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NOMINATION OF NANCY P. DORN

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

ON THE

NOMINATION OF NANCY P. DORN TO BE DEPUTY DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

FEBRUARY 8, 2002

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NOMINATION OF NANCY P. DORN

FRIDAY, FEBRUARY 8, 2002

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 9:33 a.m., in room SD–342, Dirksen Senate Office Building, Hon. Joseph I. Lieberman, Chairman of the Committee, presiding.

Present: Senators Lieberman, Stevens, and Cochran.

OPENING STATEMENT OF SENATOR LIEBERMAN

Chairman LIEBERMAN. Good morning.

Today we are considering the nomination of Nancy Dorn to be Deputy Director of the Office of Management and Budget. She comes to this position after having served the public in many other capacities, having worked in Congress, at the White House, and for the State Department.

In 1991—my prepared remarks reveal your exact age. Do I have your permission to go ahead and do that?

Ms. DORN. It is OK.

Chairman LIEBERMAN. In 1991, she was the first woman and, at age 33, the youngest person to be nominated and confirmed to the position of Assistant Secretary of the Army for Civil Works with a responsibility for the Army Corps of Engineers.

We welcome you, Ms. Dorn, and we are pleased you could be with us this morning.

As you know, the Office of Management and Budget is one of the most influential agencies of the Federal Government with sweeping authority that most Americans are unaware of. I think of OMB as the administrative nerve center of the Executive Branch, recommending how every single taxpayer dollar should be spent and helping to oversee how every Federal program is managed. It has a unique role in shaping the annual budget, which means it helps define not just the goals and priorities of an administration but administration policy, as well.

We will be engaged in lively discussion and debate in the coming months about budget policy, as we have already seen in the last week or two.

Let me turn to new non-budgetary OMB responsibilities, very briefly. Cybersecurity and protecting the government's information infrastructure is a key OMB responsibility. And, if I may say so now, a critical part of homeland security. This Committee is proud of its role in developing the Government Information Security Act and other laws, and I hope that the Committee, OMB, and the rel-

evant agencies will continue to work together to seek their effective implementation.

Managing the government's information policies and the shift to e–Government is another area in which this Committee has taken a special interest. E–Government, we think, can help us respond also to the new security threats at home through better crisis management, improved data sharing between law enforcement, entities, and faster communication with the public.

In the past year, as you and I have discussed, the Administration has articulated a commitment to e–Government which gives me great hope that our ongoing negotiations with OMB on this matter will result in consensus legislation very soon.

Finally, let me discuss OMB's oversight of the Executive Branch regulatory process. From my perspective, this is actually one of the most significant roles played by OMB, and certainly by the Deputy. If confirmed, Ms. Dorn, you will help supervise the review of rules that provide critical protections to public health, the environment, worker safety, and consumers. This Committee was actively involved in sorting out problems years ago in regulatory review, problems that involve secrecy, and inappropriate influence that undermined public trust in the fairness of the process.

Last year, some of us took an active interest, shall we say, in this Administration's actions which we viewed as rollbacks of a number of environmental regulations. I just want to state here to you, for the record, that in my view a one dimensional economic-based approach to regulatory review neglects fundamental principles of fairness and the very concept of protecting the public and the environment from harm.

If changes are contemplated in the process or standards of regulatory review, I ask that you particularly, but also others at OMB, consult closely with this Committee. Regulatory agencies must have the capacity to do what Congress has asked them to do in protecting the public interest and public safety.

We, on the Governmental Affairs Committee, and you at OMB, have a lot of work to do and we should be doing it together. We look forward to forging a partnership with you on these important matters.

I would like to add a brief word, a special word perhaps, on behalf of Dan Blair, who has been nominated as Deputy Director for the Office of Personnel Management and whose hearing, chaired by Senator Akaka, will follow this one. Dan has served with distinction for 4 years on this Committee as senior counsel to Senator Thompson. And before that he worked for the House Committee on Government Reform.

He has really dedicated his professional life to public service and represents, in my opinion, the very best that this country has to offer. I wish him the best in this new chapter of his public service.

Senator Stevens.

OPENING STATEMENT OF SENATOR STEVENS

Senator STEVENS. Mr. Chairman, as a former chairman, I am delighted to be here once again when Nancy Dorn returns to a position which requires Senate confirmation. I would call your attention, Mr. Chairman, to the fact that her husband, James

Whittinghill, is sitting there behind her with her two children, Caroline and Patrick, who are new additions to the scene since the time that she was confirmed before by the Senate.

I have known Nancy for a long time and her husband, also. I am delighted to be here representing Senator Thompson in these hearings. Thank you very much.

Chairman LIEBERMAN. Thanks very much, Senator Stevens. The husband has a familiar look to him. The children I am pleased to see for the first time.

For the record, Ms. Dorn has submitted responses to biographical and financial questionnaires, has answered pre-hearing questions submitted by the Committee, and additional questions from individual Senators, has had her financial statement reviewed by the Office of Government Ethics. Without objection, this information will be made part of the hearing record, with the exception of the financial data, which is on file and available for inspection in the Committee's offices.

In addition, the FBI file has been reviewed by Senator Voinovich and me pursuant to Committee rules.

At this time, Senator Warner had hoped to be here to introduce you. Unfortunately, he cannot, so he will give us a statement which we will include in the record and in some sense we will take Senator Stevens warm and personal remarks as the introduction of you.

[The prepared statement of Senator Warner follows:]

PREPARED STATEMENT OF SENATOR JOHN WARNER, A U.S. SENATOR FROM THE STATE OF VIRGINIA

Chairman Lieberman, and my other distinguished colleagues on the Senate Governmental Affairs Committee, it is my honor to come before the Committee today and introduce Nancy Dorn to serve as Deputy Director of the Office of Management and Budget.

It has been my privilege to once again be able to work with Ms. Dorn in her current capacity as the Vice President's top legislative aide. Previously, I had the opportunity to work directly with Ms. Dorn when she served as Assistant Secretary of the Army for Civil Works. As a member of the Committee on Environment and Public Works, which has jurisdiction over the civil works program of the Corps, I found Ms. Dorn to be an effective manager and skilled professional.

In addition to her service with the Department of the Army, Ms. Dorn has a vast and distinguished career in Federal service and in the private sector. I strongly believe in her abilities to serve in such a vital role at OMB.

Ms. Dorn has served the Federal Government in various capacities with budget and policy oversight, including senior level positions with former administrations of President Reagan, President Bush, as well as in the House of Representatives.

I trust that the actions and policies advanced by Ms. Dorn will adhere to the mission of the Office of Management and Budget (OMB) in helping the President carry out his constitutional and statutory duties and conduct her work in the best interest of the American people.

I am pleased that a person with the professional capability, personal character and integrity as Ms. Dorn's is willing to continue in public service at OMB. I look forward to working with Ms. Dorn and I offer my unqualified support for her nomination.

Chairman LIEBERMAN. Ms. Dorn, before we proceed, would you like an opportunity to introduce your family?

Ms. DORN. Yes, Mr. Chairman. Thank you so much for the courtesies that you and Senator Stevens have extended to both me and my family, making a special effort to get this hearing done in a timely sort of way. I know Friday mornings in February are an un-

usual time to have hearings of this sort, but we really appreciate the effort that you and your staffs have put into it.

As indicated, my family joins me this morning. My husband, Jim Whittinghill, who has been part of my life since the first time I was confirmed. I think he was in the Senate working for Senator Dole at that time, who is also a very good friend of ours.

My son, Patrick, and my daughter, Caroline, are happy to be here this morning. They are not in school, so they are taking copious notes on management and budgeting and all manner of issues of interest to this Committee and I hope that they can report back on the proceedings here this morning.

Chairman LIEBERMAN. If they can figure out the budget crisis, I hope they will share that with me.

Ms. Dorn, our Committee rules require that all witnesses at nomination hearings give their testimony under oath. So would you please stand and raise your right hand?

Do you solemnly swear that the testimony that you will give the Committee today is the truth, the whole truth, and nothing but the truth, so help you, God?

Ms. DORN. Yes sir, I do.

Chairman LIEBERMAN. Thank you. Please be seated and the record will show that you have answered the question in the affirmative.

Do you have an opening statement that you would like to give?

Ms. DORN. I have a very short opening statement, Senator, that I will just quickly go through.

TESTIMONY OF NANCY P. DORN[1] TO BE DEPUTY DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

Ms. DORN. As I said, I really appreciate the Committee's efforts to get this hearing together, and I apologize for my scratchy voice, 2 days ago I had almost no voice. So I beg your indulgence in getting this through.

It is a great honor to appear here today as President Bush's nominee to serve as Deputy Director of the Office of Management and Budget. I wish to thank the President, the Vice President, and Director Daniels for the tremendous opportunity to serve in this important position.

As I indicated, my family has made some sacrifices over the past 3 or 4 years as I have moved from the Office of the Speaker of the House to the Office of the Vice President, and now granting me the privilege of serving in this position in the government.

As the President's gatekeeper on budgetary policy and regulatory matters, the Office of Management and Budget is at the very center of the Federal Government, as you indicated. For me, that offers great possibilities in the public policy arena and will allow me to draw on my experience in the Departments of Defense and

[1] The prepared statement of Ms. Dorn appears in the Appendix on page 15.
Biographical and financial information appear in the Appendix on page 17.
Pre-hearing questions and responses appear in the Appendix on page 24.
Additional pre-hearing questions from Chairman Lieberman with responses from Ms. Dorn appear in the Appendix on page 68.
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State, and two previous White Houses, as well as this one, and certainly in the Congress.

While I have never served in OMB during my 21 years in Washington, I have had the chance to view the organization and people from close range, and it is a very impressive organization. I recognize the enormous responsibilities and duties inherent in this position and, if confirmed by the Senate, I look forward to serving in one of the most professional and respected agencies within the U.S. Government.

We face a number of challenges and opportunities as we enter 2002. As is reflected in the budget that President Bush submitted to the Congress this week, we must fund our priorities—defense, homeland security—as you indicated, and economic growth. At the same time, we must hold down increases in spending in other areas and this makes for some very difficult choices.

While the potential for disagreement over which programs to fund and at what level is limitless, the possibility exists that the administration and the Congress can work together constructively and in the same spirit that came out of the tragedy of September 11.

I was very much a part of the scene through the last year as Vice President Cheney's person, working with the Congress and I think we can all take great credit and great pride in getting through a very difficult year in a very harmonious manner. It is my sincere hope that I can play a part in what you, Chairman Lieberman, have called "producing results for the people."

I would point out one other predominant theme of the fiscal 2003 year budget and that is management and performance-based budgeting. This Committee has long been at the forefront of better government management and has passed a number of significant measures, including GPRA, the Government Paperwork Reduction Act, and the Government Information Security Act.

The President and Director Daniels have capitalized on the spirit of these laws and have taken them several steps further. To the surprise of some, the budget scores the agencies on five specific goals outlined in the President's management agenda. Further, the fiscal 2003 budget actually pinpoints specific programs which are successful and those which are not, and we are beginning to budget for them accordingly.

But this, I would say, is only a beginning. I think in the years to come we will take beginnings of what we started in the 2002 budget and hopefully move those into even a more comprehensive whole. I look forward to moving toward fully institutionalizing performance-based budgeting.

Thank you again for the opportunity to testify today and I certainly look forward to working with this Committee, as well as many of the other committees of the Congress that OMB has dealings with.

Mr. Chairman, I would be happy to answer any questions that you, Senator Stevens, or others may have.

Chairman LIEBERMAN. Thanks very much, Ms. Dorn.

I will start the questioning now with a number of questions that we ask of all nominees.

Is there anything you are aware of in your background which might present a conflict of interest with the duties of the office to which you have been nominated?

Ms. DORN. No, sir.

Chairman LIEBERMAN. Do you know of anything personal or otherwise that would, in any way, prevent you from fully and honorably discharging the responsibilities of Deputy Director of OMB?

Ms. DORN. No, sir.

Chairman LIEBERMAN. And do you agree, without reservation, to respond to any reasonable summons to appear and testify before any duly constituted committee of Congress if you are confirmed?

Ms. DORN. Yes, I do.

Chairman LIEBERMAN. Thank you.

I talked a bit in my opening statement about e–Government. I wonder if you could first describe the role that you would like to take as Deputy Director in information management and e–Government issues?

Ms. DORN. Mr. Chairman, I think this is one of the most important areas that the government is making strides in. As you know, the President's management agenda identifies e–Government as one of the priorities that he wishes to pursue. And certainly, as Deputy Director of OMB this will become a very important part of my job if I am confirmed by the Senate. This administration has made some significant efforts to increase funding for e–Government. I think this year's budget has a substantial increase for e–Government. And I know that at least in the e–Government initiative that is being coordinated by the Office of Management and Budget there is $100 million increase just in that account alone.

So I think we will be spending a great deal of time on trying to make the government more transparent, more accessible, and more 21st Century than it is now.

Chairman LIEBERMAN. I appreciate that. I mentioned the legislation that Senator Conrad Burns and I introduced, bipartisan legislation, which would promote initiatives to use the Internet in government along with other information technologies to improve government service.

Last July your predecessor, Sean O'Keefe, testified that he intended to work with the Committee to arrive at consensus legislation. We did work together and we basically agreed on everything except one point, as I think you know, and the significant question was exactly where does the function of the chief information officer, the CIO, go in OMB?

I guess what I would like to have is your commitment that you will work with this Committee to try to achieve that last consensus on that item as quickly as possible so we can move this legislation, which I think will make it more likely that the additional funds that the President has put into the budget will be well spent.

Ms. DORN. Senator, we have made substantial strides. I think even in the last several weeks there have been discussions at the staff level to basically narrow whatever differences are left. We look forward to working with you on that bill and hopefully seeing it pass the Committee and the Senate early this year.

Chairman LIEBERMAN. Good.

In the 106th Congress, in a related matter, Senator Thompson and I were successful in getting significant portions of our information security bill, the Government Information Security Act, enacted into law. OMB is charged with significant responsibilities under the law, including establishing government-wide information security policies, receiving annual reports from agencies regarding their information security evaluations, and enforcing agency accountability through budget actions if an agency is not acting to protect its systems.

I am asking, at this point, for a current answer coming in as you are, of what your opinion of Federal agencies' record is to date in the area of computer security, which is obviously important not only to the security from the government's point of view, but in our attempt to engage more of the citizenry in interacting with government over the Internet, by computer. We want to give them security that what they give us will be held in confidence.

Ms. DORN. Senator, you are exactly right and I think that the legislation that you and Senator Thompson passed made a significant statement, made a significant starting point for the government to start dealing with these issues. Our sensitivity on this point has been heightened by the events of last year. And in fact, the President has formed a council within the Executive Branch of sub-cabinet level people to deal with this issue on a comprehensive basis.

Dick Clark, who has been named as the cybersecurity cyberterrorism coordinator under the Homeland Security Office, has been hard at work to develop plans, and strategies to deal with the issues of security breaches from the outside. That, I would say, is one of the most critical functions that the Office of the Homeland Security is undertaking.

You have also mentioned the privacy issue, in terms of citizens' interaction with the government through the web, through e–Government, or through traditional means. This is an important consideration and I certainly share that view. We are asking and in this new world we are going to be dealing with citizens more and more through electronic transmissions. At the same time, when they put information onto a website or into a government system through computers, we have to be able to protect that information. So that is an ongoing concern.

From OMB's perspective, this is not just a once a year check the box sort of effort. In addition to the annual budget submissions that come in through the agencies, OMB has undertaken to meet with agencies periodically through the year and have benchmarks periodically through the year as to how they are developing their plans, how their milestones are being achieved. Frankly if, at the end of the day, their IT purchases do not have the necessary security provisions inherent in the plan, I think I would be very reluctant to approve funding for those items.

Chairman LIEBERMAN. Two more questions, if I might. The first is about a regulatory policy that I referred to. I wanted to get your general reaction, both to the concerns about regulatory review and also a specific reaction to my request that if changes are contemplated and the process or standards of regulatory review that

you will notify our Committee and work with us or at least listen to us before any such changes are made.

