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NOMINATION OF JOSHUA B. BOLTEN

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

ON THE

NOMINATION OF JOSHUA B. BOLTEN, TO BE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

JUNE 25, 2003

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NOMINATION OF JOSHUA B. BOLTEN

WEDNESDAY, JUNE 25, 2003

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

The Committee met, pursuant to notice, at 9:32 a.m., in room SD–342, Dirksen Senate Office Building, Hon. Susan M. Collins, Chairman of the Committee, presiding.

Present: Senators Collins, Stevens, Voinovich, Coleman, Specter, Bennett, Fitzgerald, Sununu, Levin, Akaka, Durbin, Carper, Lautenberg, and Pryor.

OPENING STATEMENT OF CHAIRMAN COLLINS

Chairman COLLINS. The Committee will come to order. Good morning.

Today, the Committee on Governmental Affairs is holding a hearing to consider the nomination of Joshua Bolten to be the Director of the Office of Management and Budget, one of the most important positions in the Federal Government. Most people know OMB as the agency that oversees the preparation of the President's budget and its administration by Executive Branch agencies. OMB, however, also has a variety of other responsibilities. Most notably, it oversees financial management, Federal procurement, information and regulatory policies in all executive agencies. As such it plays a broader role than virtually any other agency in the Federal Government.

While OMB's budget functions are important, so too are its management responsibilities. Over the years this Committee has received countless reports from Inspectors General and the General Accounting Office that highlight programs at high risk for mismanagement, waste, fraud, and abuse. Ensuring that agencies are properly managed is crucial to seeing that taxpayer money is wisely spent and that the missions of each agency are carried out efficiently and effectively.

I applaud President Bush for placing far more emphasis on management issues than have previous administrations. For example, the President has developed an aggressive Management Agenda to ensure that management issues are of high priority. As part of this Management Agenda OMB is responsible for assessing agencies' performance in five key areas: Financial management, human resources, e-Government, competitive sourcing, and linking budget to performance.

The administration is also beginning to link management and budget issues through its Program Assessment Rating Tool, also

known as PART. PART is intended to hold agencies more accountable and ensure that they are operating efficiently by identifying the strengths and weaknesses in their programs.

In overseeing these management responsibilities as well as the preparation and implementation of the President's budget, Mr. Bolten will face many challenges if confirmed for this critical post. I am very pleased personally that he has agreed to serve in this important position for which he is very well qualified. His extensive experience in both the public and private sectors provides him with the background he will need as the Director of OMB. Mr. Bolten also possesses the extensive knowledge, extraordinary intelligence, and perhaps most important, the patience and persistence needed to be a successful OMB Director.

I would now like to turn to Senator Akaka for any opening remarks that he might have.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Thank you very much, Madam Chairman. I join you in welcoming our nominee, Mr. Bolten, and his mother as well.

It is every President's prerogative to implement management proposals like, as you mentioned, Madam Chairman, PART, the Program Assessment Rating Tool or the Management Scorecard. I believe that management proposals should not make worse the challenges that we seek to correct.

A good example of my concern is the recent demand on employees at the National Institutes of Health to sign and return within a day an addendum to their performance plan contract. The addendum included the objective of completing "the fiscal year 2003 competitive sourcing program." Circulation of this form, reportedly without explanation, created widespread confusion and even fear among some employees.

The incident raises a question as to why there are such missteps at a time when NIH is seeking to hire young researchers and scientists. Unfortunately this example is indicative of what I see as a disregard for the government's most valuable asset—its workforce. The insistence on numerical targets for contracting out work regardless of an agency's needs does not evoke an employee friendly work environment.

I urge you to re-examine what type of work the administration views as inherently governmental, and work with employees to allay their fears.

Federal contracting policies should be fair to Federal workers, be transparent, and be in the best interest of the public. Agency efforts to address challenges in recruitment and retention should not be undercut by numerical targets that simply eliminate jobs.

In closing, let me touch on the budget aspect of your new appointment, Mr. Bolten. I urge you to focus like a laser on the debt burden we are bequeathing to our children, and with that I wish you well in your work.

As you may know, the Congressional Budget Office estimates the on-budget deficit to exceed $400 billion in fiscal year 2003. This amount includes Social Security with the budget. If Social Security is off-budget as it should be, the actual deficit would approach $600 billion, or 5.5 percent of the gross domestic product. In 2001, there

was a budget surplus. With the President's current budget there would still be a budget deficit in 2013.

Mr. Bolten, I look forward to your testimony and I want you to know that I may not be here long in this meeting because I have a markup that I have to attend, but I will stay as long as I can.

Thank you very much, Madam Chairman.

Chairman COLLINS. Thank you, Senator. Senator Voinovich.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. Thank you, Madam Chairman. I would like to extend my warm welcome to Josh Bolten, and I am glad that your mother is here and another young lady. Is that your sister? It is a special day, I am sure, in your family's history.

I recently had the pleasure of meeting Mr. Bolten to discuss his vision for the roles and responsibilities of the Director of Office of Management and Budget, and I find him to be eminently qualified for that job. If confirmed, Mr. Bolten, you will enter OMB at a very crucial time. The departures of Mitch Daniels' deputy director, Nancy Dorn, deputy director for management, Mark Everson, have left OMB without a cohesive management team to oversee the Federal Government's policies, procedures and programs. However, with your nomination and Clay Johnson's recent confirmation I am hopeful the new leadership team will provide the necessary amount of continuity, energy, and pragmatism to OMB's management and budget roles.

Mr. Bolten, three of my goals when I came to Washington were to balance the budget, pay down debt, and change the culture of the Federal workforce. If you are confirmed as OMB Director you will have a key role in each of these issues. I have always believed that if you have your finances in order and you have good people, you have a successful business. As OMB Director you will be involved in the biggest business that we have in our country.

In the past decade, fiscal conservatives have worked very hard to return the Federal Government to a balanced budget. For a short time after hand-to-hand combat—and I was here during that hand-to-hand combat—we met our goal for 2 years. In 1999, we had a real on-budget surplus of about $1 billion and then in 2000 we had one of about $87 billion. It is the first time that we did not use Social Security to operate the Federal Government.

Unfortunately, our success in balancing the budget was short-lived. In the blink of an eye we returned to spending the Social Security surplus and running large budget deficits. Today, instead of reducing our $6.2 trillion national debt, we are expanding it. In 2001, we had an on-budget deficit of $33 billion. In 2002, we suffered an on-budget deficit of $314 billion, and CBO now projects that we are going to have a unified budget deficit in 2004 and 2005 of over $400 billion. And as Senator Akaka just pointed out, if you add in Social Security we are close to about $600 billion borrowing to run the Federal Government.

In addition to the budget process, the Federal Government has been experiencing a different type of deficit for too long, one of human capital. For the first 4½ years of my term I have offered solutions to the government's human capital crisis. Last year, with the administration's support we successfully amended the home-

land security legislation to include several provisions that are helping the Federal Government recruit and retain the best and brightest candidates possible.

However, Congress alone cannot solve the human capital crisis. Therefore, I was grateful that the President took a proactive interest in the issue of making strategic human capital management the first of his five governmentwide management initiatives. It is terrific and I commend the President and the administration for their foresight and leadership on this issue.

Overall, I believe the administration is making progress in implementing the President's management agenda. I hope Mr. Bolten will continue the legacy left by Mitch Daniels by serving as the President's advocate and leader on governmentwide management reform.

I am, however, troubled that the administration's competitive sourcing initiative is causing unease within the Federal workforce. In fact on July 24th I will hold a Subcommittee hearing to examine the past, present, and future of the administration's competitive sourcing initiative. I am interested to learn how you would manage the program if you were confirmed.

Madam Chairman, I believe Mr. Bolten possesses the qualities and skills necessary to be an effective director of OMB and hope we can move him through the process as soon as possible.

Chairman COLLINS. Thank you, Senator. Senator Lautenberg.

OPENING STATEMENT OF SENATOR LAUTENBERG

Senator LAUTENBERG. Thank you, Madam Chairman. Welcome to Josh Bolten, and my friend and colleague, Senator Jon Corzine. The two of you seem to have an affinity of sorts; background. I think Jon Corzine worked for Josh Bolten; is that right, Josh? [Laughter.]

Reverse order.

I had the opportunity to meet Josh Bolten some days ago, and while there are issues that we do not agree on, and I think that his focus on trade-related activities is very important—but I really believe that having gone to school in New Jersey he will be a quick learn. We do welcome him here.

I am sure he will handle himself very well, if all goes as planned and he is confirmed as the director of OMB. He knows his way around Washington having been here for some time, and we congratulate you for being nominated for this post. Your family, I understand, is with you and we also congratulate them for having such a talented member of the family here.

I want to make just a couple of quick points. First, on a parochial matter, I look forward to getting Mr. Bolten's on-the-record commitment to try to give us a hand, work with New Jersey, with Governor McGrevey and other New Jersey officials on our State's PAAD waiver. The PAAD program in New Jersey works quite well. It is a prescription drug program designed to help those who are at the 160 percent of the poverty level or less. It has been paid for out of New Jersey funds for many years. What we are looking for now is a waiver—not uncommon, by the way—to be able to use other Federal funds at no increase in cost to the Federal Government for the program because of the emergency nature of the cash

flow right now. But with New Jersey picking up, continuing to pick up its share of the obligation that we have set out to provide. So I would hope, Mr. Bolten, that you will be able to look at that. It has been quickly moved in a couple of other States, so we would ask your attention to that.

Second, I want to modestly remind the nominee that I had a very good vote last week on the privatization, the potential privatization of the air traffic control function. We won 56 to 41 to prevent the President from privatizing air traffic control functions. It is not modest at all to say so, but we had a lot of thoughtful Republicans join a lot of thoughtful Democrats and put this into place. So we are not happy about the suggestion that there could be an attempt to privatize FAA. I consider that like a fifth branch of the military and they have such a wonderful safety record there that we do not want to disturb it.

Last, I want to find out whether or not a report that was commissioned by the former Treasury Secretary, Secretary O'Neill, indicating that the future Federal budget deficits could total $44 trillion, I want to know whether or not that report is prevented from being made public. It should be made public, and we would like to have some understanding about where it is and what it is.

I said before that was final. This is final. I would hope that if confirmed, Mr. Bolten, that we are going to have a good working relationship with the Congress. It was not quite what we would like to see it in the last administrator, but we believe that we can achieve that with you. As long as we are open and straight with one another, having done the work that you have done in the past—I looked at it carefully. I know you have got broad shoulders. You just may have to exercise them occasionally, but other than that we will try, as you see, with Senator Voinovich and the Chairman, Senator Collins, this is going to be among your easier places to be.

But we look forward to working with you and believe that you are going to have a distinguished record with OMB. If we disagree on an issue, we want to work to resolve, as much as practical, the issue, and get on with the business of government.

Thank you very much.

Chairman COLLINS. Thank you, Senator.

We are following the early bird rule today, so I will call on Senator Sununu next.

OPENING STATEMENT OF SENATOR SUNUNU

Senator SUNUNU. Thank you, Madam Chairman. Having only been here for 6 months I do not know a great deal about the Senate, but I know as a potential nominee you should probably be a little bit nervous when a Senator says, "This will be easy. Do not worry." [Laughter.]

As I came into the hearing, you might have noticed a flash of excitement. For a minute I thought you had talked Senator Corzine into taking the position in your stead. [Laughter.]

I say that only half jokingly. I think that the position of Budget Director is the toughest job in Washington. You have one boss and 535 critics, but as tough as that role may be, I think the President has made a great choice. Josh Bolten has tremendous qualifica-

tions, and experience in finance and budget. He has a great depth of understanding of the policy issues that we deal with, and more than just understanding the nuances of policy, an ability to understand the budget implications of policy, which is absolutely critical.

Moreover, you have experience in the White House in the administration, and the White House is a difficult place to work. It is a large organization in and of itself, and understanding how to work through issues and problems and decisions that need to be made as a budget director is valuable experience to have.

I think we are very fortunate to have such a qualified nominee. I do not think you need a lecture about the state of the budget. You have been dealing with these issues, at least in a peripheral way, now for several years. We have a challenge I think everyone understands, to try to control Federal spending, get the economy moving, and strengthen revenue collections. Those are going to be recurring themes not just this year, but I think for the next 2 to 5 years as we try to bring our budget back to a balance.

Thank you, Madam Chairman .

Chairman COLLINS. Thank you. Senator Durbin.

OPENING STATEMENT OF SENATOR DURBIN

Senator DURBIN. Thanks a lot, Madam Chairman.

Mr. Bolten, welcome, and you could not come with higher recommendation than the presence of your former business colleague and friend, Senator Jon Corzine, who has talked to me personally about his respect for you, and that ranks very high with me, and I am happy that you are here today.

I assume that before you came here today they had you review a lot of things in preparation for the penetrating questions which Senators are known to ask, and you perhaps had a chance to take a look at the statements made by your predecessor, Mitch Daniels, when he sought this job. We asked Mr. Daniels, "What challenges currently face the OMB?" A very broad question. It is interesting what he told us, January 16, 2001, "I view the greatest challenge for OMB is the development and management of the Federal budget during a period of record budget surpluses." He went on to say, "I think it is imperative to ensure taxpayers' dollars are spent efficiently, and programs are increased due to some high priority and that is simply due to the availability of funds."

My, what a difference 2½ years make. You are now in a position where you come to this job facing the largest deficits perhaps in our Nation's history, and we of course are concerned about what happened in 2½ years, what economic policy did we follow that failed to revive the economy and drove us so deeply into debt. I am interested because you have been close to the opinion makers and decisionmakers in the White House during that period of time, whether there was any voice in the room sitting with the President at any point in time that said, "You know, this is not working, these tax cuts are not working." Clearly that voice did not prevail in the conversation because the President followed one massive tax cut with another one, and still we have record unemployment, the highest deficits in our history, and frankly, a state of the economy which is of very great concern, and one that will absolutely, I think, influence your job at OMB more than anything else. I think

your hands have been tied. I think you are being given a very difficult job with your hands tied, with the tax cut taking money out of the Treasury, with the needs for national defense and national security, the demands there that will be met and will be spent by Congress. What is left is very limited. The President cannot fund his own education program. No Child Left Behind has become an unfunded mandate in my State as it has in many other States. And time and again we are finding, whether it is prescription drugs or health care, or homeland security, or veterans' medical, the money is not there, the money is gone. It went by way of tax cuts, primarily to the wealthiest people in this country.

I am interested, as you tell us about your experience that leads to this, in finding out whether there was any voice in the room speaking to the President at any point over the last 2½ years, saying this is not working, because clearly the facts tell us it has not worked. What Mitch Daniels faced were grand surpluses and the need to impose discipline, and what you face are massive deficits and the absolute imperative to put discipline into that process. It is a tough job. I believe you are up to it. I am anxious to hear what you have seen and heard in the White House in the last 2½ years that can give us some comfort that reason has at least been suggested, if not prevailed.

Thank you, Madam Chairman.

Chairman COLLINS. Thank you. Senator Coleman.

OPENING STATEMENT OF SENATOR COLEMAN

Senator COLEMAN. Thank you, Madam Chairman. I look forward to voting for this nomination, to moving it forward very quickly. Clearly, Josh Bolten contains the skill, the talent, the intellectual capacity, the experience that is necessary to do a very tough job.

I echo the changing reality by my colleague from Illinois. Less than 9 months after Mitch Daniels' statement we were hit with September 11, and subsequent to that we were hit with WorldCom, Tyco, Enron, and a great unstabilizing impact on confidence in the economy, and I think we have made progress. But you do have perhaps one of the toughest jobs in Washington. Somebody has to hold the line. I would not like to lecture here, but to reiterate that this President is a compassionate conservative, and I think we have to keep that in mind, and so as OMB does the things that it does, clearly and hopefully not in a mechanistic, formalistic way, but taking into consideration the human impact on some of the decisions that are made.

Then finally, I looked at your comments and noted in answer to one of the questions you talked about the important task going forward as to return the economy to strong growth and healthy job creation, which will begin to move the government's finances back into balance. Clearly, tax cuts, trade policy and the like are important.

So I think you bring the skills and the talents to the table at a very difficult time. The world has changed since Mitch Daniels came before us a couple years ago, but I think we are up to the task and I think you are the right guy to do it.

Thank you, Madam Chairman.

Chairman COLLINS. Thank you, Senator.

It is now a great pleasure to welcome our colleague from New Jersey, Senator Corzine, for his introduction of the nominee.

TESTIMONY OF HON. JON S. CORZINE, A U.S. SENATOR FROM THE STATE OF NEW JERSEY

Senator CORZINE. Thank you, Madam Chairman, and colleagues of the Committee. It is good to be here with you today. I am particularly pleased in the role that I am playing because I enthusiastically support the nomination of Josh Bolten to be the Director of OMB.

As you may know, Madam Chairman, Josh was a trusted colleague in the private sector for a number of years. He almost became my Chief of Staff before he so abruptly chose an alternative career path with a then-aspiring governor, high-aspiration governor from Texas. Accepting graciously that slight, I maintain a sincere respect for Josh Bolten's judgment and consider him a close friend.

That said, my support of his nomination is not based on friendship. It is knowing Josh as a man of uncommon common sense, intelligence, integrity, and I think he is an outstanding leader, and I think he will do an outstanding job as the Director of OMB. I think most people who know him would share that view. While at Goldman, Sachs he was rightly respected for his intellect, work ethic, modesty and skills as a manager. Speaking for myself, I relied on him heavily in almost every way, except when I was asking someone to write my political speeches. In that case we sometimes had to part ways. From all indications, he has done a similarly outstanding job for the President including writing political speeches. I am confident that he will do a great job at the OMB.

To be a good OMB Director, you have to get your hands dirty, you have to get into the details of a lot of issues and understanding of the program. Josh is an individual that is both willing to do that, has exhibited that, understands the intricacies of policy, and I know he will do an outstanding job.

To be a good OMB Director, you also need to maintain an effective working relationship with the Congress and with colleagues in the administration and the White House. Josh will excel at this, in my view, because he believes in treating everyone with respect, and because he knows not just how to pursue an agenda, but to listen and learn from others. In that regard I hope you were listening to Senator Lautenberg on the PAAD waiver for New Jersey.

To be a good OMB Director, you need to be a good manager, and I know from personal experience that Josh is. He is well organized and he knows how to get the best out of other people.

And finally, to be a good OMB Director, you need to be able to communicate about complex policy issues with a broad range of players, including all of us sometimes difficult folks on the Hill, but most certainly with the public.

Lest I be accused of killing Josh with kindness, let me assure my Republican friends that Josh and I have very different views on some matters of policy. That was true in our Goldman, Sachs days, and will be true in the future, I am sure. But while we will surely see things from different perspectives, Josh is the kind of person who can be someone who can disagree with you without being dis-

agreeable, and I think that will serve the administration and the public very well in one of the toughest jobs in Washington.

In sum, Madam Chairman, I cannot imagine a better choice President Bush could have made for OMB Director. I am proud to call Josh Bolten a friend. I am confident he will do an outstanding job not only for the President, but for our Nation, and I hope the Committee will give his nomination fast, favorable consideration to go forward. Thank you.

Chairman COLLINS. Thank you very much, Senator, for your comments. It is very helpful to know of your personal experience in working with the nominee, and we very much appreciate your taking the time to introduce him today. We would be happy to excuse you at this point if you would like, or you are welcome to stay by his side and whisper in his ear.

Senator CORZINE. I think he is going to do OK.

Chairman COLLINS. Mr. Bolten has filed responses to a biographical and financial questionnaire, answered prehearing questions submitted by the Committee, and has had his financial statements reviewed by the Office of Government Ethics. Without objection, this information will be made a part of the hearing record, with the exception of the financial data, which are on file and available for public inspection in the Committee offices.

Our Committee rules require that all witnesses at nomination hearings give their testimony under oath, so, Mr. Bolten, I would ask that you stand and raise your right hand.

Do you swear that the testimony you are about to give to the Committee will be the truth, the whole truth and nothing but the truth, so help you, God?

Mr. BOLTEN. I do.

Chairman COLLINS. Mr. Bolten, I would like to give you the opportunity to introduce any family members or other special people to you who are here today.

TESTIMONY OF JOSHUA B. BOLTEN, TO BE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. BOLTEN. Madam Chairman, I have with me my mom, whose 80th birthday we will be celebrating in just a few weeks, and my sister Susannah, and my friend Lindsey Kozberg. I am very proud to have them all here, and I thank you for welcoming them.

Chairman COLLINS. We welcome them. We are glad to have them here as well. Mr. Bolten, I would now like to ask you to proceed with any statement that you would like to make to the Committee.

Mr. BOLTEN. Thank you, Madam Chairman and Members of the Committee. I appreciate the opportunity to be here this morning, and I am deeply honored to come before you as the President's nominee to be the Director of the Office of Management and Budget. I will, for the record, put my thanks in to Senator Corzine, who was generous as an employer, and even more generous with his kind words, and I was proud to call him boss, and I am now proud to call him friend.

Madam Chairman, I've spent most of my career in public service, and I've been fortunate to have a wide array of extraordinary experiences in that service. For someone who takes great pride in public service, there may be no better or rewarding job than OMB Direc-

tor. Helping to prepare the budget of the United States is an unparalleled opportunity to see that the Nation's priorities are carried out completely and faithfully. The Federal Budget and the spending bills that follow represent a shared conclusion on how much of the people's money the government will spend and for what purposes. These are critical judgments, as Madam Chairman, you and other Members have noted, and the American people depend on all of us to get them right.

Equally important is the other part of OMB's mandate, Federal management. OMB has the responsibility to make sure that our government delivers on its promises, gets the most out of its resources and puts the great talents of Federal employees to good use.

Madam Chairman, you and other Members of this Committee have shown strong leadership on the management agenda, and I look forward to working with you to make this agenda successful in every way.

Since being nominated I've heard from many knowledgeable people, and I think virtually every Member of this Committee, that being the Director of OMB is not the easiest job in government. This is true in the best of times, and it is certainly true in our challenging times. Yet I believe that the President's program, as reflected in his budget, is very well designed to meet the Nation's greatest challenges. Those challenges are strengthening our economy, securing our homeland, and winning the war on terror. If confirmed, I will give full effort to serving these great goals and will do so, as the President has directed me, with a watchful eye on the people's money.

In preparing to take on the role of OMB Director and its challenges, I've been greatly encouraged by two discoveries. First is the people of OMB. They perform some of the toughest jobs in government with the highest, the very highest level of professionalism and dedication. Second is the goodwill of so many Members of Congress, beginning, Madam Chairman, with Members of this Committee, and extending to your able staff. My own service on the Senate Finance Committee staff roughly 15 years ago, that experience gave me an early appreciation and respect for the role of Congress both in enacting laws and in overseeing their implementation.

We may, as some Members have noted, Senator Corzine noted, we may have differences. They may be large. But they need not be partisan or bitter, and I hope they never will be. You have my commitment, Madam Chairman, that if confirmed I will work closely with this Committee and with the entire Congress as we fulfill our shared responsibilities for the American people.

Thank you again for this opportunity to appear. I look forward to your questions.

Chairman COLLINS. Thank you, Mr. Bolten.

I am going to begin the questioning with standard questions that we ask of all nominees for the record. First, is there anything that 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?

Mr. BOLTEN. No.

Chairman COLLINS. Second, do you know of anything personal or otherwise that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated?

Mr. BOLTEN. No.

Chairman COLLINS. And third, 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?

Mr. BOLTEN. I do.

Chairman COLLINS. You passed that first round with flying colors. [Laughter.]

We are now going to start a round of questions of 8 minutes each.

Mr. Bolten, OMB is responsible for overseeing the financial management of Federal agencies and Federal programs. Many of us were very concerned and disturbed to learn recently that accounting problems have plagued the Corporation for National and Community Service, and the result has been that the projections for the AmeriCorps program show that there will be severe reductions in the number of volunteers for fiscal year 2003, and this is going to occur, unless we remedy the problem, despite the fact that the President has identified this program as a priority, and that it has strong support among Members of Congress. Congress attempted to correct these financial management problems by passing the Strengthen the AmeriCorps Programs Act last week, but nevertheless, past errors will cause my home State of Maine to cut its number of volunteers from 160 last year to only 20 in the next fiscal year, and I think that is true of everybody sitting on this panel. Our States are all experiencing these significant cutbacks.

How will OMB work with the Congress and the Corporation to minimize the impact of these financial management problems? They should not have occurred in the first place, but they certainly should not be allowed to decimate a program that has been working very well and is a presidential as well as a congressional priority.

Mr. BOLTEN. Madam Chairman, that is indeed a high presidential priority and the President has put great emphasis on his support for AmeriCorps and for the other programs that are under the aegis of the Corporation for National Community Service, and that is an issue on which I want to work with you and the other Members very closely to see what we can do.

There was a serious financial management problem, an accounting problem that has persisted for many years within the AmeriCorps program that has undermined its ability to meet its financial obligations. When that was discovered by the folks over at AmeriCorps, by the financial manager there last year, she took very rapid steps to solve the problem. The Congress stepped in helpfully in supplemental appropriations earlier this year to fill some of the gap that was created by that problem. But we were not able to take it all the way. The President's request for AmeriCorps and other CNCS entities was not fully met in the appropriations bills that were passed earlier this year. We are very hopeful that we will be able to get full funding as we go forward, including all of the President's requests in the 2004 budget. I want to work very

closely with you on getting that full funding going forward, and then doing everything we can possibly in the interim to ensure that we get as many people serving in AmeriCorps and the other important volunteer agencies as possible.

Chairman COLLINS. There has been a great deal of discussion recently about high energy prices and the impact on our economy. Alan Greenspan, for example, recently testified about his concern over the high price of natural gas as one of the key challenges facing our economy. There is another side of energy prices, however, beyond this macro view, and that is the challenges that many of our low income families face during cold winter months in simply keeping warm, particularly in areas of the country like the Northeast, which are heavily reliant on home heating oil. Every year we have a tussle with OMB to get the emergency LIHEAP, the Low Income Heating Assistance Program, monies released in time.

Would you commit to working with those of us who are concerned about prompt funding of the LIHEAP program to, (A) ensure that the President's budget adequately funds this program, and (B) that we do not keep experiencing these delays in releasing the emergency funds?

Mr. BOLTEN. I will make that commitment, Madam Chairman. The President's budget this year requests a total of about $2 billion for the LIHEAP program, $300 million of that in contingency money that we can use to meet those urgent needs that you spoke about, and you do have my commitment that as we see urgent needs come up, we will work with you to ensure that we get that money out promptly to the people who need it.

Chairman COLLINS. I have a second question I want to ask you about the LIHEAP program. That is, the community action agencies in Maine that administer the program tell me that there is a far more efficient way to administer the LIHEAP program, and that would be if we advance funded it so that you would have to have double funding for 1 year in order for this to happen. But that way the funding would be received in the summer months and it could be distributed so that people could fill their oil tanks when prices are lower. There is a significant difference usually in the cost of home heating oil in the summer months versus the winter months. By taking the same amount of money but disbursing it in the summer months, the community action agencies would be able to help a far greater number of people, or give a larger benefit level.

I realize that you cannot commit today to changing the way the program is structured, but would you be willing to work with us to take a look at the efficiencies that would be brought about by having an advance appropriation to change the funding cycle for this program so that the money would go further and be able to either help more people or provide a greater monthly benefit?

Mr. BOLTEN. It is an interesting idea, Madam Chairman. I would be glad to work with you on it. I have not heard about it before, but it sounds like it may hold both some promise and peril, and we'll see if we can capture the promise and avoid the peril.

Chairman COLLINS. We see only promise. We will help you on that.

Finally, on my round of questions, I want to ask you a procurement question. As you may know, the Senate recently adopted an amendment that Senator Talent and I offered, and Senator Levin supported as well, that dealt with the issue of contract bundling by the Department of Defense. What we are finding is that small businesses are finding it increasingly difficult to bid on Federal contracts because contracting officers are bundling the requirements for contracts together into one large contract that is beyond the scope or means of a smaller company to bid on. If the requirements in that contract were broken out in a logical manner, it would expand the number of businesses in the United States that could bid on the contract, and thus help the Federal Government to get a better price, perhaps better quality.

Now, procurement officials tend to resist breaking up these contracts because it is obviously easier for them to administer one giant contract and leave it to the prime contractor to subcontract certain parts of it, but if you look at it from the perspective of the taxpayer getting the best value and the desirability of having as broad a contractor base as possible, the advantages of breaking out contracts requirements become obvious.

Will you work with us to try to implement through the Office of Federal Procurement Policy within the OMB, policies that will discourage unnecessary bundling of contracts?

Mr. BOLTEN. I will, Madam Chairman, and the issue you've raised is a priority for the President. He has recognized for many years that perhaps the best way to promote small business, minority-owned, women-owned businesses is to ensure that the contract that they are bidding for are not so large that they are simply out of the game. So the President very much supports the initiative that you have pursued and I know the OMB's Office of Federal Procurement is putting in place some programs to ensure that when agencies do bundling, they have met a variety of criteria that justify the bundling in that particular case because I think we are in full agreement with you that the bundling should not be permitted unless it is necessary in that particular case. So we will look forward to working with you on the implementation of that.

Chairman COLLINS. Thank you. Senator Lautenberg.

Senator LAUTENBERG. Thank you very much, Madam Chairman.

Mr. Bolten, you had a hint of what might be coming from me in my other remarks, and I want to continue the discussion about our Pharmacy Plus Program. We in New Jersey have been in negotiation with CMS and OMB since March 2002, and Section 1, it is 1115, waiver of the pharmacy plus. One of the questions I was anxious to ask today on behalf of the people in my State who need and depend on the assistance provided by the PAAD program, if you as OMB Director will make the effort to work with us to reach a speedy conclusion on the matter of this waiver, and I would like to know that you will keep me informed about the progress of this situation as it goes.

As an example, Wisconsin applied about the same time as New Jersey did for this waiver, and their approval was developed in July 2002, so I would like to know that we can count on you to take a good look at it, and again, keep us in touch.

Mr. BOLTEN. Senator, not being at OMB at this point, I have had no involvement in the waiver, but I'll be glad to work with you if confirmed.

Senator LAUTENBERG. I am sure you are aware of the report commissioned by then Treasury Secretary Paul O'Neill, showed the United States facing Federal deficits of more than $44 trillion, and there was extensive reporting by the *Financial Times of London,* and they talk about the administration choosing not to disclose the findings of the report during a time when Congress and the administration were negotiating the 10-year, $350 billion tax cut. How do you feel about disclosing this kind of information? Is the public, the Congress entitled to know what is expected from inside the financial structure of the White House?

Mr. BOLTEN. Sure, Senator, the public is entitled to know what the government's views are about what is coming down the road at us in our budget situation. I have not seen the report you've referred to. I know of it. But what I can tell you is that this administration, for the first time, has taken on very explicitly precisely the issue that is addressed in that report, which is the massive unfunded liability that we face in our entitlement programs. One of the chapters of the budget that the President put out at the beginning of this year, the 2004 budget, explicitly addresses some estimates that the administration has made and some economists have made about the size of that unfunded liability. I understand that this report uses different methodology, taking out estimates infinitely, and it attaches a higher number to it. We can discuss what the right methodology for putting the number on the size of the unfunded liability in their entitlements is, but I don't think we really need to do that to have the discussion. The number is huge, whether it's $17 trillion or $47 trillion, and it's a problem that we need to work together to address.

Senator LAUTENBERG. Enormous consequences in my mind, whether it is $17 or $47, but is one of those unfunded liabilities a tax cut promise that the President made? Because that one got funded in a hurry, and we are seeing it now as, I hope, will not be an annual or biannual process. Is that one of the liabilities that you would pair off against the other, unfunded against other unfunded liabilities?

Mr. BOLTEN. No, sir, the President's and the tax cuts enacted by this Congress are not part of the unfunded liability problem we face. The problem we face is the obligations that we as a society have undertaken mostly through Medicare, Medicaid and Social Security, for which we are not setting aside sufficient money to cover. The tax cuts are a more short-term measure, designed to get this economy going again. The deficits we face in the short run, hopefully not the long run, the deficits we face in the short run are by historical standards relatively within the range of past practice. They are large. They are larger than we want them to be, but they are not the problem we face with the huge unfunded liability coming down the road. They are, by my judgment, part of the solution to getting this economy back on to the kind of growth that this economy needs, which is ultimately the solution for the government to bring its budget back into balance now.

Senator LAUTENBERG. I do not want to be unfair with you because we are talking about some things that occurred in the past, but I would like to feel that we have some understanding about what the public is entitled to hear and when they are entitled to hear it. I believe in lots of sunshine even though we rarely see it around here, but the fact is that I am hoping that we are going to be able to count on you in that regard. I ask you here, are you committed at this point, or have you been encouraged to think about the next tax cut during your early tenure on the job?

Mr. BOLTEN. I have not, Senator. I have been involved, obviously, in the discussions on the tax cuts that the President has proposed over the last few years. The President, at this point, has no plans for a future tax cut beyond those that are already contained in his budget, some of which are still pending before the Congress. And my expectation is that the judgment about whether any further tax cuts are needed will be made based on a cold-eyed view of the economic situation. And whether a further tax cut is needed I think will be known when we know better how the economy is doing.

Senator LAUTENBERG. You might guess, I see the glass as half full, and I am concerned about the quick evidence that we have seen. Having been the senior Democrat on Budget before I left in early 2001, where we were beginning to ride a very comfortable surplus train, and suddenly this has turned around and we are developing massive budget deficits, very disappointing, and I am not including the war. I am one of those who believe that that action was necessary, and I commend the President and our military for having it done in very competent fashion.

One last question if I may, Madam Chairman. I want to ask Mr. Bolten if you are familiar with the A–76 outsourcing program?

Mr. BOLTEN. I have become familiar with the President's competitive sourcing initiative, yes, sir.

Senator LAUTENBERG. And that is combined with the President's agenda to privatize Federal jobs and job functions that might create too much pressure on agencies at this time to identify functions as commercial or attempt to contract out.

One example of those, and I think it is perhaps the most egregious for all kinds of reasons, not including the generic reason, but is the air traffic control privatization. Again, I want to be fair with you. Have you seen enough of that to comment on whether or not that is a program that you think is advisable at this time?

Mr. BOLTEN. I do not have enough information, Senator, but I can tell you that it would be my commitment to ensure that the President's competitive sourcing initiative is implemented in a way to ensure that the only jobs that we attempt to competitively source would be those that are inherently commercial in nature.

Senator LAUTENBERG. Thanks, Madam Chairman. Thanks, Mr. Bolten. Good luck.

Mr. BOLTEN. Thank you, sir.

Chairman COLLINS. Thank you.

Senator SUNUNU. I'm sorry. Senator Voinovich first. Thank you.

Senator VOINOVICH. Thank you. I would like to comment on the Chairman's remarks to you. The AmeriCorps situation is a problem in Ohio. It is a very good program. The private sector is supporting it much more than I ever thought they would, and I think we need

$200 million if it is somewhere to be found to take care of this problem. You are aware of it, and I know the President supports it. Anything you can do to help switch AmeriCorps would be greatly appreciated.

Mr. BOLTEN. I agree, Senator, we're in a difficult spot because we do not have the money in the budget for 2003 that we would like to have for the program. It's an extraordinarily successful and important program from the President's initiative. If confirmed, I will do what I can to assist for this year. More importantly, I think, or just as importantly, I want to look forward to make sure that we make sure that program gets the resources it needs going forward.

Senator VOINOVICH. Great. Again, too often I do not think the Office of Management and Budget ties up other policies in the Federal Government that cause problems like the LIHEAP program. In other words, we must provide LIHEAP funding to those in need because the cost of oil, and the cost of gas is so high. It seems to me that when some of these things come up, that you ought to emphasize that we need to get, for example, Clear Skies passed so that we have a more diversified source of energy to keep us from relying on natural gas, which could drive up the heating costs of people all over this country. Furthermore, finding natural gas has become a priority with Alan Greenspan, and that we need an energy policy in this country, that opens up more sources of natural gas. Too often we do not tie the two together so people only hear about it from the environmental groups, but we never connect up some of these policies with the down side of, for example, cuts to the LIHEAP program. Have you given any consideration to looking at how some of these things work and working with some of your colleagues so people can make the connect?

Mr. BOLTEN. I have, Senator, and I would be pleased to work with you on that if I am confirmed as Director. I think those are very important connections to make, and the energy legislation that is now pending before the Senate I think is a good place to start, as well as, as you mentioned, Senator, the President's Clear Skies initiative.

Senator VOINOVICH. And I think the fact that you worked in the White House policy shop, makes you more qualified to start connecting up the dots for the American people.

