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NOMINATION OF HON. JAMES A. NUSSLE

HEARING

BEFORE THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

ON THE

NOMINATION OF HON. JAMES A. NUSSLE TO BE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

JULY 24, 2007

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NOMINATION OF HON. JAMES A. NUSSLE

TUESDAY, JULY 24, 2007

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10:01 a.m., in room SD–342, Dirksen Senate Office Building, Hon. Joseph I. Lieberman, Chairman of the Committee, presiding.

Present: Senators Lieberman, Levin, Akaka, Carper, McCaskill, Tester, Collins, Voinovich, Coleman, Warner, and Sununu.

OPENING STATEMENT OF CHAIRMAN LIEBERMAN

Chairman LIEBERMAN. Good morning, and welcome to the hearing. Today we are going to consider the nomination of the Hon. James Nussle to be Director of the Office of Management and Budget.

The Senate will apparently have two or perhaps three roll call votes at around 10:30 a.m., so I hope that we can get through the opening statements by Senator Collins and me, and then perhaps go to the introductions and your opening statement, and then recess when the votes occur.

But we welcome you here, Congressman Nussle. Your nomination comes at a moment of particular budgetary peril for the Administration and for Congress. In less than 3 months, we must enact 12 appropriations bills to fund the vital functions of the Federal Government for the fiscal year beginning October 1, 2007, that would enable the government to continue to do everything from providing for the common defense to educating our children, from securing the homeland to providing health care for those who cannot themselves afford it, and from taking care of our veterans to enabling the agencies responsible, for instance, for food safety to do their protective work.

In other words, these are actions of government that the American people depend on, and they are enabled, they only happen if we pass these appropriations bills. So we have a lot of work to do for our country in a short time, and it can only be done if we work together.

That is why I am troubled by some of the budgetary rhetoric emanating at this moment from the White House. It is not surprising, obviously, that the President believes in the budget he submitted to Congress. That is his responsibility and, of course, his right. But I think to threaten vetoes at this point of any appropriations bills that in any way exceed the Administration's top line

does not in the first instance respect the responsibility and right of Congress to reach its own budgetary conclusions. It also, I fear, sets us up for another round of political posturing and mudslinging that could shut down parts of our government and definitely will further push down the rapidly plummeting opinion the American people have of all of us who were sent to Washington to work for them.

And what will this fight be over? The difference between the $933 billion discretionary spending level recommended by the President for fiscal year 2008 and the $953 billion top-line recommendation for discretionary spending set in the budget resolution that passed both Houses of Congress. That is a $20 billion difference—equal to 2 percent of the discretionary spending of the Federal Government for next year, and a small fraction of 1 percent of the overall $2.9 trillion spending that the Federal Government will do next year.

It is not to say that $20 billion is not a real difference. It is. But it is, in my opinion, one that is not so great in either size or substance that it should imperil the operations of our government for the fiscal year that will begin on October 1.

I grew up in Connecticut and was greatly influenced by then-Governor of Connecticut Abraham A. Ribicoff, who became a Senator, in fact, became Chairman of this Committee for a period of time. He was a real mentor, and I remember in his first term as Governor—I was very young and not following it at the time. This I know from history, of course. He was a Democrat, and he had a legislature controlled by Republicans. And he gave a famous State of the State speech in which he described what he called "the integrity of compromise," that there are differences of opinion that are sincerely taken, but we can never get to a point where we think that compromise—not compromise of real principle, but compromise of the positions we start with to find common ground—somehow lacks integrity. In fact, it is the very essence of government.

If you will allow me a brief additional moment of parochialism, the founding generation of Americans, as we all know, had a major disagreement about how to constitute the Congress and how to reflect the balance between States of large population and small population. This was resolved by what is known and has been known ever since as the "Connecticut Compromise" because two of the Connecticut delegates to the Constitutional Convention, Sherman and Ellsworth, which created the Senate—which still obviously exists to this day—with two Senators from every State regardless of the population and a House which reflects population.

So compromise was honored at the outset of our government and has sustained it since, and I think that spirit is what we need in the months ahead immediately. You are stepping right into a tough situation. You fortunately come to it with very broad experience, generally in government but also particularly in budgetary matters, having served as chairman of the House Budget Committee from 2001 to 2006 and on the House Ways and Means Committee for several years.