Ms. DORN. I certainly would be willing to make that commitment, Senator. I look forward to working with the folks at OMB, and particularly at OIRA, on regulatory policy. As Senator Stevens mentioned, as Assistant Secretary in the Army for Civil Works, I had some good experiences and some bad experiences relative to regulations and the implementation of regulations. I am very sensitive to the impact that they have, not only on regular citizens but on the economy as well.

You have my commitment to work very closely with the Congress as we go forward. There is lots of activity in this realm. I think OIRA deals with something in excess of 4,000 regulations a year. It is a huge area of interest and concern to me.

Chairman LIEBERMAN. Thanks. The last question is about human capital management, which is a subject that the Committee has been interested in, particularly I must say, and to his credit, Senator Voinovich has focused on this. This is one of the less dramatic questions before the Committee. It does not tend to attract a lot of media interest, but it really is important, as he has pointed out. Which is to say the projection of a very significant turnover in the Federal workforce in the years ahead, and the question of whether we are going to be able to attract the best people to fill those critical positions.

I wanted to ask you two questions that related that, both related actually to the budget proposal. The Administration has now proposed that money be taken out of each agency's annual appropriation to cover the future pension costs for the agency's future retirees. I wanted to ask you to respond to that from both points of view. One is the security of the retirement system, which obviously is of concern as people decide where to come to work.

But then the second is the adequacy of funding for the programs that the agencies are supposed to carry out.

Ms. DORN. Senator, the proposal and the budget, as I understand it, pertains to accruals. Basically, these are accounts that in the past have been funded in government-wide accounts in OPM. In fact, they are the obligations that we have for all the Federal employees, their retirement and the other benefit packages that they have.

It is simply that the retirement and like benefits have never been funded in the agencies' budget. Basically, the Department of Defense, for example, has a large number of employees, all of whom have benefit packages and which the government is certainly responsible for those benefits.

The FY03 budget simply for the first time presents them in a coordinated way so that each agency's true costs are shown up front. There is really no real budget impact of this, because we were funding these and had a liability to fund them anyway. But simply to show them so that the agencies and the Congress and the public could really see the true cost of employees and the benefits that they have.

In this budget, no agency was penalized for taking this step. It is a little bit of true and accurate accounting to show these costs. We certainly are not seeking to penalize government employees in

any way. It is simply an effort to make government and the cost of government a little bit more transparent.

Chairman LIEBERMAN. So whether the level of appropriations are adequate to fund the responsibilities of the agencies remains with my friend to the right, or to your left, and the other members of the Appropriations Committee.

Ms. DORN. We will certainly be working with the Appropriations Committee to enact this change. It is a little bit of a departure from the past, but I think that there is sufficient budget authority to cover these, certainly we made room for it in our budget. I think we can do it in the appropriations process, as well.

Chairman LIEBERMAN. My last question about human capital management. You may know that Congress enacted the Federal Pay Comparability Act in 1990 to close the gap between Federal and non-Federal salaries. The pay adjustments under the act have never been fully implemented and the administration's budget for fiscal year 2003 follows what is regrettably a bipartisan tradition of again not providing parity between public and private salary levels.

I wanted you to comment on that from the perspective of the deed, as I mentioned Senator Voinovich and others have pointed to, to fill literally tens of thousands of positions that will be coming open in the Federal Government in the years ahead.

Ms. DORN. The President and the director are very aware of the problem in human capital. It is one of the five issues that has been identified in the President's management agenda. The Office of Personnel Management and OMB are working very hard on looking at the whole layout of Federal benefits.

I know that this Committee has been one of the supporters of giving Federal managers some additional flexibilities and other management tools, and we hope to continue to work with the Committee on those issues, as well as a review of the whole policy in that area.

I do not think anybody would say that the Federal system, and the way it has developed over the past 50 years, is flawless. We need to look at that.

Relative to the pay provision in this year's budget, the President did make a determination that the military deserved a pay raise. Certainly in this environment I support that, and I suspect many others do, as well.

The civilian pay raise is in excess of 2 percent. In light of the economic situation that most Americans are facing right now, a good job with a 2 percent pay raise is actually a pretty good deal. In light of a million people in the last 4 or 5 months who have lost their jobs, I think it is a reasonable proposal.

But I take your point and we will work with this Committee and with the Congress to look at the human capital issue, both from a pay and from the benefits perspective.

Chairman LIEBERMAN. Thanks, Ms. Dorn, I appreciate your answers. Senator Stevens.

Senator STEVENS. Thank you very much, Mr. Chairman.

Ms. Dorn, first, on the disclosure of the costs of retirement, that covers, as I understand it, both the cost of the civil service retirement system and the Federal employees retirement system. My

chief of staff for the Appropriations Committee is behind me. He assures me that is fully disclosing a total cost of the systems.

And really, it is an indication to everyone that they are fully funded.

Ms. DORN. That is correct.

Senator STEVENS. In previous wars and periods of engagement, we have not fully funded the retirement systems. That was one of the real reasons why we had to really create the Federal Employees Retirement System. One of your husband's prior associates, Senator Baker, used to tell me that if you do not toot your own horn, it is not going to be tooted. That bill I authorized, the Federal Employees Retirement System. And I am delighted to see that you are acknowledging the costs of the system and assuring the members of the Federal system that we are fully funding their retirements despite the war.

Let me ask you this. This is a strange thing, too, based on my own experience. But when I entered government, we had a Bureau of the Budget. The creation of the Office of Management and Budget was really a creature of this Committee, as a matter of fact.

But I sense that OMB is still mesmerized by the budget and the management side is what is being slighted and has been slighted in recent years. Which side are you really going to be on? Are you on the budget side or the management side?

Ms. DORN. Senator, I have to be on both sides. I can tell you that while the budget and the whole budget process that stretches from January 1 to December 21 every year can be an all-consuming beast, that the President and Director Daniels have made an enormous investment in the management agenda.

The management initiative that the President announced last summer, the new provisions that you see in the fiscal year 2003 budget, they are new beginnings in this area. But I can tell you that is what they are. They are beginnings. We have a long way to go before we can institute and institutionalize a number of these changes. I really look forward to spending a lot of time in that area.

Hopefully, we will not get eaten up by the whole budget and appropriations process entirely, and we can spend some time on these issues.

Senator STEVENS. In my judgment, things that we read about, such as the problems of the Interior Department's oversight of the trust funds of our Indian people, would not have happened if the Office of Management and Budget really had pursued the management side of their responsibilities.

That is not an indictment of this administration or the previous one, but a whole series of administrations. And there are a whole series of situations throughout the Executive Branch were there are trust funds, and where there are funds that are managed for other beneficiaries. And I think that there is less oversight of those funds than there is of the items that members of Congress add to your budgets.

So I would invite you to spend as much time looking at how the people within the Executive Branch manage other people's money and other people's property, and have them be as closely supervised as how we handle the money that Congress thinks ought to

be allocated to items different from what the OMB believes they should be in.

I think if you and I are going to have any unfortunate words in the future, it is going to be over what we consider to be Congressional priorities and what you consider Congressional add-ons.

Ms. DORN. Yes, sir, I take your point in that area and hopefully we will not have as many disagreements. I guess one of the strengths that I bring to this job is that I have spent at least as much time in the last 20 years on this end of the street as I have down on the other end of the street. It is certainly not going to be for a lack of understanding of the position that you take.

Relative to the trust funds and these enormous programs that have enormous money associated with them, we have made an effort to try and, for example, start to run down what is known in the budget world as erroneous payments. Something like $20 billion goes out of the government every year to people who have either died, do not exist, or never got the checks. We will make an effort to try and spend more time on these areas and hopefully make some progress in making the government and the agencies and the trust funds more accountable.

Senator STEVENS. Last, Senator Byrd and I carry normally, when we are in session, a copy of the Constitution in our pocket in order to answer people who question us about how we handle our Committee's review of the budgets that you all submit. I hope that you and your colleagues will read the Constitution, too.

Thank you very much.

Ms. DORN. Thank you.

Chairman LIEBERMAN. In regard to this question of occasionally disagreeing with Senator Stevens, I can tell you from my own experience, it is a growth experience and I am sure you will handle it well.

Senator Cochran.

OPENING STATEMENT OF SENATOR COCHRAN

Senator COCHRAN. Mr. Chairman, thank you very much.

First, I want to congratulate Ms. Dorn on the nomination to be Deputy Director of the Office of Management and Budget. I know this is a very challenging undertaking for you, but knowing personally of your experiences as Assistant Secretary of the Army for Civil Works, the Office of the Vice President, and in various capacities here in the Senate, I am confident that you have the background and experience and ability to handle this job. So I do not have any questions of you along that line.

I do sympathize with the additional hours that you are probably going to have to spend in your job, though, with this new title and these new responsibilities. I am particularly thinking about your family seated behind you, Jim Whittinghill and Caroline and Patrick. I am glad to be here today to extend my greetings to them.

I think one of the things that may have been overlooked in the President's agenda that he outlined when he assumed office was to bring some real meaning to the word management to the Office of Management and Budget in his outline of what he calls the President's management agenda. Included in this is a directive really to

the agencies to restructure and to reduce the number of managers and organizational layers in government.

To what extent do you expect that you will be personally involved in supervising that or in following to be sure that directive is carried out by the agencies?

Ms. DORN. Senator, I expect that I am going to be spending a lot of time in this area. These issues are not something that you just send out a directive and then wait for it to magically happen. Having served in a number of the agencies, I have witnessed this sort of thing firsthand.

It takes a sustained concentrated effort to make changes in governments. It is like turning the Queen Mary. It is going to take a change in attitude.

I think the attitude in this administration starts with the President on down. You may have read in the press that the President, in meeting with the cabinet officers in December as we wrapped up the budget, was carrying around copies of their scorecards which I think made an impression on the members of the cabinet and we hope that that attitude pervades the agencies as well.

I think we will be spending time with the agencies, not on just the budget, not on just the mid-session review and the run up to the budget, but on a regular basis. There are a number of councils and gatherings that OMB chairs that I expect to be a part of. I can say that I share your view that we have got to make some changes in this area and really sustain our effort. It is not just a once a year exercise.

Senator COCHRAN. Well, from my point of view, we look forward to working with you closely to help ensure the success of this management agenda. I think it is a grand idea. I think it is clearly appropriate for us to put more emphasis on the management side of the old Budget Bureau, as Senator Stevens reminded us it was called. And I know that with your skills and experience, you will help make this into an agency that really does carry out the President's agenda in a very aggressive and successful way.

Ms. DORN. Thank you, Senator. And I think that this Committee deserves a lot of credit for making a start in this area. As I have mentioned, a number of these management initiatives really started with the Government Performance Results Act, the act that Senator Stevens cited. And we really need the help of this Committee to drive a number of these changes, both from a legislative perspective and with the agencies, as well.

Senator COCHRAN. Good luck to you.

Senator STEVENS. Could I make just one comment and ask one question?

In connection with the oversight of the Library of Congress, I was appalled to find the number of people that were leaving the Library at a very high level of government salary. They have been there for years and they deserve that salary.

As they leave however, to acquire young people who have the same educational credentials, the competition with the private sector is just overwhelming. The level of our entry salaries is not sufficient to acquire the best and the brightest any longer. I think we have got to find some way to get into a performance budgeting concept and to recognize that there are people out there who, despite

their young age, have the abilities that we need to manage things like the Library of Congress.

The structure of our current salary system is such that there is no way to give inducements to these people to enter. Even though their grades might be lower grades, but their salary levels be commensurate with what they could achieve in the private sector.

I would invite your attention and hope you would spend some time on that. If we do not act within the next 2 years, I think the Library of Congress loses about 40 percent of its people who have the skills that we need, and we have no way to replace them at the salary levels that are available.

I think it pervades government and I think you will find that the problems of the inflexibility of the use of money to obtain people, to fill the key spots in government, is one of the great deterrents of really good management today. I hope you will join us in looking at that.

Ms. DORN. Senator, I hope we can work on that together. It is an enormous challenge, particularly in areas like information technology where the private sector gets college graduates right out of college and sets them up and the government never even has a shot at many of those people.

Your initiative on e–Government is not going to be very successful if we do not have the right kind of people to manage it.

One of the pieces of legislation that is pending in the Congress is this Freedom to Manage package. One of the pieces of it does give agencies some flexibility in providing bonuses and better entry packages and other things. We will look forward to working with the Committee to see if they can pass some of these legislative authorities shortly. And as I said, I am open to working with you and with the Director of OPM to see if we can look at sort of the totality of Federal compensation to see if improvements can be made.

Chairman LIEBERMAN. Thanks, Senator Stevens, for that important point. And thank you, Ms. Dorn. It just brings to mind that we talked about the budget and management parts of your work and of OMB. There is a natural focus on the budget.

Unfortunately, in the normal flow of events here, on budgetary matters there tends to be a lot of sound and fury. Some of it ends up being, unfortunately, partisan although in the end we have got to get together to get the budget passed and keep the government running.

But on the management questions, I think there is enormous potential for bipartisan support and not a lot of sound and fury but the opportunity to really accomplish quite a lot in the areas that we have discussed with you today. So I hope we can work on that together.

I thank you for your testimony. I thank your husband and children for supporting you not only this morning but their willingness to have you take on this work. Caroline and Patrick, you have got two great role models of public servants in your mom and dad. And you are going to learn some higher math in the years ahead, as your mother carries out this function.

Senator COCHRAN. Or the new math.

Chairman LIEBERMAN. Yes, Senator Cochran corrected me and I accept it, new math.

This completes the hearing. The record will remain open for the rest of the day today for submission of written questions for the nominee and any written statements for the official record.

It is my intention to have a Committee vote on your nomination, probably off the floor, sometime next week so we can have you at work legitimately.

Senator STEVENS. Mr. Chairman, Senator Thompson had four short questions he would like to submit for the record.

Chairman LIEBERMAN. Yes, indeed and I gather from his staff that keeping the record open for the rest of the day will allow him to do that.

I also want to thank Senator Cochran for his interest in chairing the following confirmation hearing for Dan Blair and John Howard, which will occur within a few moments. So I know if any of you want to go anywhere, do not change the channel.

The Committee will stand in recess.

[Whereupon, at 10:18 a.m., the Committee was adjourned, subject to the call of the Chair.]

APPENDIX

TESTIMONY OF
NANCY P. DORN
NOMINEE TO BE DEPUTY DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE SENATE GOVERNMENTAL AFFAIRS COMMITTEE

FEBRUARY 8, 2002

Mr. Chairman and Members of the Committee:

I want to thank you for holding this hearing today and for the many courtesies you and your staffs have shown me over the last several weeks. The Committee has moved very quickly to deal with this nomination, and I want to express my sincere appreciation, as well as that of Director Daniels, for the committee's efforts.

It is a great honor to appear before the Committee today as President Bush's nominee to serve as Deputy Director of the Office of Management and Budget. I want to thank the President, the Vice President and Director Daniels for the tremendous opportunity to serve in this position. I also want to thank my family for the support and encouragement to continue serving in the federal government. My husband, Jim Whittinghill, continues to take on larger and larger responsibilities on the homefront as I have moved from the Speaker's Office to the Vice President's staff and now, hopefully, to OMB. I also want to take a moment to introduce my two wonderful children, Caroline and Patrick. They remain my highest priority in life and are most grateful to be attending this hearing instead of school this morning. Perhaps they can report back to their first and third grade classes, enlightened on management and budget issues facing the federal government.

As the President' s gatekeeper on budgetary, policy and regulatory matters, the Office of Management and Budget is at the center of the federal government. For me, that offers great possibilities in the public policy arena, drawing on my experience at the Departments of Defense and State, in three White Houses, and in the Congress. I have never served in OMB during my 21 years in Washington, but I have had the chance to view the organization and the people from

close range. I recognize the enormous responsibilities and duties inherent in this position and, if confirmed by the Senate, look forward to serving in one of the most professional and respected agencies within the United States government.

We face a number of challenges and opportunities in 2002. As is reflected in the budget President Bush submitted to the Congress this week, we must fund our priorities – defense, homeland security and economic growth – and hold down the increases in spending in other areas. While the potential for disagreement over which programs to fund and at what level is limitless, the possibility exists that the Administration and Congress can work together constructively in the bipartisan spirit that came out of the tragedy of 9/11. It is my hope that I can play a part in what Chairman Lieberman called "producing results for the people."