Mr. BOLTEN. I hope so, Senator.

Senator VOINOVICH. One thing I have noticed about the current budget and budgets of the past is they really seem to ignore the infrastructure needs of this country. For example, if you look at water and sewers, we are talking $50 billion during the next 5 years, and the amount of money in the 2004 budget was less than what was in the budget before that. Unfortunately, we have resorted to borrowing money from the Highway Trust Fund to pay for new road construction and existing road maintenance. It seems that people are reluctant to look at the fact that we may need more gas tax dollars in order to do the job that we need to have a decent highway system. My State, for example, is the "Just in Time State," and the highways affect our economy. The role of the Army Corps of Engineers, has expanded into environmental restoration, and their budget has been cut. They have operation and management costs that have expanded astronomically every year. It seems

like no one is paying attention to the infrastructure needs of this country. They seem to be taking back seats, and it is particularly disconcerting because of the fact that we have all these Federal mandates on local governments. At one time the Federal Government pitched in, for example, for sewers. Now it is a loan program.

Would you like to comment on that? Why is it that there seem to be no appreciation of these infrastructure needs that we have got for the country?

Mr. BOLTEN. Senator, I'll be glad to work with you on the infrastructure issues. They are important. Obviously, the infrastructure is central to how our economy operates. We need to make sure it's sound. There are, at the same time, many competing priorities in the budget, as Senator Stevens knows better than anyone, and my first sense is that the President's budget as presented in 2004 does meet many of the infrastructure needs that we have. The highway proposal that the President put out earlier this year is, I recall, roughly a 20 percent increase over previous highway funding. There are demands for a great deal more highway funding, but the administration's view is that given the many priorities that we have in the budget, that's what we have available to deal with the infrastructure, the highway infrastructure priority, and I do not expect the administration to be supportive of a gas tax increase to try to expand the base there.

Senator VOINOVICH. Well, the truth of the matter in the highway area is that the new program will get us back another few years, and it will take us until 2007 to recover. This demands your full attention and I hope you look into it.

Mr. BOLTEN. I will look at it with you, Senator.

Senator VOINOVICH. And I know GAO is working on a big study on infrastructure needs of this country.

As you know, the House included significant personnel reforms in their version of the National Defense Authorization Act, and although the full Senate Committee—we did not get a chance to participate because the Parliamentarian decided it was not a germane issue. So I worked with Chairman Collins and Senator Levin, on a bipartisan level, to come up with an alternative to Secretary Rumsfeld's proposal. We are very concerned that our bill is given consideration by the Conference Committee. We would also like to see the administration be involved in this as well. One of the concerns that we have is that the original bill from the Department of Defense cut out the Office of Personnel Management. We believe the Office of Personnel Management should be involved in the establishment of a new DoD personnel system as they are with the Homeland Security Department. We think that they should be involved with this new proposal in terms of personnel flexibility, which changes Title 5. Are you familiar with this issue?

Mr. BOLTEN. Roughly familiar, and I will become more familiar if confirmed. I will take a close look at that. I do know that Secretary Rumsfeld and OPM Director James had an opportunity to address this, and came to the conclusion that the right thing to do for the Defense Department was to let them establish the flexibilities through their own system, and that, it seems to me, offers them an opportunity to actually structure the personnel system within our defense community in a way that is going to make it

possible for Secretary Rumsfeld to pursue the major transformation of our modern military that he would like to see accomplished.

Senator VOINOVICH. We feel that OPM should to be involved, and we have seen their non-involvement in the Transportation Security Administration. A debacle we had over there is evidence that they ought to be involved in these issues.

Thank you.

Mr. BOLTEN. Thank you, Senator.

Chairman COLLINS. Senator Akaka.

Senator AKAKA. Thank you very much, Madam Chairman.

Mr. Bolten, as you know, OMB's Statistical Policy Directive 15 was revised in 1997. It governs the racial and ethnic data collection by Federal agencies. Native Hawaiians were disaggregated from Asian-Pacific Island category at that time, and a new category, Native Hawaiians and Other Pacific Islanders, was created. Agencies were given until January 1, 2003 to make all existing record keeping and reporting requirements consistent with its standard. If confirmed, I am asking you what will you do to ensure a full implementation of Directive 15?

Mr. BOLTEN. Senator, I'm aware of Directive 15 and your leadership in putting it into place. It is a sound directive and knowing of your interest particularly and your kindness to my mom, I will be keeping an especially close eye on the enforcement of that directive, which I am told is being observed by the various agencies, and you have my commitment that if confirmed as Director, I will ensure that it is strictly observed by various agencies to whom it applies.

Senator AKAKA. Thank you. GAO is studying this issue for me. Let me ask another question.

Sound government contracting relies on transparency and accountability. In your response to prehearing questions you stated that, "agencies should take into account that some commercial practices will lack the degree of transparency that the public rightfully expects of Federal agencies." Could you please clarify what that means? Do you believe the practices of contractors should be less transparent than Federal workers in public/private competitions?

Mr. BOLTEN. No, Senator, I don't. I do think that as we move toward competitive sourcing in some areas agencies need to take in account that private contractors may not yet be as familiar as they should be with the transparency requirements of government, but then I think what that means is that it is contingent upon those of us involved in promoting a competitive sourcing agenda to ensure that the private contractors are brought up to speed on whatever transparency requirements we may have within the government, just as we need to make sure that where the public employees are competing for an inherently commercial function, that they are brought up to standard on knowing how to bid for a contract because that, on the other side of the coin, is an unfamiliar area to many public sector employees.

I think the important part here, Senator, is that we ensure that there is a level playing field of competition, where we've decided that a function is inherently commercial and appropriate for review

as to be competitively sourced. We make sure that there is a fair competition between the public sector and the private sector.

Senator AKAKA. Thank you. OMB had a hard and fast deadline for agencies to complete outsourcing goals by September 30 of this year. At the same time, the Office of Federal Procurement Policy has repeatedly advised agencies to spend more time on front-end planning before initiating a public/private competition. This is an important point since, with the exception of the Department of Defense, most agencies have little or no experience with these competitions. Now OMB has extended its deadline to July 2004. My question is: Why has this deadline been extended nearly a year?

Mr. BOLTEN. Well, partly for the reasons that I was just talking about, which is that I think we need to make sure that as we ask for competition to be brought to some of these inherently commercial functions, we make sure that all sides are ready to do that, and as I said, so that there is a level playing field of competition. If the agencies need more time to have their personnel trained in the proper functioning of a competitive bidding process, if the employees need an opportunity to come up to speed on how to do a proper commercial bid, then we should be flexible in giving the time to do that, because the one thing we don't want to do is give the bum's rush here and have a competition done on an unfair basis. What we want to do is get the most efficiency possible out of the taxpayers dollar and we want to do that on a fair basis to both public employees and private sector employees.

Senator AKAKA. I am sure Senator Voinovich would be interested in this question, so let me ask you, will there be funds for training?

Mr. BOLTEN. Funds for training within the agencies?

Senator AKAKA. Yes.

Mr. BOLTEN. I don't know precisely what the budget is, but I expect that the administration would undertake to ensure that agencies have the proper training necessary to conduct a good competitive bidding process.

Senator AKAKA. There are serious concerns over OMB's revision to Circular A–76. The revision removes cost as the driving factor in deciding whether Federal work should be outsourced. As a result, Federal jobs may be eliminated if the work can be performed more efficiently in house. The revision allows agencies to outsource Federal work without giving Federal employees a chance to compete for their jobs. My final question is how will you ensure that OMB's revised regulations are fair to Federal workers and enhance government efficiency?

Mr. BOLTEN. Senator, I'll be glad to work with you as we implement the regulations. We do want to make sure they're fair. We do want to make sure that we are getting the most efficient use of the taxpayers' dollar, and that we are doing that in a way that does not unjustifiably disadvantage any party in the competition. So I'll look forward to working with you on it. I know how sensitive an issue it is to many of your constituents and other Members of this Committee. We will pay attention.

Senator AKAKA. Thank you very much, Mr. Bolten, for your response, and I wish you well.

Mr. BOLTEN. Thank you, Senator.

Senator AKAKA. Thank you, Madam Chairman.

Chairman COLLINS. Thank you, Senator.

Senator Stevens, Senator Sununu has agreed to defer to you. Always a wise move, to defer to the Chairman of the Appropriations Committee.

OPENING STATEMENT OF SENATOR STEVENS

Senator STEVENS. Thank you very much, and I apologize to my colleagues.

I welcome you in your new position, and I think you have eminent qualifications. As I told you in our personal conversation, I hope you do not throw away Mitch's flak jacket. You will need it before we are through.

Mr. BOLTEN. I'm wearing it now, Senator.

Senator STEVENS. I do want to ask you a few questions though that relate to not only my role here in this Committee, but in appropriations. First here in this. I am working with the Chairman on the revision of the DoD suggested changes in the civilian personnel procedures. I would urge you to go back and look at the Gaither report in 1958, and see what President Eisenhower sought for then-Secretary McElroy, and changes in defense procedures, both in hiring and in concentration of power in the Secretary of Defense. To the great credit of the CNO at that time, Artie Burke, he convinced Congress not to follow the President's recommendations totally. It was enacted in 1958, but the concentration of power in the Secretary was not approved by Congress, and I hope that this Committee will see to it that it is not approved this time. I do think that there is an absolute necessity for having a senior executive service that reaches throughout the government. My feeling about the Department's recommendations that have been sent up here for change in civilian procedures is that it would destroy many of the things that many of us have worked for years on, and that is for a fact a senior executive service that knows that it has the protection of law, and knows that any member of that senior executive service is qualified to serve in any department of the government. I would urge you to check that out, and hope that it does not turn into a battle between your office and us here on this Committee.

With regard to the Appropriations Committee, I do not know how to even ask questions about this, but I hope that you realize that the gimmicks in the budget this year have placed severe restrictions on the Senate. Take bioshield, for instance. Bioshield has just been approved as an addition to the budget by the House, and as it does that the provision in the budget resolution says that their top line for budget authority and outlays is automatically increased. When it comes over here, the budget resolution gimmick says the authorizing committee has the increase in budget authority, but we do not get the increase in outlays. Automatically an enormous battle between your position and mine, and I do believe that we have to put you on notice that we are not going to approve bioshield under those circumstances. You are going to have to give us either a budget waiver or something, because unless you do, I have to take the money out of other subcommittees to fund bioshield. This budget is replete with those little gimmicks.

Another one is that there is a cap put on the Senate for 2003. We cannot change the 2003 amounts. That does not apply to the House. It just applies to the Senate, and puts a cap on the budget for 2003. But guess what? There was never a budget resolution for 2003. Under the circumstances if we want to rearrange some 2003 money in order to meet some of the requirements for 2004, such as bioshield, I am faced with a 60-vote point of order there too.

I really think that we need to also take a look at veterans' care. Veterans' care now, even if I fund the budget resolution, which is woefully short, we are a billion and a half short in outlays. Why? Because they limited us in outlays.

I am going to serve notice on you and on the Senate that next year we are not going to get that kind of a gimmicky resolution. I am going to oppose the budget resolution if they attempt to do that again. I would urge you to study it, because it automatically creates friction between your office and the Senate Appropriations Committee, and we cannot cut below what we have got now, MILCON, you name what it is, the subcommittee is woefully short to meet the conditions that exist in this country following Afghanistan and Iraq on the heels of Bosnia and Kosovo, particularly in defense and in other areas of the government.

I want you to know I welcome you here, and I am without question going to vote for your confirmation, but I want to urge you to use some of your distinguished background as a law professor to help us get some of your people on the management side to follow the law. We have had so many disputes with the Congress because the agencies think they can go around the law and not comply with the law with regard to the appropriations process in particular, and we have to put restrictions in the appropriations bills in order to assure compliance with existing law. I do not think we should have to do that. I hope that you will help us in that regard.

My main question to you is, have you had a chance yet to take a look at this 2004 budget and how it is being handled?

Mr. BOLTEN. Yes, sir, I am beginning to become educated in it.

Senator STEVENS. I do not want to pin you down here at a confirmation hearing, but as I indicated, there are some real wrinkles in this one, and I do not think we ought to be put in a position where we are automatically in conflict, although I will wear my Hulk tie to tell you when I am ready for battle, OK? I really think we should try to avoid those battles and I welcome your background in order to try and achieve that goal.

Madam Chairman, I thank you for the time. I am too fed up right now with problems that I know you do not have the answers to, and neither do I, but I would hope that you are aware of those problems and will work with us to try and solve them. Thank you very much.

Chairman COLLINS. Thank you, Senator.

Mr. BOLTEN. Madam Chairman, if I may make a comment to Chairman Stevens, I am with you all the way. I am familiar with some of the problems you have raised, not all of them. I have become familiar with the sorts of tensions and conflicts that are created when we do put gimmicks into the budget. I would like to work with you to keep those to a minimum, particularly on something like the bioshield initiative which is so important. If con-

firmed I would like to work with you immediately to ensure that we properly fund bioshield without having to unnecessarily take that money away from other committees. I do not think that was the intent from the beginning, and I know that when we use a variety of budget gimmicks in the resolutions, that we put ourselves in positions where we end up in unnecessary conflict. I am very much looking forward to working with you to avoid that.

Senator STEVENS. I do hope you will do that, and I do hope that we can find some way to look at the problems ahead of time, for instance, FEMA. We are short on money for FEMA right now.

Mr. BOLTEN. Yes, sir.

Senator STEVENS. And we need a budget, something on request. But I know why you are not sending it to us. We have got several others along the line too. Somehow or other we have to set up some kind of reserve for those supplementals that are coming if we do not get an amendment from you on the budget. And under the budget resolution, as it stands right now, even if you send a supplemental, my top line is still what it is now. That is the difficulty.

Mr. BOLTEN. Understood, sir.

Senator STEVENS. Thank you very much.

Mr. BOLTEN. Thank you, Senator.

Chairman COLLINS. Thank you, Senator. Senator Durbin.

Senator DURBIN. Thank you, Madam Chairman.

Mr. Bolten, I am sure as you look into the responsibilities and authority of the Office of Management and Budget, you will find some surprises. I certainly did. After September 11, I focused on one issue, and I said everybody has a specialty. My specialty is going to be in a field that I know almost nothing about, and that is information technology. At my age and with my experience, I rely on the youngest people in my office to give me advice on information technology.

But I did know this: Our oversight of the Federal Bureau of Investigation disclosed that as of September 11, the information technology in that agency was archaic, embarrassingly archaic. And there was little or no communication between the information technology of the FBI, the Immigration and Naturalization Service, all of the obvious agencies.

So, had anyone really come up with the names of the 19 terrorists on September 11 and tried to transfer them from INS to the FBI or to the Federal Aviation Administration, it was possible to do by telephone or fax or hand carrying. So I said, well, I am going to go after this. I really took this right up the chain. I started with Bob Mueller at the FBI, whom I respect greatly, Attorney General Ashcroft, Vice President Cheney, even to the President. And every one of them said, "Why, certainly. We need to modernize this architecture of computers and we need to have interoperability." I love those terms.

Then I was stopped in my tracks by OMB. Mitch Daniels and the OMB said, "Stop, Senator. Stop, Mr. President. This is our job. We have the management responsibility when it comes to this kind of architecture for information technology." When the Homeland Security bill came before this Committee, I tried to push for a Manhattan Project, to try to really accelerate the development of the very best information technology to fight the war on terrorism.

Tom Ridge said, "It is a great idea. It is a force multiplier." But time and again I was stopped by OMB, that said, "Our people have that responsibility. Stay away." And they prevailed.

That is some indication of the power of your agency, and your power once you become the head of this agency as I am sure you will. But also the responsibility. I do not expect you at this moment, unless you can surprise me, to give me a long discourse about what has been done at OMB and what will be done. But I would like to ask you this. Within 30 days after your confirmation, would you be kind enough to report to me so I can share with the Members of this Committee exactly what has happened? I know great strides have been made at the FBI and a few other agencies, but the idea of getting all of our agencies to communicate with one another, to share this information, to protect America, turns out to be part of your say in this new role.

I do not know if you want to comment on that, but I just wanted to vent if you do not mind.

Mr. BOLTEN. Thank you for venting, Senator. I do know that Director Mueller has made extraordinary progress at the FBI——

Senator DURBIN. Yes, he has.

Mr. BOLTEN [continuing]. In increasing interoperability and all the other buzz words that basically mean that they have radically improved their ability to collect and disseminate the information that we have within the government from the people who have it to the people who need it, and only the people who need it.

I think you have probably seen some presentation from him.

Senator DURBIN. I have.

Mr. BOLTEN. Which is very impressive about the progress we've made.

Senator DURBIN. It is impressive.

Mr. BOLTEN. So I am anxious that if placed in this position of responsibility to be able to encourage that kind of innovation across the government. I will be happy to bring several very knowledgeable e-Government experts that we have at OMB with me to come visit you sometime in the next 30 days after I am confirmed. I am not sure that I will understand everything they say, but my expectation is that you will.

Senator DURBIN. That is fair enough.

Mr. BOLTEN. And I am hopeful that you will be impressed by it.

Senator DURBIN. That is fair enough. The thing that struck me though was that the territorial imperative at OMB was so strong that it stopped all of this effort that we were focusing on, and it is that same territorial imperative at each of these agencies that excludes communication and dialogue that is essential for our security. So I hope that when you look at the management of this you can help me in developing that.

Mr. BOLTEN. Here's an important point about the role of OMB, and that is that one of the reasons why we find ourselves often without interoperability is that agencies go off and do their own things. OMB's unique strength is that it can look out across the whole government and give direction so that the agencies are able to be consistent to cooperate with each other, not just on IT but on all sorts of policies. So my territorial imperative as Director would be to ensure that we get that kind of consistency, but that we em-

power the agencies to do the right thing and upgrade their IT systems in a way that I think you should be happy with.

Senator DURBIN. Let me ask you this question. In my introduction I talked about Mitch Daniels' statement to this Committee when he sought this post 2½ years ago. His biggest worry is what to do with these surpluses, what are we going to do with them? And here we are 2½ years later in a totally different world. It has been turned upside down from your point of view. It now is not a record surplus, it is a record deficit. It now is not an expanding economy, it is an economy that has lost over 2 million jobs in the last 2½ years.

I would like to go to my opening statement. Was there a point in time where you sat in a meeting with the President where anyone questioned the idea of tax cuts as part of the Bush economic policy, as to whether this was working?

Mr. BOLTEN. Let me go back even a little bit farther in your statement, Senator. At the time that $5.6 trillion surpluses were projected, I think we now know in hindsight that the projections were wrong. It is not that our situation has changed so radically in the last few years, it is that our understanding of what the reality is has changed so radically. When this President came into office at the beginning of 2001, the economy was already entering into a recession. The stock market had peaked a full year before that. Government revenues were declining. When the President-elect met with business leaders in Austin in January 2001, before his inauguration, the word from all of those business leaders unanimously was, we have hit a wall. The economy is dropping off of a cliff and it's accelerating. The business people varied in their assessments only by when they hit the wall. Some had said earlier in 2000, some said later in 2000. All of them had the same message for the President. This is why the President came into office with a conviction that it would be very important for any number of reasons to get the economy going again.

The advice, the unanimous advice of economists, whose opinions I respect, has been that the policy best fashioned to get the economy going again was precisely the kind of policy that was pursued in the tax cuts of 2001, 2002 and 2003. Give the people, give the businesses back some of their own money so that they can invest in job creation and ensure that the economy is robust.

Senator DURBIN. So I take it from your statement that you have no misgivings about the Bush economic policy, about the latest statements about record unemployment rates over the last years, the fact that we are now knocking on the door of the biggest deficit as a percent of GDP that we have seen in some 50 years? None of this is giving you any pause as to whether or not you ought to step back and say: Maybe we were not on the right track here. Maybe there is something we have missed in terms of getting this economy moving again. You are still a true believer, no misgivings?

Mr. BOLTEN. Senator, I share the President's concerns about our deficit situation, and especially about the unemployment situation that we now face. Too many people are looking for jobs, unable to find them. The economy, although we have pulled ourselves out of the recession we had when the President entered into office in 2001, is not growing nearly as fast as it should be, particularly to

generate the jobs we need. But I have no misgivings about the policies that the President pursued to try to correct that situation. On the contrary, I would say those policies were precisely designed to address the problem we have on both the deficit side and on the jobs and economic side. And the problem was, has been, economic growth that is too slow, too anemic. The solution for that is in fact to give people and businesses back some of their money so that they can invest and make the economy grow.

Senator DURBIN. If I might ask one last question. So are more tax cuts your recipe now for economic recovery?

Mr. BOLTEN. No, sir. While you were out of the room I was asked whether I had been instructed or had in mind any particular tax plan. The answer is no. I think the judgment about what further the economy might need, needs to be made based on an assessment of where the economy stands. Our economists right now, particularly given the tax cuts in 2001 and 2003, are projecting a return to at least moderate growth by the second half of this year above the 3 percent margin, which is where I think most of, if not all of, the blue chip economists are. So we believe that we have taken the right kind of steps to get the economy back on track, but we will need to reassess toward the end of the year, and I hope I will be able to persuade you that if we need more measures, that we can get the support of the Congress to pursue them.

Chairman COLLINS. I am going to turn to Senator Sununu because we just started a vote and I want to give him an opportunity to question before we break.

Senator SUNUNU. Thank you, Madam Chairman.

As I indicated in my opening statement, Mr. Bolten, it is nice to have someone with such strong qualifications, such great experience in policy, budget matters and in the administration, and I think someone with the temperament for the job. It was hard to tell, and I do not know him that well, but I think Senator Stevens likes you. [Laughter.]

But so often the problem is we have nominees——

Mr. BOLTEN. Senator, if I could get that in writing, back home that will be a huge help. [Laughter.]

Senator SUNUNU. We have nominees come forward, and they have the qualifications and they have the experience and they have the temperament for the job. As policy makers, we are excited to see that. But we are not sure if they are going to be in a position, or if they are close enough to members of the administration to have the kind of access and the kind of influence, frankly, to have the ear of the President on policy matters that are important. That can be a very real concern. You can imagine my relief today when I saw in the paper that Democrats see Bolten as the key to Bush's inner sanctum. I think it is terrific that we have someone with such strong bipartisan support that is obviously going to be in a position to make a difference, and to be an advocate for budget policies and economic policies. I am not especially surprised that the President has chosen someone that supports his approach to economic growth and opportunity to run the budget office. That is not a stunner to me. And I am sure you are going to be an advocate for policies that you think are right, but also an honest broker when it comes to making budget decisions.

Let me also note that I am not stunned, but pleased, that you were willing to complete the 100 pages of questions and answers that we have been provided. I think there were something like 75 pages from the Committee, and another 20 pages or so from Senator Lieberman, that cover all matters of budget policy. So I will not go into the detail that those questions go into because that would only be redundant.

I would like you to talk broadly about the recent growth in Federal spending that we have seen, specifically the growth in discretionary spending that has been proposed by the President for the 2004 budget. Perhaps you can provide some relative comparison to previous years growth in discretionary spending, and talk a little bit about what kind of a growth level you see as being sustainable. I happen to believe that controlling the growth of spending is very important to moving back toward a balanced budget, and that will not happen. Even if we are successful in 1 year, it has to be sustained over a period of time. So talk about that level. What level needs to be sustained to help us balance the budget?

Mr. BOLTEN. Senator, thank you. The President's 2004 budget contained a growth in discretionary spending of roughly 4 percent, which is about the expected growth in the income of an average family, and the President chose that rough amount because he thinks that, at least in the current times it is a pretty good measure of how rapidly the Federal budget ought to be growing. It is a moderate amount, but it should be plenty of room to accommodate all of the priorities we have, given the competing priorities that we have because we absolutely must provide what is necessary to protect the homeland and ensure that we can effectively prosecute the war on terror. Those are must do's. They are part of the discretionary budget, but those are not discretionary obligations of the Federal Government.

That then leaves us with the discretionary part of the budget that is unrelated to Homeland Security and defense, about half of $800 billion that is in the discretionary budget. And I agree with you completely that if we are going to bring this government back on a path toward a balanced budget, we need to be sure that we are showing as much restraint as possible in the growth of that number. I believe we can do it.

The most important prerequisite to doing that, I believe, is to ensure that this economy is actually on a path back to growth.

The collapse in government revenues from income tax receipts is actually the principal reason why we find ourselves in the deficit situation we do this year. The radical decline in receipts from capital gains tax, from income tax that accompanied the collapse in the stock market, and in general economic activity, is why, for example, in 2002 we found ourselves in a deficit situation that had previously been projected to be a surplus. So I think the most important things we can do are first, on the side of the discretionary budget, ensure that we are very carefully allocating our resources and ensuring substantial restraint, and on the other hand putting in place policies like the President's tax cuts, that are well designed to ensure robust economic growth.

Senator SUNUNU. Could I ask you to comment on the one or two most important management reforms or management initiatives that the OMB will be working on in the next 12 months?

Mr. BOLTEN. I feel I'm a little bit at peril by highlighting one or two of leaving some child behind, and likely to, if confirmed, enter into the job having disappointed many of the people at OMB. The President's management agenda, as Chairman Collins outlined at the outset, includes five very broad categories, all of which are important. Human capital development, competitive sourcing, integration of budget and management processes, sound financial management, and—Chairman Collins, help me out. I think I have missed——

Chairman COLLINS. E-Government.

Mr. BOLTEN. E-Government, that I was discussing with Senator Durbin, is the fifth one.

All of those are important priorities. If I may come back to you after I have had some experience in the job and let you know which I think holds the greatest promise for the greatest progress over the next year, I would like to do that. Right now I will identify all of them as key priorities of the administration and of OMB, and I would gratefully receive your counsel on where you think we ought to be putting our effort in the year ahead.

Senator SUNUNU. Thank you. Thank you, Madam Chairman.

Chairman COLLINS. Thank you.

We are in the midst, unfortunately, of three roll call votes. Senator Fitzgerald, would you like to begin your questions now or after the recess?

OPENING STATEMENT OF SENATOR FITZGERALD

Senator FITZGERALD. I will begin it with a few remarks, then vote, and I would start my questioning when I come back.

I want to congratulate the Chairman for having this hearing. I think Mr. Bolten clearly has superior credentials. He has been a success in almost everything he has done in life, and he has a distinguished academic background. He has been a success in law and in business and in government, and I think he will make a very good Director of the OMB.

I do have some questions when we get back. I am hopeful that we could move the nomination rapidly through the Senate because with the appropriations process getting well under way, I think it would be unfortunate if the administration did not have an OMB Director in place as we go forward this summer before the recess.

So I will resume questioning when we get back.

Thank you, Madam Chairman. And if I could ask leave to have my opening statement included in the record, I will not read it now.

Chairman COLLINS. Without objection.

[The prepared statement of Senator Fitzgerald follows:]

OPENING PREPARED STATEMENT OF SENATOR FITZGERALD

Thank you, Chairman Collins, I would like to welcome our witness today, Mr. Joshua B. Bolten, whom President Bush has nominated to be the Director of the Office of Management and Budget (OMB).

Mr. Bolten, the President has selected you for one of the most important positions in our government, and I congratulate you on your nomination.

As the Chairman of the Governmental Affairs subcommittee on Financial Management, the Budget, and International Security, I have a special interest in ensuring that Federal agencies receive independent audits and in making our government more accountable to the taxpayers.

Fiscal mismanagement by Federal agencies costs taxpayers billions of dollars each year. In the area of erroneous payments by Federal agencies, the General Accounting Office has reported that the problem is so pervasive, that the actual extent of improper payments government-wide is unknown. GAO also reported that the total amount of improper payments could be more than $35 billion.

Another area of extensive government waste is the misuse of government credit cards by agency employees. Last Wednesday, Comptroller General David Walker testified before the House Budget Committee that the GAO and a number of Inspectors General have identified improper and fraudulent use of government credit cards in the Departments of Agriculture, Education, Defense, Housing and Urban Development, Interior, and the Federal Aviation Administration. On April 16, 2003, the GAO reported that it had documented in HUD alone millions of dollars in improper or questionable purchase card transactions by agency employees.

In fact, I was pleased to read in this morning's *Washington Post* that Secretary Abraham has ordered an extensive overhaul of the Energy Department's nuclear laboratories, in large part due to government waste involving the misuse of credit cards and missing equipment.

Therefore, it is imperative that the new OMB Director exercise strong leadership, implement rigorous standards, and hold agencies accountable to ensure each agency is practicing sound financial management.

To help strengthen this process, I sponsored the Accountability of Tax Dollars Act of 2002, which President Bush signed into law last November. This new law expanded the audit requirement of the Chief Financial Officers Act to cover all Executive Branch agencies, while providing authority to OMB to exempt certain agencies with budgets under $25 million. This provision requires agencies to prepare financial statements and to subject those statements for review by independent auditors. The agencies must then submit their audited financial statements to Congress and the administration for close scrutiny.

During today's proceedings, I look forward to hearing from Mr. Bolten about his views regarding OMB's role in implementing the Accountability of Tax Dollars Act. I also look forward to hearing about his vision and the leadership role he will play in OMB to improve financial management in government agencies.

As I mentioned in the beginning of my statement, Mr. Bolten has been nominated to one of the most important positions in the Federal Government. As Congress begins to consider the appropriations bills for Fiscal Year 2004, I believe it is vitally important for the Office of Management and Budget to have a Senate-confirmed director as expeditiously as possible. Therefore, it is my hope that this Committee will act promptly on this nomination.

Thank you, Chairman Collins.

Chairman COLLINS. We are going to recess for, unfortunately, 25 minutes because we have three stacked votes. I know that Senator Levin and Senator Pryor, in addition to Senator Fitzgerald, have additional questions. So while you may have been encouraged by the lessening of people here, you still have others that are eager to question you. So we will be in recess for 25 minutes.

I do want to say in response to Senator Fitzgerald's comment, that it is my intent to mark up this nomination tomorrow in the hopes of clearing it by the full Senate before we depart for the July 4th recess.

Mr. BOLTEN. I appreciate that very much, Madam Chairman. Thank you.

Chairman COLLINS. We are in recess for 25 minutes.

[Recess.]

Chairman COLLINS. The hearing will come back to order.

I am pleased at this time to call upon the distinguished Senator from Delaware for any questions he may have.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Thanks, Madam Chairman.

Mr. Bolten, welcome. Delighted to see you today.

Madam Chairman, Mr. Bolten was good enough to come by and visit with me as I suspect he did most of the Members of the Committee a week or two ago, and we had the opportunity to walk all over the Hart Building, up and down, and to get to know each other a little bit better. It is easy to see why the President has confidence in him and would submit his name for this nomination.

About 2½ years ago, we sat, I think, in this same room, and Mitch Daniels sat at that same table, and we had the opportunity to talk with him as a nominee for head of OMB, to talk with him about his view of the world, and the budget, and our finances as a country. I was pleased, especially pleased, when he assured us that the concerns that I expressed about the level of our national debt, together with some of our other unfunded liabilities were concerns that he shared. My staff was actually good enough to dredge up some of the quotes that he made. He promised to give, and this is a quote, "a very high priority to debt reduction." And he spoke of the great window of opportunity that we had. You may recall that window at the time, and due to the great surpluses that the new administration was inheriting from the old administration, and gave us a chance to deal with some long-term challenges including the time when my generation, the baby boomers, will start later in this decade, early in the next decade.

He noted that if we let the opportunity pass us by, it would make addressing those challenges—and I will quote again. He said, "A much more painful and severe process." Needless to say, I have been disappointed, sorely disappointed with the direction of our budget policy since that day. Not only have we let this window of opportunity pass us by, but we have succeeded in—notice I say "we"—have succeeded in transforming what might have been the most enviable fiscal position of any Nation on earth into a situation in which we will now, this year I am told, have the largest budget deficit in the history of the world, the largest budget deficit in the history of the world. That is hard to believe, but I am told that is true.

I am one of those Democrats who actually likes to cut taxes, and when the President came to Delaware in early spring of 2001, we talked about tax policy, and he was putting together his proposal to submit to the Congress at the time. And I said, "I like to cut taxes too. When I was Governor of Delaware, we cut taxes 7 out of 8 years, but we also balanced the budget in 8 years, and we managed to get ourselves the best credit rating, Triple A credit rating for the first time in the history of our State." I will not go into all the ways we cut taxes, but we basically cut in half State incomes taxes for a typical middle class family, cut them in half, State personal income taxes. Delaware used to have the top marginal personal income tax rate in the country, 19.8 percent, when Pete Dupont became Governor in 1977. When I left as Governor, it was 5.95 percent, and we still balanced the budget and ended up with reducing our debt and getting a better credit rating.

This administration has significantly reduced Federal revenues and done so with the acquiescence of the Congress. I think four-

fifths of the budget today, however, is comprised of about 4 or 5 areas. One is defense. Another is entitlement spending, and a third is interest on the national debt. I do not know if this is true, but I believe it is. I think we spend today about 19, 20 percent of GDP to run the government. I think we spend about 7 percent of GDP for Medicare, Medicaid and Social Security. By the time that my generation is in full retirement, about 25 years from now, I believe that we will be spending about 15 percent of GDP just for Medicare, Social Security and Medicaid.

What we are leaving for our kids is not something that I feel good about. I do not think any of us could feel good about this kind of legacy. It is sort of like, we will take the tax cuts now. We will take the health care and prescription drug program now. And by the way, to our sons and daughters, we will let you pay for it. I thought the best line of the President's State of the Union message was when he talked about how we should not pass on to the next generations the challenges that we could address today. I thought that was a great line. But really, we are passing on a big part of what we ought to be doing today, to those who follow us, as our children and our grandchildren.

I want to really come back to—with that as pretext, I want to come back just to share with you some of the concerns I shared with Mitch Daniels, 2, 2½ years ago. He said all the right words, and we are where we are today and we do not have a budget deficit just because of any one administration, any one person, or any one policy. I realize it is more complicated than that. But sure would love it if we had a Budget Director who did not just talk a good game and say the right words about being concerned about the budget deficit, but who actually would help us address the policies and take on the policies that we need to. We can squeeze domestic discretionary spending all we want. That is not going to solve this problem. It has to be broader than that.

The last thing I will say, and then I will turn it over just for comments, if you will, to Mr. Bolten. Somebody told me the other day, Madam Chairman—are you on the Armed Services Committee?

Chairman COLLINS. I am.

Senator CARPER. Somebody told me the other day we spend more money on defense now than the next 18 nations combined. Is that true?

Chairman COLLINS. You have to ask the nominee.

Senator CARPER. The next 18 nations combined.

Mr. BOLTEN. Thanks. [Laughter.]

Senator CARPER. And we are all interested in strong security, strong national defense, and I say as an old Naval flight officer, war veteran, if that is true, that is stunning.

Any kind of initial response to those observations, those reflections?

Mr. BOLTEN. Senator, thank you, and thank you for the opportunity to visit with you. I did enjoy our tour around the Hart Building, which was nostalgic for me, Madam Chairman. We even, through the Senator's good offices, had an opportunity to barge in on the office that I used to occupy on the second floor of the Hart Building, which but for the presence of the Senator, would have been, had the Capitol Police called.

I want to thank you for that opportunity, Senator, and I enjoyed our conversation.

Senator CARPER. They still had, like written on one of the doors, like you could barely see it, like it was in pencil or pen, it said, "For a good time call Josh Bolten." [Laughter.]

Senator CARPER. That was probably about 20 years old.

Mr. BOLTEN. Yes.

Senator CARPER. You could still just barely make it out. By the way, anybody here from your family here with you?

Mr. BOLTEN. Yes, sir.

Senator CARPER. Who is here?

Mr. BOLTEN. My mom and my sister are both here.

Senator CARPER. Which one is which?

Mr. BOLTEN. My mom is the one who will be celebrating her 80th birthday in a few weeks.

Senator CARPER. I was just with my mom in Kentucky this past weekend. She is 80-years-old as well. So happy birthday. And your sister? Welcome aboard. You did a good job with this one I think, both of you.

Mr. BOLTEN. Senator, first I want to commend your tax cutting fervor. I hope we will be able to work together should further tax cuts be necessary at some point, or appropriate at some point. I also want to share and commend your concern about the long-term budget situation that we face, that is driven principally by entitlements. I think you were exactly right when you said that we can squeeze discretionary spending all we want, but that's not going to address the real, fundamental, long-term problem, which is the tidal wave of unfunded entitlement liabilities that is coming at us far out in the future. And I share your conviction that it's the responsibility of this generation to try to address those problems for future generations, and I look forward to working, Madam Chairman, with you, the rest of the Committee and other Members of Congress on how to address those problems.

