate accounts for each office.
- Applied Energy Programs. The bill provides \$4.3 billion for the Department of Energy's applied energy programs, \$2.4 billion above the FY 2019 Budget request. The Administration encourages the Committee to restrain funding levels in these programs and focus resources on early-stage research and development across the applied energy technology spectrum rather than late stage or near commercial ready technology.
- Advanced Research Projects Agency – Energy (ARPA-E). The bill provides \$375 million for ARPA-E, \$22 million above the FY 2018 enacted level, and \$375 million above the FY 2019 Budget request, which proposed elimination of the program. The Committee is encouraged to terminate ARPA-E as a standalone entity and explore options to incorporate certain ARPA-E attributes, such as cross-cutting research coordination and enhanced flexibility, into the Department of Energy's primary research efforts within the Office of Science and applied energy programs rather than maintain a separate program through ARPA-E.
- Loan Programs. The bill does not adopt the elimination of the Department of Energy's loan programs as proposed in the FY 2019 Budget request. Consistent with the FY 2019 Budget request's policy to reduce potential displacement of private investment, the Administration recommends that the Committee move to eliminate these loan programs.

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 Energy and Water Development, and Related Agencies Appropriations bill, the Administration looks forward to working with you to address these concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Mick Mulvaney", written over a horizontal line.

Mick Mulvaney
Director

cc: The Honorable Lamar Alexander
The Honorable Dianne Feinstein

Identical Letter Sent to the Honorable Patrick Leahy