I would point out one other predominant theme of the '03 budget – management and performance-based budgeting. This committee has long been at the forefront of better government management, and has passed a number of significant measures including GPRA, the Paperwork Reduction Act and the Government Information Security Act. The President and Director Daniels have capitalized on the spirit of these laws and taken them a step further. To the surprise of some, the budget scores the agencies on five specific goals outlined in the President's Management Agenda. Further, the FY 03 budget actually pinpoints specific programs which are successful and those which are not, and budgets for them accordingly. But this is only a beginning. I look forward to moving toward fully institutionalizing performance-based budgeting.

I appreciate very much the opportunity to appear before this committee and look forward to working with you on these and other issues if confirmed as Deputy Director of the Office of Management and Budget.

Mr. Chairman, I would be happy to answer any questions you may have.

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION

1. **Name:** (Include any former names used.) Nancy Patricia Dorn
   Nancy Dorn Whittinghill

2. **Position to which nominated:** Deputy Director, Office of Management and Budget

3. **Date of nomination:** 12/18/2001

4. **Address:** (List current place of residence and office addresses.)

   Home: ----------

   Office: 285 Eisenhower Executive Office Building Washington, DC 20501

5. **Date and place of birth:** 9/18/58 Lubbock, Texas

6. **Marital status:** (Include maiden name of wife or husband=s name.)
   Married to James R. Whittinghill 10/27/90

7. **Names and ages of children:**
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8. **Education:** List secondary and higher education institutions, dates attended, degree received and date degree granted.

   Bachelor of Arts, Baylor University, 1981

9. **Employment record:** List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment. (Please use separate attachment, if necessary.)
   See Attachment 1.

10. **Government experience:** List any advisory, consultative, honorary or other part-time service or positions with federal, State, or local governments, other than those listed

above.
Presidential appointment to the InterAmerican Foundation Board 1997.

11. **Business relationships:** List all positions currently or formerly held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational or other institution.
One quarter ownership of Figure 3 Ranch (family-owned, unimproved agricultural land in Mitchell County, Texas).

12. **Memberships:** List all memberships and offices currently or formerly held in professional, business, fraternal, scholarly, civic, public, charitable and other organizations.
Member, Christ Child Society, Washington, D.C.

13. Political affiliations and activities:
    (a) List all offices with a political party which you have held or any public office for which you have been a candidate.
    None.

    (b) List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.
    Registered Republican, Arlington County, Virginia

    (c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 5 years.
    See Attachment 2.

14. **Honors and awards:** List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals and any other special recognitions for outstanding service or achievements.
None.

15. **Published writings:** List the titles, publishers, and dates of books, articles, reports, or other published materials which you have written.
None.

16. **Speeches:** Provide the Committee with four copies of any formal speeches you have delivered during the last 5 years which you have copies of and are on topics relevant to the position for which you have been nominated.
None.

17. **Selection:**

(a) Do you know why you were chosen for this nomination by the President? Yes. I was nominated by the President for this position because of my experience in several agencies of the executive branch of government, as well as my familiarity with the legislative branch. I have managed a large agency of the United States government and was responsible for the formulation and execution of a multi-billion dollar budget. During the first year of the current Administration, I worked closely with the Office of Management and Budget in my capacity as Assistant to the Vice President.

(b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment? As described above, I have had a wide range of experience in a number of agencies of the United States government, including the Department of State, the Department of Defense and the Executive Office of the President. I also have extensive experience in both the House and Senate as well as in the private sector.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate?
I have no existing relations with past employers or firms.

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain.
No.

3. Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?
No.

4. Has anybody made a commitment to employ your services in any capacity after you leave government service?
No.

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable?
Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.
I have no conflicts of interest with any former partners or clients which could in any way constitute a conflict of interest

2. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy other than while in a federal government capacity.

   During the period of 1994 to mid 2000, I was a consultant to a number of corporate clients who had business dealings with the executive and legislative branches of government. Those clients included the Coastal Corporation/ ANR Pipeline of Houston, Texas, which had interest in energy and environmental legislation and regulations, as well as tax matters. I also represented Gary Williams Energy Corporation of Denver, Colorado, whose interests were primarily related to refining regulations. The Cellular Telecommunications Industry Association retained me and my firm to work on various tax matters. I also worked with the Constuction Management Association of America on the Army Corps of Engineers' policies relating to contracting.

3. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the agency to which you are nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position?
Yes.

D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

   No.

2. To your knowledge, have you ever been investigated, arrested, charged or convicted (including pleas of guilty or nolo contendere) by any federal, State, or other law enforcement authority for violation of any federal, State, county or municipal law, other than a minor traffic offense? If so, provide details.

   No.

3. Have you or any business of which you are or were an officer, director or owner ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

   No.

4. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

   I have no additional information of interest to the Committee.

E. FINANCIAL DATA

The Answers to the Financial portion of the Questionnaire are available for inspection in SD-340.

Work History

January, 2001 to present	Assistant to the Vice President for Legislative Affairs
July, 2000 to January, 2001	Senior Policy Advisor to the Speaker of the House
April, 1996 to July, 2000	Partner, Hooper Owen & Winburn
March, 1993 to April, 1996	Principal, The Nancy Dorn Company
July, 1991 to January, 1993	Assistant Secretary of the Army (Civil Works)
January, 1990 to July, 1991	Deputy Assistant Secretary of Defense (Inter-American Affairs)
January, 1988 to January, 1990	Special Assistant to the President of the United States (Legislative Affairs)
November, 1986 to January, 1988	Deputy Assistant Secretary of State (Legislative Affairs)
June, 1986 to October, 1986	Chief of Staff and Floor Assistant to Representative Tom Loeffler (TX)
January, 1986 to October, 1986	Chief Spokesman and Press Secretary, Loeffler for Governor Campaign
1983 – 1986	Associate Staff, Committee on Appropriations, U.S. House of Representatives
1981 – 1983	Legislative Assistant to Congressman Tom Loeffler

AFFIDAVIT

Nancy Patricia Drew being duly sworn, hereby states that he/she has read and signed the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.

Subscribed and sworn before me this 21ST day of December, 2001

Notary Public

PRE-HEARING QUESTIONNAIRE FOR NANCY DORN
NOMINEE FOR DEPUTY DIRECTOR OF
THE OFFICE OF MANAGEMENT AND BUDGET

I. Nomination Process and Conflicts of Interest

1. **Why do you believe the President nominated you to serve as Deputy Director of the Office of Management and Budget (OMB)?**

   I believe the President nominated me because of my background and experience in policy, management and budgeting at senior levels in the Executive and Legislative branches of government.

2. **Were any conditions, expressed or implied, attached to your nomination? If so, please explain.**

   No.

3. **What specific background and experience affirmatively qualifies you to be Deputy Director of OMB? (Please describe your background and experience in relation to OMB's many and various roles, which, as you know, extend from budget development and execution to a host of management responsibilities.)**

   I believe I bring extensive experience from careers in both the Executive and Legislative branches of government, along with experience in the private sector. I served as Special Assistant for Legislative Affairs to both Presidents Reagan and George H.W. Bush as well as the Deputy Assistant Secretary of State for Legislative Affairs. In the policy arena, I was both the Deputy Assistant Secretary of Defense for Inter-American Affairs, and the Assistant Secretary of the Army for Civil Works. As Assistant Secretary of the Army for Civil Works, I was responsible for the management and budget of the Army Corps of Engineers, a $4 billion operating agency. Additionally, I served as a Senior Policy Advisor to Speaker of the House Dennis Hastert and as an Associate staff member of the House Appropriations Committee. Since January 2001, I have been the Assistant to the Vice President for Legislative Affairs.

4. **Have you made any commitments with respect to the policies and principles you will attempt to implement as Deputy Director of OMB? If so, what are they and to whom have the commitments been made?**

Other than a general pledge to faithfully implement the President's agenda, I have made no other commitments.

5. **If confirmed, are there any issues from which you may have to recuse or disqualify yourself because of a conflict of interest or the appearance of a conflict of interest? If so, please explain what procedures you will use to carry out such a recusal or disqualification.**

I have recused myself from any issues dealing with the trucking industry, as my husband, Jim Whittinghill, is an executive with the American Trucking Associations. If I am confirmed as OMB Deputy Director, I will follow all appropriate ethics and conflicts of interest requirements.

II. Role and Responsibilities of the Deputy Director of OMB

1. **How do you view the role of the Deputy Director of OMB?**

The role of Deputy Director involves working closely with the OMB Director to ensure that OMB's mission is fulfilled. OMB's strategic plan has a mission statement that defines OMB's role.

Mission Statement

The Office of Management and Budget serves the President by preparing the annual United States budget and carrying out other statutory requirements, developing integrated fiscal, budget, program and management policies, leading government-wide coordination in policy making, and ensuring, through management oversight, government-wide effectiveness and consistency in policy implementation, in accordance with Presidential priorities.

As with the OMB Director, the first responsibility of the Deputy Director is to ensure that OMB serves the President. I see this as requiring that OMB provide support for the President in policy making, from budget to regulatory policy development. In that capacity, if confirmed by the Senate, I will serve as a key advisor to the OMB Director and to the President and members of the cabinet. Along with the OMB Director, I also will work closely with the heads of other agencies and Congress to achieve results. The role of Deputy Director includes the establishment of policies for and coordination of improvements in Federal management. If confirmed, I will fulfill a number of statutory

requirements, the most prominent of which is to prepare the Budget of the United States Government each year.

2. **What challenges currently face OMB? How will you, as Deputy Director, address these challenges and what will your top priorities be?**

In my view, the greatest challenge for OMB is the development, execution, and management of critical priorities in the budget in the aftermath of September 11. As we commit to strengthened defense and homeland security programs, we must ensure that the programs work and that taxpayers' dollars are spent efficiently.

I also believe OMB and other Federal agencies face a number of challenges to implement better program planning, performance, management, and accounting for Federal spending.

Finally, I believe it is important to ensure OMB provides high-quality and timely work products. As part of that process, with the OMB Director, I believe it is important to ensure we retain and hire high-quality people at OMB and provide them with the necessary resources to meet their responsibilities.

3. **How do you plan to communicate and work with Congress to improve management in the Federal government and carry out OMB's other responsibilities?**

If confirmed as OMB Deputy Director, I look forward to developing a productive, bipartisan working relationship with Congress, in keeping with the President's intention for his entire Administration.

I think OMB's management responsibilities are critically important. If I am confirmed as OMB Deputy Director, I will work with the OMB Director in communicating our management priorities and goals to the Congress through a variety of hearings, statements and informal contacts to seek the views of Senators and Representatives. In particular, I look forward to a continuing dialogue with the Chairman, Ranking Member, and other members of this Committee on issues associated with improving management and productivity.

4. **The position of Deputy Director for Management (DDM) of OMB has been vacant since the start of the current administration. In the absence of this senior executive, how do you see the role of the Deputy Director being affected. For example, what responsibilities of the DDM will you assume and how will that impact your ability to perform the responsibilities normally assigned to the position for which you have been nominated? Are there any functions or duties of the DDM that you, as Deputy**

Director, would not be permitted to assume pursuant to the Vacancies Act, 5 U.S.C. " 3345 et seq.?

I think that OMB's management responsibilities are critically important. If confirmed, I expect the Director may ask me to handle a number of management responsibilities on his behalf, and to lead efforts to advance the President's legislative agenda. Once a Deputy Director for Management (DDM) has been appointed and confirmed, Director Daniels and I will work closely with that person to address OMB's statutory responsibilities and implementation of the President's Management Agenda. I am advised that the Vacancies Act does not pose a restriction or present a problem.

III. Organization, Planning, and Management of OMB

1. **What challenges currently face OMB from a management as well as a budget perspective? How will you, as Deputy Director, address these challenges and what will your top priorities be?**

I believe my answer to question 2 above fully addresses this matter.

2. **Have you reviewed OMB's strategic plan? What changes would you make?**

OMB is a staff agency whose primary reason for existence is service to the President. Its unique role in the Executive Office means that strategic and performance planning more closely resembles planning that policy offices in cabinet agencies and in large corporation undertake, as opposed to line operating functions. Notwithstanding OMB's special status, I believe that strategic and performance planning are important, and, if confirmed as OMB Deputy Director, I plan to work closely with OMB policy officials and senior career staff to communicate goals and objectives, and ensure that those goals are achieved. I would like to have a chance to review OMB's strategic and performance planning processes in more detail before addressing this issue with the members of the Committee.

3. **How do you plan to hold OMB's senior executives accountable for implementing the goals and objectives set forth in the strategic plan and ensuring integration of the implementation of OMB's statutory management, budget, and policy responsibilities?**

If confirmed as OMB Deputy Director, I will work with the OMB Director on using OMB's Senior Executive Service (SES) performance appraisal process to hold our managers accountable for achieving our goals and objectives. We will use this

assessment in making decisions on SES performance, including promotions and award determinations.

4. **How will you use OMB's strategic planning process to focus on OMB's important statutory management responsibilities and lead agencies' management improvement efforts?**

Because of their scope and importance, I believe that strategic plans are a critical tool in developing a comprehensive and integrated approach to performance management. Performance goals for management problems should be included in the annual plan, particularly for problems whose resolution is mission critical, or which could potentially impede achievement of program goals.

The President's Management Agenda identifies a set of government-wide initiatives that agencies are expected to carry out over the next several years. Agency performance plans will include performance goals for each of these initiatives.

5. **Have you reviewed OMB's past performance plans? How will OMB measure and report on its progress in future plans?**

I understand that OMB is developing a plan to monitor its progress on the President's Management Agenda. If confirmed, I will work with the OMB Director and OMB's other senior policy officials on the development and implementation of this plan.

6. **What do you see as your role in addressing OMB's human capital strategic planning? In particular, how do you plan to ensure that OMB staff members have sufficient training and expertise to effectively oversee financial management, performance measurement, information resources management, and procurement issues as well as to identify potential systemic problems in the agencies they examine?**

The President's Management Agenda identifies human capital as one of the most significant challenges facing the Federal government. Like many other agencies, OMB is confronted with specialized workforce needs, particularly as IT and management have become priorities. If confirmed, I will work with the OMB Director, and the senior policy staff at OMB, to develop and implement an appropriate human capital strategic plan.

7. **As part of OMB's continuous improvement efforts, are there areas at OMB where**

you think that reengineering its operations or activities could enable OMB to work more efficiently?

If confirmed, I intend to work with the OMB Director to review OMB's structure periodically to ensure that OMB is as effective as possible.

8. **How would you view your own role in achieving the goals set forth in OMB's strategic plan? How do you plan to hold yourself and OMB's other senior executives accountable for implementing the goals and objectives set forth in OMB's strategic and performance plans?**

If confirmed as OMB Deputy Director, I would be accountable to the OMB Director, the President, the Congress and the American public for achieving OMB's strategic goals and objectives. As indicated above, the OMB Director and I will use the SES performance appraisal system to hold our managers accountable for achieving these goals and objectives.

9. **What will you do as OMB Deputy Director to assure effective leadership and management within OMB itself? Please address such areas as results-oriented management, financial management, information and technology, and human resources. What specific background and experience will you bring to this task?**

If I am confirmed as OMB Deputy Director, I am committed to providing strong and ongoing leadership to effectively manage OMB. Along with the OMB Director, we will ensure that we have experienced managers in key policy positions at OMB. Performance-based management, a priority government-wide, will be a key component in leading and managing internally at OMB. My experience and background is described above.

10. **The Committee believes it is important to have a Deputy Director for Management at OMB. What is the status of the Administration's efforts to fill this position?**

It is my understanding that the OMB Director and the White House Office of Presidential Personnel are actively recruiting to fill this position.

IV. Budget and Economic Policy

1. **The Administration recently requested a $750 billion increase in the $5.95 trillion ceiling on total federal debt. Just last spring, the Congressional Budget Office forecasted that the Congress would not need to raise the debt ceiling until sometime in**

fiscal year 2009. Furthermore, the projections for near-term surpluses have changed to deficits. What happened to so dramatically change the debt picture for the federal government in one year? Do you support the continuation of a statutory debt ceiling?