Now, as to the remarks that you referred to by my predecessor, Mitch Daniels, who in my judgment was a terrific Budget Director and an extraordinary person. His words I think remain true today, that we do need to address these problems. Even when it appeared that we were on the cusp of massive surpluses, budget surpluses, these problems were coming. Now though it is clear that those surpluses never existed, that the 5.6 trillion or whatever was estimated at the time of Mitch Daniels' appearance before this Committee 2½ years ago. Now, that it is clear that surplus never existed, it is all the more important that we act with great caution to control our discretionary spending as best we can.

And we had discussed earlier, Madam Chairman, some of the measures we might take to do that and to ensure that on the discretionary side of the budget we do all we can to control it. On the defense portion of the budget, it is large. I don't know if it's larger than the next 18 countries combined. I would be surprised if it were that large, but——

Senator CARPER. The next time you have a chance to be before us, I will try to remember to ask that question.

Mr. BOLTEN. I will prepare myself as soon as this hearing is over, with the correct data on that. It is certainly true that America is

far out ahead of the rest of the world in defense spending and in defense capability, and it is critical that we remain there for our own national security and to ensure that the United States fulfills its role as the world's super power in helping to promote peace and end the threat of terror around the world. So that portion of the budget, I think we will agree, is one that is discretionary in name, but not discretionary in function. We must meet our national security obligations and we must meet our obligations to protect the homeland.

So that leaves a relatively small part of the discretionary budget over which we have some control on a year-by-year basis, and I am anxious to work with the Members of Congress to ensure that we are observing strict discipline in that category.

The other thing we can do in the short run is ensure that we have a robust economy, because at the time that you spoke to Mitch Daniels, it was before September 11, it was before the corporate scandals that persisted through much of the 1990's, came to light, and caused some collapse of confidence both on Wall Street and in the markets. It was before the President launched the war on terror in Afghanistan and in Iraq. And perhaps most important, it was before that there was a full realization of how weak the economy that we were entering was actually going to be. There were clear signs that the economy was going to be much weaker than was reflected in those optimistic $5.6 trillion surplus projections. That was not a good idea of how weak the economy has been, and in fact, subsequent projections, almost semiannually, have been, even when conservative, have underestimated the weakness in the economy and the corresponding falloff in government revenues that was going to come with that.

When you spoke with Mitch Daniels we were anticipating large budget surpluses, largely based on a tremendous increase in government income tax revenues coming in. The reason why in the next year, in 2002, we had the budget deficit we did was principally the result of a radical falloff in government revenues, in income to the government from capital gains taxes and from income taxes.

The most important thing I think we can do in the short run is to try to restore us to a sustainable budget position, to get the economy moving again. Beyond that, even if restoring the deficits were not important, it's very important that we provide jobs for the people who want jobs, and I believe that the President's tax cuts that have been enacted by this Congress in 2001, 2002 and 2003, have been precisely well designed to try to put us back on that track.

Senator CARPER. My time is expired. If there is another round, I would welcome the chance to ask another question or two. Thank you. I think for the record—you mentioned, if I could, you said that those surpluses never existed. But actually they did exist, we actually had a surplus or two, maybe three——

Mr. BOLTEN. Yes, there were modest budget surpluses immediately in those years. What I was referring to was the projection of a $5.6 trillion surplus over——

Senator CARPER. We went from 1968 to roughly 1998 without ever balancing the budget, and then we did it, I think, two or three times in a row. Thank you.

Chairman COLLINS. Senator Fitzgerald.

Senator FITZGERALD. Thank you, Madam Chairman.

Mr. Bolten, in January of this year, the National Commission on the Public Service, known as the Volcker Commission, released its report called "Urgent Business for America: Revitalizing the Federal Government for the 21st Century." One of the report's major findings was the extent to which there is an enormous amount of duplication and overlap in government agencies. The report cited some specific examples, including 50 homeless assistance programs administered by 8 agencies; 90 early childhood programs in 11 agencies and 20 different offices; 40 job training programs administered by 7 agencies; and 342 economic development related programs administered by 13 different cabinet departments.

What do you think about the Volcker Commission's findings on overlap in government agencies and programs?

Mr. BOLTEN. I have not read the Volcker Commission study. I will look forward to doing so and to addressing it with you in greater detail. I can say that I do view it as a central function of the Office of Management and Budget, to be looking precisely for those kinds of opportunities that are highlighted in the report, to consolidate government efforts and to focus our efforts on those programs that are actually well designed to achieve the objective.

We have in place now something that Chairman Collins described very well at the outset of the hearing, called the PART process, the performance assessment—performance—I don't know. Chairman, can you help me out again?

Chairman COLLINS. PART, just call it PART, rating tool.

Mr. BOLTEN. Anyway, it is the tool by which the Office of Management and Budget looks at individual programs and determines where there are clear goals set out for that program, whether it is meeting its goals, and whether it is being appropriately managed. So far the administration has done about 20 percent of the reviewable programs that are out there. That was done in the past budget cycle. In this budget cycle, a cumulative additional 20 percent——

Senator FITZGERALD. Has the OMB recommended any programs for elimination based on a finding of ineffectiveness?

Mr. BOLTEN. I don't know whether the connection has been, but it seems to me it should create opportunities precisely for that, and that as we look at those programs, and as we evaluate their effectiveness, there is also an opportunity to look across programs that are—once we have been able to do a complete canvas of the programs in government—and say that these 20 programs are all headed toward the same objective. Let's see which ones are actually doing well at meeting the objective, and let's move the resources away from the ones that are ineffective and move them toward the ones that are effective. I think that's central to the role of the Office of Management and Budget, and I look forward to working with this Committee on those issues.

Senator FITZGERALD. I, for one, stand ready to help you with any initiatives you undertake at the executive level. I think your leadership could be very important in this regard, enhancing the pro-

grams that are effective, and dismantling or recommending the dismantling of programs that are ineffective. But also please take a look at that overlap that the Volcker Commission cited, because it seems to me that we are probably wasting an enormous amount of taxpayer resources by duplicating our efforts in so many different ways.

I would like to ask you a few questions about the Chief Financial Officers Act, and I want to compliment your predecessor, Mitch Daniels, on the improvements that were made in terms of the 24 government agencies that are required by the Chief Financial Officers Act of 1990 to get annual financial audits. Prior to 1990 there were no audit requirements, which is really incredible if you think about it. Prior to Mitch Daniels' term most of those agencies were not getting clean audits from their auditors, but under Mitch Daniels, in February of this year, OMB announced that a record 21 of the 24 CFO Act agencies submitted unqualified financial audits. In other words, the accountants were not qualifying their audit reports. But OMB reported that one agency, the U.S. Agency for International Development, USAID, received a qualified audit, and two agencies, the Small Business Administration and the Defense Department—the Defense Department takes up a lot of our government spending—they received not qualified audits, but they received disclaimers of opinions all together. That means that the auditors are not really able to make heads or tails out of their books, and so they could not comment at all on the meaningfulness of their financial reports.

I would be interested to know what steps you might plan on taking to try and get the Department of Defense and the Small Business Administration to urge them to get their books and records in order? We could be wasting billions of dollars. Money could be misappropriated. We would not know about it. It could be stolen. We would not know about it because their books and records are not in good enough shape to express any opinion on them.

Do you have any thoughts on what you might be able to do to move those departments forward in this area?

Mr. BOLTEN. These are huge and longstanding problems, and it is one of the issues that the President identified early on in his administration as a top management priority, which is to get the financial management in the individual agencies right. There has been an enormous amount of progress made. You cited some of it. I know that for the first time in its history the Department of Agriculture has a clean audit as well, and it will be a high priority of mine, and especially a high priority of the recently-confirmed Deputy Director for Management, Clay Johnson, to see that we extend the good news throughout the government. We have a lot of challenges in doing that. These are not problems that have popped up overnight.

Senator FITZGERALD. Have you thought about creating any internal rewards or carrots and sticks within your budgeting? I have noticed that agencies that receive a clean audit do not really get a reward, and the ones that go on year after year getting negative audits or qualified opinions or disclaimers of opinion receive no penalty. Their budgets are not cut. Have you ever thought about

calling some of these directors in and saying, hey, we cannot be entrusting you with all this money if you cannot get clean audits?

Mr. BOLTEN. We will be glad to think about additional sticks and carrots. What I can tell you is that the spotlight that the President's management agenda and the scorecard have put on agency practices is in itself, has been in itself, a pretty powerful carrot and stick. I've had the privilege of being present when the President meets with a lot of his cabinet officers just to review their agenda, which he does periodically. And rare is the cabinet officer who does not either brag about having gotten a good mark on one of these new scorecard measures or a PART review, or does not complain about having gotten an unfairly bad mark. And the principal takes note. The President asks about the scorecard, and I know the cabinet officers take it very seriously. So I think the spotlight itself has provided a very powerful carrot and stick, and I am looking forward to working with you to maybe increase the wattage of the spotlight, because that may be the most powerful tool we have.

Senator FITZGERALD. Just one final question. I know my time has expired. We passed another law last year, the Accountability of Tax Dollars Act, that extended the CFO Act to all Federal agencies with budgets over $25 million, and I believe that is going to add this audit requirement to 78 agencies.

I understand in December of last year Mitch Daniels sent a memorandum to those 78 agencies outlining their obligations under the new act. But in his memorandum he indicated that he was invoking the waiver provisions in the act, and was waiving the act's new requirements during the initial transition period of 2002, when that law was passed.

Are you able to inform the Committee today of whether any of the 78 agencies may have requested a waiver for 2003, and are you able to tell the Committee today how many of the 78 agencies you expect to meet the new requirements of that act this fiscal year?

Mr. BOLTEN. I'm not, Senator, but if confirmed, I will provide you an answer to that as promptly as possible.

Senator FITZGERALD. I would urge you to be tough on them and try and get them all to comply.

And I want to welcome your sister and your mother here to this Committee too. They should be very proud of you, and I wish them well also. Thank you very much.

Mr. BOLTEN. Thank you, Senator.

Chairman COLLINS. Thank you, Senator. Senator Pryor.

OPENING STATEMENT OF SENATOR PRYOR

Senator PRYOR. Thank you, Madam Chairman.

Mr. Bolten, let us talk some dollars and cents here real quick, and I will try to leave plenty of time for Senator Levin to ask questions.

In response to written questions you said, "Our current deficit, as measured as a percentage of gross domestic product, is not large by historical standards and is manageable within the overall context of our economy." I believe it was last week the CBO came out with a projection that we would be at $400 billion in deficit for this fiscal year. Do you agree with that projection, by the way?

Mr. BOLTEN. What I can tell you is that the latest projection in the President's budget, which goes all the way back to January or February, has a $300 billion projection. But since then there have been further degradation in the expectation about the economic growth. There has been an omnibus bill, there has been a supplemental and so on, some additional tax cuts. My expectation is that $300 billion number is low.

Senator PRYOR. Do you think it will be about $400 billion?

Mr. BOLTEN. I don't know what it will be. OMB will release a mid-session review this summer, so fairly shortly, that will update our own projections.

Senator PRYOR. But as part of your statement there, you said that you look at the gross domestic product, and that is an interesting point, because obviously one way to look at a deficit is based on a percentage of GDP, but it seems to me that is only one aspect of the deficit, because the most important aspect of a debt is how are you going to pay it back. And at this point, what I see our government doing is going further and further and further into debt, and larger deficits every year. In other words, I do not know what it was last year, $200 and some odd billion. This year it is going to be $400 billion, maybe more. Next year, I am scared to know what the projection will be for next year.

But do you agree with me that GDP is one thing to look at, but also how we pay the debt back is equally important, maybe more important than GDP percentage?

Mr. BOLTEN. Well, absolutely, how we're going to repay the debt is important. The burden of the debt, I think, is properly measured as a percentage of GDP, just as if you were taking out a mortgage, you would take out a mortgage roughly appropriate to your income and——

Senator PRYOR. Wait a minute though. GDP is not our income. GDP is the gross domestic product. Our income is the revenues that we take in.

Mr. BOLTEN. Understood, Senator, but the measure of how much of a burden on this society that the deficit we may run will impose, I think is dictated by how well the economy overall is doing. The deficits we have now are I think too large. We need to bring them down. By historical measure, even a 4 percent of GDP deficit figure is not way out of line with historical precedent.

What we do need to worry about is the addition that is adding to the public debt, as you are concerned, because in the long run a great buildup in public debt or an expectation that there will be a great buildup in public debt, can ultimately lead to rising interest rates, which is where the problem comes back and bites us today in the economy. So far we haven't seen that. In this period of rising deficits, we have seen declining interest rates, in fact, to almost historic lows in both short term and long term rates.

So right now we don't see the bite from the deficits we are running, and that's why I used the word manageable in the written response to the questions, but I think you're absolutely right, it is something we need to be concerned about, and we need to be particularly concerned about getting control of our long term budget situation with respect to the massive unfunded liabilities that are coming at us in our entitlement programs.

Senator PRYOR. I am glad you mentioned unfunded liability because in your opening statement you refer to that, and a couple times in questioning you refer to that. It seems to me—and I would like to hear your thoughts on this—our debt load, not as a percentage of GDP, but as a percentage of our Federal budget, is increasing fairly dramatically every year. It eats into our ability to meet our responsibilities, whether it is Social Security, Medicare, Medicaid, whatever it may be.

Now, do you agree with that, that it is eating into our ability to meet our responsibilities?

Mr. BOLTEN. I think they're actually severable problems here. Our immediate deficit is a problem of how we're doing on our current accounts, and it seems to me that these are the kinds of deficits we are running now, while too high, are manageable within our current means. What is much more difficult to address, it seems to me, is the longer term picture of looking out several decades and ensuring that we are properly structuring our programs and setting aside enough money to meet all the liabilities currently unfunded that we see coming at us with entitlements. In the short run I think the best answer for us is to have a strong and growing economy that will restore the revenue base that has been so badly eroded recently, and that will be, I think, a big help in bringing us toward balance in the short run. But even taking care of that short run problem doesn't take care of the long run entitlement problem that I know you share a great concern about.

Senator PRYOR. Yes. I am very concerned about that. I just sense that it is going to be harder and harder for us to meet our responsibilities over time. You can look in the future, the not-too-distant future, and see a train wreck about to happen.

Back on the percentage of GDP, etc., how large do you believe the deficit can get as a percentage of GDP before it becomes unacceptable? Is there a magic percentage—not magic—but is there a percentage that in your mind, where it has just gotten too large?

Mr. BOLTEN. I have posed precisely that question to a number of economists whose opinions I respect, I did not get an answer, and so I won't have an answer for you either. What I can say is that the size of deficits we are currently running, while a matter of concern, don't reach the level of alarm that it's likely to have a long term detrimental effect on our economic situation either today or in the future. If that were true, I think we would be seeing it in the interest rates, and we're seeing precisely the opposite in lower interest rates.

Senator PRYOR. I understand that there is also Fed policy there that is driving interest rates lower at the same time, so we will see how that works out.

But let me ask two last questions really, and that is, when you look at a budget, any kind of budget, it does not matter if it is a household budget or the Federal Government's budget, you really look at two things. That is, how much money you are taking in and how much money you are spending. I would like to hear your thoughts and your recommendations to the Congress, if you are ready to talk about those, about what spending we should cut.

Also I would like to hear your thoughts about if you think a tax increase would ever be necessary in the future.

Mr. BOLTEN. Taking the second part of the question first, Senator, I do not foresee either the need or the propriety of a tax increase as we look forward. I think the tax cuts that have been put in place have been precisely the right kind of remedy for the situation we were in, and my expectation is that any sort of tax increase will actually cause a contraction in the economic growth that really is our best prospect for getting back to a sound budgetary basis.

As to the spending cuts, I am not ready today to discuss those with you. I will be ready at some point if confirmed and have had a chance to dig in with the very able staff of OMB. My expectation is that in the 2005 budget the President presents, we will be presenting some cuts in budgets that will undoubtedly have controversy in some portion of the Congress, and I look forward to soliciting your support for achieving some of the cuts that may be necessary for us to do the kind of fiscal restraint in the short run that I think you and I will both agree is necessary.

Senator PRYOR. Madam Chairman, I would like to thank you and thank the witness. Just in parting, I would encourage you, Mr. Bolten, to take to heart the comments of Senator Stevens and Senator Voinovich. Both of them are very respected not just within this institution but all over the government and I think they make very valid points about our budget and some of our spending priorities. So I would encourage to always keep their comments in mind.

Mr. BOLTEN. I will. Thank you, Senator.

Chairman COLLINS. Thank you, Senator. Senator Levin.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Thank you, Madam Chairman.

Welcome to you, Mr. Bolten, and congratulations. You are well qualified for the position to which you have been nominated. We commend you on it. I obviously have a lot of questions, a number of differences in terms of the economic approach that you take, but nonetheless, you are clearly well qualified for the position, and we look forward to an early confirmation.

I would like to talk to you about dynamic scoring first, as to how reliable it is. I gather you, in general, support dynamic scoring?

Mr. BOLTEN. As a principle, yes.

Senator LEVIN. It is supposed to provide a more complete picture of the budget effects of tax and spending proposals, but a good number of experts, perhaps most, believe that dynamic scoring, as practiced today at least, is inaccurate and unreliable. The Congressional Budget office last year asserted that dynamic scoring would pose intractable problems. Those are their words. And to my knowledge, there is no consensus that exists among economists to start to implement dynamic scoring. It relies on a number of highly subjective elements, including predictions of future interest rates, monetary policies, fiscal policies, business cycles, and labor supplies, among other matters. There also of course is a risk of dynamic scoring being manipulated to arrive at a desired result.

Do you plan on employing more dynamic scoring as head of OMB?

Mr. BOLTEN. Senator, I didn't hear anything that I disagree with in what you have just said. Our economists internally say the same thing, that the science of dynamic scoring is at this point insuffi-

ciently advanced. There's been a lot of terrific work done, I'm told, to advance the science, if it can be called that, of trying to estimate what sort of macroeconomic effects are going to result from a specific change in either revenue or spending policy, and I think it's very important that we try to do that, because as the administration evaluates, and as you, the Members of the Congress evaluate a change in policy, I think you ought to have before you the best information possible about what sort of economic effects that change in policy is going to have. Today's relatively static analysis does not capture that. So as a matter of principle, I do support trying to advance toward the point at which we will have science that at least some critical mass of economists can agree is sufficient for us to change the way we score things.

Senator LEVIN. And until we get to that point?

Mr. BOLTEN. For the time being, I know of no plans to shift over our system. I do intend, Senator, to be working on this issue with other colleagues in the administration, and hope to be coming to you shortly with mechanisms for dynamic scoring that we can all agree actually accurately capture what is likely to be happening in the economy.

Senator LEVIN. That would go both to tax and spending proposals if you do that?

Mr. BOLTEN. Yes, sir.

Senator LEVIN. The CBO recently undertook a dynamic scoring analysis of the President's latest tax cut proposals, and found small supply side impacts, sometimes positive, sometimes negative, with an overall negligible effect on the economy. The Joint Committee on Taxation undertook a dynamic scoring analysis of $550 billion worth of tax cuts in a House of Representatives' proposal. It found some short term stimulus to the economy, but also, "The positive business investment incentives arising from the tax policy are eventually likely to be outweighed by the reduction in national savings due to increasing Federal Government deficits." And four of the five Joint Tax dynamic scoring models predicted a drop in GDP between 2009 and 2013, while the other model remained constant.

So these dynamic scores predict pretty anemic results for those years, and yet I think you said that is just precisely the right kind of remedy, that tax cuts are the right kind of remedy. It does not sound to me like it is much of a remedy at all, even according to some dynamic scoring models. Are you familiar with those models and their application to the tax cuts? And do you disagree with their assessments?

Mr. BOLTEN. I do disagree with their assessments, and I think a lot of other economic analysts do, and I know that many of the best analysts on Wall Street also disagree with those analyses. They do see very positive effects coming from the tax cuts in the overall economy, and I think they, many of them have been able to model greatly enhanced—well, greatly may be in the eye of the beholder—but substantially enhanced economic performance out of this economy as a result of those tax cuts.

So I feel very strongly that we have taken precisely the right kind of measures so far, and hopefully they will put us back on a path toward robust economic growth that we need to get people jobs in this economy and bring government revenues up.

Senator LEVIN. I guess my specific question is, are you familiar with those five Joint Tax Committee scoring models?

Mr. BOLTEN. I know of them.

Senator LEVIN. Have you seen that particular analysis?

Mr. BOLTEN. I know of them, Senator. I have not read them.

Senator LEVIN. We are back in a deep deficit ditch, and I heard some of your testimony here this morning including your answers to Senator Pryor's questions, and I have been concerned for a long time about the direction that we are heading in terms of deficits, and I do not find any really strong feeling about the problem of deficits in the administration. I wish I did. I think it is very untraditional in terms of conservative economic policy, to be this casual about deficits, as I sense this administration is—$400 billion becomes manageable all of a sudden. Is $500 billion manageable?

Mr. BOLTEN. Senator, I don't want to put a number on what's manageable. I think the manageability of our current deficits is in fact reflected in what we are seeing in short- and especially long-term interest rates, and those have been declining while the deficits are going up. I think that is strong evidence that we are not causing harm to the economy with the size of deficits we are running.

Senator LEVIN. It also could be evidence of a very anemic economy where nobody is investing.

Mr. BOLTEN. It undoubtedly is evidence of that as well. I would not describe the administration's attitude toward the deficits, however, as casual. There are at this moment some higher priorities. Bringing the deficits down is a very high priority of the President. Returning our budget to balance is a very high priority of the President. But over the last couple of years we have had higher priorities, and those include protecting the homeland, winning the war on terror, and restoring this economy in the short run to the kind of growth that will actually make it possible to bring us back to balance.

Senator LEVIN. Since Senator Stevens said that you are going to need Mitch Daniels' flak jacket, let me ask you whether you agree with what Mitch Daniels said less than 2 years ago, that we were awash in money, we were just awash in money. Do you think this Nation is awash in money any more?

Mr. BOLTEN. I think Mitch was referring to the projected surplus of, at the time I think it was $5.6 trillion.

Senator LEVIN. It was.

Mr. BOLTEN. We clearly are not in that kind of situation today and I believe we were not in that situation then. It is a testament more to the inaccuracy of projection models than anything else. But even at the time that Mitch was testifying here, 2½ years ago, the economy was already entering into recession, and government revenues were declining. I do not believe that we were at the time awash in surplus money. We clearly are not now, and that is a situation we need to address.

Senator LEVIN. It is just not that the Nation is awash in money. He said, "But it's going to be." Doesn't sound like anything close to deficit hawks or a conservative approach to me. That kind of a projection is the basis for reducing revenues, surely has contributed to the deficit. Now, you have mentioned other things which have

contributed to the deficit too, which they have. But surely, tax cuts have contributed to the deficit, at least according to the Congressional Budget office. Would you not agree with that?

Mr. BOLTEN. I do agree that certainly in the short run, the tax cuts have contributed to the deficit. That is actually part of their purposes, is to get some money out to the people who need it to spend and invest. But I go back to the priorities, which include getting this economy going again, which I think the tax cuts have been very well designed to accomplish, to bring us out of the recession that was at the doorstep when the President entered office, and to restore the economy toward the robust growth that will make it possible to bring the budget deficits down in the future.

Senator LEVIN. Like Mitch Daniels' projection of the future, whether or not these tax cuts in fact have that effect, we will know soon enough. But I am afraid that your optimism about the effect of tax cuts runs directly counter at least to our Joint Tax Committee's assessment, which is that they are negligible in terms of producing any kind of economic growth. That is a bipartisan Joint Tax Committee. That is not a partisan comment at all.

Mr. BOLTEN. Understood, Senator, and I trust that I will have the opportunity to come back before you and show that the expectations that I have reflected and those of many other government officials and economists are the accurate ones, and that we will be headed back toward growth toward the end of this year.

Senator LEVIN. Well, we sure hope that that is the case. We look forward to your coming back in either case, whether your predictions are accurate or not.

My time is up. I have a few additional questions, but my time is up this round.

Chairman COLLINS. Thank you, Senator Levin.

I would like to thank Mr. Bolten for appearing before the Committee today——

Senator LEVIN. I can submit them——

Chairman COLLINS. Would you like another couple minutes?

Senator LEVIN. Yes, if that would be all right.

Chairman COLLINS. OK.

Senator LEVIN. I should not have assumed there would be another round. I apologize, Madam Chairman.

Just one other question about the personnel system. I guess two questions. One is the financial management problems that Senator Fitzgerald mentioned. The ability to address them, particularly in the Department of Defense, is going to depend on whether or not you can put financial management systems in place with appropriate controls. That is what the key is in the DoD. This has been a longstanding problem, long before this administration. But it needs to be addressed.

I wonder, Madam Chairman, if we could perhaps lay down a challenge to our new OMB Director, to give us perhaps by the end of the year, since you are talking about spotlights, give us by the end of the year your projection as to how we are going to make some progress in the financial management in the DoD so that we can get it auditable. Would that be reasonable to ask? This goes on year after year after year at the Department of Defense. Is that

doable, is that practical, by the end of the year to give us a roadmap towards auditability for the Department of Defense?

Mr. BOLTEN. Senator, in a sense I think we're already doing that and will do it when we release our scorecard.

Senator LEVIN. Then you could perhaps give it to us now then. That would be fine. If you think that roadmap exists now, if you could just give us that for the record, that would be terrific.

Mr. BOLTEN. Senator, I'm not in a position to do that, certainly not currently being the Director. I'm not in the position to do that. But I do know that it will be the focus of intensive review as we prepare our 2005 budget submission that will come to you in February of this coming year, and that we will have a very sharp focus on the management practices throughout the government, including the Department of Defense, and will be able to show you a scorecard of how we think they are doing, and address the measures that we think are going to be needed to make the score better.

Senator LEVIN. That budget submission will be adequate in terms of timing, if you can include it in that.

Mr. BOLTEN. Thank you, Senator.

Senator LEVIN. And the last question would be, Dr. Chu, who is in the Department of Defense, has stated that if the Department of Defense moves 300,000 members of the uniform military into war fighting tasks, that there is no constraint to preclude the Department from hiring 300,000 new civilians to replace them. Will you ensure that in fact there is no constraint. He was talking about OMB. He said there is no constraint from OMB. Will you ensure that there is no constraint on the ability of the Department of Defense to hire new civilians to fulfill the functions that were previously performed by members of the uniform military?

Mr. BOLTEN. Senator, I am not entirely sure of the implications, but my instinct is to say yes, but if I may come back to you with a direct response on that.

Senator LEVIN. That would be great.

Mr. BOLTEN. For the record. The one thing I would say is that if the question is, does OMB impose FTE, full time equivalent ceilings, my understanding is that OMB does not now do that, and that the constraint on the Department of Defense would be their overall budget, and that it is within those budgetary limits that the Defense Department would have to operate in terms of its new hiring.

Senator LEVIN. You can give us a more complete answer then for the record as to whether there are any constraints on FTEs, full time equivalents, taking the place of uniform military people inside the Department of Defense.

Mr. BOLTEN. I will do that.

Senator LEVIN. That will be great, and thank you very much, and congratulations.

Mr. BOLTEN. Thank you, Senator.

Chairman COLLINS. Thank you, Senator Levin.

Mr. Bolten, I think it is a sign of how important the position is for which you have been nominated that we have had 13 Senators here today to ask you questions.

We do look forward to working with you. I am confident that we will be able to move your nomination fairly expeditiously, and I appreciate your being here today.

I also want to thank you for your willingness to serve in this very difficult position. It is probably the most difficult position in the entire Federal Government in many ways. But surely, it is also one of the most significant. Your commitment to public service means a great deal, and impresses me greatly, and I think we are very fortunate that you are willing to accept this further responsibility.

So we look forward to working with you. Without objection, the record will remain open until 5 p.m. today for the submission of any additional materials for the record. It is my hope that the Committee will be able to report out your nomination tomorrow, and have it cleared by the full Senate before we adjourn. In that regard I want to acknowledge the efforts of Senators and staff on both sides of the aisle, as well as your efforts to reply quickly to the voluminous number of questions that were submitted to you.

Chairman COLLINS. This hearing is now adjourned.

[Whereupon, at 1 p.m., the Committee was adjourned.]

APPENDIX

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION

1. **Name:** (Include any former names used.)

   Joshua Brewster Bolten

2. **Position to which nominated:**

   Director, Office of Management and Budget

3. **Date of nomination:**

   June 3, 2003

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

   Office:
   The White House
   West Wing, 1st Floor
   Washington, DC 20500

5. **Date and place of birth:**

   8/16/54, Washington, DC

6. **Marital status:** (Include maiden name of wife or husband's name.)

   Single

7. **Names and ages of children:**

   N/A

8. **Education:** List secondary and higher education institutions, dates attended, degree received and date degree granted.

   St. Albans School, 9/68 - 6/72
   Princeton University, 9/72 - 6/76, BA
   Stanford Law School, 9/77 - 6/80, JD

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 Attached.

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.

N/A

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.

Director, Eisenhower World Affairs Institute
('92 - '01)

Director, Skyline Balloons Ltd
('97-'99)

Member, Board of Governors, St. Albans School
('01 - present)

12. **Memberships:** List all memberships and offices currently or formerly held in professional, business, fraternal, scholarly, civic, public, charitable and other organizations.

Former Member:
DC Bar Association, American Bar Association,
American Society of International Law

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.

N/A

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

Policy Director
George W. Bush presidential campaign
(3/99 - 12/00; Exploratory Committee, Bush
2000, and Bush-Cheney 2000)

(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.

11/98 - $500.00 to the Governor Bush Committee

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.

N/A

15. **Published writings:** List the titles, publishers, and dates of books, articles, reports, or other published materials which you have written.

"Comment: Enforcing the CIA's Secrecy Agreement through Postpublication Civil Action: *United States* v. *Snepp*." 32 Stanford Law Review 409 (1980).

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.

N/A

17. **Selection:**

(a) Do you know why you were chosen for this nomination by the President?

I believe the President chose me for this nomination because of my experiences working for him during the past 28 months as his Deputy Chief of Staff for Policy, as well as my prior experiences with government and economic policy.

(b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?

During my tenure as White House Deputy Chief of Staff for Policy, I have had the opportunity to work with each Cabinet department and agency - and particularly with Director Daniels and other senior officials of OMB - on matters of Administration policy. I believe this exposure would be useful to performing both the overall management and budget roles of the OMB Director. Among my prior experiences, I believe my nearly four years on the staff of

the Senate Finance Committee, as well as subsequent experience working with the Congress, would be especially useful to me in fulfilling the OMB Director's many responsibilities involving the Congress.

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 current business connections.

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 am unaware of anything that might constitute or result in 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 my tenure as Executive Director, Legal and

Government Affairs, for Goldman Sachs International in London ('94-'99), I occasionally worked with European government officials and local counsel on legal and regulatory matters affecting Goldman's European business.

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.

Skyline Balloons Ltd., a UK company of which I was a director while living in London, was involved in litigation in UK courts with its insurer over responsibility for payment of a claim; the litigation has been terminated.

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

N/A.

E. FINANCIAL DATA

All information requested under this heading must be provided for yourself, your spouse, and your dependents. (This information will not be published in the record of the hearing on your nomination, but it will be retained in the Committee's files and will be available for public inspection.)

AFFIDAVIT

Joshua B. Bolten 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 11th day of June, 2003

Notary Public
for the State of Colorado
Com. expires 4/21/08

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.)

Assistant Project Manager, Ticor, 6300 Wilshire Blvd., Los Angeles, CA 90048. 8/76 - 4/77.

Paralegal, Wald Harkrader & Ross, 1300 19th Street NW, Washignton, DC 20036. 4/77 - 8/77.

Summer Associate, Duncan & Allen, 1575 Eye Street NW, Washington, DC 20005. 6/78 - 8/78.

Summer Associate, Latham & Watkins, 555 S. Flower Street, Los Angeles, CA 90071. 6/79 - 7/79.

Summer Associate, Simpson Thacher & Bartlett, One Battery Park Plaza, New York, NY 10004. 7/79 - 8/79.

Law Clerk, U.S. District Court, San Francisco, CA 94102. 9/80 - 6/81.

Attorney-Adviser, Office of the Legal Adviser - US Department of State, Washington, DC 20520. 6/81 - 1/84.

Attorney, O'Melveny & Myers, 555 13th Street NW Suite 500, Washingon, DC 20004. 1/84 - 7/85.

International Trade Counsel, US Senate Finance Committee, Washington, DC 20510. 7/85 - 1/89.

General Counsel, Office of the US Trade Representative, 600 17th Street NW, Washington, DC 20508. 1/89 - 3/92.

Deputy Assistant to the President for Legislative Affairs, The White House, Washington, DC 20500. 3/92 - 1/93.

Senior Vice President, Ernest & Julio Gallo Co., 600 Yosemite Avenue, Modesto, CA 95354. 3/93 - 6/93.

Visiting Lecturer, Yale Law School, 127 Wall Street, New Haven, CT 06511. 9/93 - 12/93.

Executive Director, Legal and Government Affairs, Goldman Sachs International, Peterborough Court, 133 Fleet Street, London, UK EC4A. 9/93 - 3/99 (resident in London beginning 1/94).

Policy Director, Bush for President, 301 Congress Avenue, Austin, TX 78701. 3/99 - 12/00.

Policy Director, Bush-Cheney Transition, 1800 G Street NW, Washington, DC 20006. 12/00 - 1/01.

Assistant to the President and Deputy Chief of Staff for Policy, The White House, Washington, DC 20500. 1/01 - present.

U.S. Senate Committee on Governmental Affairs
Pre-hearing Questionnaire for the Nomination
of Joshua Bolten to be
Director, Office of Management and Budget

I. Nomination Process and Conflicts of Interest

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

   I believe the President chose me for this nomination because of my experiences working for him during the past 29 months as his Deputy Chief of Staff for Policy, as well as my prior experiences with government and economic policy.

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 Director of the Office of Management and Budget?**

   During my tenure as White House Deputy Chief of Staff for Policy, I have had the opportunity to work with each Cabinet department and agency – and particularly with Director Daniels and other senior officials of the Office of Management and Budget (OMB) – on matters of Administration policy. I believe this exposure would be useful to performing both the overall management and budget roles of the OMB Director. Among my prior experiences, I believe my nearly four years on the staff of the Senate Finance Committee, as well as subsequent experience working with the Congress, would be especially useful to me in fulfilling the OMB Director's many responsibilities involving the Congress.

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

   I have committed to the President, members of this Committee, and others that I would be dedicated to achieving the President's priorities and to doing so with a watchful eye on the taxpayers' dollars.

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 am unaware of anything that might constitute a conflict of interest, or appearance thereof, that might cause me to recuse or disqualify myself from any issue.

II. Background

1. **As you know, OMB has many and varied functions–from budget development and execution to a host of management responsibilities. Please describe your background and experience in relation to OMB's various roles.**

   My background includes experiences in the White House as Deputy Chief of Staff for Policy; as policy director in a presidential campaign; as executive director, legal and government affairs, of a U.S. investment bank's European operations; as General Counsel to the U.S. Trade Representative; as International Trade Counsel to the Senate Finance Committee; in private law practice; and as an attorney at the U.S. State Department. With relevance to OMB's various roles, these jobs have given me: broad exposure to government policy-making, including budget development; experience with the workings of both the Executive and Legislative branches; familiarity with financial markets and domestic and international economic issues; and some substantial management responsibility.

2. **What will be your highest priorities as OMB Director and what do you anticipate to be the greatest challenges?**

   My highest priority is to serve the President and faithfully work toward the implementation of his program and his priorities, which include: winning the war on terror, protecting the homeland, and strengthening our economy. The greatest challenge for the OMB Director is to ensure that the nation's resources are properly aligned with its challenges and priorities. In addition, the implementation of the President's Management Agenda, with its focus on ensuring accountability for results, represents both a high priority and an important challenge.

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?**

   The President has already elevated the importance of government management through his Management Agenda, released in a message to Congress in August 2001. OMB currently monitors closely the status and progress on the President's Management Agenda. The Senate recently confirmed Clay Johnson as the Deputy Director for Management, who will take the lead in OMB and for the Administration on management issues. If confirmed as Director, I would continue to emphasize improved management of federal agencies and programs, and I am committed to working with Congress on this important issue.

4. **In your responses to the Committee's Biographical and Financial Questionnaire, you stated that "At least one recent [tax] return was not timely filed and some others have also involved payment of penalties and interest for underpayment during the tax year." Please explain the circumstances that led to this late filing and the need to pay penalties and interest.**

For my 2000 tax return, I had obtained from IRS an extension for filing through 10/15/01. Due in part to the 9/11 attack (which also affected my New York-based accountant), I missed the 10/15 deadline by about two weeks. IRS subsequently granted an extension and waived late-filing penalties for those affected by 9/11. I have owed – and promptly paid at the time of filing – routine penalties and interest associated with making payments later than April 15.