The challenges that confront the next Director of OMB, I think, will require not only technical and fiscal experience and expertise,

which you have, but they will also require you to use some skills that I know from those who served with you that you also showed you had in Congress, which is to serve as a bridge builder, a credible intermediary, that obviously you have a responsibility to represent the Administration that has asked you to take on this significant responsibility, but to do so in a way that helps take all of us above political conflict to find common ground, to forge the kinds of compromises, honorable compromises, that will make our Federal Government work better for our country and our people. It is in that spirit of respect and challenge that I welcome you here today and thank you for your willingness to take on this responsibility.

Senator Collins.

OPENING STATEMENT OF SENATOR COLLINS

Senator COLLINS. Thank you, Mr. Chairman.

Mr. Chairman, your discussion of the Connecticut Compromise brings to mind another famous historical compromise in 1820, the Missouri-Maine Compromise, which brought in Missouri as a slave State, and Maine, of course, as a free State. But in the interest of time, that will be the end of my digression on American history and famous compromises throughout the ages. [Laughter.]

I am pleased to welcome Representative Nussle to the Committee. His congressional service, particularly as chairman of the House Budget Committee, has given him a solid understanding of the budget, the legislative process, and, I hope, the importance of good relations between the Executive Branch and Congress.

Close cooperation, as the Chairman indicated, will be essential as we address the enormous budget deficit and as we confront the looming structural deficit born of baby-boom demographics and unfunded entitlement obligations. Finding a mix of fiscal policies that will honor commitments and meet vital needs without throttling economic growth will be a huge challenge.

Following PAYGO rule discipline for entitlement spending increases and for additional tax cuts will create a powerful tool for budget restraint, yet in my view it is unfortunate that the President opposes this tool. This is a subject that I intend to explore with Representative Nussle today.

As recognized in the President's Management Agenda in 2001, another tool for meeting the challenge is to improve the management and performance of the Federal Government. The Management Scorecard for each Federal agency indicates that, for most agencies, the weak spot is financial management. Poor financial management translates into billions of dollars lost to wasteful practices, excessive sole-source contracting, and outright fraud.

In particular, I would welcome the nominee's thoughts on how we can best improve Federal contracting procedures. Four colleagues—the Chairman, Senators Carper, Coleman, and McCaskill—are cosponsors of the Accountability in Government Contracting Act that I introduced earlier this year to increase competition and transparency in the contracting process and to promote a better trained acquisition workforce.

We must also take care that fiscally driven management initiatives do not undermine government's fundamental obligation to

protect the American people. Reductions in homeland security grants to State and local governments, as well as the President's proposed cuts in port security and infrastructure protection funding, are troubling trends.

I look forward to hearing the nominee's views of what he sees as the top management challenges, what might improve agencies' financial management scores, and, most of all, what can be done to achieve the political consensus necessary to tackle the fiscal imbalance in the Federal budget.

Thank you, Mr. Chairman.

Chairman LIBERMAN. Thank you, Senator Collins.

The Committee is honored to have with us Senators Grassley and Harkin to introduce Congressman Nussle. Senator Grassley, we welcome you and look forward to your statement now.

TESTIMONY OF HON. CHUCK GRASSLEY, A U.S. SENATOR FROM THE STATE OF IOWA

Senator GRASSLEY. Thank you, and I would appreciate both my off-the-cuff remarks as well as my statement be printed in the record.

Chairman LIEBERMAN. Without objection, so ordered.

Senator GRASSLEY. Thank you. Thanks to both you and Senator Collins for your leadership here in entertaining this nomination, and I notice you are very ecumenical on this Committee how you sit Republicans among Democrats. The public would be shocked if they saw that.

This is a very important nomination, and I am sure I am going to say some things that will embarrass Congressman Nussle, but I think they are important so you know of our relationship. When I was running for the Senate the first time, he was a student at Luther College, and he drove me around in his old Ford to help me get elected, so I feel some obligation to him for his early support of my candidacy.

Second, I have five children, and they all hated politics because I spent so much time at it. So I always thought, well, it would be nice to have somebody like me in the U.S. Senate. So when he ran for the Congress, I backed him, and I considered him kind of a little Grassley. And I made that point very clear when I was at breakfasts for him in what was then the 3rd District of Iowa. But I think he has grown to be a very qualified public servant, and I am proud that I worked for him, as I hope he is proud that he worked for me that first time.

He has come to Washington, then, following some of those principles he campaigned on—to be a wise steward of taxpayers' money. Very early in his congressional career, he took that responsibility very seriously. I think he worked hard to ferret out wasteful and unnecessary Federal spending, and if confirmed, and for the President, not for himself, I think he would continue that same thing as OMB Director.