It is premature to discuss the Administration's budget and economic forecasts prior to the their release on February 4th. However, it appears that the recession and the spending demands stemming from the September 11th attacks have contributed to the need to increase the debt limit this year. The debt limit has been used for the laudable purpose of encouraging spending restraint, and could reasonably be considered to continue to fulfil that purpose.

2. **Do you believe it is important to avoid deficits and pay down the national debt? If so, why? If not, why not? How high a priority issue is this for you?**

It is important for the federal government to avoid deficits and pay down the national debt, although the rate of debt payment may be necessarily slowed by recession, war or emergency. Paying down the national debt to manageable levels will reduce the fiscal burden on future generations.

3. **Do you personally support a requirement that the President submit a balanced budget to the Congress as one option for consideration?**

It is inappropriate for me to comment on this topic prior to my confirmation. However, I would look forward to working with Congress on ways to encourage fiscal restraint and budgetary accountability.

4. **Do you think that an economic stimulus package is necessary to bring the U.S. economy out of the current recession? If so, how large must the package be to have a meaningful impact on economic growth? Under what circumstances do you believe it is appropriate for the government to act through fiscal intervention rather than just allowing the Federal Reserve to work through monetary intervention? What criteria should be used in judging the merits of any stimulus package?**

My personal view is that an economic stimulus package is needed as an insurance policy against further unwanted slowdown. A stimulus plan along the lines of the one advocated by the Administration would be expected to have a meaningful impact on economic growth. When trying to combat the effects of a recession, it seems prudent to use all the tools that are available including both fiscal and monetary stimulus. Stimulus should aid growth in the short-term, but should also deliver longer-term efficiency gains as well.

5. **How important do you think it is that the Administration and Congress preserve the surpluses in the Social Security and Medicare funds to meet the future obligations of**

these programs and not borrow from them to meet current operating needs in other programs? Do you support taking actions to ensure that the trust fund surpluses are preserved? What actions would you recommend to return the federal budget to a position of having total annual surpluses at least the size of the combined Social Security and Medicare surpluses?

Trust fund surpluses are dedicated to their respective programs in the form of special Treasury IOUs. Thus, 100 percent of these surpluses are allocated to these programs. It would be premature for me to speculate on possible fiscal strategies in advance of my confirmation.

6. **OMB and CBO both develop 10-year baselines to report on the current condition of the budget under existing laws and policies and to judge the impact of any proposed changes to current laws and policies. In addition, the Congress and OMB use these projections to enforce budget agreements and budget laws. What is your view of the usefulness and reliability of baselines? How many years do you think a baseline should cover? How would you modify current OMB and CBO procedures to produce more realistic baselines?**

There has been an ongoing debate in Congress, the Administration and the press about the reliability of long term base lines. I would note that 10-year estimates have been subject to extreme volatility in recent years, which has made many analysts question their reliability and usefulness.

7. **How do we take steps to ensure that the Executive Branch and the Congress do not rely on unrealistic economic assumptions when they propose and adopt a budget?**

The Administration and Congressional Budget Office's economic forecasts have tracked quite closely with the consensus of private forecasters in recent years. Thus, while not always right, official forecasts have been based on realistic assumptions at the time they were made.

V. Budget Process

1. **Do you advocate any changes in current budgetary laws, rules, or procedure to improve budget discipline?**

The Administration should be willing to work with Congress to develop appropriate controls to ensure that enacted legislation is consistent with the funding levels proposed in the President's 2003 budget. Enforcement could include discretionary caps and PAYGO, a joint budget resolution that is signed by the President, or some other form of controls on legislative action. President Bush supported many of these proposals in the

2002 budget. Biennial budgeting, an automatic continuing resolution to prevent a Government shutdown, and a constitutionally valid line-item veto would also improve the process and enhance budget discipline.

2. **The Budget Enforcement Act expires in fiscal year 2002. What kind of budget process makes sense for the future? Should there be specified spending caps? Should there be a target defined in terms of spending or debt as a percent of GDP, or should there be a greater emphasis on budgeting for performance? What are your views on having separate protections for certain categories of programs, like the protections that were provided for violent crime spending, and aviation, highway and mass transit programs?**

The general purpose discretionary caps and PAYGO requirement of the Budget Enforcement Act were effective constraints when we had large and persistent budget deficits, but they have largely been ignored in the past few years. As indicated above, I would be willing to work with Congress to develop appropriate controls to ensure that enacted legislation is consistent with the funding levels proposed in the President's 2003 budget. Enforcement could include discretionary caps and PAYGO, a joint budget resolution that is signed by the President, or some other form of controls on legislative action. The goal should be to have a process that leads to agreement between the President and the Congress on overall tax and spending priorities, ensures that subsequent legislative action is consistent with these priorities, and is responsive to current needs.

In general, the Administration does not favor creating separate caps for small subcategories of discretionary spending because this limits the ability of the President and the Congress to make program choices. It can also have unintended consequences that lead to inefficient swings in program funding levels, such as the $5 billion reduction in the 2003 highway cap that the Transportation Equity Act requires this year.

3. **During the 106th Congress, the Committee heard testimony and reported legislation affecting the federal budget process, including legislation providing for biennial budgeting and appropriations, an automatic continuing resolution and reforming the treatment of emergency spending. Do you have a position on the following budget process reform proposals that are frequently discussed as solutions to specific budget problems:**

   a. **Automatic continuing resolutions?**

   The threat of a government shutdown has become a prominent feature of the annual appropriations process. For 20 out of the past 21 years, Congress and the President have not finished their work by the October 1st deadline, the beginning of the new fiscal year. This past year, none of the 13 appropriations bills were

enacted by the beginning of the year. Ideally, appropriations bills would pass on time as the law requires, but a back-up plan to avoid the threat of a Government shutdown is a good idea. Under the President's proposal contained in the 2002 budget, if an appropriations bill is not signed by October 1 of the new fiscal year, funding would be automatically provided at the lower of the President's Budget or the prior year's level.

The President's proposal would remove the incentive for the President or the Congressional leadership to use the leverage of shutting down the government to achieve spending objectives or to attach extraneous measures they could not otherwise obtain through the normal appropriations process. I believe a measure of this kind could be effective in ensuring that programs continue to operate while differences over funding levels are resolved.

b. **Restricting the designation of emergency for spending which evades the budget caps?**

The President's 2002 budget proposed to limit the emergency designation to funding that is for events that are sudden, urgent, unforseen, and not permanent; and for which adequate funding for a normal year has already been appropriated. If confirmed, I would be willing to work with Congress to limit the use of the emergency designation to these kind of circumstances.

c. **Establishing reserves to fund emergencies?**

The President's 2002 budget proposed to establish a reserve for emergencies but the proposal was not accepted by the Congress. The Administration continues to be willing to consider alternatives that would limit the use of the emergency designation to true emergencies, while allowing funding for true emergencies at the levels necessary to address the program need.

d. **Reforms to our pay-as-you-go requirements?**

The Administration is willing to consider extension of the existing PAYGO process, though it could be updated to make it more responsive and applicable to today's budget environment. We need to keep in mind that PAYGO sequesters have been waived by legislation in the past few years, so even though we had a PAYGO requirement existed, it was not enforced.

e. **Enhanced rescissions?**

Under current law, the President identifies budget authority that is not required.

He transmits a special message to the Congress that proposes the rescission and explains the reasons for his determination. The President may withhold funds for 45 days while Congress considers the proposed rescission. If Congress does not act to approve the rescission it is disapproved. At the end of 45 days, funds withheld pending rescission must be made available for obligation. The President may not re-propose any rescissions that have been withheld for 45 days and then released.

As you know, *enhanced rescission authority*, under which proposed rescissions would be effective unless Congress disapproved the proposal, was ruled unconstitutional by the Supreme Court.

Expedited rescission authority could be an improvement over current law because it would provide a fast track in the Senate that could eliminate current hurdles to approval of rescissions and would address the weakness of current law that permits Congress to disapprove proposed rescissions by not acting. An expedited rescission authority proposal could include additional procedures to speed up congressional action on the President's rescission proposals.

f. **Biennial budgeting and appropriations?**

I support the concept of a biennial budget. A biennial budget would allow lawmakers to devote more time every other year to ensuring that taxpayers' money is spent wisely and efficiently. In addition, Government agencies would receive more stable funding, which would facilitate longer range planning and improved fiscal management. Under the President's proposal for a biennial budget, funding decisions would be made in non-election years to help de-politicize the process. This would provide lawmakers with more time to finish appropriation bills on time because the next year would be free for other legislative business. I also believe a biennial budgeting and appropriations process would dovetail nicely with GPRA's objectives because it would allow the President, the Congress, and agency managers to focus on GPRA's goals of measuring and improving performance and results.

g. **One of the major benefits attributed to biennial budgeting is that, by providing funding for a longer period of time, it will enhance agencies' abilities to manage their operations. How would this be achieved? Would agency time and energy be shifted to improved financial management or better program evaluation? How would OMB ensure that this happens?**

Only twice in the last 50 years has the Congress enacted all 13 appropriation bills by the beginning of the fiscal year. This means that many agencies begin each year with a temporary funding arrangement, and uncertainty about the amount and

timing of resources until the year is well underway. Temporary funding arrangements should be eliminated, but if they can be pared in half with biennial budgeting that alone will enhance agency abilities to manage their operations.

The Administration could devote the extra time resulting from biennial budgeting to improving service delivery and program performance. The Administration has proposed five major management initiatives that are designed to improve program performance in the areas of managing human capital, competitive sourcing, improving financial performance, expanding electronic government, and budget and performance integration. OMB is committed to working closely with Executive Branch agencies to further these goals.

4. **The General Accounting Office and the President's Commission to Study Capital Budgeting have identified the need to improve the planning, budgeting and acquisition of capital assets. OMB has provided additional guidance in this area to the federal agencies and GAO has developed an executive guide on best practices used by leading private and state and local entities in making decisions about capital investments. What do you think are the main impediments to improving the performance of agencies' capital decision-making practices and how do you think these impediments could be alleviated?**

OMB has worked hard -- and closely with GAO -- to provide high quality guidance for the entire capital planning, budgeting, acquisition, and management-in-use cycle. Staff has provided training, worked extensively to improve and coordinate information technology projects, and monitored specific capital projects using these standards.

Perhaps the main impediment to better capital decision-making practices is the environment within which they occur -- the long-standing focus on budgeting for inputs. This Administration is determined to change that focus to budget for results. Before proposing funding for a program, we expect to see evidence that it is effective. For a capital project, we need evidence that it is the best way to augment the effectiveness of the agency or program. The Administration's concern about management of existing assets is reflected in Title III of the proposed Managerial Flexibility Act of 2001, transmitted to Congress last October. That legislation would permit agencies holding assets that they no longer need to sell them and use the proceeds to maintain and improve existing assets or to acquire new and useful ones.

5. **Do you support the creation of a separate capital budget for the federal government? If so, what recommendations would you make for establishing such a budget?**

The Administration does not support the creation of a separate capital budget for the federal government. I concur. The goal of investment in federal capital is to deliver government services efficiently and effectively. Funds are allocated to accomplish a wide variety of program goals on the basis of policy judgments. Only then can analysis assist in selecting the most efficient and effective means of delivering the service. For example, the Department of Justice considers whether more prisons, more FBI agents, or more assistance to State and local law enforcement would deliver better results in reducing terrorism and crime. Except as an aggregation of these program decisions, there is no efficient target for federal investment for an agency or government-wide.

Moreover, the total cost of capital acquisitions should be included up-front in the budget when the spending decisions are made so that the Executive and the Congress compare total cost with total expected future benefits in setting priorities for expenditures.

6. **The federal government undertakes a wide range of activities and responsibilities that have long-term cost implications. These commitments like insurance and credit programs--may draw on future resources. Over the longer term, the cost of the federal government's commitments will greatly exceed anticipated budget resources. In addition to the well-known surge in Social Security and Medicare payments due to the aging of the population, we face other fiscal exposures. They may be explicit like clean-up costs resulting from federal activities or implicit like expectations for the future use of resources based on past experience such as spending for disaster relief or the continuation of existing tax expenditures.**

   a. **Do you believe that adequate information about the long-term cost implications of current policies and programs is available through the budget process?**

      A great deal of information about the long-term cost implications of current policies and programs is available -- through the budget process, the budget documents, the actuarial reports for the Social Security and Medicare programs, and many other sources. OMB, GAO, CBO, and others assess the cost and risks of credit and insurance programs and of other programs. As an example, there have been many discussions of the implications of the aging of the population, most recently the President's Commission to Strengthen Social Security.

   b. **If not, what suggestions do you have for ensuring that the cost of such long-term commitments is appropriately considered when budget decisions are being made?**

      We have made some progress in ensuring that long-term costs are accurately counted and considered in the budget process, but I believe we can – and should – do more. I look forward to working with Congress in this important area. I am

open to proposals that help to ensure proper consideration of long-term costs.

c. **Do you think modifications should be considered to bring a more future-oriented focus to the budget process with respect to both aggregate fiscal policy and the composition of the government's commitments? If so, what do you propose?**

We certainly need to look ahead, but at the same time I think we must recognize long-range budget projections are inherently unpredictable. Since 1982, budget forecasts have frequently been wide of the mark. Forecasts have missed the mark by an average absolute difference of $75 billion, and ranging from a $206 billion overestimate to a $190 billion underestimate.

7. **In its guidance for preparing the President' FY2003 budget, OMB instructed agencies to describe how they will enhance and complete the linkage between their performance goal structure and their budget structure.**

a. **What specific actions do you foresee as necessary to achieve the purposes of this guidance?**

We will need to utilize both existing and new authorities to fully integrate budget accounts with performance goals. Under Director Daniels, OMB has instituted policies and procedures to measure performance and establish linkage with the budget process. The Administration proposed legislation last Fall to charge the full accruing cost of retirement benefits and retiree health costs to the salaries and expense accounts of Federal agencies.

b. **Do you expect this policy change to affect the development and preparation of the President's annual budget submission, and, if so, in what specific ways?**

Yes I do. I believe the 2003 budget will reflect many of the President's performance and management objectives; however, I cannot elaborate in detail prior to the budget submission on February 4th.

c. **What challenges do agencies face in achieving the required alignment of performance goal structure with budget structure, and what do you foresee as the consequences of not achieving full alignment?**

Beyond the major challenge of making the needed changes to agency budget and financial systems to charge the full cost of programs, an important agency task will be defining the appropriate budget account structure to facilitate this alignment. Without full alignment, the government and the public will be relying

on crude and incomplete approximations of how much it will cost to achieve performance goals.

VI. Government Management

1. **What do you see as the major management challenges and program risks confronting the federal government? What specific goals do you have, and how will you measure the success of your efforts in meeting these challenges and mitigating program risks?**

   The President's Management Agenda identifies the major management challenges confronting the Federal government. I am committed to helping the agencies implement the Agenda's recommendation fully to achieve concrete, measurable, and lasting results. The Administration is using an Executive Branch Management Scorecard to track agencies' status.

2. **OMB is required under the Government Performance and Results Act of 1993 (GPRA) to annually develop a government-wide performance plan, which is expected to provide a comprehensive picture of government performance. To date, OMB has prepared three plans organized by budget function that broadly summarize the annual agency performance goals of federal missions. As one OMB official noted, the Government-wide Performance Plan has been viewed as a derivative document, reflecting the budget and management decisions made throughout the process of formulating the President's budget submission.**

   a. **Are there changes that you would make in developing the Government-wide plan? Please explain.**

      The Administration is proposing major changes in the government-wide plan based on its integration initiative to better align results with costs across the government. I believe that the FY '03 Budget will reflect a sharpened focus on government performance and highlight those programs within agencies which have achieved those objectives. The President's integration initiative is expected to fundamentally alter how agencies submit their budget requests to the President and the Congress by better linking costs and results, and lead to further changes in the way the budget is presented.

   b. **Do you see the plan as an opportunity to focus decisions on broader issues cutting across specific agencies and their programs? If so, how do you plan to use that opportunity? Will agencies be encouraged to measure their performance against cross-agency goals?**

I agree that the government-wide performance plan should cover more of the programs that cross agency lines. I understand that during the last year OMB has conducted a set of reviews focused on particular areas where there are a large number of programs with a similar purpose. The early results from several of these reviews will be seen in the 2003 Budget. In future years, OMB will continue to increase its effort to develop goals for these programs.

c. **What should be done to better integrate performance planning and reporting into management decision-making, as opposed to being a derivative product?**

My understanding of the Government Performance and Results Act is that Congress envisioned that the government-wide performance plan would be based on the agency performance plans for the budget year. As OMB is now extensively using these plans during its traditional Fall Review of agency budget requests, this is an opportunity to use these plans to help make decisions on program resource levels, program effectiveness and efficiency, and comparative assessments of the value and merit of various operations and activities. Once decisions, both programmatic and management, are made in Fall Review, these are then reflected in the agency performance plans sent to Congress contemporaneously with the President's budget. I believe that OMB has made significant strides in using performance information in helping guide resources and management decisions, and will further increase its use of this information in the future.