III. Policy Questions

Organization, Planning, and Management of OMB

1. **Agencies are required to submit strategic plans. What are your main goals for the agency? How well does OMB's current strategic plan reflect what you plan to accomplish during your tenure as Director? What would you change?**

I agree that strategic and performance planning are important, and, if confirmed as OMB Director, I plan to work closely with OMB policy officials and senior career staff to communicate goals and objectives, and to ensure that those goals are achieved. I plan to review OMB's current strategic and performance planning processes and goals in more detail, and will revisit as necessary. I look forward to an ongoing dialogue with the Members of the Committee on these issues.

2. **How would you plan to hold yourself and 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?**

OMB's success will be determined in large part by our success in implementing the President's program. If confirmed as Director, I will use OMB's Senior Executive Service (SES) performance appraisal process to identify our goals and objectives and then to hold our managers accountable for achieving them. We will use this assessment to evaluate ourselves and to make decisions on SES compensation, including promotions and award determinations. The performance appraisal process will be a valuable tool to ensure OMB staff is working together in an integrated fashion to implement OMB's management, budget, and policy responsibilities.

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

   If confirmed, I see my role as using the OMB strategic planning process to clearly define missions, objectives, and goals for all of its responsibilities, including its statutory management responsibilities. With respect to leading agencies' management improvement efforts, the President's Management Agenda identifies a set of government-wide initiatives that agencies are expected to carry out over the next several years.

4. **Do you plan to enhance the integration of agency strategic and annual planning with OMB's budget reviews? If so, how?**

   Budget and Performance Integration is one of the five government-wide initiatives in the President's Management Agenda. In pursuit of that initiative, OMB developed the Program Assessment Rating Tool (PART) to measure the effectiveness of programs. My understanding is that OMB now integrates management and program performance reviews as part of the budget reviews that lead to the development of the President's budget. In order to implement the President's vision of a results-based government, I believe it is important that we continue to enhance this integration.

5. **What changes, if any, do you expect to make in OMB's human capital strategic planning? In particular, how would you plan to ensure that OMB staff 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?**

   OMB is a staff organization whose effectiveness is dependent on the skills and performance of its staff. If confirmed, I will work with senior policy staff at OMB to ensure that appropriate human capital strategic goals and objectives for OMB are developed and implemented.

6. **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? Please explain. How would you prepare OMB to meet future challenges of overseeing federal government operations in a global environment and in an integrated, knowledge-based economy?**

   If confirmed, I intend to review OMB's structure periodically to ensure that OMB is as effective as possible, including making sure that OMB can meet future challenges.

7. **What will you do as OMB 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 do you bring to this task?

Like other agencies throughout the government, OMB works to address the areas mentioned in the question by implementing the President's Management Agenda. OMB's progress and status is assessed quarterly on the Executive Branch Management Scorecard. If confirmed as Director, I will use OMB's Senior Executive Service performance appraisal process to hold our managers accountable for achieving our goals and objectives, including improving the management of OMB. My experience in this regard is discussed above, in response to questions I (3) and II (1).

OMB Access

1. **Because of the critical nature of OMB's mission, the Congress has considerable interest in, and oversight responsibility for, OMB's implementation of its statutory responsibilities. Accordingly, having complete, accurate, and timely information about OMB's activities is paramount to Congress' ability to carry out its responsibilities.**

   a. **What are your views on providing Congress timely and accurate access to federal agency records and other information and to federal officials, if necessary, for Congress to fulfill its oversight responsibilities?**

   b. **What are your views on providing congressional and GAO access to OMB records and other information and to key federal officials within OMB?**

   c. **How would you propose establishing and maintaining constructive working relationships with the Congress, as well as resolving any potential disputes regarding access to information and officials?**

   d. **GAO supports the Congress in fulfilling its constitutional duties, and Congress often relies on its work. The Committee has heard that GAO has experienced difficulties in its efforts to meet and talk with appropriate OMB staff and to obtain access to necessary information in a timely manner—often for work that is either a statutory mandate or a Committee request and hence "required" work for GAO. How would you propose to establish and maintain a working relationship with GAO and to resolve any difficulty over access to people and information?**

   Congress should have timely access to accurate information consistent with the constitutional and statutory prerogatives and obligations of the Executive Branch. If confirmed, I will work to accommodate the interests of Congress and the GAO fully and appropriately, consistent with those constitutional and statutory prerogatives and

obligations of the Executive Branch. Should I have any questions about a request for information, I would consult as appropriate with officials from OMB's General Counsel, the Counsel to the President, and the Department of Justice.

Government Transformation

1. **Both GAO and the National Commission on the Public Service (the Volcker Commission) have called for a comprehensive review and reassessment of the federal government's role and organization to meet the challenges of the 21st century. What are your views on the need for such a reexamination? Will you urge the Administration to undertake this review? If so, what would be the goals of such a review?**

   I have not yet formed a view as to whether a full scale reexamination of government organization is warranted at this time. As it oversees the management of the Executive Branch, OMB is in a prime position to recognize the areas of government that could benefit from reorganization or enhanced coordination. Where appropriate, I intend to advance proposals to reorganize the government so that it provides better, more efficient service to the American people. I look forward with great interest to reviewing GAO's and the Volcker Commission's recommendations on this subject.

2. **Strategic planning is an important tool for setting goals and monitoring progress. Several national strategies, including the National Strategy for Homeland Security, require efforts from multiple agencies. What do you believe OMB's role should be, if any, in coordinating these efforts?**

   I believe OMB plays an appropriate role in reviewing such strategies to ensure they are coordinated and represent the Administration's policies and priorities, as well as ensuring that such strategies are oriented toward measurable results.

Governmentwide Performance-Based Management and Accountability

1. **What do you see as the top three major management challenges confronting the federal government?**

   The President's Management Agenda identifies five major management challenges facing the Federal government: Strategic Management of Human Capital; Competitive Sourcing; Improved Financial Performance; Expanded Electronic Government; and Budget and Performance Integration. I believe these five areas are well designed to address the greatest government-wide management challenges.

   a. **What do you see as OMB's role in addressing these challenges?**

      OMB should continue to work with the agencies in moving towards the goals specified in the President's Management Agenda. Additionally, OMB should monitor the status and progress of agencies in meeting the goals through the Executive Branch Management Scorecard and ensuring that there is clear accountability.

   b. **What specific goals do you have, and how will you measure the success of your efforts in meeting these challenges?**

      I fully share the goals of the President's Management Agenda and will measure our success in addressing the government's challenges by the extent to which improvements in these areas are made and are reflected on the Executive Branch Management Scorecard.

   c. **Broadly speaking, what do you see as OMB's role in addressing the management challenges identified by GAO in its high risk and performance and accountability series?**

      OMB can work with agencies and GAO to clarify what specific actions need to be taken to address the government's challenges identified in GAO's High-Risk list and then monitor agency progress to ensure accountability in taking those actions.

2. **What role can OMB play in fostering a results-oriented culture in the management of federal programs and the use of performance information in daily program decisionmaking?**

   OMB continues to lead a government-wide commitment towards a more results-oriented federal government. Over the past two years, this leadership is most directly illustrated by the Budget Performance Integration initiative in the President's Management Agenda, and the ongoing work to evaluate the effectiveness of all federal programs using the

Program Assessment Rating Tool (PART). The President's Management Agenda consists of broad goals, specific work plans for achieving these goals, and regular and public assessments of progress in goal achievement.

I believe both these efforts signal to agency managers, and I hope to Congress as well, how serious OMB is about its leadership role in ensuring effective and efficient use of taxpayers' dollars.

The criteria for success for the Budget Performance Integration initiative specify that performance and financial data be reviewed regularly by agency managers and officials. Having such criteria highlights the importance the Administration places on agency managers continually using performance data to ensure their programs are producing results, and intervening appropriately when progress is lagging.

3. **How can OMB help improve the overall quality of agency strategic plans, annual performance plans, and performance reports?**

OMB can do this in several ways. The most important will be for agencies to see OMB using these documents to inform funding decisions and management improvement efforts. I understand that agency strategic plans are a key element in the PART evaluations. The annual performance reports show how well agencies have done in achieving performance goals, and are essential for public accountability. These reports will also be critical to ongoing PART evaluations, in examining past performance and determining program effectiveness.

4. **How can OMB help improve the timeliness and quality of program performance information?**

The quality of performance information will improve as OMB and the agencies make greater use of the PART in evaluating programs. The PART relies on a set of selective key measures that support the PART assessments. If current measures are inadequate or don't yet exist for these assessments, the agencies must develop them. This process should lead to an overall improvement in the quality of the performance measures.

The Budget and Performance Integration initiative under the President's Management Agenda calls for agency officials to meet regularly through the year to review the ongoing performance of their agency's programs. This should lead to information for some measures being collected more frequently and more contemporaneously than in the past.

5. **OMB is required under the Government Performance and Results Act to annually develop a governmentwide performance plan; this plan is expected to provide a comprehensive picture of government performance. In the past, the Governmentwide 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. There was no governmentwide plan this year or last.

a. **How do you plan to comply with the requirement for a governmentwide plan and what changes would you make in how it is developed?**

The President's FY 2004 budget placed an unprecedented emphasis on performance, which, if confirmed, I will continue to make a priority. The budget includes a discussion of agency performance against goals, as well as agency status and progress on the President's Management Agenda. As the Administration works to reach its goal of applying the PART in the next four years to all programs administered by the Federal government, we will be able to include in the President's budget outcome-oriented goals for all the government's programs. I believe such an emphasis on performance is what Congress sought by including the requirement to prepare a governmentwide performance plan. The PART initiative has already assessed the performance and performance management of twenty percent of the government's programs.

b. **Given that there is significant mission fragmentation and program overlap across the federal government, how can the governmentwide performance plan help to focus decisions on broader issues cutting across specific agencies and their programs and reduce program overlap?**

One of the benefits of the PART will be the ability to assess the performance and validate the performance measures of programs with the same or similar missions. As more programs are assessed using the PART, it will help the Administration base its decisions regarding overlapping or duplicative programs on the performance of those programs.

c. **How can the governmentwide performance plan help OMB address the high risk and major management challenges identified by GAO?**

OMB can monitor agency progress toward clear goals to address the high risk and major management challenges identified by GAO. The President's Management Agenda is already focusing agency attention on addressing the government's greatest challenges as identified by GAO and others.

6. **Do you propose any changes to enhance OMB's ability to lead and coordinate agencies' implementation of statutory management efforts (such as those under the Government Performance and Results Act (GPRA), the Chief Financial Officers (CFO) Act, and the Clinger-Cohen Act) and improve management practices generally? Describe what in your background and experience will prepare you for leading and coordinating such efforts.**

As I am not yet well familiar with the internal operations of OMB, I cannot make a judgment on whether changes are needed. I am confident that, as a high-performing organization, OMB will remain committed to continuing improvements in its operations. If confirmed, I will carefully look at ways for further enhancing OMB capabilities and leadership.

7. **Under GPRA, agencies are required to set quantitative measures by which performance can be assessed. This has not always proven to be an easy task. For instance, many federal programs are carried out and implemented by state and local governments. This has made some federal agencies wary of setting outcome-oriented measures for these programs, over which they do not have complete control. Another problem is that in some cases there is a lack of data, or at least standardized and verifiable data, to measure performance in a meaningful way. Other programs, such as law enforcement programs, are difficult to measure in outcome-oriented terms. Given limited agency budgets and staff, performance measurement under GPRA has often suffered. What guidance and assistance would you, as OMB Director, provide agencies to help them cope with such problems?**

I believe that OMB's efforts – both in using the PART process to identify the several key measures of program performance and in collaborating with the agencies on having their performance and budget documents include a selective suite of measures useful to managers and decision-makers alike – are helping address the concerns you have raised.

The importance of having a good yet limited set of measures is underscored by OMB's efforts, as part of the Budget Performance Integration initiative in the President's Management Agenda, to secure commitments from the agencies to identify and include key measures of performance, and eliminate less useful or unnecessary measures.

I also understand that agencies continue to make progress in defining outcome goals for programs administered at the state and local levels. All programs should be accountable for achieving results; in some cases identifying the appropriate performance measures may be more challenging.

Budget and Performance Integration

1. **To get a green light for the budget and performance integration initiative on the Executive Branch Management Scorecard, an agency must meet five criteria, including creation of an integrated performance budget that charges programs for the full cost of budgetary resources. These budgetary changes, however, raise trade-offs between the various uses of the federal budget for resource allocation, congressional oversight, and managerial flexibility and accountability.**

a. **How do these changes to budget account structures and cost distribution support the President's Management Agenda? Are these changes critical to its success?**

The reason the changes to the budget account structures and cost distribution are important is that they assist in the measurement of program performance, and the cost of achieving results, so we have the information to consider better and more efficient ways to achieve stated program objectives.

2. **The FY2004 President's Budget provides a preview of what OMB promises will be an integrated performance budget for FY2005 with informational tables that substitute outputs and outcomes for existing program activities in selected budget accounts. In other cases, the President's Budget advocates a more fundamental restructuring across accounts.**

a. **What challenges do agencies face in achieving full alignment of planning, funding, costs, and performance?**

b. **What do you foresee as the near-term and longer-term consequences of not achieving full alignment?**

c. **Since Congress and, in particular, the Appropriations Committees, determine the structure of appropriations accounts, how should OMB work with the Congress to promote these proposals?**

I am not yet fully familiar with the restructuring of individual agency accounts to achieve full alignment of planning, funding, costs, and performance. In order to meet the President's objective of a results-oriented government, I believe we do need to make sure that planning, budgeting, accounting, and performance systems are aligned. If confirmed, I hope to advance the trend toward better alignment of these systems. I believe it is important that OMB and agencies consult closely with Congress and in particular the Appropriations Committees regarding proposed changes.

3. **In October 2001, the Administration transmitted legislation to Congress to charge the employer's share of the full cost of accrued federal employee retirement benefits. It was not adopted. Subsequently, in the President's FY2003 Budget, budget authority was requested for the fully accrued cost. In the President's FY2004 Budget however, the full costs of accruing federal employee retirement benefits were included as notational entries to the program and financing schedules throughout the budget; budget authority was not requested.**

a. **Does the Administration plan to re-submit the proposal to accrue the full employer share of federal employee retirement costs?**

b. **Under this proposal, instead of continuing to make federal retirement and health benefit payments for retirees through central, mandatory accounts, the President proposes to subject them to the annual appropriations process, where they would compete with defense, homeland security, education, and other appropriated items. The President's budget has claimed that this change is meant solely to be technical in nature and not to affect the budgets of agencies or the future benefits of current employees. What assurances can you give that agencies and employees will be held harmless by the effects of the accrual proposal?**

c. **Does the Administration still support and plan to propose legislation to charge mission accounts for certain overhead and fixed costs, such as centrally-provided support goods and services, annual capital usage, and the accrued costs of environmental cleanup attributable to the mission?**

d. **What is your opinion of the legislative proposals referred to in this question? Please explain.**

For most federal retiree benefits, the annual accruing cost is already paid from employer salary and expense funds. The Administration's bill would require accrual cost payments for all such benefits, but the shift would not affect the funding of benefits. Unfunded liabilities would be amortized by mandatory payments from the general fund, also increasing payments to the benefit funds. Benefit payments would continue to be mandatory.

My understanding is that the Administration has proposed legislation that would fully reflect the costs associated with retirement benefits and continues to support this proposal. I am advised that the Administration has not submitted legislation to charge mission accounts for other support costs.

4. **OMB's goal in creating the Program Assessment Rating Tool (PART) was to establish a way to make the program assessment process more consistent, objective, credible, and transparent. Using the Tool's four point scale, how would you rate the results for FY2004 and why?**

The purpose of the PART is to provide an objective rating of program performance. The tool places an emphasis on the existence of accurate performance measures and data. Because it is still early in the PART's implementation and in many cases there are not yet good measures or data, I would give the PART a "Results Not Demonstrated." OMB and agencies are now completing ratings for the second set of programs, covering an additional 20 percent of federal programs, for a total of 40% of over the two years.

However, the PART is clearly a useful tool for identifying program strengths and weaknesses and promoting the establishment of clear accountability for program

performance. It holds the promise, not yet realized, of promoting results-oriented government and serves as a mechanism for measuring improvements in performance. Our success in remedying problems and improving program performance and accountability will be how we demonstrate the success of the PART effort overall.

5. **According to OMB, "over half of the programs analyzed under PART received a rating of "Results Not Demonstrated" because of the lack of outcome performance measures and poor or insufficient performance data.**

   a. **What steps do you believe OMB should take to address the problems agencies have had in developing adequate performance measures and reliable performance data?**

   b. **What role does OMB have in approving performance measures and monitoring performance data quality?**

   For programs that received the Results Not Demonstrated rating, OMB and agencies are working either to develop better performance measures that will help measure the achievement of program goals or to reform the program so that it can better perform. In many cases, the process of developing meaningful performance measures involves extensive discussions between OMB and agencies.

6. **A June 13, 2003 article on the Gov Exec website, "OMB Ratings Have Little Impact on Hill Budget Decisions," stated "Lawmakers make funding decisions based on traditional budget justification documents, and pay little attention to the Office of Management and Budget's recent evaluations of federal programs [under PART]." Are you committed to continuing the PART reviews? What changes, if any, should be made?**

   Yes, I am committed to continuing the PART reviews. The President has committed to making the federal government more results-oriented; a central component of this pledge is assessing program performance and either fixing or ending ineffective programs. Early experience using the PART suggests that it can be an effective tool for achieving the President's goal.

   For FY 2005, I expect the PART and the process for completing the ratings will remain largely unchanged from the prior year. While the PART has been revised somewhat, these revisions were mostly technical and aimed to make the instrument easier to use. Because the PART process is still relatively new and we are learning through implementation, I also expect that additional improvements may be necessary.

7. **GPRA was created to involve both the executive and legislative branches in the performance planning process. The PART is solely an Executive Branch effort.**

Essentially the PART suggests the executive branch alone – through OMB budget examiners -- has the legitimacy and power to define program purpose, relevance, and the federal role. Do you foresee any problems with OMB assuming the role of setting program priorities in the assessment process? Does OMB's actions lead to second-guessing Congress in terms of program purpose and design? If OMB determines that a program has a low performance assessment, does that suggest that the program should receive more resources to improve performance, less resources because performance is poor, or something else? How will OMB make this determination?

The primary goal of the PART is to improve program performance, a goal shared by Congress and the Administration. The PART is a tool used to identify program strengths and weaknesses and take appropriate action. The PART does not assess whether a program serves an appropriate federal role, but it can be used to identify flaws in program design. Both Congress and the Executive Branch can benefit from this examination, as they are then able to take whatever actions are necessary to improve program performance.

It is my understanding that the PART has been a useful tool to OMB in informing funding requests. Low-performing programs may be recommended for funding reductions when there are similar programs that are more effective at achieving the same goal. On the other hand, I am also informed that some low-performing programs received additional funding in the President's Budget to address their performance deficiencies.

8. **The administration has devoted an entire volume of the President's FY 2004 budget to the PART evaluations. At the same time there appears to be less emphasis on the Government Performance and Results Act, even as agencies are required to continue to do their GPRA reports. Are the PART and GPRA related, and if so, how? What role will each play in assessing program performance if you are director of OMB? Do you have other approaches that you plan to employ to evaluate programs?**

I believe the PART has served to strengthen and focus GPRA implementation efforts by highlighting the importance of having outcome-oriented performance goals and producing results. I am told that when completing the PART, OMB and agencies engaged in extensive, valuable discussions to ensure that all programs had strong performance measures. When existing GPRA measures have been outcome-oriented and appropriately reflect the purpose of the program, they were used in completing the PART. When new or improved measures were developed when completing the PART, they have been incorporated into agency GPRA plans. I would intend for OMB to continue to use information from GPRA plans and reports in its execution of the PART.

9. **The Administration's FY 2004 Budget acknowledges that the PART tool still has "limitations and shortcomings,' and that these "shortcomings" identified by the Administration are often significant. For example, the Budget notes problems with ensuring consistency and objectivity in the raters' answers to the questions; difficulties faced by agencies in designing good performance measures (and that "there are no 'right' measures for some programs); failure to give credit for interim progress toward program goals; and the absence of criteria to assess how well a program complements other programs. What do you intend to do to correct these deficiencies?**

   I understand that OMB has modified some of the PART questions and has enhanced the guidance to make the PART easier to use. In addition, OMB has conducted training on using the PART and addressing performance measurement challenges. As was done in the first year, I expect that OMB will continue to perform consistency checks of completed PARTs and take corrective actions when necessary. All these actions should help strengthen the use of the PART. I expect additional improvements in the PART as we gain more experience using it.

10. **The Budget's presentation of PART seems to suggest that the government's primary emphasis in evaluation should focus on program efficiency and effectiveness. Some contend that this emphasis may not reflect the goals of a number of programs that seek to increase access to resources and promote fairness in the way that funds are distributed, particularly among disadvantaged groups and vulnerable populations. Do you agree? If so, how do you propose to make sure that the PART process addresses these goals? Do you see any tension between OMB and Congress in evaluating the value of a program that may not fit easily into more quantifiable measures of efficiency or effectiveness?**

    A program is effective when it achieves its intended goals. If the goal of a program is to increase access to resources for disadvantaged individuals, then the PART should be used to assess how well the program achieves that goal. While developing quantitative measures is challenging in some areas, I believe that both Congress and OMB will benefit from continued efforts to demonstrate how well programs are achieving their intended results.

Budget

1. **Do you advocate any changes in current budgetary laws, rules, or procedures to improve budget discipline? What provisions, if any, of the Congressional Budget and Impoundment Control Act of 1974 or the Balanced Budget and Emergency Deficit Control Act of 1985 would you advocate amending, how, and for what purpose?**

   The Administration supports a two-year extension of the Budget Enforcement Act (BEA)

with discretionary caps equal to the President's request for FY2004 and FY2005 and the pay-as-you-go (PAYGO) requirements that are consistent with the President's priorities. Additional proposals for BEA changes include a stricter definition of emergency spending and a cap on advance appropriations at the FY2002 level.

In addition, the Administration supports four other measures that would enhance budget discipline: biennial budgeting; a joint budget resolution that is signed by the President and would have the force of law; an automatic continuing resolution to prevent a government shutdown; and a constitutional alternative to the line-item veto law that the Supreme Court struck down.

2. **Enforcement provisions established by the Budget Enforcement Act (sequestration enforcing pay-as-you-go and discretionary spending caps) expired at the end of fiscal year 2002. Do you believe that these should be reinstated? If so, for how long should they be reinstated, and should they be changed in any way from their previous form? If you would reinstate statutory discretionary spending caps, at what levels would you set those caps, and for what years?**

The President supports a two-year extension of the BEA with discretionary caps, with separate firewalls for highways and mass transit, for FY2004 and FY2005 equal to the budget authority and outlay levels set forth in his 2004 Budget. The President also supports a two-year extension of the pay-as-you-go requirement that is consistent with the President's priorities. Reaching agreement on a two-year extension of the BEA provides a realistic framework for revenue, discretionary, and mandatory policy that would allow the Congress and the President to plan more effectively.

In addition, to ensure effectiveness of the caps, the Administration supports limiting advance appropriations to the level set in the Congressional budget resolution and establishing criteria that would restrict use of the emergency designation (which allows for spending above the caps) to situations that are true emergencies.

3. **What do you think is an appropriate rate of growth for discretionary spending over time? Commencing with his State of the Union address, the President has stated repeatedly that he believes that 4 percent is an appropriate rate for discretionary spending -- do you agree, and if so, why?**

In this year's State of the Union Address, the President stated: "We must work together to fund only our most important priorities. I will send you a budget that increases discretionary spending by 4 percent next year – about as much as the average family's income is expected to grow. And that is a good benchmark for us. Federal spending should not rise any faster than the paychecks of American families."

I agree completely that the government should grow at a rate that is sustainable in the long-term, and a good current benchmark for sustainable growth in discretionary

spending is the growth in family income, which has grown recently at about 4 percent per year.

4. **If Congress acts this year to reauthorize statutory discretionary spending caps for fiscal years 2004 and beyond, would you support the reauthorization of separate discretionary outlay caps for the highway and mass transit categories, and if so, for how many years? Should a new mass transit discretionary budget authority cap be created? At what level should these outlay caps (and a potential new mass transit discretionary budget authority cap) be set?**

   It is my understanding that the Administration's surface transportation reauthorization proposal supports separate and specific discretionary outlay caps for the highway and mass transit categories for a six-year reauthorization period.

   For all remaining discretionary programs, the Administration supports a two-year extension of the overall, general purpose discretionary spending caps at the levels set forth in the President's 2004 Budget. Discretionary mass transit budget authority would be included in the general purpose spending caps.

5. **In the two and a half years since the current administration took office, we've gone from record surpluses to record debt, and we've just had to raise the debt ceiling by $1 trillion. This month departing OMB Director Mitch Daniels was quoted in the Washington Post as saying that the government is fiscally "in fine shape." Do agree with that assessment?**

   As I understand it, the full quote that appeared in the Post was "in fine shape, given the situation the country's come through." With that important qualification, I agree with Director Daniels' assessment. When we think back to all that the country has gone through – a stock market that began collapsing in the Spring of 2000, an economy that was entering recession as the President took office, the September 11 terrorist attacks, war in Afghanistan, war in Iraq, and fluctuating energy prices – the fiscal outcome could have been far worse than we have experienced. The important task going forward is to return the economy to strong growth and healthy job creation, which will begin to move the government's finances back into balance.

6. **The Congressional Budget Office estimates that the 2003 deficit is $246 billion before the enactment of the 2003 tax cuts. With the currently enacted tax cut, the deficit is expected to be $61 billion larger. Is the current deficit harmful to the economy? If so, please explain how. If not, please explain why you don't think so.**

   The deficit was caused overwhelmingly by economic factors. Nearly all economists note that it is appropriate to run a temporary deficit during times of economic slowdown or national emergency. The Administration believes that once strong economic growth is restored – which tax cuts enacted in recent years have been well designed to accomplish

– and spending growth is restrained, a reduction in the deficit over time will follow. In evaluating deficits, it is important to consider the situation in which they occur and their relative size. Our current deficit – as measured as a percentage of Gross Domestic Product (GDP) – is not large by historical standards and is manageable within the overall context of our economy. In fact, long-term interest rates, mortgage rates, and student loan rates are all at record lows.

7. **Current provisions in the tax law are scheduled to expire over the next 10 years. The Center on Budget and Policy Priorities and the Tax Policy Center both estimate that if we extend the provisions that are set to expire, deficits over 10 years are expected to increase by $800 billion to $1 trillion. Will the Administration seek to extend the tax cuts that are set to expire? If so, do you agree that current forecasts of the deficit over the next 10 years are too low?**

   The President's Budget has identified tax provisions that the Administration seeks to make permanent. Their extension is reflected in the Administration's Budget estimates.

8. **Do you think the current deficit is large? How large will it have to be before you view it as being a drag on private investment and economic growth? Do you believe that the current deficit is sustainable over 10 years? What about when the baby-boomers are retiring and claiming Social Security and Medicare benefits?**

   There is no clear consensus about how large a deficit would have to be in order to have a negative effect on the economy. As discussed in question 6, above, the current deficit, as a percentage of GDP, is not large by historical standards and is manageable within the overall context of our economy. Moreover, today's deficit was caused overwhelmingly by economic factors. Nearly all economists note that it is appropriate to run a temporary deficit during times of economic slowdown or national emergency. The Administration believes that once strong economic growth is restored and spending growth is restrained, a reduction in the deficit over time will follow.

9. **Do you have a strategy for reducing the deficit? If spending reductions are a part of the strategy, what programs would you recommend be cut or eliminated? And by how much?**

   The Administration's strategy for reducing the deficit is to grow the economy so revenue growth will accelerate, and to restrain growth in spending. For FY2004, the Administration has proposed a Budget that would limit the growth in discretionary spending to 4 percent, which is about as much as the average family income is expected to grow.

10. **The Congressional Budget Office indicates that the 2003 tax cuts have accounted for 20% of the current deficit. Do you agree or disagree and why?**

That figure is in the same range as Administration estimates.

11. **Recent reports have suggested that the administration is intent on passing a tax cut every year. Is this an accurate assessment of the administration's intentions? What additional revenue cuts do you see on the agenda for the remainder of the year and next year?**

The President's FY2004 Budget includes a number of tax cuts in addition to those specifically enumerated as part of the President's Jobs and Growth plan, many of which were adopted by Congress in the recently enacted Jobs and Growth Tax Relief Reconciliation Act of 2003. The President has not indicated that he will seek tax cuts in addition to those specified in the Budget or those currently pending before Congress.

12. **Grover Norquist recently described the current administration's tax policy as "taking deliberate steps" towards a flat tax. Do you think a flat tax is a good idea? Do you think it is fair?**

The President has made no decision with regard to a flat tax or any other manner of general tax reform.

13. **Recent data released by the Department of Labor show a worsening employment situation. Since the peak in February 2001, the private sector has lost 3.1 million jobs. How do you explain this rate of job loss? What could the Administration have done differently to prevent or reduce this rate of job loss?**

The job loss is attributable directly to an economy that was slowing down well before this Administration took office and then a rate of economic recovery that has been too weak to generate employment gains. This Administration has proposed a series of tax packages designed to accelerate the rate of economic growth. Many economists agree that the 2001 tax relief was instrumental in ensuring that the latest recession was one of the most shallow in history. The Jobs and Growth Tax Relief Reconciliation Act of 2003 also accelerated the effective date of some of the 2001 tax cuts and included a variety of other provisions, so that economic growth could increase and more jobs could be created.

14. **In your opinion, what economic outcome would indicate a successful versus a failed economic policy? Do we measure the economy by jobs created? By the unemployment rate? By growth?**

An economic policy is successful if the economy performs better with the policy than without it. On this basis, the 2001 and 2002 tax cuts have been very successful, and the recently enacted Jobs and Growth Tax Relief Reconciliation Act of 2003 is well designed to promote economic growth and job creation.

15. **If the economy does recover, do you think the tax cuts should continue? If so, why? How much revenue would be lost by making tax cuts permanent?**

The tax cuts detailed in the President's FY2004 Budget should be made permanent because they are fair and well designed to strengthen the economy in the long-run as well as the short-run. According to the President's Budget, making these tax cuts permanent would reduce receipts by $498 billion over the next 10 years.

16. **While the federal government is able to reduce taxes even in a time of recession and deficits, state governments are often not able to do this. Do you support aiding states in their time of crisis so that they won't have to raise taxes, cut programs, or fire employees?**

The President recently signed the Jobs and Growth Tax Reconciliation Act of 2003 that contained $20 billion in state aid. This will help the states re-align their budgets. Stronger economic growth resulting from federal tax cuts will generate additional state tax receipts. The federal government can best assist states by enacting policies, like the Jobs and Growth Tax Relief Reconciliation Act of 2003, that help assure a strong economy and strong state revenue growth.

17. **OMB has so-far resisted employing so-called "dynamic" scoring in the scoring of tax bills and other legislation. Your predecessor, Mitch Daniels, stated in a recent interview with the National Journal that he believes that dynamic scoring "ought to be approached in the abstract, not the concrete – that is to say, not with reference to a specific bill because everybody's got a vested interest in that. It ought to be approached in an intellectually honest way in between controversies." Do you agree with Mr. Daniels, and do you plan to continue OMB's policy of not employing dynamic scoring in the estimates of legislation? If not, how do you plan to incorporate such information into OMB analyses?**

I am unaware of any plans to alter the traditional scoring of tax or spending legislation. However, policymakers should be able to consider legislation with the best possible information available. To the extent we can develop methods of providing additional information about the actual effect a proposal will have on economic growth and therefore revenues, we should do so and let policymakers decide for themselves how to avail themselves of that information. I believe we should continue to explore how to best provide this supplemental information.

18. **Are you aware of CBO's dynamic analysis of the effects of the President's latest tax cut and budget proposal, which concluded that the impact of the President's budget on economic output could be negative or positive and that, either way, the net effect on long-term growth through changes to the supply side of the economy would probably be small? What is your opinion of CBO's analysis?**

I am aware of CBO's analysis, but have not yet had an opportunity to review it.

19. **The President's budget proposed to change fundamentally the calculation of the baseline under the Budget Enforcement Act by not extending discretionary funding for emergencies in subsequent years. The budget justified the decision on the basis that emergencies are not ongoing, annual events. Isn't it true, however, that while the government might not know exactly the extent and nature of emergencies that will occur in a given year, that it does know that emergencies have occurred on a consistent basis over time? Thus, wouldn't excluding such funding actually produce a less realistic baseline of future discretionary spending? Wouldn't this proposal also create a lack of symmetry in the baseline rules, which make no allowance for adding in new items or increasing funding for existing items above the baseline rate of inflation -- even if it is clear that additional resources will be needed in subsequent years (e.g., the ramp-up in funding for the decennial census or new funding initiatives recently enacted in the areas of homeland security and election reform)? Are you concerned that this proposal might introduce a bias in producing a baseline level for discretionary programs?**

Under current rules, emergency spending increases the discretionary baseline in the budget year – and subsequent years – from expenditures that do not continue because the need has been addressed and passed. The best example of this would be funding for rebuilding the Pentagon and lower-Manhattan after the September 11 attacks. This proposal attempts to correct that problem.

The Administration supports fully funding "predictable" levels of emergency spending in base accounts for the 5- or 10-year average for typical emergency expenditures. Programs that respond to such emergencies include, for example, the Disaster Relief account in the Department of Homeland Security, and Wildland Firefighting in the Departments of Agriculture and the Interior.

20. **The President's budget also proposed to create a standard definition of emergency designations that meets all of the following elements: a necessary expenditure, sudden, urgent, unforeseen, and temporary. However, the budget provides little explanation about and no examples of what would (or would not) meet each of these tests. In your opinion, which emergencies declared under the BEA would meet the five elements mentioned above and which ones would not?**

Clearly, the tragic events of September 11, 2001 would meet these criteria, as would events such as Hurricane Andrew and the Midwest Floods of the mid-1990's.

The emergency designation, however, can be used to circumvent the discretionary caps. One example is the declaration of the decennial census in 2000 as an emergency, an event that is required in the Constitution and has occurred every 10 years for the past 200 years.

The President intends to ensure strict criteria are met before an item is declared as an emergency under a new BEA. The purpose behind the emergency designation is both to provide a constraint and a safety-valve – to enforce the limitations of the BEA, while not preventing the enactment of funding to address truly dire emergency situations.

Budget Process Reform

Biennial Budgeting

1. **The President's budget proposes a biennial budget with funding decisions made in odd-numbered years and with even-numbered years devoted to authorizing legislation. 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?**

   a. **How would OMB ensure that agency time and energy would be shifted to improved financial management or better program evaluation?**

   The President strongly supports converting the federal government to biennial budgeting. Annual budgeting is an inefficient process. Each year it consumes much time and energy that could be better spent focusing on programmatic issues in greater detail and engaging in additional oversight. During the time between budgets, we would emphasize financial management and program evaluation through more focused attention to agency implementation of the President's Management Agenda.

2. **If biennial budgeting became law, how would you see integrating such a shift with GPRA? What changes would be required to the basic GPRA framework?**

   I have not formed a view on the specific changes that should be made to GPRA if a biennial budget were enacted into law. My understanding is that OMB has shared suggested changes with the Committee. If confirmed, I would be happy to discuss this issue in more detail with the Committee.

3. **Congress routinely has provided multiple-year or no-year appropriations for accounts when it seemed to make sense to do so. Especially in some programs, such as defense procurement and education programs, multiyear appropriations tend to smooth program functioning. While a shift of the entire budget cycle to biennial might ease planning and increase predictability for all program managers, multiyear or advance funding can be provided for those programs for which 1-year money seriously impairs program effectiveness without that shift.**

   a. **Are there programs that currently are hampered in their ability to function by having only 1-year money?**

b. If so, what are they and will OMB request multiyear authority for them?

Adoption of a biennial budget process would provide greater budget certainty for two years. Agencies would be better able to plan their operations; individuals, state and local governments, and other organizations receiving federal funding would be able to plan with more certainty with a biennial federal budget process.

Almost any program would benefit from greater certainty of funding. However, the programs that would benefit the most are those that require long lead times, such as procurement, or those that are carried out over longer periods of time, such as research and development. The recipients of grant programs would also benefit from the greater certainty that funds would be available.