Being chairman of the House Budget Committee puts you in the middle of budgeting, so you understand it. I think that he followed on his early Senate career as one example working hard for the Deficit Reduction Act of 2005, in which he worked to save the taxpayers $40 billion.

He also understands that the Federal budget process can be improved, and I think he demonstrated that by chairing the bipartisan task force in the late 1990s, developing a bipartisan initiative that is obviously not law, but he worked with one of our colleagues now, then-Congressman Ben Cardin, to do that.

With this project, he demonstrated his ability to work across the aisle and develop bipartisan projects, and that is going to be very important. As the President has one opinion, Congress might have another opinion. He is the go-between who is going to have to bring common sense to both extremes, and I think he can do that. And I think maybe the bipartisanship is shown also by the fact that now Chairman Spratt but then Ranking Member Spratt intends to testify before the Senate Budget Committee in support.

Given Congressman Nussle's experience, knowledge, and commitment to public service, I think it is very fitting that the President nominated him, and I think you are going to find a very highly qualified candidate as he responds to your questions here and you become better acquainted with him. And if there is anything you want to know that I have not told you about his other-than-public life, I can discuss that with you, too.

Chairman LIEBERMAN. In open session.

Senator GRASSLEY. In open session.

[The prepared statement of Senator Grassley follows:]

PREPARED STATEMENT SENATOR GRASSLEY

Mr. Chairman, I'm pleased to have the opportunity to introduce my former Congressman and former Chairman of the House Budget Committee.

Thank you, Chairman Lieberman, for holding a hearing on this important nomination.

I've known Jim Nussle for nearly 30 years. I first met him when, as a college student, he drove me around the State of Iowa as I campaigned for my first run for the United States Senate in 1980.

Jim Nussle was elected to the U.S. House in 1991, at the age of 30. Congressman Nussle quickly rose through the ranks to chair a committee and he excelled in that leadership position.

One thing Congressman Nussle and I share is our strong belief that we here in Washington hold a great responsibility to be wise stewards of the taxpayers' money. He took very seriously this responsibility early in his Congressional career.

Few worked as hard to ferret out wasteful and unnecessary Federal spending as Congressman Nussle. If confirmed, I'm certain he'll continue to be one of the taxpayers' best advocates.

As Chairman of the House Budget Committee, Jim Nussle didn't just focus on the short-term goals. He looked down the road at the long-term challenges. An example is the Deficit Reduction Act. With Jim Nussle's leadership at the Budget Committee, this was an important first step in reforming our entitlement spending. This step saved taxpayers nearly $40 billion over 5 years.

Jim Nussle also understands that the Federal budget process can be improved. He chaired a bipartisan task force in the late 1990s, and developed a bipartisan initiative—the Comprehensive Budget Process Reform Act in 1998—with then-Congressman Ben Cardin. With this project, he demonstrated his ability to work across the aisle and develop a bipartisan product.

This respect for the other side continued during his time as Budget Chairman. Chairman Spratt intends to testify to this effect later this week at a hearing of the Senate Budget Committee.

Given Congressman Nussle's experience, knowledge, and commitment to public service, it is fitting that he's been nominated to be the Director of the Office of Management and Budget. Jim Nussle is a highly qualified candidate for this post in the President's cabinet. He knows the budget; he knows Congress; and he is a decent and honorable public servant.

Jim Nussle has my respect, my trust, and my confidence. I hope this Committee will see fit to favorably report his nomination so the full Senate may act prior to the August recess.

Chairman LIEBERMAN. Thanks very much, Senator Grassley, and I cannot help but comment that this little Grassley has grown to be a mighty Nussle. [Laughter.]

Senator HARKIN. Interesting play on words.

Chairman LIEBERMAN. Senator Harkin, thanks very much for being here.

TESTIMONY OF HON. TOM HARKIN, A U.S. SENATOR FROM THE STATE OF IOWA

Senator HARKIN. Thank you, Mr. Chairman, Senator Collins, other Members of the Committee. I am pleased to join with my senior colleague from Iowa in introducing Congressman Jim Nussle to this Committee, and as I am sure Members of the Committee already appreciate, Congressman Nussle is superbly qualified to take on the job of the Director of the Office of Management and Budget.

First elected to represent Iowa's 1st Congressional District in 1990, he served for eight terms; joined the House Budget Committee in January 1995, elected Chairman in January 2001, a position he served in for the next 6 years. Congressman Nussle is a recognized and well-respected, genuine expert on the budget and a master of the budgeting process.