3. **Under GPRA agencies are required to measure and report on their progress in achieving agency mission goals. Many agencies have had difficulty producing reliable and verifiable performance data, particularly when agency programs are implemented by state and local governments or other third parties. What will you do as Deputy Director to ensure that agencies address these problems with data reliability? What steps can be taken to improve the timeliness and quality of performance information?**

I understand that the Reports Consolidation Act of 2000 requires that an agency's annual performance report include an assessment of the completeness and reliability of the performance data included in the report. Following the enactment of this law, OMB issued detailed instructions to the agencies on including this assessment in their annual reports.

OMB further instructed agencies on actions that should be taken to improve the completeness and reliability of performance data. These steps include identifying existing inadequacies regarding the data and taking remedial steps, such as adding new data sources or replacing current sources, to address these inadequacies.

4. **What are your views on implementing Senators Voinovich's and Thompson's recommendation for OMB to develop goals, in consultation with agencies, for the 23 high-risk areas identified by GAO and to include these goals in the annual Government-wide Performance Plan?**

I believe the proposal has merit, and would be pleased to discuss it with my colleagues at OMB if I am confirmed as Deputy Director. The FY 2003 Budget will highlight a number of management areas across the government, as well as a select number of agency-specific issues.

5. **The President's Management Agenda includes 14 specific problem areas that demand focused management attention. Presumably, OMB will oversee progress on these areas. What will your involvement in this process be?**

OMB is using an Executive Branch Management Scorecard to show both how well departments and agencies are doing implementing the management initiatives, and where it scores at a given point in time against the overall standard for success. Director Daniels has been actively involved in the development and use of the scorecard, and if confirmed, I expect to be involved in that process as well.

6. **Looking across the government there is a great deal of program fragmentation, duplication and overlap. What can OMB do to address these concerns?**

This is a legitimate concern as duplication and overlap dull our efforts and waste resources. Director Daniels and OMB have taken steps to identify programs duplication, overlap, and fragmentation. I believe the FY '03 budget will advance these efforts. I look forward to working with the committees of jurisdiction to reduce the overlap and duplication of programs.

7. **The government has undergone many shifts in its priorities following the terrorist attacks in 2001. In your view, what impact has this had on FY 2002 agency goals, objectives, and results and how will these new priorities affect performance plans and reports for this fiscal year?**

Indeed, 2001 was a particularly difficult year both from budgetary and programmatic perspectives. The Administration clearly has had to set priorities and refocus resources to deal with new and urgent needs. However, agencies are allowed to prepare a revised final performance plan for FY 2002 during the initial part of this fiscal year. This revised final plan includes changes made to performance goals in a performance plan sent to Congress in February (2001), a plan version known as the final plan. The changes that can be made include new goals or modifications to existing goals because of unanticipated events occurring since the final plan was sent to Congress.

VII. Financial Management

1. **The government faces significant challenges in achieving accountability and generating reliable financial and management information on a timely basis for decision-making due to pervasive, generally longstanding financial management problems. Describe your views on the importance of financial management improvement, in general, and OMB's role in addressing these challenges.**

Sound financial management helps safeguard an organization's assets and provides useful information to its managers, owners and other interested parties. This is just as true in government as in the private sector. Improved financial management in the government will protect and leverage the use of scarce resources, provide for better decision making, improve operations and program effectiveness, and thus, over time increase the public's confidence in the government.

The government has made real efforts to implement these requirements such as GPRA and the CFO Act. However, overall, I think it is fair to say that progress has been uneven. Through enactment of the above-mentioned statutes, and others, the Congress has clearly stated that the government must improve its financial management to a level comparable to that expected in the private sector. OMB's role is to set clear standards for success and establish priorities so that the departments can allocate resources to efforts which produce real improvements.

2. **The President's Management Agenda (Fiscal Year 2002) identifies Improved Financial Performance as 1 of 5 government-wide goals and indicates that OMB will work with agencies to improve financial information timeliness, reliability, and usefulness. What are your plans for successfully carrying out this initiative?**

The President's Management Agenda for fiscal year 2002 sets ambitious goals for improved financial performance. In order to achieve the stated objectives, I will ensure that the RMOs work with the Controller to make sure clear standards for success in federal financial management are implemented throughout both OMB and the executive departments.

3. **Specific financial management and control issues often arise that call for close government-wide attention and oversight. For example, the President's Management Agenda highlights for particular attention erroneous payments of more than $20 billion, as compiled by GAO from agencies' financial statements. What should OMB's role be in identifying and solving financial management issues?**

OMB should take a leadership role in identifying and solving financial management issues by ensuring that Federal agencies know that improving financial management is a high priority and following through to ensure that agencies develop and implement sound, realistic plans to fix the problems. As financial management is one of five government-wide initiatives in the President's Management Agenda, I believe these issues are being addressed through ongoing budget and management oversight at OMB. OMB should also work with the agencies to address specific issues, including any legal or other obstacles that might hinder the achievement of initiative objectives to reduce erroneous payment rates. This initiative, and others like it, has been the focus of discussion and support by the CFO Council.

4. **In July, 2001, OMB issued guidance to agencies on improper payments as an amendment to Section 57 of Circular No. A-11. This guidance directed agencies to estimate and report the amount of their improper payments to OMB but did not offer suggestions on how agencies should do this, instead simply setting target rates for them. In addition, the guidance only asked agencies to report improper payments for benefit programs and some grant programs, and did not cover the entire universe of improper payments. Can you explain why OMB limited the requirement of estimating improper payments to those programs listed in Circular A-11? Will you report to Congress on the extent of improper payments identified by the agencies, and whether they are meeting their targets to reduce them? Do you believe OMB should provide additional guidance to agencies on how to estimate and report the amount of their improper payments?**

Because most programs that were known to be susceptible to erroneous payments were benefit or financial assistance programs, I understand the OMB decided to concentrate on those programs first, rather than procurement type activity. After some preliminary analysis of the benefit/assistance programs, OMB included in A-11 programs with annual costs of $2 billion or more. In the aggregate, these programs total approximately $1.2 trillion annually. I believe it is significant that while the thrust of OMB's initial effort was on the large benefit and assistance programs, supplemental OMB guidance to agencies made it clear that agencies are responsible for minimizing erroneous payments in **all** of their programs. I will ensure that Congress is fully informed on the targets established and the results achieved.

5. **At Senator Lieberman's request, GAO recently issued an Executive Guide entitled "Strategies to Manage Improper Payments," which outlines five strategies GAO believes agencies should implement to help reduce their improper payments. Following the issuance of the draft guide, Senators Lieberman and Thompson sent letters to the major departments and agencies, and to their Inspectors General, asking what they were doing to address the problem of improper payments and**

whether they were implementing the strategies recommended by GAO. Do you believe that these strategies are an effective way to address this problem? If so, will you work with agencies to implement them? If not, please explain.

The approach that GAO describes in its Executive Guide for managing erroneous payments is sound. It addresses each of the components of internal control, which are control environment, risk assessment, control activities, information sharing and communication, and monitoring. Because of differences in program objectives, statutes and design, the effectiveness of control activities designed to minimize erroneous payments will need to be determined on an individual program basis. I will be working with agencies using these strategies and other effective tools to reduce and eliminate erroneous payments.

6. **The majority of federal agencies' financial management systems do not meet statutory requirements for financial systems and cannot provide reliable financial information for managing day-to-day government operations and holding managers accountable. What will you do to help agencies implement effective financial management systems to improve accountability? Do you view this as a high priority?**

This is a high priority as, with some limited exceptions, federal financial management systems fail to meet targets for functionality, cost, and performance, due largely to ineffectual efforts to standardize financial management across the government. In recent years, OMB and Treasury, working through the JFMIP (the Joint Financial Management Improvement Program) have been working together to better clarify and achieve consistency of standards for financial statements and systems. I would support those systems proposals which foster the standardization of financial management across the government and the integration of performance and financial management in order to support decision making.

7. **In your view, are the staff resources dedicated to financial management issues sufficient for OMB to identify and correct systemic problems, improve government-wide financial management practices, and implement statutory requirements such as the CFO Act, the Government Management Reform Act, and Federal Financial Management Improvement Act? Please describe your views on the role of the CFO Council and how OMB can work with CFOs to leverage resources devoted to financial management issues.**

The CFO Council is becoming a powerful tool in the development of policy advice, and also for the implementation of government-wide initiatives. Many new CFOs have been confirmed and are working closely with the Controller and OFFM to implement the President's Management Agenda, particularly the government-wide initiative to improve financial performance. The CFO Council committee structure has been revamped to

more closely track with the objectives of the President's Management Agenda, and I believe that this strategy will further enhance the effectiveness of the Council. These new committees include Human Capital, Systems/E-Government, Erroneous Payments (which will work with the IGs), Financial Statement Acceleration, Best Practices, Budget and Performance, and Financial Asset Management.

8. **What role do you envision for OMB in the selection of qualified agency chief financial officers? How will you work with the Office of Personnel Management to develop a means to attract and retain financial management staff?**

The CFO Act establishes an OMB role in advising agency heads with respect to the selection of agency Chief Financial Officers and Deputy Chief Financial Officers. It also establishes an OMB role as to qualification standards and assessments of financial management staffs. My expectation is that OMB will remain active in this process.

VIII. Paperwork Reduction and Regulatory Affairs

1. **What do you believe are the principal challenges facing the Office of Information and Regulatory Affairs (OIRA)? How would you, as Deputy Director of OMB, strive to help OIRA meet those challenges?**

The major challenges facing OIRA are meeting its increasingly broad array of statutory and administrative responsibilities in regulatory, information, and statistical policy. Each of these areas is an important part of the Federal government's ability to operate through cost-effective regulation, sound information policy, and accurate and timely statistical data. I would address these challenges by working with the Director and the OIRA Administrator to evaluate OIRA's current structure and workload; to assess how OIRA is carrying out its responsibilities, and to then decide what kinds of changes may be needed to be made or new initiatives undertaken.

2. **OIRA has a variety of responsibilities under a number of statutes and executive orders, including development of policies on information resources, information security, and statistical matters; reviewing hundreds of significant regulations each year, and reviewing and approving thousands of information collection requests.**

   a. **What are your views on the organization of OIRA and the allocation of resources among various activities undertaken by the office?**

   I have not yet formed any views on the organizational and resource-allocation issues related to OIRA. Working with the Director and the OIRA Administrator, I plan to review the effectiveness of OIRA's organizational structure to ensure that OIRA's many responsibilities are carried out as effectively as possible.

b. **Do you believe OIRA has sufficient resources to accomplish these tasks? Alternatively, do you believe OIRA's responsibilities should be more limited?**

Working with the Director and the OIRA Administrator, I will review OIRA's staffing needs. I also welcome the views from this Committee on how to strengthen OIRA's paperwork and regulatory analysis and review functions, and its support of information resources management and statistical policy.

3. **The current Executive Order on regulatory planning and review, E.O. 12866, contains provisions intended to assure that regulatory review and decisionmaking are timely, fair, accountable, and transparent. The E.O. sets up a 90-day period for OMB review of proposed rules and creates mechanisms for timely resolution of disputes. The E.O. also establishes public-disclosure requirements for both OMB and the agencies. Do you support the disclosure requirements of E.O. 12866 and the 90-day time frame for regulatory review?**

Yes, I do support a timely, fair, transparent, and accountable regulatory review process. I have not yet determined how the specific requirements and processes in Executive Order 12866 impact OIRA's day-to-day functioning and whether any changes are appropriate.

4. **In light of the Governmental Affairs Committee's longstanding interest in the subject matter of E.O. 12866, do you commit to notifying, consulting with, and working with the Committee before the Administration makes any change to that Executive Order?**

If confirmed, I will work diligently to keep the Committee informed and engage in dialogue, as appropriate.

5. **What would you do as Deputy Director of OMB to foster the most productive working relationship between OIRA and state and local governments? What would you do with respect to implementation of the Unfunded Mandates Reform Act?**

Since State and local governments are our partners, I welcome input from these groups not only on regulatory issues but also on budget issues. Director Daniels and Dr. Graham have made a special effort to engage them. I look forward to working with OIRA to ensure that regulations reviewed are in compliance with both the letter and the spirit of the Unfunded Mandates Reform Act of 1995 (UMRA).

6. **Under the PRA, the authorization of appropriations to fund OIRA lapsed after September 30, 2001. Would you recommend that the authorization be restored,**

and, if so, for what duration should it be restored and should any substantive amendment to the PRA be included in the reauthorization legislation?

I do not believe that it is appropriate to answer this question at this point. If confirmed, I will examine this issue, and support the Administration's efforts to develop an appropriate legislative proposal.

IX. Procurement Policy

1. **A significant portion of the acquisition workforce is eligible to retire in the next few years. How will you address the challenges this presents for the federal government?**

The acquisition workforce is a critical element in government, but the problem does not end there. The President's Management Agenda identifies human capital shortages as a priority management objective. I look favorably on the revisions OMB has made to its agency budgeting guidance to incorporate these human capital considerations into the budget process. We need to carefully evaluate agency performance and provide feedback to agency senior leadership. In addition, we must continue to emphasize the importance of structured agency training and recruiting programs.

2. **The federal government spends more than $200 billion a year acquiring goods and services. Are there changes you believe are necessary to make the contracting process more productive?**

Generally, we should ensure that there is a proper balance between improved efficiencies achieved through new acquisition initiatives and the fundamental concepts of competition, fairness, integrity, due process, and transparency. Where appropriate, we should increase the efficiency of the contracting process, using the private sector model where possible, but maintain other concepts that are fundamental to our system of government and our system of procurement.

In making the contracting process more productive, we must eliminate stove piping and better integrate the roles played by the requirements and contracting personnel. Requirements personnel must be educated about the positive role that can be played by contracting officials when they are involved early in the process. Contracting personnel can make an enormous contribution to the acquisition process if they are involved when the requirement is first defined.

3. **Recent years have seen an explosion of government-wide and interagency contract vehicles. Some have praised these as simpler and more responsive vehicles for meeting agency needs while others have raised concerns that agencies are using these vehicles to short-cut competition requirements and are wasting taxpayer dollars. What is your**

view of these contract vehicles? How will you ensure that these contracts are used to best leverage the government's buying power while satisfying contractual requirements?

I believe that while there are efficiencies in government wide and interagency contract vehicles, we must maintain competition and other established practices. I look forward to working with OMB's Administrator for Federal Procurement Policy to become more familiar with these issues if I am confirmed as Deputy Director.

4. **Over the past decade the federal government has significantly increased its acquisition of services. Annually, the government acquires nearly $130 billion of services, more than twice the amount spent on products. However, the GAO and others continue to find instances in which the government is not obtaining fair and reasonable prices, is avoiding competition, and is not otherwise ensuring that the government obtains best value.**

   a. **Do you see these issues as being systemic across the government?**

      Yes.

   b. **In your view, what are the principal causes of these problems?**

      I see several inter-related issues that have led to weaknesses in service contracting. In particular, the Federal government's basic systems, experience, and culture are oriented toward the acquisition of products. Services, by their very nature, are more difficult to describe and require the exercise of a greater level of judgment in the contracting process.