4. **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. Do you agree? How would you expect to achieve this goal? Would agency time and energy be shifted to improved financial management or better program evaluation? How would OMB ensure that this happens? What federal programs do you believe would benefit from biennial budgeting?**

The President strongly supports converting the federal government to biennial budgeting. Annual budgeting is an inefficient process. Freeing up time and ensuring funding over a longer period should allow agencies to devote more time to program evaluation and all aspects of management, including financial management. It would also give OMB and Congress more time to concentrate on programmatic issues and management initiatives in greater detail and to engage in additional oversight. As mentioned in the previous question, almost any program would benefit from greater certainty of funding. However, the programs that would benefit the most are those that require long lead times, such as procurement, or those that are carried out over longer periods of time, such as research and development. The recipients of grant programs would also benefit from the greater certainty that funds would be available.

5. **How would biennial budgeting be integrated into the Government Performance and Results Act requirements for annual plans and reports on performance?**

As mentioned in question 2, I have not formed a view on the specific changes that should be made to GPRA if a biennial budget were enacted into law. My understanding is that OMB has shared suggested changes with the Committee. If confirmed, I would be happy to discuss this issue in more detail with the Committee.

Automatic Continuing Resolution

6. **President Bush has expressed support for legislation to prevent government shutdowns through automatic continuing resolutions. Do you share this position, and if so, why?**

The President supports permanent law that would provide funding for programs at a level that is the lower of either the amount proposed in the President's Budget for the applicable fiscal year or the amount enacted by Congress for the previous fiscal year whenever an appropriations bill has not been signed by the beginning of the fiscal year. Every fiscal year during this Administration, the Congress and the Administration have spent considerable time and effort passing short-term stop-gap continuing resolutions to avoid government shutdowns. I share the President's view that a measure of this kind is needed to ensure that the continued operation of government programs is not unnecessarily threatened.

7. **Isn't it possible that if legislation were enacted providing for an automatic continuing resolution, certain pressing needs that have increased because of changed economic circumstances would go underfunded? For example, if the market price for the food products made available to pregnant women and mothers of infants and small children under the Women, Infants and Children (WIC) program were to rise in a given year, wouldn't an automatic continuing resolution automatically set a rate below that year's needs?**

The automatic continuing resolution is intended to be a stop-gap funding measure that would provide funds for the government to continue to operate programs, such as the Women, Infants and Children (WIC) program, that would otherwise have to shut down entirely if regular appropriations had not been enacted.

Budgeting and Planning for Federal Capital

8. **Congress, GAO, 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 government 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?**

The President's Commission to Study Capital Budgeting found that insufficient attention is paid to the long-run consequences of budget decisions. Capital spending in particular is inefficiently allocated among projects. The annual focus of the budget process and annual appropriations for capital projects are among the main impediments to effective budgeting for capital. Moreover, the current process shortchanges the maintenance of existing assets. The Commission made a number of recommendations to strengthen

budgeting for capital, including: better use of strategic plans; ongoing review of benefit-cost assessments; full funding for capital projects; adhering to the scoring of leases; and improving incentives for asset management. It is my understanding that OMB is making progress on budgeting for capital, particularly for investments in information systems.

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, longstanding financial management problems. Describe your views on the importance of financial management improvement, in general, and OMB's role in addressing these challenges.**

   Improving financial management is crucial to the performance of the federal government. Accurate and timely financial information will help agencies determine whether programs are achieving their goals as efficiently and effectively as possible, as well as whether such programs are at risk of loss from waste, fraud, and abuse. Through implementation of the Improved Financial Performance initiative of the President's Management Agenda, OMB can work with agencies to improve dramatically the quality and timeliness of agency financial information.

2. **The majority of federal agencies' financial management systems do not meet statutory requirements, such as having the capability to produce information on the costs of programs and projects, and integrating program, budget and financial information for evaluating agency results. These systems 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 meet these statutory requirements to improve the quality of data for decision making and improve accountability?**

   Through the Improved Financial Performance initiative of the President's Management Agenda, OMB has a system in place to monitor the compliance of agency financial systems with statutory and other requirements. OMB will also monitor the implementation of financial systems governmentwide to ensure that they accomplish the goal of producing reliable financial information on demand.

3. **Over the past 2 years, the principals of the Joint Financial Management Improvement Program (JFMIP) - - the Director of OMB, the Secretary of the Treasury, the Director of OPM, and the Comptroller General - - have personally worked together and met on a regular basis to provide the leadership necessary to address pressing governmentwide financial management issues. The chairmanship of the group rotates among the Principals every two years and is currently held by OMB. Do you plan to continue OMB's active involvement and the regular, personal**

involvement of the JFMIP Principals in achieving federal financial management reform?

Yes.

4. **Specific financial management and control issues often arise that call for close governmentwide attention and oversight. The President's Management Agenda highlights for particular attention erroneous payments that, according to OMB, total more than $35 billion annually. Other governmentwide financial management and control issues have been identified in the GAO report on the U.S. government's consolidated financial statements, involving billions of dollars. What do you see as OMB's role in identifying and solving governmentwide financial management issues?**

   As with the erroneous payment initiative, OMB can provide central guidance on how to address these issues and ensure accountability for solutions.

5. **The Improper Payments Information Act of 2002 requires agencies to reduce their improper payments. What steps will OMB take under your direction to implement the requirements of that Act?**

   It is my understanding that OMB recently provided agencies with guidance on what steps they needed to take to implement the Improper Payments Information Act of 2002, which requires agencies to assess the risk of erroneous payments in the programs they administer, determine the cause of them, and take necessary steps to prevent them. Reducing erroneous payments is an important component of the President's Management Agenda and, if confirmed I will work with OMB's Controller and agency CFOs to achieve our goal of improving the integrity of the government's payments.

6. **Agencies are required to prepare annual Performance and Accountability Reports that are intended to provide meaningful information on the results on agency operations and demonstrate accountability to the Congress and taxpayers. Additionally, the Financial Report of the U.S. Government is prepared for the government as a whole on a consolidated basis. Although progress has been made in recent years, much remains to be done to improve the usefulness and reliability of these reports. How can OMB help agencies improve the quality of agency Performance and Accountability Reports and the U.S. Government's Financial Report?**

   OMB is requiring agencies to provide more regular and more timely financial reports. This should improve the quality and usefulness of annual financial statements, as well as the governmentwide report.

7. **With regard to financial management, the President's Management Agenda identifies Improved Financial Performance as one of five governmentwide goals and indicates that OMB will work with agencies to improve financial information timeliness, reliability, and usefulness. To date, the majority of agencies have not achieved a successful rating of green in financial management on the Executive Management Scorecard and many are scored as red reflecting the tremendous challenges faced in this area. What are your plans for helping agencies achieve success in financial management through this initiative?**

   The President's Management Agenda and the Executive Branch Management Scorecard are excellent vehicles for setting clear goals and monitoring the progress of the government's financial management. If confirmed, I will promote the continued sharing of best practices among agencies in this area.

8. **Many agencies use inefficient, time-consuming, and costly procedures to prepare financial statements. Beginning in FY 2004, agencies will be required to submit their audited financial statements by November 15 of each year as part of their performance and accountability reports.**

   a. **What are your views on how OMB can help agencies reduce inefficient efforts that some agencies employ and meet the accelerated reporting deadlines?**

      OMB is requiring agencies to accelerate their financial reporting. This acceleration will reduce the reliance on inefficient processes in financial reporting. OMB has identified best practices among agencies and provided them to agency CFOs and Inspectors General. It is my understanding that OMB has requested and received audit plans in support of accelerated reporting for FY 2003 from the agencies.

   b. **Please describe your views on how OMB can work with CFOs to make the best use of agency resources devoted to financial management issues.**

      The CFO Council, like other interagency councils, is an excellent resource for OMB and other agencies that are working to improve government financial management. For instance, a committee of the council has conducted forums to communicate best practices in accelerated reporting to both CFOs and Inspectors General.

Human Capital Management

1. **The recent agency scores as part of the President's Management Agenda, along with GAO's high risk designation, demonstrate that much more still needs to be done to address the federal government's human capital crisis. What specific steps do you think agencies need to take to achieve necessary improvements in their management of human capital?**

Agencies have taken important steps to improve their management of human capital. Nonetheless, I agree that much remains to be done. Agencies must do the hard work of implementing their human capital plans, by focusing more on service to citizens, ensuring that staff have the right skills to get the job done, and holding employees accountable for results. The President's Human Capital Performance Fund would provide resources to agencies to reward superior performance by federal employees and to recruit the best possible individuals to government service.

2. **Many of the human capital issues that agencies face will require at least short-term targeted investments of resources, e.g., for enhanced recruitment and retention efforts, training and other workforce shaping efforts. How would you work with agencies to develop the business case for additional resources and would you be an advocate for such investments within the Administration?**

The President's Management Agenda identifies Strategic Management of Human Capital as one of the governmentwide initiatives. If confirmed, I would continue to work with agencies to advance this initiative, as well as complementary initiatives. The Administration has proposed a $500 million Human Capital Performance Fund in order to reward employee performance. The Administration also has efforts underway to better manage our investments in information technology, to recruit top quality candidates to government service, and to provide the training that employees need. I understand that agencies are also now beginning to take advantage of governmentwide flexibilities in the Homeland Security Act – such as enhanced early-out and buy-out authorities, and new streamlined hiring authorities – to restructure their workforces to help them achieve results for our citizens.

3. **What is your view on the respective roles and responsibilities of OPM and OMB in federal human capital management?**

OPM serves as the President's chief advisor on issues related to the federal civil service. Furthermore, under the President's Management Agenda, OPM has the lead role in assuring progress in the Strategic Management of Human Capital Initiative. OMB works closely with OPM to ensure that the Human Capital Initiative is implemented in concert with, and in support of, the President's other management and policy initiatives. OMB also assesses the budgetary implications of the government's personnel policies and practices.

4. **The President has proposed moving to a greater focus on pay-for-performance. What is your view of the argument that compensation should be based more on performance, rather than length of service? What is your view of the concern that, without adequate safeguards, expanded authority to base pay on performance can enable greater favoritism, discrimination, and politicization in personnel decisions? What steps, if any, do you think should be undertaken in the area of pay-for-performance?**

In my view, pay and performance are insufficiently connected in the federal civil service system. Rewarding high-performing employees and those with critical skills is preferable to the current method of evenly spreading pay raises across the federal workforce regardless of performance or contribution. For this reason, I strongly support the Administration's proposal to create the Human Capital Performance Fund for 2004 to allow managers to provide additional pay beyond annual raises for high-performing and most valuable employees.

I believe that the Office of Personnel Management takes seriously its responsibility to ensure that all the federal agencies uphold and operate their personnel systems and decisions, based on merit system principles. Moreover, all employees have a right to appeal prohibited personnel practices. With these safeguards, I believe that the authority to base pay on performance would not result in greater favoritism, discrimination, or politicization.

If confirmed, I will promote OMB's close working relationship with the Office of Personnel Management to help agencies develop a performance management system that effectively differentiates between high and low performance and links employee performance to organizational goals and desired results. In addition, the Administration will work together with you and other member of Congress to enact the Human Capital Performance Fund and the Administration's Senior Executive Service pay reform proposals.

5. **What role should federal employees and their unions play in the design and implementation of federal human capital policies and practices? What steps would you take in this regard?**

Federal employees, and their unions and professional organizations, should have significant input in the shaping and implementation of federal human capital policies and practices. Their involvement is essential to the success of the Administration's Human Capital Initiative. The process currently underway in the Department of Homeland Security to develop a contemporary personnel system founded on merit and accountability is a model for the involvement of federal employees and their unions and professional organizations.

6. **What role do you believe that agencies' individual performance management (appraisal) systems should play in addressing programs that OMB determines are either ineffective or whose effectiveness is not known? In addition, what role should such performance management systems play in efforts to achieve necessary improvements in agency management?**

The Administration will continue to make substantive efforts to foster performance- and results-oriented government. The PART emphasizes the importance of having sound

programmatic performance measures and being accountable for achieving results, and the Presidents Management Agenda sets out broad goals for the management improvement of the government. My understanding is that as a part of the Human Capital Initiative, agencies are also expected to link individual employee performance appraisal plans to agency mission, goals, and outcomes, effectively differentiate between various levels of performance, and provide consequences based on performance. I believe this multi-pronged approach will result in a better performing government that deliver results the American public demands.

7. **It is often argued that one function of statutory civil service protections, such as statutory assurances of job and pay, is to enable career civil servants to serve as a bulwark against improper politicization and abuse of the organs of government.**

   a. **Do you agree?**

   b. **If so, how can we assure that proposals to grant increased flexibility to managers in the areas of hiring, firing, and setting pay and benefits would not compromise the ability of the civil service system to serve this function?**

   I firmly believe one of the fundamental virtues and strengths of the federal civil service is its statutory protection against improper politicization and abuse of the organs of government.

   The Federal government has an array of important mechanisms to uphold the merit system principles, detect and prevent prohibited personnel practices, and protect whistleblowers. If confirmed as Director, I will work with agencies to ensure that strong and effective protections are maintained as we improve human capital management.

Acquisition Planning and Contract Management

1. **The federal government spends over $200 billion a year acquiring goods and services. What views do you have on any changes that are necessary to make the contracting process easier and more productive? To what degree would you anticipate examining commercial best practices in procurement, acquisition and contract management and adopting them for government use?**

   The government's contracting processes must be effective and responsive so that agencies may successfully meet increasingly complex demands. Agencies need to evaluate continually their practices and make changes when they are not meeting these objectives.

   Agencies should consider contracting practices with proven success in the commercial marketplace. In doing so, however, agencies must take into account that some

commercial practices will lack the degree of transparency that the public rightfully expects of federal agencies as stewards of their resources.

2. **The Administration anticipates realizing cost savings and improvements in the performance of commercial-type functions by competing these functions between public and private sources. Should public-private competitions be the primary tool agencies use to determine which sector should perform commercial functions? Given the inherent differences between the public and private sectors, what can be done to ensure that these competitions are fair to both sectors? In your view, how should the government decide which services should be provided by government employees and which would be appropriate to be provided by contractors?**

Public-private competitions should be used more routinely to determine if an agency should perform a commercial activity or use a private sector contractor to deliver the service. However, public-private competition is not the only tool available to manage commercial activities. Agencies should always be encouraged to seek and utilize innovative alternatives.

A level playing field can be achieved with processes that promote transparency and integrity and by taking into account special considerations that arise from differences between the public and private sectors. My understanding is that OMB's new Circular A-76 addresses these issues. If confirmed, I will work to ensure that both sectors are treated fairly as envisioned by the new circular A-76.

Public-private competition is an effective and appropriate tool for determining if an agency should continue to perform a commercial activity or use a private sector contractor to deliver the service. Agencies have developed individualized competition plans, in consultation with OMB, to identify the most suitable opportunities for the application of competition based on the agency's mission and workforce mix.

Workforce Planning

3. **With a significant portion of the acquisition workforce eligible to retire in the next few years, the federal government must begin initiatives to recruit, develop, and retain its future acquisition workforce. After a decade of consecutive years of downsizing, we face serious imbalances in the skills and experience of our acquisition workforce. How would you respond to this challenge?**

Agencies must provide their acquisition workforces with the skills necessary to make strategic and cost-effective decisions. I would expect these considerations to be taken into account as agencies address their overall and acquisition workforce needs as part of the Strategic Management of Human Capital Initiative. If confirmed, I will ask the Deputy Director for Management and the Administrator for Federal Procurement Policy to give appropriate priority to assessing and promoting agency progress in this area.

New Contracting Techniques

4. **Recent years have seen an explosion of governmentwide 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. How would you ensure that these contracts are used to best leverage the government's buying power while satisfying contractual requirements?**

   Interagency contracting, like any other form of contracting, will achieve effective results for the taxpayer when it is the product of sound planning and market research, effective use of competition, and solid contract administration. If confirmed, I will look to the Administrator for Federal Procurement Policy to ensure that agencies are using this contracting tool properly and responsibly.

Buying Services

5. **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?**

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

   c. **How do you suggest that agencies improve their capacity to acquire services, and what additional policies or legislative authorities do you believe are necessary to assist them?**

   We must ensure that all agencies are routinely using competition to make best value buying decisions at fair and reasonable prices. Governmentwide acquisition regulations must provide sufficient guidance and agency buyers must have the skills they need to achieve these results. If confirmed, I will look to the Administrator for Federal Procurement Policy to determine the precise causes of the problems cited by GAO to ensure they do not persist.

Competitive Sourcing

1. **Competitive sourcing is a major initiative under the President's Management Agenda and OMB has set ambitious goals for the program. OMB's short-term goal**

is for agencies to compete 15 percent of the positions identified in their fiscal year 2000 Federal Activities Inventory Reform Act inventory with the eventual goal of studying at least 50 percent of those positions. In general, reengineering efforts by the agencies are not considered to count towards OMB's competitive sourcing goals.

a. Do you support the competitive sourcing goals? If so, why do you believe that it is necessary for OMB to set numerical goals?

I support the use of goals as a means for securing the management commitment necessary to institutionalize public-private competition. Numerical goals, in particular, can help to bring clear focus to management activities. However, rather than arbitrary quotas, I would expect goals to be tailored as necessary to reflect the unique circumstances facing each agency. It is my understanding that OMB has gone to considerable lengths to work with each agency in crafting a competition plan that takes into account the agency's mission and workforce mix. This tailored approach should help to avoid unnecessary waste or disruption to agency activities.

b. Given that most agencies have just recently begun their competitive sourcing programs, do you think these goals are realistic?

My understanding is that the goals established in each agency's competition plan are realistically achievable.

c. How would you ensure that agencies have the resources they need to meet the competitive sourcing targets?

OMB will need to review funding requirements on a case-by-case basis, taking into account the nature of an agency's competition plan and the steps the agency has already taken to create a competitive sourcing infrastructure.

d. What would you do to ensure that agencies have resources to make changes necessary to be competitive with the private sector?

Policies on public-private competition must permit agencies to avail themselves of the resources they need to be competitive players in the competition process. My understanding is that OMB's revised Circular recognizes this need and takes several important steps. For example, I understand the Circular requires agencies to set up centralized offices dedicated to competitive sourcing in order to coordinate their efforts and develop a body of knowledge that will allow them to plan for competition.

e. Do you believe that 15 percent is an appropriate target for agencies to try to achieve? If so, on what basis do you conclude that 15 percent is the right goal?

It is my understanding that the 15 percent figure was selected early in the Administration

as a good faith estimate of the amount of activity that would help generate an infrastructure for public-private competition. I believe the Administration has approached this target in a responsible fashion. The Administration has avoided rigid or arbitrary application, which I would not support. Instead, OMB has worked with agencies to come up with tailored goals, as appropriate, based on an agency's unique circumstances. I would expect OMB to continue approaching targets in this rational manner.

2. **DOD has been encouraging its components to distinguish between core and non-core functions and to consider alternatives to A-76 studies in making sourcing decisions for non-core functions. Such alternatives could range from public-private partnering, employee stock ownership, quasi-governmental organizations, or in-house reengineering.**

   a. **What is your perspective on DOD's approach, particularly the use of alternatives to A-76?**

I understand that OMB worked closely with DOD in developing the revised Circular to ensure the new processes meet DOD's needs as a general matter. I would therefore expect the bulk of DOD's actions to be effectively accommodated by the processes set forth in the revised Circular. At the same time, I appreciate the innovation and insight that can be derived from a well planned deviation and would consider approving alternatives if they are appropriately tailored and adequately justified.

   b. **To what extent would you support the use of in-house reengineering in selected instances as an alternative to A-76?**

Since reengineering proposals come in many different forms, OMB would need to review the details of each proposal individually and determine whether a deviation to the revised Circular is in the best interest of the government.

3. **In the FY'03 Omnibus Appropriations Bill, the conferees included this report language:**

> **The conferees agree to a Senate provision prohibiting the use of funds to establish, apply, or enforce any numerical goal, target, or quota for contracting out unless the goal, target, or quota is based on considered research and sound analysis of past activities and is consistent with the stated mission of the executive agency. Although the Senate provision was somewhat different than the provision adopted by the House, the conferees want to emphasize the strong opposition in both chambers to the establishment of arbitrary goals, targets, and quotas. If any goals, targets, or quotas are established following "considered research and sound analysis" under the terms of this provision, the conferees direct the Office of**

Management and Budget to provide a report to the Committees on Appropriations no later than 30 days following the announcement of those goals, targets, or quotas, specifically detailing the research and sound analysis that was used in reaching the decision.

It is our understanding that this report has not been submitted to the Committees on Appropriations. Is that correct? If so, why hasn't the report been submitted? What "considered research and sound analysis" has been used to establish the FY03 privatization quotas currently in effect?

I am informed that no report has been submitted under this provision. If confirmed, I will ensure that OMB satisfies relevant requirements.

4. **What alternatives to privatization exist to make the delivery of services more efficient and what are the costs of those alternatives in relation to the cost of conducting a competition and perhaps privatizing the work.**

As a general matter, public-private competition should be the most cost effective means of ensuring the efficient delivery of services. Where innovative alternatives can offer better results for the taxpayer, we should consider them.

5. **OMB officials have indicated that there will be no government-wide quota established for FY04. Is this still true?**

Yes. My understanding is that agencies are not required to meet a government-wide competitive sourcing quota. Competitive sourcing strategies should be tailored to the specific needs of individual agencies.

6. **The OMB has made clear that the President's goal of having at least 50% of agencies' commercial workforces reviewed for privatization is still in place. How will this requirement be enforced in the next fiscal year? If OMB intends to pursue a more agency-specific approach, will OMB share with the Committee the quotas it imposes on agencies?**

I believe the use of broad goals, such as the President's goal of subjecting half of commercial functions to competition, is a reasonable means for securing management commitment. However, I would expect the agency-specific plans to be tailored to the unique circumstances of the agency and, if confirmed, I will continue to use the management scorecard for accountability. I will also work with the Committee to ensure that implementation of agency competition plans is transparent and fair.

7. **Although the OMB official responsible for the rewrite of OMB Circular A-76 has said that she has removed the obstacles that prevented federal employees from competing for new work and contractor work, the "competitive sourcing" quotas**

still apply almost exclusively to work performed by federal employees. Given that contractors have acquired almost all of their work without public-private competition, and in many cases, according to GAO and the Department of Defense Inspector General, without private-private competition, and given that new work has never been competed before, why has OMB not established goals, targets, or quotas for allowing federal employees to compete for new work and contractor work, if the intention of the Administration's competitive sourcing initiative is to save money for the taxpayers?

It is my understanding that the competitive sourcing initiative has emphasized government-performed commercial activities because these activities have been insulated from the forces of competition to a much greater degree than work awarded to private sector contractors. However, this focus should not obscure the importance of promoting competition in other areas. If confirmed, I will ask the Administrator for Federal Procurement Policy to pursue appropriate steps to improve the use of competition where it is not being used as consistently as it should be.

8. **OMB Circular A-76 requires inventories for all commercial and inherently governmental functions.**

   a. **Why is there no requirement for an inventory of functions that are currently contracted out to the private sector?**

      I am advised that agencies are required to report extensive contracting information through the Federal Procurement Data System.

   b. **Without information on functions outsourced, how can OMB set reasonable and realistic targets for competition of in-house functions?**

      I am advised that this information is available through the Federal Procurement Data System, and is reviewed as agencies develop specific competition plans.

   c. **Without information on functions currently outsourced, how can you be assured that an agency still has in-house capability for oversight or that it has not contracted out inherently governmental functions?**

      I am advised that agencies do have this information available through the Federal Procurement Data System, and that OMB Circular A-76 is clear that inherently governmental functions shall be performed by government personnel.

9. **What is the rationale for setting quotas for agencies to consider privatizing employee positions (as opposed to a less arbitrary goal)?**

Goals can help to bring clear focus to management activities. I do not support the use of arbitrary quotas.

10. **What steps will you take to reach out to federal employees and ensure that they are treated fairly under the A-76 process? How will you ensure that the new, subjective factor of "best value" is not abused in the awarding of contracts under the A-76 process?**

My understanding of OMB's approach is that the new OMB Circular A-76 levels the playing field for federal employees and has appropriate limitations on the use of best value.

11. **OMB has repeatedly said that federal employees have nothing to fear from the rewrite of A-76 because they win more than one-half of all competitions. Given that that percentage could very well change under the revised process, will OMB provide timely information to the Committee on how federal employees are faring under the new A-76, particularly with respect to the streamlined and best value competitions, which many have argued place federal employees at a competitive disadvantage?**

Yes.

Information and Technology Management

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

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

I understand that the roles of the Director and Deputy Director are found in several statutes – the Paperwork Reduction Act, the Clinger-Cohen Act, and the E-gov Act. If confirmed, I will work to ensure that OMB fulfills its statutory requirements.

   b. **In your view, what are the major information policy and technology management challenges facing the federal government? How can OMB best help the government meet these challenges?**

The use of information technology to serve the American people represents a major challenge to the Federal government. Although much progress has been made recently, the federal government remains behind the private sector in using information technology

to enhance productivity and service delivery. The challenges include not only making electronic services available to the public and making it easier for them to access what they need on-line, but also the agencies' ability to harness technology. In addition, there is too much redundant investment in business process across government. As an example, I understand that there are 22 processors of civilian payroll, but they are being consolidated into just two. If confirmed, I will work to ensure that OMB is leading the government's efforts to improve its use of technology, standardize transaction processing, and eliminate redundant investments.

c. **Under the Paperwork Reduction Act of 1995, OMB (OIRA) is required to develop and maintain a governmentwide 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?**

If confirmed as Director, I intend to stress implementation of the Expanded Electronic Government initiative of the President's Management Agenda, which focuses agency attention on areas of IT management where the opportunity to improve is the greatest: project management, IT security, and system streamlining and consolidation. It is my understanding that OMB consults with agencies as it prepares various components of the government's IRM plan, including the Chief Information Officers Council's Strategic Plan and the Annual Report on Federal Information Technology Security, as well as the information technology sections of the President's Budget.

2. **Regarding information technology policy, what is the relationship between the Office of Information and Regulatory Affairs (OIRA) and the Office of E-Government and Information Technology? How will they effectively coordinate their efforts to encourage agencies to use information technology to accomplish their mission? What is the unique contribution each makes to OMB's mission?**

It is my understanding that OIRA and the Office of E-Government coordinate their activities closely and I expect that to continue. Issues related to electronic government and information technology management will be the responsibility of the newly authorized Office of E-Government and Information Technology. Issues related to information collection policy and information quality will be the responsibility of OIRA. Each office brings a different and valuable perspective, and I intend to ensure that both offices continue to make their unique contributions.

3. **How do you, the OIRA Administrator, and the E-Government Administrator expect to work with the federal Chief Information Officers (CIO) Council? What do you see as the primary role of the agency Chief Information Officers created by the Clinger-Cohen Act?**

I expect that the Administrator for E-Government, under the leadership of the Deputy Director for Management, will continue his active work with the CIO Council to maintain their current role. The CIO Council, which is made up of agency CIOs, should remain a powerful tool in the development of information technology policy advice, and also for the implementation of government-wide initiatives.

4. **How will the recent agreement between OMB and the Government Printing Office (GPO)—which allows executive branch agencies to choose their own printers—affect printing and dissemination in the federal government? Also, what are your views on the role of GPO in the emerging age of digital information dissemination?**

Although I did not participate in this agreement, my understanding is that the agreement is designed to get the best value for taxpayers in federal printing, while preserving and expanding on GPO's responsibility to provide the public access to government information. GPO can play an increasingly important role in ensuring retention and access to important government information that is made available electronically.

5. **The Clinger-Cohen Act authorizes OMB to enforce accountability for agency IRM and information technology investment decisions through the use of the budgetary process (40 U.S.C. 1413(b)(5)). Initial guidance from then-OMB Director Franklin Raines provided criteria for OMB's evaluation of major information systems (OMB Memorandum M-97-02, Oct. 25, 1996). What are your views on the use of the budget process to improve information technology management? What other incentives does OMB have at its disposal to encourage good management practices? As Director, how do you intend to enhance coordination between the Statutory Offices and the Resource Management Offices in order to improve the adoption of OMB policies and guidance across government?**

The budget process is a powerful tool to use in motivating agencies to improve the management of information technology and other elements of the President's Management Agenda. If confirmed, I will work with agencies through the budget process and other venues, including the statutory authorities that Congress gave the Director of OMB in the Clinger-Cohen Act to strengthen agency IT management practices. Coordination across OMB will be enhanced by our ongoing work on the President's Management Agenda and the scorecard.

6. **As noted in the Analytical Perspectives in the FY2004 budget submission, the current federal information technology workforce is not able to respond to recent increases in agency workload and the rapidly changing information technology environment.**

   a. **The Clinger-Cohen Act requires CIOs to assess the requirements established for agency personnel regarding information technology knowledge and skills and to develop specific plans for hiring, training, and professional**

development. What actions will you take to ensure that CIOs effectively fulfill this mandate?

The President's Management Agenda highlights human capital and electronic government. In order to advance the e-gov initiative, we need to make sure we have a federal workforce with the necessary skills, and if confirmed, I will work to bring about that result.

b. **The number of information technology projects for which managers have to present business cases to receive funding continues to increase. However, program offices for these projects have an insufficient number of skilled managers to provide effective management oversight. How do you plan to address the need to increase project management skills in the federal workforce?**

My understanding is that OMB's E-Government Office and the Federal CIO Council recently conducted an IT Project Manager Skills Gap Survey of agencies and departments. Agencies are using this survey to ensure their program mangers have the skills they need to manage their IT projects. If confirmed, I will continue to support the work of the CIO Council and OPM as they enhance government-wide project management training and recruiting.

c. **There have been improvements to information technology recruitment processes and compensation packages, but the government continues to struggle to attract midlevel technical staff in areas such as cyber security and solution architects. How do you plan to make the federal sector more competitive in these "high skill" areas, and how do you plan to mitigate the risks that technical experts will not want to work for the federal sector once the economy improves?**

To ensure that the Federal IT investment is well managed, it is especially important to focus on the hiring, development, and retention of IT professionals.

If confirmed, I will work with the Director of OPM and the CIO Council as they pursue and continue to introduce innovative human capital marketing and development to the Federal government.

7. **Has the President designated Clay Johnson the Federal Chief Information Officer? If so, what is the significance of that designation?**

The President appointed Clay Johnson as Deputy Director for Management. In that role, he will ensure that information technology and electronic government issues are fully integrated with the other elements of the President's Management Agenda. Because the

E-government Act assigned many responsibilities involving IT and e-government issues to the E-government Administrator, it is not necessary to make such a designation.

Information Security and Privacy Issues

8. **OMB recently issued its fiscal year 2002 report to the Congress on government information security, noting that agencies had made significant progress, but that much work remains. In particular, OMB reported that the fiscal year 2004 budget contains over 500 systems, representing an investment of nearly $18 billion that are at risk either solely or in part due to weaknesses in information technology security. What are your views on the current status of federal information security? How would you ensure that agencies correct their information security weaknesses?**

The FY 2002 report points to real progress from FY01 to FY02 in the use of quantitative performance measures of agency information security practices. Those measures reveal that compliance with security requirements is too low. To ensure that agencies continue to make progress in securing their information and systems, if confirmed, I plan to hold agencies accountable for their security performance through both management and budget processes.

9. **OMB is required by law to oversee agency compliance with statutory information security requirements, to review agency information security programs at least annually, and to approve or disapprove these programs. How will you ensure that these functions are adequately supported in OMB?**

The Administration has made IT security a top priority. The key to effective OMB oversight of agency IT security is through the joint efforts of management and budget staff in reviewing and assessing performance. I understand that OMB assesses agency compliance in this area through the execution of the Executive Branch Management Scorecard, as well as in the ongoing budget process.

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

If confirmed, I will work with agencies to ensure they understand their responsibilities in this area. As agencies conduct their annual evaluations and identify IT security weaknesses, OMB policy requires them to develop and implement corrective action plans for every system with a security weakness. These plans must be tied directly to the budget requirements for the corresponding system to ensure that IT security performance is linked with the costs to achieve that performance. OMB also uses these evaluations to assess agency progress on the E-Gov Initiative of the President's Management Agenda.

11. Do you think that OMB needs to designate a specific information security oversight position to help focus and manage the federal government's overall information security activities?

My initial view is that IT security should not be viewed as a stand-alone issue but rather a critical component of the Federal government's IT management. Therefore, IT security should be part of all of the government's IT policy and guidance.

12. How important do you consider information security to be in undertaking the President's e-government initiatives?

IT security is a critical component of all of the President's E-government initiatives.

13. National events have reinforced the importance of information, information technology, and critical infrastructure to national security, the economy, and public health and safety. 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?

For the Federal government's homeland security, information sharing, and IT security goals to be realized in an effective, efficient, and secure manner, agencies must coordinate and leverage their resources where appropriate. OMB both promotes, and in many cases, requires this type of interagency collaboration through the submission of joint IT business cases. Additionally, in the case of IT security, OMB will continue to advance the Federal government's effort to improve IT security and maximize resources to address common government-wide IT security weaknesses.

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

I am advised that both IT security and critical infrastructure protection requirements are directly incorporated into the budget process. OMB requires agencies to integrate and justify their IT security and critical infrastructure protection requirements into their IT budget requests.

15. Federal agencies' use of data mining techniques may raise privacy concerns. What would you do to ensure that OMB adequately monitors these agency activities so that the public's right to privacy is protected?

The Administration is strongly committed to protecting the privacy of citizens. If confirmed, I will make certain OMB retains its strong role in ensuring that the need for data analysis by agencies does not infringe the privacy rights to which Americans are entitled.

16. Do you believe that government in its actions should continually strive to preserve individuals' privacy rights? What are your thoughts regarding the balancing of individuals' privacy interests against the use of personal information by federal agencies entrusted with homeland security missions?

I believe that government should strive in all its activities to preserve individuals' privacy rights. This goal need not be inconsistent with agencies' use of personal information for appropriate homeland security purposes. The goal of information privacy is to ensure that information is restricted to appropriate and authorized uses. While Congress has enacted laws authorizing access to and use of information for certain homeland security activities, the legal, regulatory and policy framework for protecting the privacy and integrity of personal information in government hands remains intact.

17. What measures should OMB take to ensure the quality of the data (including accuracy, completeness and timeliness) relied on by federal agencies, including law enforcement agencies?

It is my understanding that OMB issued guidelines to agencies for "ensuring and maximizing the quality, objectivity, utility, integrity of information (including statistical information) disseminated to the public." All agencies subject to the Paperwork Reduction Act have complied with this requirement.

I believe that law enforcement agencies are subject to OMB's information quality guidelines and are required to ensure that their information is of high quality.

18. In the previous Administration, OMB had a high-level Chief Counselor for Privacy solely focused on privacy issues. Do you think OMB should have a Privacy Counselor charged with coordinating Administration policy on the use of personal information in the public and private sectors?

My understanding is that OMB currently pays significant attention to privacy issues under both OIRA and the Office of E-government and IT. I do not yet have a view on whether this should be supplemented by changes to OMB staffing.

19. Who is the highest level federal official, at OMB or elsewhere, focused solely on government-wide privacy policies? How many federal employees, at OMB or elsewhere, are solely devoted to working on government-wide privacy issues?

I am advised that the Director of OMB has specific authorities for government privacy issues under the Privacy Act, and is supported by the Administrator for E-government and IT (under the E-government Act) and the Administrator of OIRA (under the Paperwork Reduction Act). Agencies are appointing senior level privacy officers, such as the new Chief Privacy Officer for the Department of Homeland Security. In terms of

implementing government-wide privacy policies, I understand that each federal agency employs several individuals largely dedicated to privacy issues, e.g., the Chief Information Officer, the Privacy Act Officer and a senior official for privacy policy designated by the head of the agency.

20. The E-Government Act of 2002 requires agencies to conduct privacy impact assessments (PIA's) whenever they develop or buy new information technology systems and whenever they initiate new collections of personal information. How would you ensure that agencies comply with this mandate?

I am advised that OMB staff in the Office of Information and Regulatory Affairs will be checking for the PIA when agencies submit Information Collection Requests (ICRs) under the Paperwork Reduction Act and when they submit business cases to support IT funding requests in their budget submissions.

21. What is the OMB's current timetable for developing guidance for agencies to implement the E-Government Act's PIA mandate?

I am advised that OMB staff have been working on the guidance in consultation with privacy experts from other federal agencies for several months and are close to a final product. They expect shortly to finalize the document, making it possible to disseminate the product in final form by mid-summer, for use in the FY05 budget process.

E-government

22. In the President's Management Agenda for fiscal year 2002, the Administration emphasized the need to expand electronic government. In response to this emphasis, OMB developed its Quicksilver initiative, which created multi-agency teams to develop and deploy 23 major e-government initiatives.

a. As the Director, how will you assess governmentwide progress and success in the Quicksilver projects and other e-government initiatives? For example, will the Congress be presented data to demonstrate greater efficiency, cost reductions, better citizen service, and higher productivity resulting from these projects?

If confirmed as Director, I will ensure that we provide evidence that we are reaping the benefits of our e-gov initiatives. I understand that the business cases on which these initiatives are based include specific performance expectations. Those are the expectations that we should use to assess the success of the initiatives.

b. How will OMB coordinate the activities of the Resource Management Offices, the Office of Information and Regulatory Affairs (OIRA), and the

Office of E-Government and Information Technology in assessing the merits and deployment of cross-agency electronic government initiatives?

I understand that there is close coordination with the Resource Management Offices and other management offices at all time on all IT initiatives – not just the e-gov ones. Because Resource Management Offices work most closely with individual agencies, they are in a good position to see the benefits of the IT initiatives, as well as to work with agencies to fund and implement them. If confirmed as Director, I would support the continued cooperative relationship between the Resource Management Offices and other IT management offices within OMB in deploying cross-agency electronic government initiatives.

23. **In your view, what steps should the Administration take to improve the federal government's portal, *FirstGov*, and to encourage citizen use? Will you support an adequate level of funding to ensure that the federal portal continues to improve, consistent with the mandates of the E-Government Act of 2002?**

Firstgov is one way to 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. We should strive to meet the operating goal of FirstGov, which is to make key information and services available to citizens within three clicks of the mouse. I support the continued growth of FirstGov as one of the key interfaces between the government and its citizens.

24. **What do you see as OMB's role in ensuring the successful governmentwide implementation of the Government Paperwork Elimination Act (GPEA) and the E-Government Act of 2002?**

Where agencies are required to collect information, we should continue to work with them to expand the extent to which that information is collected electronically. It is my understanding that OMB reviews agency information collection procedures regularly and assesses agency compliance with GPEA through the Executive Branch Management Scorecard. If confirmed, I will encourage continued efforts to meet the requirements of the act, which will continue beyond the October 2003 statutory deadline for agencies to provide electronic options for their information-based transactions. However, I believe that information collection is not less of a burden just because it is automated. Agencies should rethink the processes they use to collect information and whether they can rely on other sources for the same information.

25. **In its April 2002 e-government strategy, OMB identified the need to focus on migrating agency-unique information technology systems to cross-agency systems. How will OMB determine whether agencies are making a good-faith effort to identify duplication and plan for migration to cross-agency systems? How can OMB ensure that agencies are actively collaborating on the implementation of electronic**

government? How does OMB plan to use the E-Gov fund, authorized by the E-Gov Act of 2002, to provide incentives for agencies to make E-Gov innovations? Does the fund provide enough funds to have a significant impact on e-government progress?

My understanding is that OMB is in the process of exploring potential opportunities to unify and simplify government processes and supporting technology. Working with agencies, OMB is getting a unique, agency view of business functions, data, applications and technology, the first step in unifying and simplifying government processes and supporting technology.

I am advised that OMB plans to use the E-Gov Fund for consolidations and innovative interagency e-government projects that improve service to the citizen and reduce operating costs. OMB plans to work with the Congress and agencies to ensure appropriate funding.

26. The Council for Excellence in Government recently reported that while citizens say e-government makes their lives easier, they are concerned about data security and privacy. What role do you see OMB playing in ensuring that these concerns over data security and privacy are addressed as more e-government services are offered to the public?

OMB's role in ensuring security of e-government services is the same as with all other Federal IT investments. I expect OMB to continue to assess IT security and privacy planning and implementation through management and budget processes to determine if our continued investment in IT is adequately supported by appropriate planning for security and privacy protection.

27. Do you intend to make e-government initiatives a high priority?

Yes.

28. What is your view on the potential for e-government to improve the participation in and efficiency of government processes?

E-Government can leverage technology, and the people and processes that implement technology, to improve government performance and serve citizens better.

29. Given the broad overview role that OMB plays across Federal agencies and the leadership responsibilities provided by the E-Government Act, what role do you see OMB playing in identifying the most useful next steps that should be taken to make government more accessible?

OMB has taken a lead role in encouraging agencies to make government information and services more accessible to citizens. In accordance with the Paperwork Reduction Act

and the Electronic Freedom of Information Act, agencies are beginning to evaluate their past information transactions with the public, to anticipate the needs of current and future transactions in making "repeatedly requested" documents accessible online and in electronic form, and to use the Internet as a forum for communications between the agency and its customers.

The Office of Electronic Government and IT will continue to work with agencies on this process to make it more results-oriented and citizen-centered, consistent with the goals of the Expanding Electronic Government initiative of the President's Management Agenda.

30. **The E-Government Act of 2002 requires the OMB Director to establish an Interagency Committee on Government Information. The Committee will recommend standards for organizing government information in ways that makes it electronically searchable. The OMB Director will then be required to issue policies implementing these standards. What is your commitment to ensuring the adoption and implementation of effective policies and standards? How will you ensure that the Interagency Committee engages in public consultation?**

The Interagency Committee on Government Information has a critical role in establishing important government standards for electronic information, and doing so in a way that involves public consultation. The amount of information that agencies create, use, and disseminate is rapidly increasing, and the work of the Committee will lead to recommendations to ensure that electronic information is properly managed. I am committed to implementing effective policies through guidance and oversight.

31. **The E-Government Act of 2002 requires the establishment of a public domain directory of federal government websites. How will you ensure that an effective directory of websites is developed? What do you see as the purpose of the directory, and how would you ensure that vision is realized?**

The Administration believes that federal websites, as the primary means by which citizens access information about federal agencies and services, should be available to the citizen in ways that are most useful to the citizen. This commitment led to the "no more than three clicks to service" re-design of the FirstGov.gov portal. Likewise, the Administration expects the public domain directory required by the E-government Act to be citizen-centered and user friendly.

I understand that OMB and the General Services Administration are working together to ensure that federal websites are organized in a way that benefits the citizen, and I would expect to leverage this ongoing work in the development of the public domain directory.

32. **The E-Government Act of 2002 requires the establishment of a federal website providing access to information about research and development funded by the federal government? How will you ensure that a comprehensive database and**

website is developed and maintained? How much of the information on the website should be available to the public?

As I understand it, the R&D repository and website required by the E-government Act is intended to increase public access to information about research and development funded by the federal government, as well as to provide a means of increasing accountability. This database should be as complete as possible. I understand that OMB is currently assessing options for developing, maintaining, and providing access to detailed information on federal research and development. I also understand that OMB has yet to assess and decide how it will collect and what access to provide for information that is either classified or sensitive.

33. **What steps will you take to achieve interoperable electronic signatures among federal agencies? Do you support the development of the federal bridge certification authority for digital signature compatibility?**

It is my understanding that one of the President's E-Government Initiatives called E-Authentication is directly addressing this issue, and OMB is actively engaged in it. I am not yet familiar with the role of the federal bridge certification authority.

Information Technology Investment Management

34. **What actions would you have OMB take to mitigate the risks presented by the several hundred information technology projects that OMB currently considers to be "at risk"? What conditions must exist for a project to be considered at risk? Are there higher levels of ongoing review provided for these projects, and are there specific criteria in place that would trigger a halt in funding if the projects fail to improve?**

If confirmed, I would continue ongoing activities at OMB to mitigate the risks currently presented by those projects that are currently on the "at-risk" list. OMB should continue to insist that agencies address security adequately in their IT investments and that they have sufficient skills to manage their IT investments. One of the most important tools for mitigating the risks from these at-risk projects is through increased review by OMB, which I will encourage if confirmed as Director.

35. **The budget Exhibit 300 has evolved significantly over the past few years to become a significant source of useful information on each major information technology project. However, it is not clear what OMB has done to validate the information being provided. What would you do at OMB to ensure that the information is accurate?**

It is my understanding that OMB ensures the information in the budget is correct by having budget examiners work closely with the agencies to ensure that they have provided the most up to date and accurate information. As part of its review and oversight of the Federal IT portfolio, OMB often requests that the agencies provide source documentation that was used to generate the 300. Overall, I would promote an ongoing commitment to ensure that the information disseminated as part of the President's budget is subject to OMB's information quality guidelines.

Enterprise Architecture

36. **OMB Circular A-130 (November 30, 2000) requires executive branch agencies to create, use, and maintain enterprise architectures to, among other things, describe the current and desired relationships among business and management processes and information technology. What are your views on OMB's role in promoting and overseeing agencies' use of enterprise architectures?**

    I have not had the opportunity to review the details of OMB Circular A-130 or to assess the individual application of agencies use of enterprise architectures. E-government and the effective management of IT systems should continue to be a high priority for OMB.

37. **GAO's governmentwide survey of federal agencies identified two primary challenges that agencies face in their efforts to develop, implement, and maintain enterprise architectures—agency executive management understanding of enterprise architectures and a sufficient number of staff with enterprise architecture expertise. How can OMB best help agencies address these challenges?**

    One thing OMB can do is to bring agency officials from across government together to share best practices and lessons learned from past experiences. If confirmed, I will explore other ways to help agencies meet these challenges.

38. **OMB has recently focused on development of a Federal Enterprise Architecture (FEA), which it describes as a "business-based framework for cross-agency, governmentwide improvement" that will result in "maximizing technology investments." What should be the relationship between the FEA and individual agency enterprise architectures? What is OMB's approach to ensuring consistency between the FEA and individual agency enterprise architectures?**

    I am not yet familiar with the manner in which OMB integrates the Federal enterprise architecture with those of individual agencies. I am told there is close coordination between government-wide and individual agency efforts to create enterprise architectures, which should enhance their consistency. If confirmed as Director, I would support this close coordination.

39. **GAO recently published *Information Technology: A Framework for Assessing and Improving Enterprise Architecture Management (Version 1.1),* which incorporates elements indicating the maturity of an organization's enterprise architecture management. The framework provides OMB and agencies with a common benchmarking tool for planning and measuring their efforts to improve enterprise architecture management. Would you support OMB's use of the GAO framework by requiring agencies to submit an annual update of their status with regard to each of the elements in the framework?**

I am advised that the GAO Framework for Assessing and Improving Enterprise Architecture Management is an excellent tool for evaluating an agency's maturity in terms of its development and implementation of an enterprise architecture. Part of its value is the way in which it assesses consistency of governmentwide and agency enterprise architectures. If confirmed, I plan to support the use of this tool by agencies. I am not familiar enough with all the elements of the framework to suggest using it as a way to assess agency progress.

Government Information, Openness and Transparency

1. **Given the regular involvement that OMB has with other federal agencies, along with its dissemination responsibilities delineated under the Paperwork Reduction Act, what steps can OMB take to ensure that other agencies achieve the high standard of disclosure and access necessary for the government to be fully accountable to and interactive with the public? Are there steps you would like to undertake to strengthen public access to government information? If so, what are they?**

The public disclosure of information—when properly balanced with the Executive Branch's legitimate constitutional interests to maintain the confidentiality of its internal deliberations—can improve government accountability and accessibility. If confirmed, I would be receptive to considering proposals for enhanced disclosure and transparency that are consistent with the responsibilities and proper functioning of the Executive Branch.

2. **Executive Order 12866, on Regulatory Planning and Review, establishes disclosure requirements for OMB's contacts between OMB and parties outside the government regarding proposed rules under review by OMB. Do you believe OMB should disclose contacts with outside parties, and materials submitted to OMB by outside parties, on subjects other than rules undergoing OIRA review?**

I have not considered possible new disclosures by OMB of its communications with outside parties. As a general matter, I support public disclosure of information to the extent it does not improperly inhibit internal Executive Branch deliberations. I would evaluate any proposed additional disclosures by OMB in light of their impact on the

ability of OMB staff to carry out their responsibilities.

3. **Under the Paperwork Reduction Act, the Electronic amendments to the Freedom of Information Act, the E-Government Act, and current OMB circulars, there is a general policy that supports disseminating government information, and encourages use of the Internet for dissemination purposes. The other approach to making information accessible is for the public to request records from agencies through the Freedom of Information Act. What criteria should be applied in deciding when it is better for government to be more proactive in its dissemination of information to the public or when to release information only in response to specific requests, such as under the Freedom of Information Act?**

   The Administration's position is that citizens should be given the opportunity to choose information in a way that is most useful for their needs. OMB's long held policy position on information dissemination has been to maximize the dissemination of useful and necessary information while minimizing the costs of dissemination to the government and the public. OMB's information management policies, administered pursuant to the Paperwork Reduction Act, the Freedom of Information Act and its electronic amendments, the Government Paperwork Elimination Act and the E-government Act, have encouraged agencies to make such information available.

4. **Section 892(a)(1)(B) of the Homeland Security Act of 2002 requires the President to "identify and safeguard homeland security information that is sensitive but unclassified." OMB has also been in the process of developing agency guidance on homeland security sensitive information. Are these two activities connected? What will be OMB's process for identifying and safeguarding homeland security information that is sensitive but unclassified? What is your understanding of the type of information that would be considered "sensitive but unclassified" or homeland security sensitive? How will this information be handled?**

   I understand Section 892 requires guidance very similar to the work that OMB has been doing on this issue, and the two efforts have been merged. I intend to review this issue if confirmed.

Regulatory Issues

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

   While I am still in the process of learning about OIRA's important responsibilities and activities, I do believe that OIRA faces many challenges. Working with Administrator Graham, I intend to review OIRA's ongoing activities and identify areas that warrant attention.

2. **The Office of Information and Regulatory Affairs (OIRA) has a variety of responsibilities under a number of statutes and executive orders, including development of information resources, information security, data quality, and statistical policies; 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 the various activities undertaken by the office?**

      I have not yet formed any specific views on OIRA's functions or organization. If confirmed, I plan to work closely with the OIRA Administrator to ensure that OIRA's many responsibilities are carried out as effectively as possible.

   b. **Do you believe that OIRA has an appropriate level of resources to accomplish these tasks or do you believe the level of resources for OIRA should be increased or decreased? Do you believe the portfolio of responsibilities assigned to OIRA should be modified and, if so, how would such modification affect your views about the appropriate level of resources?**

      I am committed to providing ongoing interest and support, to assist OIRA in performing its statutory duties effectively. I understand that OIRA has recently added six scientists and engineers to complement the traditional analysts, economists, statisticians, and information technology specialists on the OIRA staff. This more diversified expertise should improve OIRA's ability to carry out its many responsibilities.

3. **OIRA has suggested issues for agencies to develop regulations through "prompt letters," and has been working with EPA to develop a rule from scratch. In the last 2 years OIRA has also returned about two dozen rules to the agencies for "reconsideration." What are your views on OIRA suggesting new areas of regulation to the agencies, helping to write rules, and publicly returning rules to agencies for reconsideration?**

   I support the Administration's efforts to ensure that all Federal regulations are sensible and based on sound science, economics, and the law. To the extent that OIRA uses prompt letters and return letters as appropriate tools to improve the quality of Federal regulation, I expect to encourage those activities.

4. **E.O. 12866 is the executive order that governs review of proposed regulations by OIRA. Are there any changes to E.O. 12866, or to applicable policies and guidance for implementing it, that the Administration intends or contemplates, and are there any changes that you would recommend should be made?**

I am unaware of any contemplated changes to E.O. 12866, and at this point, I have no plans to recommend changes.

5. **E.O. 12866 establishes very important public disclosure requirements for OIRA and the regulatory agencies with respect to OIRA review of submitted proposed rules. For example, disclosure requirements apply to substantive communications between OIRA personnel and persons outside the executive branch; OMB must provide a written explanation for all regulations returned to the agency; the agency must publicly identify changes made after OIRA review; and documents exchanged between OMB and the agency must be made public. Do you support the disclosure requirements of E.O. 12866?**

   I support OIRA's implementation of the E.O. 12866 disclosure requirements and Administrator Graham's commitment to timely, fair, transparent, and accountable regulatory reviews.

6. **OIRA Administrator Graham has played, in his words, a more "upfront" role in the regulatory process, collaborating with agencies before rules are submitted to OIRA for review. This "upfront" role is not governed by E.O.12866, which accordingly establishes no transparency rules for OIRA and the agencies. Therefore, during the time before the agency submits a regulatory proposal to OIRA, the Administrator or other personnel of OIRA can meet with outside parties, including those directly affected by the regulatory proposal, can receive written submissions of data and arguments, and can meanwhile potentially shape the rulemaking without any obligation under the Executive Order to disclose its activities or the submissions and communications for Congress or the public.**

   a. **Do you believe OMB should play an "upfront" role in the development of regulatory proposals?**

      While I am aware of Administrator Graham's emphasis on playing a more "upfront" role in the development of agency rulemakings, I have not yet formed a view on that role and whether any changes to OIRA practice are appropriate.

   b. **If so, do you believe any transparency requirements should apply to OMB for the period before submission to OIRA of a regulatory proposal? For example, should OIRA routinely disclose its substantive communications with persons outside the executive branch? Should OIRA forward to the regulatory agency all written communications with outside parties? Should OIRA allow public access to such written communications, at least under the Freedom of Information Act?**

      See question (a), above.

c. **Do you believe that an appropriate level of transparency is now achieved by OIRA with respect to the "upfront" period, before a regulatory proposal is submitted to OIRA for review, and, if not, how would you as OMB Administrator make it happen?**

See question (a), above.

High Risk

1. **OMB has been engaged in following up on the high risk issues that GAO identified in its 2003 *High-Risk Series*. How do you see that process unfolding? What mechanisms does OMB plan to use to ensure that agencies take appropriate actions to address these high risk areas?**

It is my understanding that OMB is working with agencies and GAO to clarify what specific actions agencies need to take to address the challenges identified in GAO's High-Risk List. Once that exercise is complete, I expect OMB to monitor agency progress in taking those actions and ensure accountability is clearly defined.

2. **In January 2003, GAO designated federal real property as a new high-risk area. What actions is OMB taking in light of GAO's call for a transformation strategy for federal real property?**

The Federal government's asset management challenges are a priority within the President's Management Agenda. If confirmed, I will monitor the progress of this initiative, which seeks to ensure that agencies justify and account for their assets and that they adequately plan for purchases, management, maintenance, and operation of those assets.

3. **Some have suggested that one factor for the existing problems with federal real property is the need to provide federal agencies with more incentives and flexibilities to better manage their real property inventories. Do you believe there is a need to pass a law giving federal agencies greater flexibilities, including the ability to enter into public-private partnerships, to improve the management of real property?**

I support the President's proposal, first included in the President's October 2001 Managerial Flexibility proposal, to give agencies greater flexibility in the management of their assets.

Inspectors General

1. **What are your views on the contributions made by the Inspectors Generals (IG) to improving government oversight over the last quarter century?**

I believe Inspectors General have made important contributions to the management of the Executive Branch.

2. **According to the most recent progress report by the President's Council on Integrity and Efficiency (PCIE), in FY2002 federal Inspectors General (IGs) and their staffs conducted audits, reviews and investigations that (1) identified nearly $72 billion in federal agency savings, (2) resulted in more than 10,600 successful criminal prosecutions and the filing of over 5,700 new indictments and criminal informations, (3) resulted in over 570 successful civil actions and over 7,600 suspensions or disbarments of vendors, contractors, grantees, or others who engaged in improper conduct, and (4) led to their agencies initiating over 1,600 personnel actions against government, contractor, or grantee employees in FY 2002. Since the terrorist attacks of 9/11, IGs have also been asked to shoulder additional homeland security responsibilities within their agencies and have received less support from other federal law enforcement resources. Notwithstanding these new challenges and the savings and benefits to the taxpayer that IGs and their staffs provide, IGs have generally been given few, if any, increases in resources. What actions will you take to ensure that IGs receive adequate resources?**

   If confirmed, I will be an advocate for providing IGs sufficient resources to accomplish their mission.

3. **The President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) are comprised principally of the IGs and are chaired by the OMB Deputy Director for Management. The PCIE and ECIE were established by executive orders to coordinate and enhance the work of the IGs. What overall guidance would you provide to these organizations? What will be your role regarding the activities of the PCIE and ECIE? What mission do you see for the IGs?**

   IGs should provide the information and expertise necessary to address major management challenges at agencies. If confirmed, I expect to provide the PCIE and ECIE, through the Deputy Director for Management, the support they require to accomplish their important mission.

4. **A recent GAO report (GAO-02-575) concluded that the PCIE and ECIE could be strengthened if (1) a statutory alternative to these councils were established, (2) a specified funding source were provided for the councils, (3) the roles and responsibilities of the members were clearly stated, and (4) coordination with other federal oversight organizations including GAO were enhanced. What are your views on each of these conclusions?**

I have not yet formed a view on the sufficiency of the PCIE and ECIE as organizations in support of the role of IGs. Any such organization should support and not detract from the IG mission to provide the information and expertise necessary to address major management challenges at agencies.

5. **A longstanding issue has been the adequacy and effectiveness of dedicated IG's at smaller agencies. These IG's generally have smaller staffs and fewer resources as is commensurate with their agencies and there is a question as to whether they possess a critical mass of personnel and resources to be effective. In 1998, Chairman Collins introduced legislation that amended the Inspector General Act. One of the provisions in the bill called for consolidating very small IG offices with other IG offices that have related agency missions. For example, the Office of Inspector General (OIG) for the National Archives and Records Administration would have been consolidated with the General Services Administration's OIG, and the Peace Corps IG would have been consolidated with the State Department IG.**

   The consolidations could provide more effective and efficient oversight, while maximizing government resources. GAO has also recently suggested that the Congress consider consolidating smaller IG offices with larger ones and also consider converting several IGs with relatively large offices from appointment by their agency heads to appointment by the President and confirmation by the Senate. In the alternative, resource assessments and peer reviews could assist the IG's and their staffs at these smaller agencies to ensure their proficiency as could additional resources, including additional training and personnel.

   What are your views on ensuring the proficiency and effectiveness of IG offices at smaller agencies, including (1) consolidation of IG offices; (2) conversion of the appointment process for selected IG's, and (3) other alternatives?

   Although I have not yet formed a view on the consolidation of IG offices or the utility of the appointment process affecting certain IGs, I look forward to working with the Governmental Affairs Committee to consider the important issues addressed in Senator Collins' legislation.

6. **During consideration of the Homeland Security Act last year, Congress followed the recommendation of the Senate Governmental Affairs Committee and clarified the IGs' law enforcement authority. In light of the new-9/11 demands being placed on IGs, what actions will you undertake to ensure that this takes place?**

   If confirmed as Director, I will take whatever steps are called for in the law to see that it is implemented in a timely and effective manner.

7. **The IGs are responsible for the audits of their agencies' financial statements. GAO uses the results of these audits to complete audits of the government's consolidated**

financial statements. Many IGs use the services of contractors to complete these audits, and the number of unqualified or "clean" opinions resulting from these financial statement audits has increased. In order to provide an opinion on the government's consolidated financial statements, GAO will require access to the audit plans and audit documents of both the IGs and the contractors during the agencies' financial statement audits. Are you supportive of the IGs' and GAO's role in the audits of agencies' financial statements and the need to have unlimited access to the audit documents?

I am supportive of an independent audit function both governmentwide and at individual agencies. I am not aware of any issues related to the accessibility of audit documents. If confirmed as Director, I will support legal and legitimate need for access by independent auditors to the information they require to conduct their audit function.

Defense Issues

1. **In its January 2003 High Risk and Performance and Accountability series, GAO noted that DOD leadership has placed high priority and great attention on transformation, but that significant management problems continue to impact the economy, effectiveness, and efficiency of DOD's business processes. GAO concluded that this situation places mission capabilities at risk by unnecessarily spending funds that could be directed to higher priorities such as modernization and readiness. In particular, GAO identified DOD's financial management, information technology, inventory management, infrastructure, contracting, and weapons acquisition as high risk areas. What is your view of DOD's management problems? What would you do to ensure that DOD takes corrective action to improve management and reduce program risks?**

   The President's Management Agenda sets the framework within which OMB and the Department of Defense are working to improve the management of the Department. The Department of Defense and OMB mutually set goals and milestones for improvement. If confirmed, I would fully support the efforts of the Deputy Director for Management in implementing this effort across the government.

2. **GAO's January 2003 High Risk and Performance and Accountability series cites limitations in DOD's strategic planning and budgeting, including that DOD has not issued performance plans for fiscal years 2003 or 2004 or reported on fiscal year 2001 performance results. According to DOD, it is formulating new performance goals and metrics to align with outcomes described in its strategic plan--the September 2001 Quadrennial Defense Review. In your view, what is OMB's role in ensuring that agencies, such as DOD, adopt a results-oriented management approach and take the necessary steps to better link plans, programs, and outcomes? Also, what action will you take to encourage DOD to move more quickly towards accomplishing these goals?**

I understand that OMB is working closely with the Department of Defense to link budget and performance integration as part of the President's Management Agenda. Using PART, OMB is examining programs and focusing on results. I am fully supportive of these efforts.

3. **The Administration has projected defense budgets to increase annually, over the Future Year Defense Program (FYDP), to well over $450 billion a year. How you will you meet the Administration's defense spending targets?**

The Department of Defense has a Future Year Defense Program, referred to as FYDP, which represents a current blueprint for the allocation of required resources in the next few years. As has been the case in the past, the FYDP is subject to change annually as part of the overall budget and program review process conducted jointly by OMB and the Department of Defense.

4. **During the FY 2004 appropriations cycle, defense contractors have proposed an increased amount of multi-year procurements. What are your views on such arrangements for defense contractors, both pro and con? If asked by DOD, will you endorse such proposals?**

I believe that multiyear procurements can result in substantial savings for the government if used for suitable programs, such as programs that are unlikely to be cancelled by the agency and that have a stable design with low technical risk. If confirmed, I will seek to ensure careful review of each proposed multiyear procurement program for consistency with sound policy and the requirements of the law.

5. **Currently, there is a proposal before Congress to allow the Defense Department to lease 100 airborne refueling tankers from the Boeing Corporation, at a cost of approximately $20 billion. What are your views regarding government leases on this scale? If asked, will you support such proposals in the future? Do you believe there should be limits on such arrangements and, if so, what should those limits be?**

I have not yet formed a view on the proper scale and limits of government leases.

6. **Congress supports the Administration's efforts to stabilize, reconstruct, and democratize Iraq in the wake of Saddam Hussein's downfall. There have been no estimates provided by the Administration on the potential long-term costs of peacekeeping and nation-building in Iraq. The President's 2004 budget did not account for the cost of these items. Congress requires this information in order to adequately and responsibly budget for this important national endeavor. What information can you provide to the Congress on the long-term costs to the federal government of reconstructing Iraq and waging the war on terrorism? Is it your intention to provide the Congress with more information on the extent of these long-**

term financial commitments? Will you incorporate such costs in the President's 2005 budget request? As OMB Director, will you pledge to fully share with Congress the Administration's detailed estimates on the potential short- and long-term costs of peacekeeping and reconstruction in Iraq, and will you do so starting in this fiscal cycle?

I am advised that the FY 2003 supplemental for Iraq included funds for U.S. troops in the post-hostilities phase and $2.5 billion for relief and reconstruction efforts. The Administrator of the Coalition Provisional Authority has recently been appointed and is working together with the Department of Defense, other participant countries, the United Nations and other international organizations, and the Iraqi people to define and meet Iraq's short- and long-term requirements. The Administration is actively pursuing international support and using billions of dollars in Iraqi assets from the former Iraqi regime for the benefit of the Iraqi people.

While I am not yet familiar with what additional resources may be needed, if confirmed, I expect to work closely with the Congress in addressing future requirements.

Homeland Security

1. **OMB is required to submit an annual report to Congress on Combating Terrorism that must:**

   - **include a listing of proposed amounts to be expended for combating terrorism programs and activities in the current and next fiscal year**
   - **describe specific programs and activities**
   - **identify duplication of efforts**
   - **summarize certain obligations and expenditures related to emergency preparedness and weapons of mass destruction**

   GAO reviewed this report and its data and made several recommendations to improve the funding data provided to Congress. (See *Combating Terrorism: Funding Data Reported to Congress Should be Improved*, GAO-03-170, November 26, 2002.) GAO's recommendations (to paraphrase) suggested that OMB do the following:

   - **Publish the report by the required March 1 deadline to provide more timely information for congressional budget deliberations.**
   - **Collect and report (to Congress) data on obligations for programs to combat terrorism.**
   - **Include in the report an analysis of areas where overlap in programs could result in unnecessary duplication.**
   - **Work with the Office of Homeland Security, the National Security Council, and agencies to develop better performance measures for combating terrorism in national strategies to combat terrorism and in agency**

performance plans.

a. **What will you do to ensure that the Annual Report on Combating Terrorism, initially due March 1, is submitted to Congress?**

My understanding is that OMB is currently finalizing this year's Annual Report on Combating Terrorism. The report is expected to be finalized and submitted to Congress in July.

b. **Does OMB plan to implement the recommendation from GAO to include obligations data in its Annual Report to Congress? If not, why?**

OMB is committed to improving the data collection across the federal government with respect to homeland security and combating terrorism. To respond to Congress' request for more timely and transparent information on resources for combating terrorism, OMB instituted a new process this year to provide additional budget data in the President's Budget and the forthcoming annual report.

c. **Has OMB done an analysis of Homeland Security and Combating Terrorism programs to identify overlap that could result in unnecessary duplication? What process is used to identify and resolve such overlap and duplication? How has the creation of the new Department of Homeland Security affected overlap among programs?**

Identifying overlap and duplication is an important OMB responsibility. OMB works with agencies throughout the year, and particularly when developing budgetary recommendations, to ensure that programs are clearly focused and do not duplicate effort. In the areas of homeland security and combating terrorism, it is my understanding that OMB has worked with various homeland security agencies in a variety of forums to ensure that programs in similar areas complement each other and work toward broader policy goals.

The creation of the Department of Homeland Security has provided an historic opportunity to consolidate programs with similar objectives and operations and redirect resources to the front-line protection of our Nation. In the areas of border and transportation security, emergency preparedness and response, and critical infrastructure protection, in particular, OMB and the Department of Homeland Security are working to eliminate unnecessary duplication and avoid stove-piping.

d. **What is the status of OMB efforts to improve governmentwide and agency-specific performance measures to improve the relationship between national strategies to combat terrorism, funding for such programs, and program results?**

I am advised that, since 9/11/01, OMB has been heavily involved in a variety of areas to enhance both Government-wide performance measurement and programs to combat terrorism, including the oversight of emergency appropriations, working with the Office of Homeland Security, and creation of the Department of Homeland Security. The PART is also improving the government's performance management framework in ways that will enhance our ability to measure homeland security performance and recognize the strategic contribution of various programs

Department of Homeland Security

1. **In the past, the Director of the Office of Management and Budget (OMB) stated that federal agencies-especially those agencies with homeland security missions-can expect increased oversight and more pressure to demonstrate performance to justify funding increases. What steps should OMB take to hold federal agencies and their officials responsible for homeland security performance?**

   The Administration is committed to monitoring agency performance in the area of homeland security. To promote performance management and accountability, I understand OMB has worked with agencies to:

   - Increase transparency into the programs that support homeland security.
   - Identify and prioritize the specific programs that advance the key capacities outlined in the National Strategy for Homeland Security.
   - Develop performance measures to benchmark progress in developing those capacities and measure the effectiveness of specific programs in doing so.
   - Clarify roles and responsibilities so that we are working towards mutually supportive policy goals, not duplicating effort.

   In particular, OMB is working with the Department of Homeland Security to ensure that its Future Years Homeland Security Program (FYHSP) defines and prioritizes the capacities that the Department is seeking to build. Across government, OMB has worked to improve communication and cooperation in homeland security programs, monitor budget execution more effectively, and develop meaningful and specific performance measures. This has been executed through the GPRA process, the Executive Management Scorecard, and other mechanisms, including the PART process.

2. **The National Strategy for Homeland Security, as well as the many other strategies dealing with aspects of homeland security and combating terrorism, does not clearly define the accountability structure to ensure the implementation of efforts to strengthen and sustain homeland security. What should be the appropriate interrelationship between OHS, OMB, and the Department of Homeland Security that will create the best structure for national strategies' implementation and accountability?**

I believe that OMB should work with the appropriate agencies to ensure coordination between, and effective implementation of, the National Strategy for Homeland Security and other strategies. OMB plays a central role in coordinating strategic planning and performance management across the government. It should work to ensure that the various strategies are performance-based, the programs that support them are technically sound, and that the government's resources are aligned to promote effective implementation of these strategies. To that end, OMB should hold the Department of Homeland Security and other agencies accountable for their performance in this area.

3. **The Homeland Security Act of 2002 requires the maintenance of non-homeland security missions transferred to DHS. What is OMB's approach in monitoring the performance of these non-homeland security missions, and ensuring they are not diminished under DHS's control?**

I understand that OMB has worked with the Department of Homeland Security to ensure effective performance of non-homeland security missions in a variety of ways. They have monitored the allocation and execution of non-homeland security funding. They have encouraged comprehensive performance planning that recognizes the importance of non-homeland security missions through the FYHSP process, the Executive Management Scorecard, and other efforts. OMB has encouraged the Department to recognize and prioritize key Administration objectives in non-homeland security areas, such as achieving the President's goal for reducing backlog in immigration applications. Across the Department, I expect that OMB will continue to monitor the performance of non-homeland security missions.

4. **The Governmental Affairs Committee has held a series of hearings with Secretary Ridge, state and local officials, and first responders on how best to streamline and strengthen the way we help our states, communities, and first responders protect our homeland. Senator Collins introduced legislation, the Homeland Security Enhancement Act, to restructure the Department of Homeland Security's state and local homeland security grant program, to make it easier to apply for federal funds, and coordinate the many grant programs that provide homeland security funds.**

   a. **Do you think it makes sense to promote a more coordinated approach to homeland security funding?**

   The Administration strongly supports efforts to better coordinate and consolidate terrorism and emergency preparedness programs. State-level coordination is an important element of the President's 2004 Budget, in which first responder grant funds will be spent in accordance with a state's approved and updated state strategy. This approach should provide much needed coordination at the state level to maximize interoperability and mutual aid.

b. **The Department of Homeland Security's main grant program for first responders, the Office for Domestic Preparedness' state homeland security grant program, current lacks significant authorization. Do you think the Committee should formally authorize this program to provide a framework for the Department's activities?**

I am advised that the activities of the Office for Domestic Preparedness (ODP) are authorized in current law. These authorities were transferred to the Department of Homeland Security as part of the Homeland Security Act in 2002, which also explicitly authorized ODP's roles and responsibilities. If confirmed, I would be happy to work with the Committee to make improvements through authorization legislation.

c. **In addition to coordination, one concern is a more streamlined and simplified approach to homeland security funding. Do you think there should be one stop shopping for homeland security funding?**

My understanding is that the Administration is committed to implementing a "one stop shop" for access to information on homeland security grants within the Departments of Homeland Security, Health and Human Services and Justice. This would include a consolidated web site, policy guidance, and coordinated review of applications.

d. **Senator Collins' legislation also promotes administrative simplification in terms of planning, applications, and reporting requirements. What steps will you take to make sure that Federal agencies coordinate their programs to simplify the paperwork requirements?**

As indicated above, there are ongoing efforts to streamline and simplify preparedness funding applications and reporting requirements. The Administration strongly supports Department of Homeland Security efforts to integrate state-level preparedness plans into a comprehensive all-hazards approach covering prevention and preparedness for disaster and terrorist incidents.

e. **The Office for Domestic Preparedness currently has millions in unbigoted homeland security dollars. Senator Collins' legislation proposes to allow States to free up this funding by receiving a waiver from the Secretary for resources that have been appropriated, but remain unspent. Would you support such a provision and what steps are you going to take to free up these resources?**

It is my understanding that the remaining delays in the obligation of awarded state funds are attributable to a range of factors. However, the Administration would

support legislation giving states and localities greater flexibility in allocating ODP funds among training, equipment, and exercises based on their unique needs. Meanwhile, I am advised that ODP will continue to provide technical assistance to help overcome impediments to the prompt use of grant funds.