5. **The Fiscal Year 2001 Defense Authorization Act requires the Comptroller General to chair a panel on competitive sourcing, including a review of Circular A-76. OMB is a member of the panel and has played an active role in its deliberations. What are your own expectations of the Panel?**

   I support the Administration's efforts to increasingly subject commercial tasks performed by the government to competition. Competition is key to achieving savings, better value and improved performance -- irrespective of whether the service provider is from the private or public sector. I view the Panel as an important catalyst to establish some general principles and identify more effective and streamlined processes. I understand that the Panel is making good progress and has identified some very real problems as well as potential solutions associated with the current system.

6. **In your opinion, what method(s) should be used to gather and report accurate data on the cost of contracting?**

   I have not fully formed my opinion on data collection methods. If confirmed, I look forward to learning more about this area. I will need to discuss with OMB managers the

utility of this data. There may be a need to explore other methodologies and processes to better serve the acquisition community.

7. **Last year, the Office of Management and Budget issued guidance directing all departments and agencies to compete or directly convert in FY 2002 the work of 5 percent of the FTEs (full time equivalents) listed on the Federal Activities Inventory Reform Act (FAIR) inventories. It has been widely reported that this number will be increased to 10 percent for FY 2003. Do you agree with these goals? If so, what do you believe is the policy rationale for the goals? What factors do you believe are relevant to outsourcing decisions under OMB's directive? Do you believe these decisions should include a determination of where the work can be done most efficiently?**

Yes, I concur with these goals.

I believe the President first set the goal of competing 50% of all commercial activities within the government to help achieve a results-oriented government that will be effective, responsible and market-based. Studies have shown repeatedly that after a public-private competition, regardless of who wins, there is a 20% cost savings as well as a performance enhancement.

Director Daniels is committed to improving agency effectiveness through results-oriented management. That's why this initiative is so important. The competitive sourcing of commercial activities will have a positive impact on the business of government and how we serve our citizens.

X. Information Policy and E-Government

1. **OMB is responsible for providing direction on government-wide information resources and technology management and overseeing agency activities in these areas, including analyzing major agency information technology investments.**

   a. **What is your understanding of the role of the OMB Deputy Director with regard to policies and oversight of governmentwide and agency-specific information management and technology decisions?**

   The OMB Deputy Director assists the Director and the President with regard to the full range of OMB responsibilities, including OMB's role on information management and technology issues. I intend to continue to pay significant attention to these critically important management priorities, which are closely linked with achieving the E-Government goals in the President's Management Agenda.

   b. **What, in your view, are the major information policy and technology management challenges facing the Federal government? How can OMB best**

help the government meet these challenges?

The Administration faces several important challenges in information policy and technology, including making a successful transition to an electronic government that serves citizens through improved performance in and across agencies; improving the way that agencies invest in technology and manage information resources in a way that supports their mission; and enhancing the security of Federal information systems to protect the content and privacy of communications.

c. **Under the Paperwork Reduction Act of 1995, OMB (OIRA) is required to develop and maintain a government-wide strategic Information Resources Management (IRM) plan. How would you envision this planning process occurring? How would you ensure that the agencies are a part of the plan and that the plan is disseminated to the federal agencies?**

OMB provides information resources through a variety of mechanisms. The E-Government component of the President's Management Agenda sets a strategic direction for the Administration that is citizen-centered and cross-agency, as highlighted by 24 e-gov initiatives that will transform the way the public interacts with government. The agencies also participate in the Chief Information Officers' Council, which has developed a strategic plan to set key interagency goals, objectives and measures in multiple IRM areas. I understand that the President's Budget will this year integrate many of these plans in a way that sets expectations for agencies on how to align resources this strategic direction. All of these efforts are the result of careful planning and significant coordination with and dissemination to the agencies. OMB staff work closely with the agencies to address both program issues and oversight concerns, so agencies can learn what the Administration's expectations are in managing their information resources.

2. **What are your views on the use of the budget process to improve information technology (IT) management? What other incentives does OMB have at its disposal to encourage good management practices? As Deputy Director, how do you intend to enhance coordination between management and budget staff in order to improve the adoption of OMB policies and guidance across government?**

The Budget process is a critically important tool in improving IT management. The Budget process for FY 2003 saw an unprecedented focus on IT management issues, which will provide valuable improvements in this area. However, OMB coordinates IT policy through a variety of means in addition to the budget. I understand that OMB staff met with each of the agencies to discuss IT management and e-government last summer, integrating budget planning with a management focus built from the Clinger Cohen Act (CCA), and the Federal Acquisition Streamlining Act (FASA Title V). This process achieved success because OMB IT policy staff worked closely with the Resource Management Offices and the other statutory offices as an integrated team that used OMB's multiple authorities to drive change in the agencies. I intend to promote more of this coordinated approach to management challenges as Deputy Director.

3. **Regarding IT policy, what is your view of the appropriate relationship between the Office of Information and Regulatory Affairs (OIRA) and the Associate Director for Information Technology and E-government? What are the responsibilities and the staff composition of each? How do you see these two entities following coordinated, yet distinct paths and what is the contribution each makes to OMB's mission?**

My impression is that the offices coordinate closely under this Administration. The Associate Director for Information Technology and E-government sets strategic direction in the key areas of e-gov and IT management. This official works closely with and sets IT policy leadership for the work of the Office of Information and Regulatory Affairs, as well as the RMOs and other statutory offices. OIRA remains statutorily responsible for assisting the Director in carrying out key information policy and technology responsibilities under the Paperwork Reduction Act. OIRA's Information Policy and Technology branch works as an integrated team with the office of the Associate Director for Information Technology and E-government. The entities are not distinct; they are joined to provide for greater strength in overseeing information policy, technology, and e-government.

4. **The Information Branch within OIRA, with a staff of about ten, is responsible for implementing vital and far-reaching information laws and policies. These include administering significant portions of the Paperwork Reduction Act and much of the Director's information technology capital planning and budget review functions under the Clinger Cohen Act, implementing information security responsibilities, and overseeing agency implementation of the Government Paperwork Elimination Act and the Privacy Act. The Information Branch also must implement Administration policies in these areas, such as promoting e-government. Do you believe that the Information Branch of OIRA has sufficient staff to perform its work well?**

I am not currently in a position to assess personnel needs in individual branches; however, I will investigate this and other staffing needs if confirmed as Deputy Director.

5. **The Administration's position has been that it would create the new position of Federal Chief Information Officer (CIO), to be responsible for government-wide information management, technology, and e-government issues, and that the Federal CIO position would be held by the Deputy Director of Management. How will the ongoing absence of a Deputy Director for Management affect the government's ability to manage the information and e-government issues? To what extent will it affect your role in these issues?**

The President issued his management agenda, and OMB has led significant agency and cross-agency work in implementing this agenda, while continuing to seek a Deputy Director for Management (DDM). The Director remains committed to finding a DDM of the highest caliber to address the management challenges across the government, and the

DDM will enhance OMB's ability to manage information and e-government issues. In the absence of a DDM, OMB has played a major role in this area, led by the Director and including work by the Deputy Director, the Associate Director for IT and E-Government, and OIRA. I intend to make these issues a priority as well.

6. **What priority do you place on information security as an element in government operations?**

The Administration places the highest priority on working to ensure that the information and information systems the Federal Government depends upon are adequately secure. I share that view.

This priority is reflected in a number of actions OMB has taken over the last year, specifically in the implementation of the Government Information Security Reform Act (Security Act). Agencies are now required to report annually on their performance in meeting specific security requirements found in the Security Act and OMB policy and submit plans to correct any weaknesses.

7. **How do you intend to use the results of agency computer security evaluations, now required by law, to improve OMB's oversight of federal information security?**

As noted above, the Government Information Security Reform Act of 2000 requires agencies to perform annual security reviews of their programs and systems. OMB has taken this requirement a step further. OMB guidance directs agencies to report the security weaknesses identified in their reviews, IG evaluations or GAO audits and report them in corrective action plans with scheduled completion dates. This brings accountability and discipline to the process and is a valuable management and oversight tool.

8. **How do you plan to link information security and critical infrastructure protection needs to the budget process?**

OMB relies primarily on traditional budget and management processes to ensure that information security and CIP needs are addressed. In addition, OMB requires that the agency's security corrective action plans for programs and systems are tied to the budget process through the corresponding business case submitted with the agency's budget. In this way, we can ensure that funding requirements for correcting the weaknesses related to information security and CIP are identified in the plan of action and are accounted for in the agency's funding request. Unless security is incorporated into and funded as part of each investment, the investment itself isn't funded.

Finally, we will use the security reports from the agencies, their budget submissions, and other sources to determine whether OMB must take steps to assist agencies in the budget process to quickly correcting their most serious weaknesses.

9. **What are your views on the sufficiency of the Privacy Act? How do you intend to address Internet privacy concerns?**

OMB takes seriously its statutory responsibility to oversee implementation of the Privacy Act and to ensure that it remains a viable tool in this electronic age. I look forward to working with OMB staff to determine whether changing technology and business practices may necessitate revising the Act and to initiate the legislative changes that might be called for.

10. **Recent national events have reinforced the importance of information, information technology, and critical infrastructure to the security and economy of the nation. How do you see OMB working on governmentwide issues such as homeland security, criminal justice information sharing, and cyber security to ensure that the critical information and technology resources are reliable, secured, and made available to all legitimate parties?**

OMB is already working closely with the Office of Homeland Security and the agencies to improve both the sharing of information across the Federal government and with State and local officials, first responders, and industry.

As for the security of Federal cyber assets, in October the President issued an executive order establishing an interagency Critical Infrastructure Protection Board with OMB as a member. The Board will work to appropriately unify the many Federal government security and critical infrastructure programs, improve outreach to industry, and leverage expertise and scarce resources. OMB's membership on the Board reflects its statutory security policy and oversight authorities for the Federal government's non-national information and information technology as well as OMB's unique ability to see programs and associated costs across the breadth of the Federal government.

Additionally, under the Government Information Security Reform Act of 2000, OMB is charged with annually reporting to Congress on improving the security of government information technology resources. I understand that OMB is preparing that report now.

11. **In the President's Management Agenda for fiscal year 2002, the Administration emphasized the need to expand electronic government initiatives, which was buttressed by OMB's Quicksilver initiative that created multi-agency teams to develop and deploy 23 major e-government initiatives.**

    a. **As the Deputy Director, how will you assess government-wide progress and success in the Quicksilver projects and other e-government initiatives? Will the Congress be presented data to demonstrate greater efficiency, cost savings, better citizen service, and higher productivity resulting from these products?**

As OMB works with the agencies to implement the now-24 e-gov initiatives on the workplans and business cases for these initiatives, improved productivity and better citizen service are key indicators. I would strongly support making this data available to Congress.

b. **How will OMB coordinate the activities of the Resource Management Offices, the Office of Information and Regulatory Affairs, and the Information Technology and E-government group in reviewing and assessing the merits and deployment of cross-agency electronic government initiatives?**

As I indicated above, the staffs of the Office of Information and Regulatory Affairs, and the Associate Director for Information Technology and E-government operate as an integrated entity and work closely with the other parts of OMB. This collaborative effort is highly effective for implementing the e-government and other IT initiatives.

12. **In your view, what steps should the Administration take to improve and encourage citizen use of the federal government's portal, FirstGov?**

Since its inception, FirstGov has delivered a quick and comprehensive search engine for the Federal government's over 30 million web pages. Unfortunately, the emphasis on search has not always led users to the information and services they need because so much extraneous information was also given. This administration is evolving FirstGov to guide citizens directly to the information and services they are looking for to make FirstGov a real one-stop portal to government services. The operating goal of FirstGov is now "three clicks to service." In my view, we must meet the demands of the public by delivering information and services in a citizen centered manner -- a fundamental goal of the President's Management Agenda.

13. **The Government Paperwork Elimination Act (GPEA) requires agencies to develop capabilities by October 2003 to permit, where practicable, electronic maintenance, submissions, or disclosure of information, including the use of electronic signatures.**

a. **To what extent do you believe that agencies will have the required capabilities by the deadline? What, if anything, does OMB need to do to facilitate this process?**

By October 21, 2003, agencies are to provide the option for electronic filing and electronic signature capabilities for the full range of government activities and services, unless it is not practicable to do so. Agencies have made a commitment to develop an implementation schedule to meet this. I understand that OMB is in the process of reviewing the second progress report on GPEA implementation in which agencies were asked to discuss their overall GPEA strategy, their schedule, and what additional capabilities they will need to meet the deadline. To ensure

agencies are on track for a successful implementation, OMB will need to provide recommendations to each agency and will use current authorities including the PRA review process to help agencies move forward.

b. **Will the electronic processes required by this Act significantly reduce information collection burdens? In your view, what additional electronic processes, if any, should be considered?**

Implementing an electronic process does not automatically reduce the burden of the information collection. I am advised that OMB has encouraged the early implementation of those projects with a positive return on investment for the agency and the public.
The E-Government Task Force identified other electronic processes for consideration that cross government lines which have the potential to significantly reduce the burden on the public in a wide range of areas.

c. **What do you see as OMB's role in leading, facilitating, and policymaking to ensure the successful government-wide implementation of this Act?**

I see OMB continuing to use management and budgetary tools, as well as technical expertise to push for full and timely implementation of this Act.

14. **The federal government is facing a tremendous challenge in preserving electronic records in an environment of rapid technological change. How should OMB work with the National Archives and Records Administration (NARA) to develop the approaches and technology needed?**

I am aware that Mark Forman, OMB's Associate Director for IT and E-government, leads the President's Management Council's 23 major e-government initiatives. This particular project is being considered as part of the Council's work. Knowing of the committee's interest, I will look into this matter.

15. **Making government information more accessible to citizens is a fundamental purpose of e-government. How will the planned Quicksilver e-government initiatives make information more accessible to citizens? What further actions are needed?**

The goal of the e-government initiatives is to leverage resources like the Internet to deliver specific government services and information in a citizen centered manner. The initiatives bring together agencies who had mostly only developed and delivered services themselves, without regard to similar services being delivered at other agencies. By bringing together similar agency efforts into one initiative, agencies can leverage each others resources, unify service delivery, and provide the citizen with services based on citizen needs rather than the needs of one agency. This, in turn, provides quicker service reduced reporting burden, easier use, and more comprehensive information and services.

Full implementation of this project will be a high priority in the coming months.

XI. Government-Wide Human Resources Management

1. **Management of agency personnel resources has emerged as a high profile issue in recent years. Concerns have been raised that changes in agencies' human-resource needs, combined with a history of downsizing through attrition and voluntary separations, have left some agencies with gaps in necessary skills and with many workers who are eligible to retire in the next few years. In fact, human capital management was added last year to GAO's high risk list as a major challenge facing the government.**

   a. **What philosophy and perspective would you bring to OMB regarding human capital management in the federal government, its importance, and what should be done to improve it? What would you foresee as your role as Deputy Director of OMB in this area?**
   I believe that effective workforce planning is crucial in achieving the President's vision to make the government more citizen-centered, results-oriented, and market-based. I am aware of many of the challenges that face the government now and in the future, such as the growing percentage of the workforce that is projected to retire over the next ten years; competing for talent with the private sector; and closing skill gaps created by past downsizing. I will place a high priority on implementing the President's human capital initiative by ensuring that agencies make human capital management an integral part of their executive management responsibilities. If confirmed, I will work with the staff in OMB and OPM, which is helping lead this initiative, to keep this issue front and center on the Administration's agenda. Human capital management is one of the issues the President's Management Council has as its focus and I will help that group as well as it addresses this problem.

   In addition, I will work with others in the Administration as well as the Congress to help advance the Managerial Flexibility act, which will give federal agencies and managers increased discretion and flexibility in attracting, managing, and retaining a high quality workforce.

   b. **OMB's Circular A-11 (budget formulation guidance) requires agencies to address human resource management issues in their budget submissions and strategic and performance planning documents. What is your view of the adequacy of these and other policies and guidance issued by OMB on human capital management and whether they need to be revised?**

   I applaud OMB's efforts to revise Circular A-11 requiring agencies to address specific human resources management issues in their budget and annual performance plan submissions. OMB working closely with OPM, should help agencies act on their workforce restructuring plans. I believe that improving the

link between human capital strategies and organizational mission requirements will help agencies build, sustain, and effectively deploy the skilled, knowledgeable, diverse, and high-performing workforce that is needed to meet the current and emerging needs of government and its citizens. This Administration has made human resource management a top priority. We are using the resources and policies we have to push forward, and we will be in a position to assess our progress in coming months.

e. **Do you believe agencies can and should address human capital management through GPRA goals and reporting? Have agencies done an adequate job of incorporating human capital planning into their strategic and annual performance plans? What could you, as OMB Deputy Director, do to help this be accomplished?**

I believe agencies can and should do a better job in addressing human capital management through GPRA reporting requirements. If I am confirmed as OMB Deputy Director, I will strongly support the President and OMB's on-going efforts to keep human resources management issues prominent in its budget and management oversight activities as I have noted previously.

2. **The President's Management Agenda for FY 2000, issued in August of 2001, states that each agency will include a restructuring plan in its 2003 budget to reduce the number of managers and organizational layers. Where does this proposal fall among your management priorities, and what are your specific plans for implementation? How will you ensure that each agency's workforce restructuring efforts are strategic and will enhance the alignment of resources with specific needs, and will not actually exacerbate the kinds of imbalances that sometimes arose from past downsizing and buyouts.**

All five of the government-wide initiatives – strategic management of human capital, improved financial performance, expanded e-Government, budget and performance integration, and competitive sourcing – included in the President's Management Agenda will rank highly among my priorities if confirmed as Deputy Director. The five government-wide initiatives form an inter-related and mutually reinforcing set of reforms to leverage break through not simply marginal improvement in program performance. Taken apart, they do not bear the same weight as all five working together.

During the coming year, the U.S. Office of Personnel Management, together with OMB, will work very closely with federal agencies to see that they effectively implement their workforce restructuring plans. Agencies will reshape their human capital strategies and organizations to attract and retain the right people, in the right places, at the right time; make high performance a way of life in the federal service; and deliver high quality services the American public deserves. These activities will align each agency's human

resources with agency-specific needs without exacerbating skill imbalances or other workforce deficiencies.

3. **Congress enacted the Federal Employee Pay Comparability Act of 1990 (FEPCA) to close the gap between federal and non-federal salaries for white-collar workers, but the pay adjustments under FEPCA have not been fully implemented, so that federal salaries have fallen farther and farther behind. Some argue that the discrepancy between federal and private-sector pay scales harms agencies' ability to recruit and retain the necessary personnel and is unfair to federal employees. What is your view about this, and what would be your goal as to comparability between Federal and non-Federal pay scales?**

I believe that our pay policy objective for civilian employees should be to set pay at levels that compensate employees fairly for their work and efforts and that will enable the Federal Government to recruit and retain the skilled and dedicated Federal workforce necessary to provide high-quality services to the American public. In my view, Federal pay policy has to strike a fair balance between the needs of employees and our management objective of maintaining competitive rates of pay under the constraints on discretionary spending. I look forward to developing my understanding of the complex issues surrounding the pay comparability process.

4. **S.1612, the Managerial Flexibility Act, represents the Administration's legislative proposal for reforming how agencies manage their workforces. Included within this legislation are requirements that the employing agencies begin prefunding, out of their annual appropriations, the full actuarial cost of providing certain future benefits for current federal personnel. What do you believe would be the effect of this proposal on agencies' budgets and human capital decisions? Generally, what do you see as the pros and cons of this proposal?**

The Administration's proposals in this area are intended to fully account for the costs of personnel, and do not contemplate reductions or benefit changes. Full costs of accruing benefits should be allocated to the affected salary and expense accounts so that budget and programmatic choices are not distorted. I see no downside to the proposal. Although on paper there is an increase in discretionary spending, this is not a real increase as these costs were carried elsewhere.

5. **Over the last few years, several federal agencies have been granted statutory personnel flexibilities that depart from the standard requirements of title 5 of the U.S. Code. Furthermore, some people have proposed granting personnel flexibilities government-wide, such as pay-for-performance or pay banding, performance bonuses, special recruitment, retention, or relocation bonuses, along with other flexible authority in such areas as early-out and buy-out authority, and hiring, training and deploying employees.**

a. **What are your views on the trend of granting human capital management flexibilities on an agency-by-agency basis?**

I support the tailoring of federal personnel systems to help agencies meet their specific mission requirements. Agencies need to be equipped with flexible staffing, performance management, and compensation tools if they are to be competitive in the recruiting and retaining a high-quality, diverse workforce. I believe the Administration's Managerial Flexibility Act, which was transmitted to Congress in October 2001, would begin to address this problem. This proposal would give every federal agency and manager increased discretion and flexibility in attracting, managing, and retaining a high quality workforce, instead of approving flexiblities on a case-by-case basis. Furthermore, it would empower federal agencies to determine when, if, and how they might offer new employee incentives, and it enhances the agencies' authority to use recruitment, retention, and relocation bonuses to compete better with the private sector. It would also permit agencies to develop alternative personnel systems, including pay-for-performance systems, to attract and hire employees that best fit the position, and it will enable managers to offer early outs and buyouts for downsizing and/or restructuring.

b. **What conditions do you believe are necessary for these flexibilities (whether granted agency-by-agency or government-wide) to be successful? For example, how important are factors such as union involvement and employee buy-in, and agency planning capability adequate to assure the management flexibilities are effectively used?**

The Administration is committed to finding creative solutions to the human capital problem. Flexibility and personnel policies are tools that can be utilized as is evidenced in the Administration Managerial Flexibility Act proposal. I expect that agencies will invest an appropriate amount of time getting buy-in from union representatives, employees, and managers to help ensure the successful use of flexibilities.

c. **Concerns have been raised that certain such flexibility proposals could diminish the effectiveness of the merit-based civil service system and could enhance prerogatives of management relative to labor. What is your reaction to such concerns that have been raised?**

While we have to be sensitive to such concerns, it is clear that the Federal Government must be able to recruit and retain high-quality workforce. To compete in today's job market, Federal agencies will need flexible tools to attract,

hire, and retain top-quality talent, while ensuring appropriate accountability, oversight, and adherence to certain foundation principles of the civil service, especially our open competition system. We must always hold high values of fairness and equity and apply them in our compensation and performance management systems.

6. **OPM in October 2000 adopted new regulations that senior executive performance be rated on the basis of customer satisfaction, employee feedback, and business results. Do you agree with this approach?**

I believe that changing the focus of SES performance management from process to results is a step in the right direction. I am looking forward to learning more about the SES performance management regulations that were effective last year.

7. **Premiums under the Federal Employee Health Benefit Program (FEHBP) have risen significantly, and the Office of Personnel Management attributed much of this rise to prescription drug prices. As OMB Deputy Director, what would you propose in response to this situation? For example, various people have proposed the following ideas:**

What are your views on each?

a. **increasing the proportion of employee premiums paid by agencies, so that it is comparable to the practices of many large private-sector employers;**

Like other health insurance programs across the country, the FEHBP has experienced rising premiums over the past several years. However, I am not able at this time to fully comment on the merits of various proposals. If confirmed as Deputy Director, I look forward to working on this issue in conjunction with OPM in the context of modernization of federal employee compensation systems.

b. **having FEHBP use the combined purchasing power of its nine million participants to negotiate lower prescription drug prices; and**

See above response.

c. **including Medical Savings Accounts in the FEHBP.**

See above response.

8. **The Administration has proposed changes to improve the efficiency of the Internal Revenue Service. Some of these proposals deal with discipline issues for IRS employees, which fall under the jurisdiction of the Governmental Affairs Committee. Specifically, the proposal includes suggested changes to section 1203 of**

the IRS Restructuring and Reform Act of 1998 (RRA) (26 U.S.C. ' 7804 note), which instituted mandatory termination rules for IRS employees that do not apply to any other federal employees in the executive, legislative or judicial branches of the government. The IRS has said that section 1203 has had a chilling effect on its workforce, including deterring actions against law-breaking taxpayers, and has dampened its ability to attract new employees. Do you agree that such legislative changes would be desirable?

Yes. Treasury cited the chilling effect of this provision on employees as a deterrent to fair enforcement of the tax laws and proposed to modify Section 1203 to permit a broader range of disciplinary actions, to eliminate employee versus employee allegations, and to establish that employee actions must be willful to be covered by section 1204. It will also add willful unauthorized inspection of tax returns as a covered offense under section 1203. Treasury contends that this carefully balanced amendment will help IRS use section 1203 as a tool to ensure fair treatment of both taxpayers and its employees.

XII. Inspector Generals

1. **What role should OMB take with the Inspector Generals (IGs) and their agency heads in order to strengthen their constructive working relationships and promote the effectiveness of the IGs?**

I believe that OMB can strengthen relationships between IGs and agency heads by ensuring that new agency heads and their senior political appointees thoroughly understand the role and responsibilities of the IGs and by facilitating ongoing dialogue between agency heads and IGs. I would hope that good will, a commitment to finding the best solution to the agency's problem, and frank discussions between the principals with OMB as facilitator, if necessary, would ensure solid working relationships and promote the effectiveness of the IGs.

2. **IGs are responsible for conducting and supervising audits and investigation. The IG community needs expertise and leadership to address ongoing and well-known weaknesses in the government's financial management systems. What actions do you believe are necessary to address the human capital needs of IG offices so that they have the personnel and skills to carry out their financial management and law enforcement responsibilities?**

I believe that effective workforce planning is the key to addressing the human capital needs of any organization. IG offices are facing the same issues as other government entities, and they should analyze their workforce needs and develop a strategy for achieving their mission over time. Their needs should form the basis of future budget requests, which would be evaluated by both OMB and the Congress.

3. **What specific oversight role should IGs have regarding the efforts of their departments and agencies to develop accurate, valid, and reliable performance**

measures and to prepare performance reports in accordance with the GPRA?

OMB guidance (Bulletin 01-02, Audit Requirements for Federal Financial Statements,) articulates the role of the IGs with respect to measures reported pursuant to the Results Act implementation. The Bulletin requires review of the internal controls relating to performance measures as part of the financial statement audit process. I believe that IGs can best serve the interests of their agencies by reviewing and reporting on the internal controls that have a direct effect upon the ability of the agencies to produce accurate and meaningful performance data.

4. **A strong IG office is an effective tool to identify fraud, waste, and abuse. However, when IGs find themselves in disputes with agency management about their findings and recommendations, they often turn to OMB for mediation. What do you see as your role in these situations?**

When an agency head and IG dispute an issue and cannot reach an agreement, I believe OMB should mediate the situation with tact and discretion. As noted in my response to the first IG-related question, I believe that OMB can prevent some disputes by ensuring that new agency heads and their senior political appointees thoroughly understand the role and responsibilities of the IGs and by facilitating ongoing dialogue between agency heads and IGs.

5. **Appointment of IGs vary. Some are appointed by the President and confirmed by the Senate and others are appointed by their respective agency heads. Those that are appointed by agency heads have relatively small staffs and operate on a limited budget. Do you believe that this limits their effectiveness, efficiency, and independence?**

I have been advised that Chairman Dan Burton of the House Committee on Government Reform asked the General Accounting Office to study this issue last spring. The Committee has not issued its report, and I would like to have an opportunity to review the Committee's findings before reaching a conclusion.

6. **Describe your view of the degree of independence the IGs should have in providing audits and investigations of federal operations, programs, and activities.**

I think it is essential that an IG has complete independence in conducting audits and investigations and that IG reports contain accurate, balanced, and unvarnished findings. On the other hand, the IG must be careful to achieve a balance between independence and isolation from the agency. Open and honest communication with agency officials is critical, but it is a two-way street and agency managers must reciprocate. The IG and agency management must maintain an effective working relationship built upon mutual respect and understanding of the roles of the IG and management.

7. **Following the September 11 terrorist attacks, additional demands have been placed on IGs, such as the loss of personnel detailed to the sky marshal program, and the expected decline in Federal law enforcement assistance that can be provided to IGs**

by the Federal Bureau of Investigations. What role will OMB play to ensure that IGs have adequate resources to prevent waste, fraud and abuse?

I would encourage IGs, as well as other senior management officials, to build their budget requests based upon thorough workforce planning, performance goals and results, and realistic assessments of their needs. These requests would be evaluated in the larger context of other priorities and homeland security needs and addressed fairly. I believe it is particularly important to emphasize interagency IG efforts to pool resources and knowledge on crosscutting issues such as erroneous payments, grants, credit and debt management, financial and information systems, and systems security. I would encourage the IGs to target their work in the areas identified by the President's Management Agenda and to focus on programs with the greatest potential return on investment.

XIII. Homeland Security

1. **The Executive Order establishing Governor Ridge's duties as Assistant to the President for Homeland Security states that he shall work in collaboration with OMB to obtain necessary and appropriate funding levels for programs related to homeland security.**

   a. **What is your view of how OMB should involve Governor Ridge and his staff in the budget process? Pescribe what you think the respective roles are for Governor Ridge and OMB regarding a homeland security budget.**

   OMB and the Office of Homeland Security (OHS) have forged a unique relationship regarding the development of the 2003 budget. OMB brought OHS into the budget review and decision making process, and both staffs conducted a crosscut of homeland security issues. The issues were jointly reviewed by Director Daniels and Governor Ridge. During this process, the OHS staff brought their understanding of Governor Ridge's priorities and their detailed substantive knowledge of issues related to homeland security. The OMB staff contributed a broad background in government operations and the ability to identify which programs could best carry out the task associated with the OHS priorities. I believe the two offices have established a very productive arrangement, and I will do what I can to see that it continues.

   b. **Under the executive order, Governor Ridge is directed to advise OMB on the funding levels for homeland-security programs and, before OMB forwards a proposed annual budget submission to the President, to certify that the funding levels are adequate. How would you interpret the significance of a negative certification by Governor Ridge? What actions do you believe OMB should take after such a certification?**

   As discussed above, the Governor and his staff have been directly involved in the

preparation of the President's budget. This participation in the decision making process has helped to ensure that the Governor will certify the funding levels contained in the 2003 budget are adequate. OMB would not want to submit a budget to the President that the Governor would not certify as adequate, and the working arrangement between OMB and OHS was designed to ensure that didn't happen.

2. **Governor Ridge's office has also been charged with developing a comprehensive national strategy to strengthen protections against terrorist threats in the United States. Please describe what you believe the relationship should be between the strategy development process and the overall budgets that the Administration will develop and submit for homeland security.**

I believe OMB and OHS should continue to work side-by-side in the development of the National Strategy. Part of this comprehensive plan will be to develop specific capacities and performance objectives to protect and defend the nation from further terrorist attacks. Future budgets will need to ensure resources are allocated to achieve these objectives. OHS and OMB have already developed a strong working relationship on the current budget, and I expect this relationship will continue.

3. **In a report released September 2001, GAO identified weaknesses in the federal government's comprehensive efforts on terrorism. Specifically, the report concluded that while OMB had made progress on tracking terrorism-related budgets, it and the National Security Council had not identified priorities or reported on duplication of efforts. How will you improve upon this performance?**

As the importance of fighting terrorism has grown, the Federal government has steadily improved the management of its combating terrorism programs. These improvements include better articulation of goals and general policy. If confirmed, I will work with the Office of Homeland Security, headed by Governor Ridge, and the NSC's Office of Combating Terrorism, headed by General Downing, to ensure that the budget reflects the Administration's terrorism policy and that the annual report reflects those goals as well. Although not perfect, the Annual Report does identify areas of overlap as well as potential gaps in our combating terrorism activities. I will do my best to ensure that OMB continues to improve the data collection for the annual report and try to ensure the most efficient allocation of resources to combat terrorism.