5. **Although it has been four months since the President signed the FY 2003 omnibus appropriations bill, OMB has yet to provide the Congress with detailed, account-by-account information on the amount of resources designated as homeland security funding. This lack of information has made it virtually impossible for Congress to track homeland security spending. When can we expect OMB to provide us with a detailed display of the 2003 homeland security budget, both for the new Department of Homeland Security, and all homeland security activities throughout the government? Why has this taken so long? What steps will you take to improve the reporting by OMB to the Congress – including in the presentation of the President's 2005 budget – on amounts appropriated and spent on homeland security? Do you support tracking and recording homeland security funding in a separate budget function?**

   As I understand it, OMB has provided the Congressional Budget Office and the Appropriations and Budget Committees account-level information on homeland security funding. Additional programmatic information will be provided in the Annual Report on Combating Terrorism. My understanding is that this year, for the first time, OMB embedded estimates for homeland security into the budget database – an important step for improving budgetary transparency. If confirmed, I will work with Congress to consider measures to further improve transparency for homeland security resources, and I expect the homeland security presentation in the 2005 Budget will do so. Tracking and recording homeland security as a separate budget function should be the subject of further consideration by the Administration and Congress, especially the Congressional Budget Committees.

6. **Sec. 889 of P.L 107-296, the law that established the Department of Homeland Security, requires "a detailed, separate analysis, by budget function, by agency, and by initiative area" for homeland security activities beginning with the FY 2005 budget submission. When the President's FY 2005 budget is submitted, will it comply with the requirements of Sec. 889?**

   Yes.

7. **The Homeland Security Act established within the Department of Homeland Security an Information Analysis and Infrastructure Protection Division charged with analyzing intelligence from all-sources related to terrorist threats. During his State of the Union address, the President announced creation of a new Terrorist Threat Integration Center (TTIC) under the direction of the Director of Central Intelligence. The Counter Terrorism Center at the CIA has responsibility for**

analyzing intelligence related to foreign terrorism, and the FBI has also created a new Counter Terrorism Division and an Office of Intelligence to analyze intelligence. Please describe OMB's role in clarifying responsibilities, and increasing cooperation and information sharing, among these and other organizations involved in analyzing and disseminating intelligence related to homeland security. What is OMB's approach to ensuring that systems are designed and funded in order to share appropriate homeland security information with state and local officials?

The Terrorist Threat Integration Center (TTIC) has not supplanted the intelligence responsibilities of the CIA, FBI, or other members of the intelligence community, including the Department of Homeland Security. Rather, it is a joint effort of these agencies to "fuse" intelligence information from all sources so that it is more timely and useful.

Even before the creation of the TTIC, OMB was working with the intelligence and law enforcement agencies to improve cooperation and information sharing, including information sharing with state and local officials. I am advised OMB's current efforts are focused on housing the TTIC employees and systems development efforts to link key intelligence data bases.

8. **The President proposed $3.5 billion in funding for first responders in his FY 2004 budget. However, New York City alone has identified more than $900 million in urgent first responder needs. These include fundamental needs such as securing the city's emergency command facilities, creating additional HazMat units to cope with a suspected chemical, biological or nuclear attack, evaluating and addressing communications equipment needs for first responders, and creating medical laboratories to conduct testing for bioterror incidents. Other cities have developed similar assessments. How will OMB utilize such assessments when developing homeland security funding proposals?**

The Department of Homeland Security is the primary agency responsible for first responder terrorism preparedness. I am advised that the Department will be working closely with states and localities to complete risk assessments and formulate comprehensive statewide strategies. This approach will foster much needed coordination at the state level. Additionally, the Department will work with states and localities to determine national priorities and ensure that state and local governments are upgrading their level of preparedness consistent with state plans. These assessments and plans will identify resource needs, and I expect that OMB will work closely with the Department and the Homeland Security Council to determine appropriate funding levels.

9. **First responders across the country still cannot communicate effectively with one another in an emergency. This issue was highlighted after the Air Florida incident over 20 years ago, the first bombing of the World Trade Center in 1993, and the**

Oklahoma City bombing in 1995, and yet again when fire fighters died because they couldn't communicate with the police on September 11. The Public Safety Wireless Network (PSWN), a joint Treasury and Justice Department policy group, estimates that the cost of replacing all communications equipment used by state and local governments to ensure interoperability would be $18 billion. What factors will OMB consider when determining the appropriate federal role in funding solutions to this long-standing problem?

The President's 2004 Budget provides substantial resources to grant programs that support interoperability, most notably the $3.6 billion First Responders Initiative. I am also advised that, through Project SAFECOM, the Administration is working across agencies to ensure that federal programs are coordinated, easy-to-access, and complementary, rather than duplicative. The overwhelming percentage of communications infrastructure is owned and operated at the state and local levels. OMB will continue to work with the Department of Homeland Security and other federal agencies to ensure that the federal government promotes steady progress toward interoperability at and among all levels of government.

Research and Development

1. **During the 2000 Presidential campaign, then-Governor Bush recognized the importance of government support for research and development for our future economic growth, security, and health by promising to support a permanent tax credit for R&D, and to increase the defense R&D budget by $20 billion from FY 2002 – FY 2006.**

   - **Do you intend to budget for implementing these commitments and, if so, on what schedule?**

     The President's Budgets have consistently proposed the permanent extension of the Research and Experimentation (R&E) tax credit. As highlighted in the FY 2004 Budget, the proposed extension will cost nearly $23 billion over the period of 2004 to 2008, and $68 billion through 2013.

     The defense research and development (R&D) budget for FY 2001 was approximately $42.2 billion dollars. The 2004 Budget requests more than $62.7 billion dollars, which demonstrates a $20 billion increase in only three years. In addition, the President's Management Agenda will help ensure that the nation's R&D investments are made effectively and efficiently.

   - **The Congress has indicated its desire to double the budget for the National Science Foundation, but the President's 2004 budget only provides for half the rate of increase needed to double the NSF budget in 5 years. Do you believe**

increases in the science budgets at the National Science Foundation (NSF) and at other mission agencies are warranted? If so, what plans do you have to budget for such increases?

The President's 2004 Budget focuses on winning the war against terrorism and securing the homeland, while moderating the growth in overall spending. Relative to the President's 2003 Budget, the nine percent increase requested for the National Science Foundation (NSF) is more than double the four percent increase for overall non-defense discretionary spending (including homeland security) in the President's 2004 Budget. This increase indicates the priority the Administration has given NSF, as well as science at other agencies.

While research investments at NSF continue to be important to the Administration, I expect future funding requests will continue to balance our research investments with other national priorities.

- **Although the NSF Doubling Act was signed into law, the President's budget request for FY2004 does not reflect the increase in funds for the NSF budget which would allow for a doubling. What are your plans to implement a budget request which would be in line with the NSF Doubling Act authorizations?**

  See answer to (b) above.

2. **A growing concern is the imbalance between the amount of government research support for the life sciences, for which Congress has appropriated funds to double NIH's budget over recent years (with Bush Administration support), and the amount for the physical sciences, which has actually been eroding. These two parts of scientific research are in fact mutually dependent, and advances in the physical sciences have become essential to further advances in the life sciences. Do you agree with this concern, and, if so, will you act to adjust the budgetary imbalance between these two sectors of federal research support by increasing the amount for physical sciences?**

The Administration agrees with reviewing the balance of the portfolio, in the sense of monitoring and maintaining an appropriate investment across critical areas. The emphasis in the President's 2004 Budget on the physical sciences responds to recommendations from the President's Council of Advisors on Science and Technology and others.

The 2004 Budget focuses on strengthening investments in:

- R&D for national and homeland defense;
- Broad investments in basic research at NSF; and

- Federal R&D in general, across the agencies.

In addition, the President's Budget strengthens the nation's investment in physical sciences, which provide a better understanding of the universe and support the health sciences and many other research areas. Specifically, the budget provides:

- A 13-percent increase in physical science investments at NSF;
- A nearly tripled investment in nanoscale science research centers at the Department of Energy; and
- Two new NASA space telescope missions to address fundamental questions on the nature of gravity and high-energy physics.

3. **The composition of the global semiconductor industry has changed dramatically in recent years. National trade and industrial policies of East Asian countries which have capitalized on these changes are driving a dramatic migration of semiconductor manufacturing to that region, in particular to China, through a large array of direct and indirect subsidies to their domestic semiconductor industry. Historically, shifts in manufacturing result over time in the migration of research and design capabilities as well. The impact of this migration of the semiconductor industry to the U.S. economy would be severe, as this sector is the largest value-added industry in manufacturing in the country. This migration is also occurring at a time when these components are becoming a crucial defense technology advantage to the U.S., due to the present and future needs of advanced processors in the defense and intelligence communities.**
   - **Will you support increased funding for research and development (R&D), that would be used to support cooperative government-industry research programs, and to develop joint production agreements and other innovative partnership arrangements with the semiconductor industry?**
   - **Will you support R&D funding to maintain the critical semiconductor equipment industry (i.e. lithography, photomasks) in the U.S., such as through a government-industry consortium?**

I agree that the semiconductor field is important and is a crucial technology for defense and civilian applications. I am advised that the Administration supports Cooperative Research and Development Agreements, pre-competitive partnerships, and other means of coordinating the efforts of government and industry, as a part of a balanced federal R&D portfolio. The President's Council of Advisors on Science and Technology has formed a subcommittee on Information Technology Manufacturing and Competitiveness, which will issue a report this year that will include a look at semiconductor manufacturing. I look forward to reviewing the subcommittee's recommendations on the subject.

4. **Research in nanotechnology will eventually enable the development of materials and systems with dramatic new properties relevant to virtually every sector of the economy. There is currently a serious concern about the coordination between various government agencies (including the Department of Defense) which would ensure focused research and development on nanotechnology efforts within the federal government. Legislation is currently moving through Congress to place the Administration's National Nanotechnology Initiative into statute to tackle these science management problems.**

   - **As OMB Director, will you support this legislation (S.189)?**

     I am advised that the National Nanotechnology Initiative currently supports coordinated nanotechnology research and development across the federal agencies. And, as demonstrated in recent Office of Science and Technology Policy-OMB guidance to agencies, the Administration continues to consider coordinated nanotechnology research a priority.

   - **As funding levels for nanotechnology within the National Institute of Health (NIH) are substantially smaller than those within NSF (despite the numerous benefits the bio-medical community could derive from nanotechnology research), will you increase the level of funding support within NIH in this area?**

     The FY 2004 Budget requests a significant increase for nanotechnology research at the National Institutes of Health (NIH). As is true of any agency, NIH considers the need for and benefits of investments in nanotechnology relative to other needs and priorities. As the lead agency in the National Nanotechnology Initiative, NSF funds basic research that could potentially have broad impacts in any number of fields, including benefits for the bio-medical community. I am advised that NIH will continue to make investments in nanotechnology and will continue to coordinate planning and application of nanotechnology investments with the other agencies.

5. **The Department of Defense has had difficulty recruiting and retaining top-flight scientific and engineering talent for its laboratories. Such talent is necessary to expand our long-term military capabilities and advantages. Despite this critical need, the defense laboratories have witnessed a steady erosion of talent due to an aging workforce, competition from the private sector, and complex hiring processes that frustrate efforts to infuse new talent. In recent years, the Department of Defense has been given numerous authorities through bi-partisan efforts by Congress for personnel demonstration projects to encourage employment and retention of top scientific talent, such as Section 342 of the National Defense Authorization Act for FY 1995, Section 246 of the National Defense Authorization Act for FY 1999, Section 245 of the National Defense Authorization Act for FY 2000, and Section 1114 of the National Defense Authorization Act for FY 2001. A**

preliminary study by GAO has found that very few of the requests by the labs for personnel demonstration projects and flexible hiring authority have been implemented by the Department. Given the seriousness of this science management problem and its national security implications, and given your management role at OMB, what steps will you take to implement these defense authorities in order to turn around this serious defense scientific "brain-drain"?

The Administration has transmitted to the Congress a proposal for a simplified, uniform personnel system the Department of Defense believes can substantially improve its ability to recruit and retain personnel across a broad range of jobs, including engineering and scientific positions. I am aware the Committee recently voted on a version of those reforms. If confirmed, I look forward to working with the Committee, which I understand has strong interest and experience in issues related to personnel management, to provide the Department of Defense with the reforms necessary to recruit and retain the personnel it needs to accomplish its mission.

Health Policy

1. **Medicare. The Administration has spoken repeatedly about its desire to increase the number of Medicare beneficiaries relying on private health insurance plans to receive their Medicare benefits. The new Medicare prescription drug bill before the Senate (S.1) would even establish a new agency with the Department of Health and Human Services (HHS) to oversee the interface between HHS and a growing number of private insurers. The magnitude of this proposed transition raises several questions.**

   a. **Tom Scully, the director of the Center for Medicare and Medicaid Services, has testified that the Administration estimates 20-40% of all Medicare beneficiaries would transfer to private health insurance plans for all of their healthcare if the Senate bill becomes law. In contrast, the Congressional Budget Office (CBO) has stated that the current incentives would only result in a 1-2% increase in this sector. If the CBO estimates are correct, what financial incentives, in addition to those currently in the Senate bill, will be put in place to achieve the Administrations' stated goals of 20-40% private enrollment? How much will these incentives cost?**

   b. **The Medicare + Choice program had similar goals when it was put in place by the Balanced Budget Act of 1997. Six years after its enactment, 60% of Medicare beneficiaries have no access to this private insurance option. How do you plan to redistribute Medicare funding to ensure private insurers don't withdraw from rural and high cost areas? How much will it cost to maintain rural access to the new Medicare Advantage program?**

c. **If private plans lure the healthiest seniors by offering more tailored benefits package, how will Medicare deal with the increased cost of caring for only the sickest patients without Medicare Part B funds from healthy seniors?**

d. **CBO estimates that 35% of all seniors will pay more to participate in the optional drug program being debated in the Senate than they would receive in benefits. While this is, as one HELP committee member put it, "the definition of insurance," what will be the financial consequences if these seniors do not enroll? If the healthiest seniors opt not to participate, will the loss in premium revenue drive up the program costs for the taxpayers?**

e. **This year's Social Security Administration Trustees report stated that the "projected date of [Medicare Hospital Insurance] HI Trust Fund exhaustion has moved forward significantly to 2026, from 2030 in last year's report; and projected HI tax income falls short of outlays beginning in 2013, in contrast to 2016 in last year's report. HI could be brought into actuarial balance over the next 75 years by an immediate increase in scheduled program income of 71 percent or an immediate reduction in program outlays of 42 percent, or some combination of the two." How will you ensure the Medicare program remains solvent over the next 75 years?**

The President has said that "all seniors should have the choice of a health care plan that provides prescription drugs" and in March, the Administration proposed a framework to modernize and improve Medicare. Under this framework, all beneficiaries would have access to prescription drug coverage; full coverage of disease prevention such as screenings for cancer, diabetes, and osteoporosis; and a choice of an individual health care plan that best fits their needs, including the choice to stay in traditional Medicare.

It is my understanding that the bills currently under consideration in the House and Senate—which are broadly consistent with the framework—include the kinds of market-oriented features that should help attract beneficiaries and plans, as well as enhance the prospects for restraining Medicare spending over the long term.

For example, the bills before Congress include new private plan options that will offer beneficiaries a prescription drug benefit that is integrated into broader medical coverage, and the opportunity to choose the coverage that makes the most sense to them. By expanding private sector innovation and competition within Medicare, this new option should provide seniors with quality health care at more reasonable prices. And, beneficiaries who wish to stay in traditional Medicare continue to have that option as well. Beyond measures currently under consideration, I look forward to working with Members of Congress to improve and strengthen Medicare for both the short- and long-term.

2. **Medicaid. The President has proposed changing the financing structure of the Medicaid program. He has offered states short-term fiscal relief, in the form of loans that will be deducted from subsequent federal Medicaid payments. In exchange for this short-term infusion, states would be required to accept caps on federal Medicaid payments in the future. This proposal has raised concerns with many organizations, including the National Governors' Association (NGA).**

   - **Please describe the financial details of this plan, including projected savings over time.**

   - **The draft NGA Medicaid counter proposal pointed out that the Administration's block grant plan could hurt states that encounter economic downturns or face epidemics. Under the Administration's proposal, how would the federal government support states facing sudden increases in their Medicaid roles or Medicaid costs?**

   The Administration has proposed a framework for restructuring Medicaid and SCHIP under which states would be guaranteed a set amount of funding and given flexibility to tailor eligibility and benefits to suit local conditions. It must be emphasized that this would all be at state option. States could choose to stay with the current arrangement. Under the proposal, states would receive additional funds in the early years ($8.9 billion over 5 years) and over 10 years the proposal would be budget neutral. I believe the substantial flexibility given to states should permit more rapid, effective responses to emerging concerns

3. **Medical Research. Congress recently completed doubling budget for the National Institutes of Health (NIH). The President proposed a 2% increase in the NIH FY2004 budget. What increase in funding for biomedical research would you propose? Will this be sufficient to continue promising research?**

   After five years of outstanding growth that doubled the NIH budget, the President's 2004 Budget provides almost $28 billion, an additional investment over $700 million. NIH's overall research investment grows not by 2 percent, but by 7 percent, excluding facilities construction and one-time anthrax vaccine costs. This increase should allow NIH to award almost 300 new research grants in FY 2004 and sustain the momentum gained over the last five years.

4. **Veterans' Health Care. The Department of Veterans' Affairs (VA) faces growing budget shortfalls, yet the number of new veterans and aging veterans will only increase. Many older veterans are turning to the VA as their only source of affordable medications. Although some had hoped that a new generous prescription drug benefit would help, the current Medicare legislation is unlikely to do anything to remedy this situation. Some have proposed allowing the VA to charge Medicare**

for the services they provide to older veterans, so-called Medicare subvention. What is your view of this potential transfer of federal funds between agencies?

I am advised that the Department of Veterans Affairs is currently working with the Department of Health and Human Services to implement the Administration's plan by which Priority Level 8 veterans aged 65 and older, who cannot enroll in VA's health care system, can gain access to a new "VA+Choice Medicare" plan. This would allow these veterans to use their Medicare benefits to obtain care from VA. In return, VA would receive payments from a private health plan contracting with Medicare to cover the cost of the health care it provides. The "VA+Choice Medicare" plan will become effective later this year as the two Departments finalize the details of the plan.

Transportation

1. **If Congress acts this year to reauthorize statutory discretionary spending caps for fiscal years 2004 and beyond, would you support the reauthorization of separate discretionary outlay caps for the highway and mass transit categories, and if so, for how many years? Should a new mass transit discretionary budget authority cap be created? At what level should these outlay caps (and a potential new mass transit discretionary budget authority cap) be set?**

   It is my understanding that the Administration's surface transportation reauthorization proposal supports separate and specific discretionary outlay caps for the highway and mass transit categories for a six-year reauthorization period.

   For all remaining discretionary programs, the Administration supports a two-year extension of the overall, general purpose discretionary spending caps at the levels set forth in the President's 2004 Budget. Discretionary mass transit budget authority would be included in the general purpose spending caps.

Environment

1. **Title VIII of the FY 2001 Interior appropriations conference report established the Land, Conservation, Preservation, and Infrastructure Improvement fund (LCPII). The purpose of the fund was to create a dedicated level of discretionary appropriations for environmental activities through 2006. In the President's 2004 budget where the administration proposed to extend discretionary caps, it did not include the conservation spending category. Why does the administration propose to eliminate these caps?**

   The Administration supports many conservation programs, whether in LCPII or not, but the current fiscal climate requires maximum flexibility in allocating discretionary funding. The past few years have also shown that a separate spending cap is not an

effective tool to protect a particular budget activity. In fact, Congress itself chose to drop the use of this device in the FY 2003 appropriations process.

2. **An article in *The New York Times* on June 19, 2003, reports that White House officials have edited an upcoming report by the Environmental Protection Agency (EPA) to omit evidence and conclusions that human activity is contributing to harmful global warming. According to the article, administration officials deleted references to two important studies regarding the likely human contribution to global warming – one of them by the highly respected National Research Council – and replaced them with a skeptical assessment from a study financed in part by the oil industry. According to the article, EPA officials were so troubled by the changes that they preferred to delete the section on global warming altogether rather than include the White House-dictated language which " 'no longer accurately represents scientific consensus on climate change.' "**

   a. **What was the role of OMB in editing this report?**

   One of OMB's key functions is to coordinate the activities of Executive Branch agencies to avoid duplication of effort and avoid sending contradictory messages to the public. OMB performs this function on a wide range of issues including budget, legislation, regulations, management, and program performance. While I am not in a position to comment on OMB's actions in a particular case, I understand that, as a routine matter, OMB would work with CEQ on coordinating comments received as part of the interagency review process. A range of OMB analysts would also be expected to provide comments on programs within their expertise.

   b. **Please describe your views about the role of OMB in editing documents produced by the federal agencies. As Director of OMB, would you consider it appropriate to seek changes such as those described in *The New York Times* story?**

   The role that OMB is reported to have played in clearance of this report is the same role that OMB routinely plays on countless other reports, correspondence, testimony, and other documents every week. It is a role that the career staff has filled consistently for years and that has been strongly supported by recent Presidents of both parties. If confirmed, I expect OMB will continue to play its traditional role.

Social Security and Net Present Value Accounting

1. **The retirement of the baby-boom generation marks the beginning of a major demographic shift towards fewer workers per retiree. The so-called "graying of America" will have a significant impact on the costs associated with entitlement**

programs such as Social Security. What guidance will you provide the President in restoring long-term solvency to the Social Security program? What impact would the costs associated with any partial-privatization of Social Security have on the Federal budget over the next 20 to 30 years? Will you advise the President to pursue a budget policy which restores on-budget balance and saves all of the Social Security surpluses?

The long-run financial condition of Social Security is a serious concern. Recognizing this problem, the President appointed a bipartisan Commission on Social Security, which issued its report in August 2001. The Commission presented three options for moving towards a financially sustainable Social Security program. If confirmed, I will work with other members of the Administration and members of Congress to ensure that Social Security is placed on a sound financial footing for future generations. The Federal budget implications will depend on the details of any long term solution.

2. **Do you believe it is useful to assess government liabilities and commitments using net present value (NPV) accounting?**

   See answer to question 11, below.

3. **How would NPV accounting be used to supplement the current cash flow measures?**

   See answer to question 11, below.

4. **Do you believe it is useful to prepare NPV estimates for a 75-year period or an indefinite period?**

   See answer to question 11, below.

5. **How would you move to incorporate NPV estimates more prominently in government financial reporting?**

   See answer to question 11, below.

6. **Are you aware of the NPV estimates of government's entitlement commitments prepared by Dr. Kent Smetters and Dr. Jagadeesh Gokhale, at the Treasury Department, for inclusion in the government FY 2004 budget?**

   See answer to question 11, below.

7. **On May 9, 2003 Dr. Smetters and Dr. Gokhale have now published the estimates that they prepared for the government. http://www.aei.org/docLib/20030508_gokhale.pdf Do their findings reflect the estimates of the Administration?**

See answer to question 11, below.

8. **Do you agree with the basic findings of their study? In what ways do you disagree with their basic findings?**

See answer to question 11, below.

9. **Do you agree that the long-term fiscal imbalance is a useful measure to supplement the short-term focus on the deficits and public debt?**

See answer to question 11, below.

10. **Do you agree that the long-term fiscal imbalance for the government is roughly $44 trillion? If not, what is your estimate and how was it derived?**

See answer to question 11, below.

11. **Do you agree that this fiscal imbalance will grow by $1.5 trillion per year through 2008 unless we corrective policies are implemented before then?**

I am not familiar with the net present value estimates that are referred to in the question. It may be that these estimates have some technical advantages over the traditional 75-year estimates. Even so, the traditional estimates are more than sufficient to demonstrate the critical need to reform Social Security and Medicare, and that is where we need to focus our efforts.

12. **If Congress asked in connection with an oversight investigation, would you provide drafts of a Budget of the U.S. Government?**

My understading is that, it would not be appropriate to disclose confidential, internal, and pre-decisional deliberative documents.

Other Issues

1. **The Washington Post has reported that Commerce Secretary Don Evans contacted you "from time to time" regarding the collapse of the Enron Corporation. Is this correct, and if so, how many times did Secretary Evans contact you and what specifically did you discuss? Did you discuss a possible bailout of Enron with the Commerce Secretary or any other individual within the administration? If so, please provide details of these discussions.**

I refer the Committee to two letters sent to it last year by White House Counsel Alberto Gonzalez, dated April 19, 2002, and May 22, 2002. Those letters describe my limited contacts regarding the Enron matter.

2. **The U.S. Agency for International Development (USAID) has indicated that the Office of Management and Budget and the National Security Council began contingency planning in September 2002 for the possibility of rebuilding a post-war Iraq. However, USAID did not begin the formal procurement process for contracts related to this rebuilding process until January. Because of this delay, the Agency had only a short period of time in which to award the rebuilding contracts for Iraq. As a result, USAID said it was forced to use a closed bidding process that allowed only a select number of companies to bid on these contracts. Federal procurement regulations generally require that contracts be awarded through a full and open bidding process to ensure that taxpayer funds are spent in an effective and efficient manner. These regulations allow a closed bidding process only in rare instances where the procurement addresses an urgent need. While the rebuilding of Iraq is undoubtedly an urgent need, it is possible that the bidding process could have begun much sooner, thus making a more competitive process possible. What role, if any, did you play in the administration's contingency planning for rebuilding post-war Iraq? Do you believe steps should have been taken during the contingency planning regarding Iraq to ensure that USAID, and other federal agencies, began their procurement processes sooner so that competitive bidding could have been used to award the rebuilding contracts?**

While I am unfamiliar with these USAID procurements, I have no reason to believe that the government entities involved acted in contravention of relevant regulations and statutes. If confirmed, I will of course be willing to work with the Committee on any specific concerns it may have.

IV. Relations with Congress

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

   I do.

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

   I do.

V. Assistance

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

   I have worked with staff in OMB and the White House to craft answers to the Committee's questions. The answers are my own.

AFFIDAVIT

Joshua B. Bolten being duly sworn, hereby states that he has read and signed the foregoing Statement on Pre-hearing Questions and that the information provided therein is, to the best of his knowledge, current, accurate, and complete.

Subscribed and sworn before me this 22nd day of June, 2003

Notary Public for the District of Columbia
Commission expires 1/31/2008

Questions From Senator Lieberman
for Joshua Bolten, nominee to be
Director, Office of Management and Budget

1) **This year, the Bush Administration is on track to post our country's largest deficit ever. The Bush Administration is reportedly planning additional tax cuts, possibly as often as every year. Interest on the debt is increasing, and the front edge of the baby boom generation begins to retire in 2008. In addition, the Administration has already said that it wants to make this year's tax cuts permanent, which will further increase deficits and the debt. As Director of the Office of Management and Budget, you are charged with organizing all of these policies into a single budget, as well as focusing on the Administration's economic priorities over the long term.**

A) **Do you believe that deficits matter? Why or why not?**

Deficits matter in that they affect the level of the government's publicly held debt and therefore could affect the level of future interest expenditures. As we evaluate deficits, however, we also need to consider the situation in which they occur and their relative size. Nearly all economists note that it is appropriate to run a deficit during times of economic slowdowns or national emergencies. Furthermore, the current deficit – as a percentage of GDP – is not large by historical standards and manageable within the overall context of our economy. We have also seen long term interest rates falling to historically low levels, indicating that the current deficit is not leading to the crowding out of private investment.

B) **What do you believe the deficit will be at the end of fiscal year 2003? Fiscal year 2004?**

The FY 2004 Budget forecast a 2003 deficit of $304 billion and a 2004 deficit of $307 billion. Since then, the President requested and Congress enacted a War Supplemental. Congress also passed the Jobs and Growth Tax Relief Reconciliation Act of 2003, with larger 2003 and 2004 deficit effects than what the President had originally proposed. In combination, these laws will raise deficits higher than were anticipated in the Budget. OMB will officially update its estimates in the Mid-Session Review this summer.

C) **Do you believe that the tax cuts enacted from 2001 to the present will make deficits over the next decade worse than they would have been without those tax cuts?**

I believe that our economy will be much larger over the next decade as a result of these tax cuts, that incomes will be higher, that jobs will be more plentiful, and that wages will be higher. This seems to me to be the most important consideration.

If, as expected, economic activity is higher as a result of these tax cuts, and if the Congress will join with the President to restrain spending growth, then deficits will be smaller than they are currently forecast. Since deficits also need to be judged in the context of the economy's overall size, a growing economy will enhance our Nation's ability to handle any deficits.

D) Do you believe that deficit reduction is an important fiscal goal?

Yes, deficit reduction is an important goal. That is why I agree with the President's call to restrain the growth in spending and to enact policies to strengthen the economy.

E) What specific policies would you promote to reduce or eliminate deficits?

The President believes we must stay focused on those policies, including tax policies, trade policies, regulatory policies, and spending policies, that will provide the strongest possible non-inflationary economic growth. A stronger economy means stronger revenue growth which, when combined with spending restraint, will steadily reduce budget deficits.

F) By what fiscal year do you believe we will return to budget surpluses?

The budget deficit is expected to decline in future years. I do not know in what year it will return to a surplus, and we know from our experience in the late 1990s that long range forecasts are often unreliable.

G) Do you agree that the retirement of the baby boom generation will put great strain on our fiscal situation in a decade?

The retirement of the baby boom generation will strain our fiscal situation, largely through the demands of Social Security and Medicare. The best way to ensure that we are able to meet those challenges is to have a strong and growing economy – which will enable us to have sufficient national resources. It is also why we must pursue meaningful Medicare reform and Social Security reform

H) Will the tax cuts enacted in 2001 and subsequently make it more difficult to fulfill our commitments to provide Social Security and Medicare to baby boomers?

I do not believe that the tax cuts will make it more difficult to fulfill our long term commitments to Social Security and Medicare. In fact, along with long term reform in those programs, the key to meeting our commitments is a strong and growing economy – something that the tax relief packages are designed to achieve. We will have a larger future tax base if we enact pro-growth policies today, and the most important of those

policies is to reduce the tax disincentives to work, to save, to invest, to take economic risks, and to start new businesses.

I) Do you believe that reducing or eliminating "waste, fraud, and abuse" alone can solve the budget challenges we face?

Eliminating "waste, fraud, and abuse" is always an important fiscal policy objective, but it will not by itself resolve our near-term or long-term budget challenges.

J) Other than reducing or eliminating "waste, fraud, and abuse," what other policies will you promote as a means of balancing the budget, reducing debt, planning for the retirement of the baby boom generation, and paying for the costly legislative policies the Administration is pursuing?

I believe that pro-growth economic policies combined with overall spending restraint can move us toward a balanced budget.

2) In January of 2001, the Congressional Budget Office was projecting a ten year surplus of $5.6 trillion; now, deficits are expected to add up to multiple trillions of dollars over the next ten years.

a. How concerned are you about this turnaround on the eve of the retirement of the Baby Boom generation?

While our current deficit is a legitimate cause for concern and attention, it is tiny compared to the far larger built-in deficits that will be generated by structural problems in our largest entitlement programs. As described in the FY 2004 Budget chapter, "The Real Fiscal Danger," the Administration recognizes the unfunded liabilities of Medicare and Social Security and is committed to making those programs financially sustainable. It is also vitally important to ensure that our Nation has a strong and growing economy – which is a prerequisite for generating sufficient resources to meet our commitments in the future.

b. How is this policy of increasing deficits and debt consistent with preparing ourselves to honor the commitments we have made regarding Social Security and Medicare?

A strong and growing economy is a necessary foundation for sustaining both programs. The President's tax packages have been designed to accelerate economic growth and to create jobs. A vibrant economy today and in the future is the surest way today to prepare for the commitments to Social Security and Medicare tomorrow.

c. Which functions of government do you see as most likely to be squeezed and downsized as a result of the increasing deficits and debt?

The President's 2004 budget proposed average growth of 4% per year, about as much as the average family income is expected to grow. Used wisely, this rate of spending increase should provide ample resources for appropriate federal spending. At the same time, a growing economy and continued spending discipline should lead to an eventual reduction in the deficit.

d. At what point, if ever, do you believe that these increasing deficits and debt will have a negative impact on long-term interest rates?

While increased debt resulting from deficits may at some point in time matter for interest rates, recent evidence demonstrates that there are other determinative factors. In the last few years, for example, while the budget has gone from surpluses to deficits, long-term interest rates have fallen to levels not seen in decades. This indicates that the current deficit is not leading to the crowding out of private investment.

e. Do you believe that increasing deficits and debt will depress U. S. wealth in the long run, regardless of their effect on interest rates?

Budget deficits may or may not have an effect on national wealth and wealth accumulation. Many economists believe that deficits resulting from pro-growth tax policies are far less likely to have a deleterious effect on national wealth accumulation than deficits caused by excessive spending.

f. Do you believe that the principal way the Administration can reduce spending on programs it does not support is to increase deficits and debt?

No.

g. Assuming that the Administration makes all the 2001 and 2003 tax cuts permanent, and implements a fix for the individual AMT problem, what do you anticipate the impact on government revenues will be over a ten and twenty-year period?

The President has called for most, but not all of the tax cuts enacted in 2001 and 2003 to be made permanent. For the most part, these provisions are reflected in the Administration's budget estimates. The Administration has recognized that the individual AMT is an important and looming problem, which has continued to grow since its creation years ago. There are many possible solutions to the AMT problem and there are correspondingly a variety of possible revenue effects.

3) According to the Brookings-Urban Tax Policy Center, the 2003 tax cut gave an average tax cut of over $90,000 to people making over $1 million per year, but only

$217 to middle income taxpayers. Do you think this is a good way to distribute tax cuts? Do you think this is a good way to stimulate economic activity when resources are tight? Do you think future tax cuts will be similarly slanted towards upper-income Americans?

The net effect of the tax cuts has been to take millions of families off the tax roles while upper-income taxpayers now pay a greater share of the tax burden. The tax cuts have also meant that the economy continues to grow in the face of repeated and powerful negative economic shocks. If the President proposes additional tax reductions, I expect they will be similarly directed towards strengthening the economy and promoting economic growth and fairness in the tax code.

4) **Long-term unemployment across a wide variety of occupations and jobs is very high right now. Many of the these workers have exhausted all of their unemployment benefits. If we were to provide additional unemployment benefits to workers who have exhausted their 39 weeks of benefits, the workers would spend almost all of the money. How would you compare the stimulative effects of unemployment benefits to the stimulative effects of tax cuts for people making over $1 million per year?**

Reductions in tax rates are a more certain way to stimulate the economy than extended unemployment benefits. Tax rate reductions do this by increasing disposable income available for consumption; by reducing the disincentives to work, save, and invest; and by reducing the tax burden on small businesses that then have an expanded ability to grow their businesses and hire more workers. And creating jobs for the unemployed is, of course, preferable to extending unemployment benefits.

5) **The FY'03 Omnibus Appropriations Bill prohibits the Administration and agencies from establishing, applying, or enforcing any numerical quota for contracting out unless the quota is based on considered research and sound analysis of past activities and is consistent with the stated mission of the executive agency. Will the following questions be considered as part of the research and analysis required by Congress? For each question that will not be considered, please indicate the reasons why it will not be considered.**

   a. **the impact, if any, on diversity of federal workforce, given concerns raised by several agencies;**

   b. **whether the agency has sufficient in-house staff to conduct the competitions, prepare the MEO plans, and administer any resulting contracts, in light of the concern raised by the Comptroller General last year;**

   c. **whether the agency has reliable and comprehensive systems in place to track the cost and quality of work performed by contractors;**

d. **what experiences the agency, other federal agencies, or state and local governments have had in the past with public sector and /or contractor performance of the work in question, particularly with respect to costs;**

e. **to what extent the work has already been privatized, given the concern raised by the Department of Army that the ability of an agency to perform its mission can be compromised if a commercial function is privatized to an excessive extent;**

f. **whether the agency can easily reconstitute an in-house capability if the work is privatized and whether the private sector market can provide sufficient competition to avoid sole-source contracting if the work is privatized;**

g. **what impact, if any, there would be on service if the contractor were to provide its workforce with inferior compensation, given the cautionary lesson provided by the nation's experience with privatized airport security screening; and**

h. **what alternatives to privatization exist to make the delivery of services more efficient and what are the costs of those alternatives in relation to the cost of conducting a competition and perhaps privatizing the work.**

Competitive sourcing strategies must be tailored to the specific needs of individual agencies. The factors listed in the question, and many others, may be considered as part of the analysis in advance of and during public-private competitions.

6) **In a 1980 Stanford Law Review article, you wrote about the case of *United States v. Snepp*, which dealt with enforcing the CIA's secrecy agreement with Mr. Snepp, a former CIA agent. The article supports the idea that decisions about whether to classify documents as "secret" should be made in an appropriate and timely way. Given your interest in this issue, what are your views regarding the impasse during the last six months regarding the declassification and release of the report prepared by the Joint 9/11 Inquiry of the House and Senate Intelligence Committees? Do you believe that the Intelligence community and the Executive Branch have had ample time to do a pre-publication review and make the judgments necessary to properly de-classify and release this report? Do you believe that Congress has the right to release, and the public has a right to know, the results of that inquiry into the events of September 11, 2001?**

I have not been involved in discussions about the declassification and release of the Joint 9/11 Inquiry of the House and Senate Intelligence Committees. I believe, however, that the Administration has cooperated fully with the Joint Inquiry and that the Administration is doing the same with the 9/11 Commission.

7) **During the early years of regulatory review, OIRA came under heavy criticism from some Members of the Governmental Affairs Committee and others for the way in which OIRA conducted reviews of agency rules. Agency rules would languish at OIRA, sometimes for years, with little or no explanation to the public. In an attempt to address these problems, provisions were incorporated into E.O. 12866, which is the executive order on regulatory planning and review, to assure that regulatory review is timely, fair, accountable, and transparent. Would you commit to notifying and working with me and other interested members of this Committee before the Administration makes any changes to E.O. 12866?**

If confirmed as Director, I look forward to having a constructive working relationship with the Committee. I am committed to consulting with the Committee, where appropriate, particularly on matters relating to regulatory review.

8) **The Administration has projected defense budgets to increase annually, over the Future Year Defense Program (FYDP), to well over $450 billion a year. In light of projected deficits during the same period, how will such spending be possible? Will you recommend spending reductions in other programs in order to fully fund our national security in such a strict fiscal climate? If so, please specify which programs will be affected. If not, please explain how you will meet the Administration's defense spending targets.**

In addition to strengthening the economy, the President's budget has given priority to winning the war against terror and securing the homeland. For the future, the transformation of defense and investments in new technologies will be essential to maintaining the security of the country. Defense spending assumed in the Budget is reasonable and manageable when combined with appropriate restraint throughout the budget.

9) **The President proposed significant reductions in funding for the COPS program, Byrne Grants, and Local Law Enforcement Block Grant programs - programs which local law enforcement officials need in order to reduce crime. State and local officials do not believe these programs - which are designed to strengthen their overall law enforcement capabilities - should be cut or merged with programs designed primarily to boost counter terrorism preparedness. What is your view of the relationship between these programs?**

I have not yet formed a view on the specifics of individual law enforcement grant programs and their relationship to programs designed primarily for counter-terrorism preparedness. If confirmed, I look forward to working with Administration colleagues and Congress to achieve the proper balance.

10) **Broadband deployment must become a national priority. In a soft economic climate**

with limited prospects for near-term recovery, broadband deployment is a necessary condition for the restoration of capital spending in the information technology sector. As the armed services transform to a "network-centric" force, access to high-speed data communications will also be vital to the military. Crucial technologies will need to be developed and subsequently deployed into the field to resolve the problem of high-speed communication to the war-fighter in remote locations, to bridge the "last-mile to the soldier" gap using wireless communications.

A) Will you support R&D funding for the development of technologies to bridge this "last-mile" gap in both the civilian and military sectors?

The Administration is supportive of investments in this important area. We have supported programs which help lay the foundation for advances in broadband technologies, such as the $2.2 billion Networking and Information Technology Research and Development (NITRD) initiative, and expect to continue to do so. The Department of Defense is investing in such research as part of its transformation to a "network-centric" force. As we've seen with the Internet, defense research often translates into significant advancements in commercially-applicable technology.

Equally important is private sector investment in research. The Administration has proposed broadening and making permanent the research and experimentation tax credit, which promotes private sector investment in research on advanced technologies such as broadband. The Administration has also worked with Congress on extending the moratorium on Internet access taxes.

B) Given the federal management role of the OMB Director, and considering that wireless technologies will likely play a key role in this issue, what will you do to update the area of spectrum management so that the U.S. can take advantage of new efficient technologies?

Spectrum policy plays an important role in fostering economic growth and ensuring our national and homeland security. On June 5, the President signed an Executive Memorandum creating a Spectrum Policy Initiative to develop recommendations for improving spectrum management policies and procedures for both Federal and private sector and state/local spectrum use. In addition, the Administration has proposed several legislative changes and program initiatives to improve the efficiency of the spectrum management process including: (1) creating a Spectrum Relocation Fund to streamline the process for reimbursing government users who must relocate from spectrum auctioned to new commercial users; and (2) providing the Federal Communications Commission with new authority to set user fees on unauctioned spectrum licenses. Earlier this year, the Administration worked with the private sector to identify spectrum that can be used for wireless data communications, called Wireless Fidelity (WiFi). The Administration has also identified spectrum for third generation (3G) wireless systems.

11) **The President has said that education is one of his highest priorities, and just last year he signed the *No Child Left Behind Act* into law. Yet at a time when schools are struggling to meet the requirements in the new education law, the President proposed to cut funding for these programs by $90 million in 2003 and $1.2 billion in 2004. What are your plans with regard to education funding? In particular, what is your commitment to providing the funding called for in the *No Child Left Behind Act?***

I am committed to helping the President carry out his education reform agenda by increasing investments in programs that show the greatest promise for raising student achievement. The 2004 Budget provided a $666 million increase over 2003 for Title I -- the cornerstone of No Child Left Behind -- and a $654 million increase for Special Education Grants to States. Substantial increases are also proposed for other priority programs such as Reading First, Mentoring of Middle School Students and school choice programs.

12) **The No Child Left Behind Act calls for comprehensive reform to strengthen public education, improve education standards, and enhance teacher quality. As such, it imposes a number of requirements on states in order to meet these goals. Clearly, there is some confusion and misconception at the state and local level regarding implementation of the Act.**

A) **What is the Administration doing to reorder priorities to facilitate compliance with the Act at the state and local level?**

The President's budget for elementary and secondary education reflects the key principles and priorities embodied in the No Child Left Behind Act: stronger accountability for improved student achievement, greater choice for parents, more flexibility for States to set their own priorities in spending Federal education funds, and a focus on educational methods that have been proven effective through scientific research. The President's budget also maintains or increases funding for flexible State formula grant programs, such as Title I Grants to LEAs, which can be used to meet NCLB Act requirements, while reducing or eliminating support for smaller, less flexible categorical programs. In addition, the Department of Education has awarded a $4.7 million contract to the Council of Chief State School Officers (CCSSO) to provide technical assistance to States on the implementation of accountability systems. This effort is encouraging collaborative State-level efforts to improve the implementation of standards, assessments, and accountability systems used for Title I of the Elementary and Secondary Education Act.

B) **What is the Administration doing to ensure that adequate technical assistance is provided to states to enable the successful implementation of the Act?**

The Department of Education sponsored a number of regional conferences on No Child

Left Behind implementation in 2002, and in the first half of 2003 has worked closely with every State, through a comprehensive peer review process, to develop individualized State accountability plans that meet NCLB requirements. I understand that the Department also has published both regulatory and non-regulatory guidance on key NCLB provisions, and continues to address specific questions from State and local officials as needed.

13) **Last month the Department of Education proposed a notice regarding revisions to the federal needs analysis methodology for the 2004-2005 school year. Specifically, I am concerned about the changes to the allowance for state and other taxes. These revisions may increase a student's expected family contribution (EFC) under the Pell grant program, and could adversely affect millions of college students across the country. The Department based its notice on tax information provided by the IRS, which in turn, used data from the 2000 tax year. In my view, economic conditions have changed considerably since 2000, making the IRS data on state and local taxes inappropriate for use in determining Pell Grant contributions at this time.**

A) **While the Department of Education is required to review the data supplied by IRS, I believe it should not have proceeded to incorporate the IRS data on state and local taxes. Can you comment on this?**

I am advised that the Higher Education Act requires the Department of Education to update its student aid need analysis tables every year, and publish these tables in the Federal Register by May 30. These tables are used to determine the "Expected Family Contribution" for each student and how much aid a student is eligible to receive. One factor that affects aid eligibility is how much tax families must pay.

I am further advised that the Department of Education uses IRS data to estimate the allowance provided for State and local taxes. The Department of Education last updated these tables in 1994, using 1988 State tax data. By law, the Secretary is required to update these tables after it reviews the IRS's data.

B) **Can you tell me what you might do to direct the IRS to provide more timely data for these purposes?**

I would be happy to work with Administration colleagues in considering whether, in future years, the IRS could provide more timely data on the allowance provided for State and local taxes.

14) **An article in *The New York Times* on June 19, 2003, reports that White House officials have edited an upcoming report by the Environmental Protection Agency (EPA) to omit evidence and conclusions that human activity is contributing to harmful global warming. According to the article, administration officials deleted**

references to two important studies regarding the likely human contribution to global warming – one of them by the highly respected National Research Council – and replaced them with a skeptical assessment from a study financed in part by the oil industry. According to the article, EPA officials were so troubled by the changes that they preferred to delete the section on global warming altogether rather than include the White House-dictated language which " 'no longer accurately represents scientific consensus on climate change.' "

a. **Please describe the White House editing process for the upcoming EPA report, including a list of all officials involved in reviewing the report or recommending changes to the document.**

b. **Did you have any knowledge of the reported changes in the draft report? Did you participate in any way in discussions surrounding the document, or in editing the draft? Did others in your office?**

c. ***The New York Times* article also describes a decision by White House officials and Bush appointees to delete a section on climate change from an annual EPA report on air pollution. Did you have any knowledge of this decision? If so, provide the Committee with any information you have about the decision, including any documents pertaining to the treatment of global warming in the air pollution report.**

Questions 14 to 21 generally inquire about internal Executive Branch deliberations and meetings regarding various domestic policy issues. As Deputy Chief of Staff to the President, I am responsible for providing information and advice to the President. In carrying out my responsibilities for the President, I gather information, review many documents and draft reports, meet with various interested parties both in and out of government, and formulate and offer my views, advice, and recommendations on policy matters to the President and senior White House staff. I am pleased to assist the Committee and answer questions about specific policy issues of interest or concern. However, it would not be appropriate to disclose confidential, internal, and pre-decisional deliberations and discussions.

In further response to this question, one of OMB's key functions is to coordinate the activities of Executive Branch agencies to avoid inconsistencies and duplication of effort. OMB performs this function on a wide range of issues including budget, legislation, regulations, management, and program performance. I am informed that OMB's role with respect to clearance of the report identified in this question was the same coordinating role that OMB routinely plays on countless other reports, correspondence, testimony, and other documents. It is a role that the OMB career staff has filled consistently for years and that has been strongly supported by recent Presidents of both parties.

15) **In 2001, you served as a member of the National Energy Policy Development Group (commonly know as the Energy Task Force). Press reports indicate that members of this task force met frequently with representatives from several energy**

companies and related interest groups - many of whom contributed to the Republican Party and the President's 2000 election campaign. Please describe your involvement in this task force and the development of the administration's energy policy. During the development of the energy policy, did you meet with any company or group that had an interest in this policy? If so, with whom did you meet and what was discussed? What role did you play in the decision-making that led to the final energy policy that was released by the task force in 2001?

See answer to question 14.

16) **In 2001, the National Republican Congressional Committee offered potential donors the opportunity to attend a series of meetings with several Republican Members of Congress and Bush administration officials - including you - to discuss the President's tax cut proposal. These meetings were described as "A Working Session for Business Leaders on President Bush's Tax Cut Plan." In a letter to potential donors House Speaker Hastert stated: "The input from these meetings will be presented as recommendations to the White House and the Congressional Budget Office." The Speaker also added: "It's going to be an historic meeting, and I think your ideas will help lead to the direct tax relief we all want." Did you attend any of these meetings? If so, please describe, in detail, the "input" and "ideas" that you received. With whom did you meet and what did you discuss? How did your participation help shape the shape the President's 2001 tax proposal? Of the "recommendations" from the participants in these meetings that were forwarded to the White House, which were incorporated in either the President's 2001 tax proposal or the final tax bill that was signed into law by the President? Do you think it is appropriate to allow political parties to market meetings with senior White House officials in a manner suggesting that donations will bring the ability to influence policy? Will you permit (1) your name to be used in this manner in the future and/or (2) access to policy meetings with you to be offered in this manner in the future?**

See answer to question 14, above. In further response to this question, I do not recall attending any NRCC-sponsored events of the nature described in your question. President Bush has stressed that Executive Branch officials should follow all applicable ethics laws and regulations and adhere to the highest standards of ethical conduct. If confirmed as Director of OMB, I will continue to follow applicable laws and regulations governing political activity and adhere to the highest standards of ethical conduct.

17) **Are you aware of the net present value (NPV) accounting estimates of government's entitlement commitments prepared by Dr. Kent Smetters and Dr. Jagadeesh Gokhale, at the Treasury Department, for inclusion in the government FY 2004 budget? What do you know about their estimates, their methodology, and their rationale?**

See answer to question 14, above.

18) **Did you see these estimates prior to the submission of the Administration's FY 2004 budget? If so, where, when, and in what context?**

See answer to question 14, above.

19) **Are you aware that, prior to the submission of the FY 2004 budget, these estimates were included in drafts of the Budget?**

See answer to question 14, above.

20) **Are you aware that these estimates were deleted from the final FY 2004 budget? If so, when did you learn about this?**

See answer to question 14, above.

21) **The findings of Dr. Smetters's and Dr. Gokhale's net present value analysis, which showed that the Federal Government's long-term budget liabilities are far greater than previously acknowledged, were deleted from the final, printed version of the FY 2004 budget.**

a. **Do you know who made the decision to delete these findings from the FY 2004 budget?**

b. **Do you know who else was involved in the decision to delete the analysis?**

c. **Do you know when the final decision was made to delete these findings made?**

d. **Do you know the reason or reasons for the decision to delete the findings?**

e. **Do you recall if anyone raised objections to, or expressed concerns about, the deletion of the analysis from the FY 2004 budget? If so, please identify these individuals.**

f. **If and when you are confirmed as OMB Director, will you provide to the Committee all OMB documents and other materials referring or relating to the decision to delete the findings from the FY 2004 budget?**

g. If and when you are confirmed as OMB Director, will you provide to the Committee all versions of the net present value analysis that appeared in the drafts of the FY 2004 budget?

See question 14, above. In further response to this question, as I noted in response to Committee questions, I am not familiar with the net present value estimates that are referred to in the question. I am also not familiar with decisions about whether to include them in the budget, the trustees' reports, or the U.S. government financial report. It may be that these estimates have some technical advantages over the traditional 75-year estimates. Even so, the traditional estimates are more than sufficient to demonstrate the critical need to reform Social Security and Medicare, and that is where we need to focus our efforts.

AFFIDAVIT

Joshua B. Bolten being duly sworn, hereby states that he has read and signed the foregoing Statement on Pre-hearing Questions and that the information provided therein is, to the best of his knowledge, current, accurate, and complete.

Subscribed and sworn before me this 22nd day of June, 2003.

Notary Public for the District of Columbia
Commission expires 1/31/2008

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

THOMAS J. DONOHUE
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

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June 25, 2003

The Honorable Susan Collins
Chairman, Governmental Affairs Committee
United States Senate
340 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairwoman Collins:

The U.S. Chamber of Commerce – the world's largest business federation, representing more than three million businesses and organizations of every size, sector and region – strongly supports the nomination of Mr. Joshua Bolten to serve as the Director of the Office of Management and Budget. We believe that Mr. Bolten will be a strong advocate of fiscal responsibility, moderator of sensible regulations, and continue to implement policies that continue to support economic growth.

Recently, Mr. Bolten was the President's Deputy Chief of Staff for Policy and the President's chief domestic policy advisor. In this capacity, he was a key player in crafting the President's 2003 Jobs and Growth package that is creating opportunities for individuals and members of the business community.

From 1994-1999, Mr. Bolten was Executive Director, Legal & Government Affairs for Goldman Sachs International in London. In the previous Bush administration, he was General Counsel to the U.S. Trade Representative and Deputy Assistant to the President for Legislative Affairs. Prior to his tenure in the former Bush Administration, Mr. Bolten was International Trade Counsel and senior staff member on the United States Senate Finance Committee. He is a graduate of Princeton University and received his J.D. from Stanford Law.

Accordingly, based on Mr. Bolten's extraordinary qualifications, we urge the Committee to report out the nomination of Mr. Joshua Bolten and request that you insert this letter into the hearing record.

Sincerely,

Tom

Post-Hearing Questions for the Nomination
Of Joshua Bolten to be
Director, Office of Management and Budget

Senator Susan Collins:

1. **One of the important functions of the Office of Management and Budget is the review of proposed new federal regulations by the Office of Information and Regulatory Affairs (OIRA) pursuant to Executive Order 12866. In the exercise of that review authority in several recent rule-making activities, OIRA has used this authority to rewrite material portions of the proposed regulation. One such example relates to the pending Department of Transportation rules on Computer Reservation Systems in which OIRA rewrote major sections of the proposed rule.**

   a. **Given the expertise that resides with the agency, and the limited resources allocated to OIRA, what is the best way to ensure that OIRA's actions involving the oversight of agency rulemaking are fully informed, and that the proper balance is between agency expertise and OIRA oversight in crafting the final rule?**

   b. **With respect to the DoT Computer Reservation System proposal, if confirmed, how will you apply this balance and make proper use of the expertise that resides at the Department?**

   I agree that it is important that a proper balance be struck between agency expertise and OIRA oversight in crafting rules. Executive Order 12866 describes OIRA's role in the rule making process. As I understand it, the Executive Order directs agencies, to the extent permitted by law, to follow certain principles in rulemaking such as the consideration of alternatives and analysis of impacts. It is also my understanding that pursuant to the order, OIRA reviews agency draft regulations before publication to ensure agency compliance. If confirmed, I will work to ensure that this balance is struck in all rulemakings, including the DOT computer reservation system proposal.

2. **The Administration's Competitive Sourcing Initiative, which sets targets for each agency to subject a certain percentage of its workforce to public-private competitions, is still of some concern to me. As you are aware, Congress enacted a requirement that these percentage targets be based upon considered research and sound analysis of past activities, and also be consistent with the stated mission of the executive agency. These are not meant to be paper requirements, but very real guidelines to reassure federal workers that their agencies are not competing their jobs to meet some unrealistic or unnecessary quota. The report language regarding this requirement required that OMB report to the Appropriations committees when formulating such targets. Can you reassure the Committee that these analytical requirements will be fully observed as this process continues to move forward?**

   Yes, I expect these analytical requirements to be fully observed.

3. **In the Fiscal Year 2004 Budget, the President expressed the Administration's support for providing the District of Columbia with budget autonomy. As noted in the budget, "this proposal reflects the dramatic improvement in the District's ability to manage its budget processes in the post-Control Board era." Under the current system, D.C.'s budget is often not approved by Congress until well into the Fiscal Year, making it more difficult for the city to manage its programs and resources. Last week, I along with other key Members of this Committee, including Senators Lieberman, Stevens, Voinovich and Durbin, introduced legislation that would provide the District with budget autonomy. Do you have any thoughts on the legislation and will you commit to working with this Committee as the legislation is considered by Congress?**

The Administration supports your proposal as well as the House counterpart legislation. This legislation would accomplish our goals of freeing the District's local funds from delays in the appropriations process. At the same time, it would allow Congress to continue to ensure responsible use of Federal and local funds through enactment of the District's annual appropriations bill. I look forward to working with the Committee on this legislation.

4. **Over the years, there have been many pieces of legislation introduced in Congress that would create a biennial federal budget process. Advocates for such legislation argue that Congress spends too much time each year getting bogged down in budget battles and not enough time on legislative and oversight activities. President Bush has proposed moving to a biennial budget process for many of the same reasons. Do you agree that biennial budgeting would be more efficient and allow Congress to do more oversight and give federal agencies more stable and reliable funding? Additionally, what are the potential negatives of biennial budgeting?**

Yes, I believe biennial budgeting would be more efficient and give agencies more stable and reliable funding. Biennial budgeting would free Congress and the Executive Branch to provide more oversight and improve the management and performance of programs.

However, there are potential negatives. Specifically, there may need to be more mid-course corrections in the form of supplemental appropriations to cover unanticipated events, such as emergencies. However, my understanding is that most agency operating budgets do not experience volatile swings from year-to-year.

Senator Joe Lieberman :

5. **Question #14 of Sen. Lieberman's pre-hearing questions inquired about a news report that the Administration had edited an upcoming EPA report to omit evidence and conclusions that human activity is contributing to harmful global warming. You declined to answer questions about this editing process, although you indicated that you were willing to provide information about "specific policy issues of interest or concern." I am informed that in the Committee staff interview, you seemed to suggest that you were not involved in the internal deliberations regarding this report. The White House decision to omit findings and conclusions of the highly respected National Research Council from the draft EPA report – and instead cite a study funded in part by the oil industry -- is relevant to the position of Director of OMB. First, OMB was reportedly involved in the editing process on the EPA report. Second, the current head of OIRA has said that OIRA's review of proposed regulations includes assessing the sufficiency of the science underlying certain risk assessments.**

   a. **Do you believe it is appropriate for OMB or another arm of the White House to alter scientific judgments in an agency document? If so, what factors should govern such a decision by OMB or another arm of the White House? What factors should govern a decision by OMB or another arm of the White House to challenge the science underlying a proposed rulemaking?**

      It is my understanding that OMB does not alter individual scientific studies performed by research scientists. However, there are often divergences of opinion in the scientific community. In the absence of clarity on the science, I believe that OMB staff should try to ensure that decisionmakers make the best decision possible using the best available science, with a clear understanding of the limitations of that science.

   b. **In the staff interview regarding your nomination, you indicated that OMB should play a coordinating role for Administration viewpoints, and should be a venue to reconcile differing positions. As you indicated, climate change is an issue that concerns many federal actors and engenders different views. Here, for instance, conclusions of the highly regarded National Research Council reportedly were removed and, in one instance, replaced with those of a disputed study that was funded in part by an industry lobbying group. How should OMB properly resolve such conflicts? Does it matter that this was an issue of science, rather than policy opinion? How can OMB assess the relative merit of conflicting agency views?**

      As I indicated at the staff interview, I was not involved in review of the EPA report and have no comment on it. However, I do believe that one of OMB's important roles is to ensure that such reports receive proper interagency review. OMB staff may use their program knowledge and technical skills to help resolve interagency differences.

c. **You have indicated your support for the decision to hire scientists to augment the OIRA staff. What is the proper role for such scientists? What authority should OIRA scientists have to repudiate the scientific expertise of the relevant federal agencies?**

Federal regulations are increasingly addressing complex engineering and scientific matters. To handle these complexities, I understand that OIRA has hired six engineers and scientists. These additional staff augment OIRA's role in coordinating review with other interested agencies, asking questions, and suggesting improvements. I believe that deference should be given to agency expertise, with the objective of improving the quality of agency analysis and not repudiating the scientific expertise of relevant federal agencies.

6. **In your earlier response to my question concerning the Department of Education's proposed notice on revisions to the federal needs analysis methodology for the 2004-2005 school year, you noted that the Department revised the allowance for State and local taxes pursuant to the Higher Education Act, which, as you noted, states that the Department should update its student aid need analysis tables every year after reviewing IRS data. In your response, you also noted that despite the annual requirement, the table for the state and local tax allowance has not been updated by the Department of Education since 1994. In that case, the Department relied on 1988 State tax data.**

a. **As you have noted in your answer, the statute says that the Department should update its tables after reviewing the IRS data. Do you believe that this language gives the Department flexibility to review the data, and then consider whether it is appropriate to use the data in whole or in part, or at all?**

I have not formed a view about the meaning of the statutory language. If confirmed, I will be happy to pursue appropriate consultation with Members of the Committee.

b. **I am advised that the recent revision for the 2004-2005 school year relies on IRS data from tax year 2000. Do you believe that the state and local tax data from that year is consistent with current economic realities?**

I am advised that the 2000 tax year data are the most recent data the IRS has on State and local taxes.

c) **Can you comment on whether the IRS data on the State and local tax allowance reflects all taxpayers, including those who do not itemize, and who might be particularly in need of student financial aid?**

I do not know whether the IRS data on the state and local tax allowance reflect all taxpayers.

7. **In your response to questions 14 through 21 of Senator Lieberman's pre-hearing questions, you made a general comment stating that it would be inappropriate to disclose internal discussions that you engaged in while serving as White House Deputy Chief of Staff. However, in questions 15 and 16, you were asked about discussions and/or meetings that you may have had with *outside* interests, which therefore would not involve any internal deliberations with the White House or administration. In the staff interview regarding your nomination, you stated that you would confer with the White House Counsel's Office regarding your response to Senator Lieberman's question 15 on meetings you had with outside groups and companies on the development of the Administration's energy policy. Can you now respond to these questions? If you are advised not to respond to these questions, please state the reasons for why you are not responding.**

The question of NEPDG meetings has been the subject of litigation, and the government lawyers involved in the matter advise that it would be inappropriate at this time to discuss such meetings.

8. **In question number 16 of Senator Lieberman's pre-hearing questions, you were asked to respond to a series of questions regarding a fundraising event sponsored by the National Republican Congressional Committee (NRCC). You pointed in part to your answer to question 14. You also responded that you "do not recall" attending the event in question or any NRCC-related event, and further stated that as an Executive Branch official you will continue to "follow applicable laws and regulations governing political activity and adhere to the highest standards of ethical conduct."**

   a. **Your answer to question 14 refers to "internal Executive Branch deliberations and meetings regarding various domestic policy issues." My question, however, related to meetings with political party donors. What about these meetings make them "internal?"**

      I am advised that political party or political committee meetings are not official governmental meetings, and as a result would not qualify as "internal" meetings. In any event, as indicated in my answer to pre-hearing question 16, I do not recall attending any such NRCC event.

   b. **In your opinion, is it appropriate for political parties to market meetings with senior White House officials in a manner suggesting that donations will bring the ability to influence policy? Would it be consistent with the highest standards of ethical conduct for a government official to (1) allow his or her name to be used in the manner suggested in the question, or (2) allow access to policy meetings to be used in the manner suggested in the question?**

      I do not believe it would be appropriate for someone to suggest that a donation will influence an official governmental decision. I am advised that under the Hatch Act Reform Amendments of 1993, most individuals who work in the Executive Branch may, in their individual capacities, be featured guest speakers at political fundraisers and may be listed as guest speakers on invitations to such

events. Any political activity should meet the highest standards of ethical conduct.

9. **In your answers to the Committee's written pre-hearing questions on the Administration's use of numerical competitive sourcing goals, you indicated that "OMB has worked with agencies to come up with tailored goals, as appropriate, based on an agency's unique circumstances." The Administration's budget for FY'04 (released in February of 2003), however, indicates that agencies were automatically being given "red" scores on the management scorecard if they had "[c]ompleted public-private or direct conversion competition on less than 15 percent of the full-time equivalent employees listed on the approved FAIR Act inventories."**

   a. **Since the publication of the FY'04 budget, has the OMB established, applied, or enforced new numerical goals for agencies?**

   b. **If OMB has established, applied, or enforced new numerical goals for agencies, when were they established, applied, and enforced? How were the goals developed? What are the goals, and how do they vary among agencies? How have they been communicated to the relevant agencies?**

   c. **If OMB has not yet established, applied, or enforced new numerical goals for agencies, what numerical goals are currently in effect?**

   d. **Have agencies been informed that they are no longer expected to comply with the 15% goal, and that their failure to reach that goal will not lead to a "red" score or other administrative action? If so, when and how were they so informed?**

In 2001, OMB set a numerical, government-wide competitive sourcing goal. I am advised that, since enactment of the FY '03 Omnibus Appropriations Bill, agencies are no longer required to meet a government-wide competitive sourcing quota. I am advised that OMB is instead working with each agency to establish agency-specific plans. I appreciate that some Members of the Committee may remain uncertain about OMB's current approach. If confirmed, I look forward to working with the Committee to address any concerns.

10. **Section 647 of the FY'03 Omnibus Appropriations Bill (P.L. 108-7), which was enacted on February 20, 2003, provides, in part:**

> **[N]one of the funds made available in this Act may be used by an agency of the executive branch to establish, apply, or enforce any numerical goal, target, or quota for subjecting the employees of the executive agency to public-private competitions or for converting such employees or the work performed by such employees to private contractor performance under the Office of Management and Budget Circular A-76 or any other administrative regulation, directive, or policy unless the goal, target, or quota is based on**

considered research and sound analysis of past activities and is consistent with the stated mission of the executive agency.

The conference report also provided that "[i]f any goals, targets, or quotas are established following 'considered research and sound analysis' under the terms of this provision, the conferees direct the Office of Management and Budget to provide a report to the Committees on Appropriations no later than 30 days following the announcement of those goals, targets, or quotas, specifically detailing the research and sound analysis that was used in reaching the decision."

In your written answers, you confirmed that no report has been submitted under this provision, but failed to answer subsequent questions.

a. **Why hasn't a report been submitted under this provision?**

If confirmed, I will ensure that OMB expeditiously assesses the reporting requirements of this provision.

b. **Are all of the numerical goals currently in effect based on considered research and sound analysis of each agency's past activities, and consistent with the agency's stated mission? If so, what "considered research and sound analysis" was used to establish the goals? When was the research and analysis conducted? If not, which agencies are subject to numerical goals that are not based on considered research and sound analysis of each agency's past activities, or are not consistent with the agency's stated mission?**

I have been advised that individual agency competitive sourcing plans are based on considered research and sound analysis. I am unfamiliar with the specific research and analysis used to establish these plans.

11. **In your written answers, you stated that although no report has been submitted, if confirmed you will ensure that OMB satisfies relevant requirements.**

a. **Will you ensure that no funds are spent to establish, apply, or enforce any numerical goal, target, or quota for subjecting the employees of an executive agency to public-private competitions until there is a goal in place that is based on considered research and sound analysis of each agency's past activities, and consistent with the agency's stated mission?**

Yes.

b. **Will you ensure that Congress, including this Committee, remains informed of the nature and status of numerical goals in effect, including their compliance with P.L. 108-7?**

Yes.

c. **If funds have already been spent in violation of Section 647 of P.L. 108-7, how would you as OMB Director respond?**

I would seek the advice of OMB General Counsel.

12. **In response to the Committee's written question about obstacles that prevent federal employees from competing for new work and for work currently performed by contractors, you promised that, "[I]f confirmed, I will ask the Administrator for Federal Procurement Policy to pursue appropriate steps to improve the use of competition where it is not being used as consistently as it should be." I understand that at yesterday's staff hearing, you clarified that you would pursue steps to improve opportunities for federal employees to compete for new work and for work currently performed by contractors.**

Could you state for the record that, if confirmed, you will pursue steps to improve opportunities for federal employees to compete for new work and for work currently performed by contractors? Specifically, how would your interest in competing new work and work currently performed by contractors be converted into policy?

If confirmed, I will ask the Administrator for Federal Procurement to recommend ways to improve opportunities for federal employees to compete for new work and for work currently performed by contractors.

13. **Question #3 of Senator Lieberman's pre-hearing questions sought your comment on a study by the Brookings-Urban Tax Policy Center, which determined that the 2003 tax cut gave an average tax cut of over $90,000 to people making over $1 million per year, but only $217 to middle income taxpayers. Without contesting the accuracy of that finding, you responded that "the net effects of the tax cuts" has been that "upper-income taxpayers now pay a greater share of the tax burden."**

a. **Did your answer refer only to the 2003 tax cuts, or to other tax cuts as well?**

My answer referred to the effects of the 2001 and 2003 tax cuts. I did not include the 2002 tax cuts because they involved items such as the depreciation bonus for corporations and the extension of the net operating loss period for corporations. Historically, the Treasury Department has not estimated the impact of corporate tax changes on individual taxpayers.

b. **In calculating the statistic that "upper-income taxpayers now pay a greater share of the tax burden," how was "upper-income taxpayers" defined?**

Upper-income individuals are defined as those taxpayers with Adjusted Gross Income of $200,000 or more.

c. **Do people making over $1 million per year pay a greater share of the tax burden as a result of the 2003 tax cut?**

I am informed that the Treasury Department, in its distribution analysis does not make the distinction between taxpayers earning more or less than $1 million a year in Adjusted Gross Income.

Senator Daniel K. Akaka:

14. **The FY 2003 Omnibus Appropriations Bill includes report language prohibiting the use of funds to establish, apply, or enforce any numerical goal, target, or quota for contracting out unless the goal, target, or quota is based on considered research an analysis of past activities and is consistent with the stated mission of the executive agency. Under law the Office of Management and Budget is directed to report to Congress no later than 30 days following the announcement of those goals, targets, or quotas, specifically detailing the research and sound analysis that was used in reaching the decision. To date, Congress has not received this report.**

    Are goals, targets, or quotas in effect for the competitive sourcing section of the management scorecard? If so, what research and analysis has OMB performed to support the use of these goals, targets, or quotas?

    In 2001, OMB set a numerical, government-wide competitive sourcing goal. I am advised that, since enactment of the FY '03 Omnibus Appropriations Bill, agencies are no longer required to meet a government-wide competitive sourcing quota. I am advised that OMB is instead working with each agency to establish agency-specific plans. I am unfamiliar with the specific research and analysis used to develop these plans. I appreciate that some Members of the Committee may remain uncertain about OMB's current approach. If confirmed, I look forward to working with the Committee to address any concerns.

15. **You stated in your pre-hearing interview that the purpose of the competitive sourcing section of the management scorecard is to measure government efficiencies. This section measures efficiencies through agencies' use of public-private competitions. These competitions often result in cuts to the federal workforce, even when federal workers win. However, agencies across government have demonstrated the ability to improve internal processes without outsourcing federal jobs. One example is improving internal efficiencies through process reengineering. During the interview you mentioned that you would be open to evaluating the different ways federal agencies create government efficiencies outside of outsourcing federal workers.**

    As Director, how would you measure the use of alternatives to outsourcing federal jobs to improve government efficiency?

    It is my understanding that the Executive Branch Management Scorecard already measures agency use of some alternatives to competitive sourcing. If confirmed, I will work to enhance the use of the Scorecard for this purpose.

Senator Carl Levin (D-MI):

16. In Josh Bolten's confirmation hearing, Senator Levin posed a question about whether there were any restrictions imposed on the Department of Defense's ability to hire new civilian employees to replace military employees performing civilian functions who are called to active duty.

I have been informed that there are no limits imposed on the Department of Defense's ability to hire new civilian employees to replace military employees performing civilian functions. While the size of DoD's budget could constrain new civilian hiring, OMB imposes no ceiling on the number of full-time employees that DoD may hire.

AFFIDAVIT

Joshua B. Bolten being duly sworn, hereby states that he has read and signed the foregoing Statement on Post-hearing Questions and that the information provided therein is, to the best of his knowledge, current, accurate, and complete.

Subscribed and sworn before me this 26th day of June, 2003

Notary Public in the Dist. of Columbia
Comm. expires 1/31/2008

Additional Question Submitted For the Record by Senator Levin for the Nomination of Scott J. Bloch to be Special Counsel, Office of Special Counsel

In your post-hearing questions, you were asked by Senator Akaka whether you agreed with the advice provided by OSC that, if "Supervisor Joe fires Employee Jack because he saw Employee Jack at a local Gay Pride Day event," such firing constitutes an example of discrimination against the employee that is unlawful under 5 U.S.C. § 2302(b)?

Part of your answer was that *"... conduct such as being at a Gay Pride Day event, by itself, would not, in my view, affect job performance, and employers would not be able to say that being at such an event will discredit the agency or established a basis to discriminate because it makes other people uncomfortable..."*

If one assumes that attending a Gay Pride Day event is as irrelevant to a person's job performance as is going to lunch or going jogging, the conclusion of that sentence is so self evident as to make the sentence ridiculous. The use of the phrase "by itself" implies that attendance at a Gay Pride Day event is different from lunch or jogging. Further, the use of that phrase suggests that attendance at such an event could potentially be a contributing factor for an employer to consider when taking a personnel action. Please clarify your answer on these points.

Answer: You will recall that I stated that every case must be judged on its specific facts, and that I will not prejudge any matter that could potentially come before me if I am confirmed. As a result, I said I wanted to be careful in my response to hypotheticals based on extremely limited facts.

The use of the phrases "by itself" or "in my view" in my response was a cautionary note because any situation could include additional context that casts the overall situation in a different light, and there may be things professional staff at OSC see that I do not see right now. For instance, going to lunch, "by itself", would not provide a basis for disciplining an employee, but going to lunch during working hours at a strip club and drinking heavily while there might present a very different case. Likewise, going for a jog, "by itself", would not be problematic, but lying to a supervisor about one's whereabouts when asked could, under some circumstances, raise questions about integrity and forthrightness that would be problematic in some jobs.

You can be confident that my caveat had nothing to do with the particular event mentioned in the hypothetical, and everything to do with my commitment to assessing every case carefully based on all the available facts. If confirmed, I will be fair in my dealings with all employees, and am committed to all the anti-discrimination principles that are embedded in our federal laws.

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