4. **There is widespread agreement that the government must spend more to bolster aspects of homeland defense. That said, it is important that the agencies and OMB ensure that available funding is spent on the most effective and highest priority programs.**

   a. **How will OMB sort through these requests to prioritize funding?**

   OMB will work closely with the Office of Homeland Security (OHS) to identify the funding requests that reflect the priorities established by the OHS in the national strategy. During the development of the 2003 budget, OMB and OHS

shared internal issue papers and briefing materials, established interoffice working groups to flesh out proposals, and sought the input of OHS in making final decisions about funding levels. I expect this working relationship will continue, and the combined strengths of the two offices -- OHS's specific knowledge and OMB's ability to identify which agencies had the capacity to carry out the priorities- - will guide the prioritization of these requests.

b. **What will the standard be to determine which programs relate to homeland security and are subject to budget review by Governor Ridge's office?**

I believe that for the FY 2003 budget, Homeland Security included activities that are focused on combating terrorism and that occur within the United States and its territories. These activities include efforts to detect, deter, protect against and, if needed, respond to terrorist attacks. As a starting point, funding estimates for these activities were based on data that has been reported since 1998 in the Office of Management and Budget's *Annual Report to Congress on Combating Terrorism*, and include combating terrorism and weapons of mass destruction (WMD), critical infrastructure protection (CIP), and continuity of operations (COOP). In addition, border security and aviation security were included as homeland security items. Governor Ridge and OHS reviewed all these items. Costs associated with the war on terrorism abroad and defense activities were considered separately.

c. **How will the federal government measure the effectiveness of its counter-terrorism funding and ensure that such funds are used as intended by the Administration?**

OHS is developing a national strategy to prevent future terrorist attacks on the United States and to improve our ability to respond to such attacks. OMB will work with OHS to establish clear and measurable objectives for this strategy.

5. **In most if not all cases, state and local officials will be the first responders to terrorist attacks. Any effective preparedness and response effort must recognize the critical role of these first responders, utilize existing response networks and integrate state and federal assets into a coherent whole.**

a. **How would you propose integrating federal, state and local government assets to avoid wasteful duplication of efforts while fostering complementary capabilities that would form the most cost-effective protections against terrorist threats?**

The Federal government can develop standards for readiness and ensure that Federal resources are targeted to those areas in which States and localities need help to reach a reasonable level of preparedness to handle significant terrorism events. These issues will be addressed more fully in the FY '03 Budget, as well a

in the national strategy being prepared by Governor Ridge.

b. **What role can and should the federal government play in fostering and maintaining necessary capabilities at the state and local levels?**

The Federal government should work with States and localities to ensure that every jurisdiction is equipped to mount an effective emergency response. The capabilities and resources of States and localities vary widely. For some of the more obvious differences involving manpower and equipment, the Federal government can help define the standards and minimum readiness capabilities that all jurisdictions should build toward.

c. **In what circumstances do you believe it appropriate for the federal government to provide funding to state and local governments for their efforts to combat terrorism?**

The events of September 11th demonstrated that significant terrorism incidents pose real challenges for State and local emergency responders, as well as Federal authorities. Governor Ridge as indicated that first responders will be a priority in the FY '03 Budget. While is would be premature to comment in detail, I think it makes a great deal of sense for the Federal government to take steps to ensure minimum levels of readiness to respond to such events, should they occur in the future.

d. **How can the federal government encourage and foster local and state-level intra- and interstate mutual assistance programs?**

This is an approach worthy of consideration. OMB and OHS are looking at mutual assistance compacts as well as other alternatives to maximize emergency response.

e. **Much of the nation's critical infrastructure is privately owned. In what circumstances do you believe it appropriate for the federal government to provide assistance to private businesses for their efforts to combat terrorism?**

The Federal government's role in this area is largely one of improving the time and process to detect potential threats and distribute necessary information to appropriate officials, including industry and the public, and improve decision making based upon that information. Providing more valuable information regarding threats, vulnerabilities, the resulting risks and suggested countermeasures will better enable industry and the public to protect their assets.

6. **In light of the events of September 11, the protection of our nation's critical infrastructure -- which includes information and communications; banking and finance; water supply; transportation, including aviation, highways, mass transit,**

pipelines, rail, and waterborne commerce -- has become increasingly important. Presidential Decision Directive 63, signed by President Clinton, set as a national goal the ability to protect the nation's critical infrastructure (both physical and "cyber") by the year 2003. What is the role of OMB under Presidential Decision Directive 63? What do you think OMB's role should be in managing and coordinating federal agencies' ability to protect our nation's critical infrastructure?

In October the President issued an executive order establishing an interagency Critical Infrastructure Protection Board with OMB as a member. The order subsumed the requirements of PDD-63 and the Board and OMB will work to appropriately unify the many Federal government security and critical infrastructure protection programs, improve outreach to industry, and leverage expertise and scarce resources in government and industry.

OMB's membership on the Board reflects our statutory security policy and oversight authorities for the Federal government's non-national information and information technology as well as our unique ability to see programs and associated costs across the breadth of the Federal government.

XIV. Relations with Congress

1. **Do you agree without reservation to respond to any reasonable summons to appear and testify before any duly constituted committee of the Congress if you are confirmed?**

   Yes.

2. **Do you agree without reservation to reply to any reasonable request for information from any duly constituted committee of the Congress if you are confirmed?**

   Yes.

XV. Assistance

1. **Are these answers your own? Have you consulted with OMB or any interested parties? If so, please indicate which entities.**

   The answers are my own. Since receiving a list of 148 specific questions from the Committee, I sought background information from OMB.

AFFIDAVIT

I, NANCY P DORN, being duly sworn, hereby state that I have read and signed the foregoing Statement on Pre-hearing Questions and that the information provided therein is, to the best of my knowledge, current, accurate, and complete.

Nancy P Dorn

Subscribed and sworn before me this 23rd day of January, 2001.

Bernie M. Jones Weaver

Notary Public

Commission Expires: August 14, 2004

Additional Pre-hearing Questions from Chairman Lieberman for Nancy Dorn, Nominee for Deputy Director, Office of Management and Budget

I. Budget and Economic Policy

2. **The declines in the surplus due to the revenue impact of the 2001 tax cut in FY 2002 through FY 2011 appear sufficient to cause the Federal government to borrow some of the Social Security Trust Fund surplus. In your estimation, to what extent will borrowing from the Social Security Trust Fund be needed?**

   Social Security will receive special Treasury securities equal to the full value of its overall surplus. Over 2003-2007, this overall surplus includes cash surpluses of $549 billion and interest payments of $510 billion. The recession and the war on terror have pushed the unified budget into deficit, which is estimated to continue until 2004 or 2005. While this means that there will be a temporary pause in debt reduction, the burden of debt on the economy is projected to fall over the budget window.

3. **The Senate Budget Committee projects that the 2001 tax cut accounted for 45% of the reduction in the government budget surplus between 2002-2011, spending, including defense and homeland security, accounted for 19% and economic changes accounted for 36%. Do you believe that these estimates are approximately correct? If not, what are your estimates?**

   The Administration's budget projects that tax relief accounts for less than 15% of the reduction in the 2002 unified budget surplus relative to last February. Over the 2002-2011 period, OMB's estimates are similar to those of CBO: 43% for tax relief including debt services, 17% from spending and 40% from economic effects.

4. **The Senate Budget Committee projects that Federal government spending as a percent of the Gross Domestic Product (GDP) will decline from 22.2% to 16.5% between 1992 and 2011. Do you believe that this estimate is approximately correct? If not, what is your estimate?**

   Outlays totaled 18.4% of GDP in 2001, the last year for which OMB has actual data. The Administration projects that this ratio will edge down to 18.3% by 2007. While the Administration believes that 10-year projections are inherently uncertain, current projections show this ratio falling to 17.9% by 2011.

5. **The Senate Budget Committee projects that discretionary spending as a percent of the GDP will decline from 8.5% to 5.2% between 1992 and 2011. Do you believe that this estimate is approximately correct? If not, what is your estimate?**

Discretionary spending totaled 6.5% of GDP in 2001, the last year for which we have actual data. The Administration projects that this ratio will also be at 6.5% of GDP in 2007. The Administration believes that 10-year projections are inherently uncertain. However, current projections show this ratio falling to 5.9% by 2011.

6. **When the administration was advocating its tax cuts last spring, one argument it made was that the supply-side effects of the tax cut would increase the underlying growth rate of potential GDP. It was not focusing on demand-side stimulus in the short run, but rather an increase in the savings rate and in the number of hours people would choose to work by the end of this decade, by 2009 or 2010. Now that the tax cut has been enacted, do you believe that the OMB economic forecast should and will show a higher or lower rate of growth of potential GDP, of national saving, and of workforce participation by the end of the decade?**

The Administration believes that last June's tax relief package will have a favorable effect on economic growth going forward. However, in the interest of conservative budgeting, the Administration has for the second year adopted growth assumptions that are in line with the Blue Chip consensus. Both expect 3.1% average real GDP growth over the 2002-12 period.

8. **The Joint Committee on Taxation in JCX-52-01 found that the revenue impact of the reduction in the 28% and higher tax brackets was -$420.6 billion between 2001 and 2011. It found that the revenue impact of the estate and gift tax provisions of the law was -$138 billion in this time period. It found that the revenue impact of the relief from the individual alternative minimum tax was -$49.6 billion. Do you find these are reasonably accurate estimates? Given the new demands associated with homeland security and national defense, do you believe we can still afford to spend these funds on these tax cuts? Can we enact these tax cuts and also spend what we need to on homeland security and national defense without substantially aggravating the long-term budget deficits and the national debt?**

While tax issues fall under the domain of the Treasury Department, these estimates look broadly accurate. Last year's tax relief package provided needed stimulus to the economy at just the point when growth was faltering. I believe it was and continues to be the appropriate policy for enhancing the nation's growth outlook.

The Administration's budget gives very high priority to winning the war against terror and protecting the homeland. While the budget will go into temporary deficit for a few years as a consequence, the fiscal picture remains strong. Debt as a ratio of a GDP is projected to fall from 34% in 2002 to only 25% in 2007.

POST-HEARING QUESTIONS FROM SENATOR THOMPSON FOR NANCY DORN

1. **This year's budget pays more attention to the actual performance of programs than any in the past. However, we still have a long way to go before Congress can legitimately reallocate funding based on how agencies tell us they expect to perform. There is not good enough information about program performance. How will you ensure that we continue to improve the quality of performance information and help lead the way to budgeting based on performance?**

The Administration's initiative to integrate budgeting and performance, one of five high priority Presidential management initiatives, is designed precisely to provide better information on program performance to policy officials and program managers alike. The FY 2003 *Budget* is a first step in this direction, and OMB intends to continue this direction in next year's budget. Chapter 1 of this year's *Analytical Perspectives* document discusses this initiative in some detail.

2. **The management of counter-terrorism programs and program funding has emerged as an increasingly important issue. Now, more than ever, the government must maximize our ability to strengthen our counter-terror capabilities. The potential for overlap and duplication among these programs has been well-documented, with over 40 government agencies having some sort of counter-terrorism responsibility. Additionally, there is the concern that agencies may try to over-include non-terrorism related programs under the counter-terrorism heading in order to protect them from funding cuts. What steps do you plan to take to guarantee that the right amount of money gets to the right programs, and that these programs do not needlessly overlap?**

The President created the Office of Homeland Security (OHS) to address exactly these issues - building the capacities needed to fight terrorism in the most effective and efficient way. OMB has been working - and will continue to work - very closely with OHS to ensure that this is the case. The 2003 Budget and the forthcoming National Strategy will help address the fragmentation in counter-terrorism programs by:

- Identifying and prioritizing the capacities needed to build to combat terrorism.
- Utilizing Federal agencies and policy instruments (e.g. Federal spending, agreements with State and local governments) that are most appropriate to build those capacities.
- Allocating resources based on a system that reflects a unified set of priorities.
- Benchmarking and measuring performance in building those capacities.

OMB and OHS have worked to establish a tight definition of homeland security – one that includes only those programs that are focused on combating terrorism and protecting critical infrastructure domestically. Homeland security is one of the President's highest priorities, and we will continue to work with the agencies and the Congress to ensure that funding provided to secure our Nation against terrorists does just that.

3. **In this era of particularly tight budget resources, ensuring sound financial management by the Federal government is absolutely essential. As a backdrop, however, there is a long string of financial failures, where money has not only flowed into the hands of those unqualified to receive it but also sometimes cannot be accounted for at all. What are the most important elements of OMB's plan to ensure that taxpayer money is spent as intended and not squandered? Additionally, the Department of Defense will be getting a large influx of federal funds to expand many critical counter-terrorism programs but will oversee them with financial controls that are among the weakest in government. How will OMB help DoD keep a firm hand on all of its funds?**

Two items on the President's Management Agenda are to (1) ensure that Federal financial management systems produce accurate, timely and useful information to support operating, budget, and policy decisions; and (2) to integrate budget and performance to measure result.

To improve the quality and timeliness of financial information, OMB is requiring agencies to accelerate financial reporting for next year and requiring quarterly and comparative reporting of information. The reporting date moves up to November 15 for the FY 2004 statements. This will force agencies to first reengineer their business and financial management practices to ensure these deadlines are met, and then develop robust, integrated systems capable of delivering this performance. These improvements are essential to clearly and consistently calculating the cost of programs, measuring program results, and integrating this information to make informed budget decisions. This also will provide agency managers with the resource information they need to make day to day operational decisions, such as our current efforts to reduce erroneous payments. OMB is working closely with troubled agencies to ensure their system development efforts lead to systems able to deliver this level of performance.

The President's Management Agenda commits the Department of Defense to achieve concrete and measurable results in the financial management area in the near term. OMB is working closely with the department as it begins its Financial Management Modernization Program with the goal of operating financial management in an efficient, business-like manner. The program will provide improvements that will refocus existing resources on improving high-visibility financial management problems and stabilize current financial management system investments. OMB also has been working with the department to reduce the risk of erroneous payments through improved payment practices.

4. **This Committee has been studying ways to streamline the Presidential appointment process, because we've come to the conclusion that it takes too long to get the President's team in place. We've worked with other Committees in the Senate to ensure they're not asking duplicative questions of nominees. The Committee suggested the President bring some common sense to the FBI background investigation procedures so that those who need the highest level of scrutiny get it and that those who don't, get a more reasonable level of investigation. Senators Lieberman and Thompson have introduced legislation in this area, the Presidential Appointments Improvement Act, to streamline the financial disclosure form required of nominees, as well as some other simple reforms. Can you tell us your thoughts on the Presidential appointment process? What can you do to help us bring some efficiency to this process?**

The Administration also is concerned with the Presidential appointment process and acknowledged the increasing complexity of the nomination and confirmation process and the often frustrating, burdensome and unnecessarily intrusive disclosure requirements. On July 30th of this year, the Administration proposed amendments to the Ethics in Government Act of 1978 to streamline and standardize the financial disclosure requirements for Executive branch employees. The draft bill would implement the recommendations included in the Office of Government Ethics April 2001 "Report on Improvement to the Financial Disclosure Process for Presidential Nominees." The proposal would raise the minimum threshold for reporting assets from $1,000 to $5,000; reduce the number of valuation categories throughout; shorten certain reporting time-periods; limit the scope of reporting by raising certain dollars thresholds; reduce descriptive details that are unnecessary for conflict analysis; and eliminate redundant reporting. We look forward to working with Congress to improve the Presidential appointment process.

5. **As you know, the Federal government is facing a human capital crisis. Impending retirements, combined with the traditional difficulty that Federal agencies have with recruitment and retention, make the need to address personnel problems urgent. It has been aptly observed that the Federal human resources system under-whelms in every performance aspect, including hiring, firing, and employee retention. The events of September 11th provide the impetus to address these problems particularly with respect to the national security workforce. Senators Akaka, Durbin, and Thompson introduced both the Homeland Security Federal Workforce Act and the Homeland Security Education Act to address these problems. Together, these bills provide the educational foundation, as well as the recruitment and retention tools, to provide the Federal government the workforce it needs to ensure the national security. What are your thoughts on this legislation? What can we do to ensure these principles get enacted this year?**

I applaud the actions of Congress in introducing the legislation which has among its goals providing Federal agencies and managers with increased discretion and flexibility in

attracting, managing, and retaining a high quality workforce. The events of September 11th have underscored the importance of having human capital issues in the forefront of the President's Management Agenda. OMB will work closely with Congress, the Office of Personnel Management, and other Federal agencies to ensure that the proposed legislation will help agencies build, sustain, and effectively deploy the skilled, knowledgeable, diverse, and high-performing workforce needed to ensure the national security of the United States. In addition, I will work with others within and outside of the Administration to help advance the Managerial Flexibility Act, which is an important step toward achieving the President's vision to make Government more citizen-centered, results-oriented, and market-based.