Now, I have known Congressman Nussle and I have worked with him—and against him—for 16 years, and I can tell you, in those 16 years of my running and his running, I have searched my memory, never once can I think of any one time when Jim Nussle ever in my campaigns or others ever did anything untoward or underhanded or even anything bordering on the unethical. He is a tough campaigner. Don't get me wrong. He is a tough guy. But you know where he is coming from, and he is always aboveboard. He is a skilled and savvy operator. He is a very hard worker. Again, I can attest to that. He is a straight shooter whose word is his bond and who can be counted on to follow through with the commitments he makes. As Chairman of the Budget Committee, he reached out to majority and minority members, gave everyone a very fair hearing.

In addition, Congressman Nussle will bring to the job an impressive array of political skills. I think I can attest to that, too. He is accessible. He is an excellent communicator. He is a formidable advocate for the causes he believes in. And if I can be a little bit parochial here, the things that we have agreed on and have fought very hard for in the past are things that help rural America. Here is a great spokesman and advocate for people who live in small towns and rural America, our farm families all over the country, not just Iowa. He has been a strong supporter of agriculture for all the years he has been here. And, again, maybe I am speaking a little bit parochially here, but we do not have a lot of clout—well, except for Senator Grassley and a few others around here. In agriculture, in the Congress, our numbers have dwindled. But Congressman Nussle always made sure that he watched out for and made sure that in the budgets that came through that our farm families and people that live in small towns, Senator Warner, were represented in those budget debates.

One other thing that I have admired Congressman Nussle for in the past in his budget work is his support for renewable energy. All the things that we have to do to become energy independent in this country, and it is not just ethanol, it is everything else. Whether it is wind energy, all these other things, Congressman Nussle has been really in the forefront of that fight.

I think we need someone like that as the head of the Budget Committee who really can see the future and see what we need in terms of renewable energy.

So I will just close by saying that as members of different political parties, Jim Nussle and I have often disagreed on principles and priorities. That is the way it ought to be. But in Jim Nussle, the President has chosen a person of exceptional intelligence, competence, and experience. I urge the Committee Members to send his nomination to the full Senate with a positive recommendation, and I hope we can act on it before we leave for the August break.

Thank you very much, Mr. Chairman.

[The prepared statement of Senator Harkin follows:]

PREPARED STATEMENT OF SENATOR HARKIN

Mr. Chairman, I am pleased to join with my senior colleague from Iowa in introducing Congressman Jim Nussle to the Committee.

As I'm sure Members of the Committee already appreciate, Congressman Nussle is superbly qualified to take on the job of Director of the Office of Management and Budget. He was first elected to represent Iowa's First Congressional District in 1990, and served for eight terms. He joined the House Budget Committee in January 1995, and was elected chairman in January 2001—a position he served in for the next 6 years. Congressman Nussle is a genuine expert on the budget, and a master of the budgeting process.

I have known Jim Nussle, and worked with him, for more than 16 years. And I can tell you that he is a skilled and savvy operator. He is a straight-shooter whose word is his bond, and who can be counted on to follow through with the commitments he makes. As chairman of the Budget Committee, he reached out to majority and minority members, and gave everyone a hearing.

In addition, Congressman Nussle will bring to the job an impressive array of political skills. He is accessible. He is an excellent communicator. And he is a formidable advocate for the causes he believes in.

As members of different political parties, Congressman Nussle and I have often disagreed on principles and priorities. But, in Jim Nussle, the President has chosen a person of exceptional intelligence, competence, and experience. I urge Committee Members to send his nomination to the full Senate with a positive recommendation.

Chairman LIEBERMAN. Thank you, Senator Harkin.

Congressman Nussle, it obviously speaks very well of you that Senator Grassley and Senator Harkin have both been here to introduce you. I thank them both. Obviously, I know they are both very busy, so we thank them for their presence, and feel free to leave at any time that your schedule requires you to. Thank you.

Congressman Nussle has filed responses to a biographical and financial questionnaire, answered prehearing questions submitted by the Committee, and 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 according to the Committee's custom.

Our Committee rules require that all witnesses at nomination hearings give their testimony under oath. Congressman Nussle, would you please stand and raise your right hand? Do you swear that the testimony you are about to give the Committee will be the

truth, the whole truth, and nothing but the truth, so help you, God?

Mr. NUSSLE. I do.

Chairman LIEBERMAN. Thank you very much. Please be seated, and please proceed with your statement, including we invite you to introduce any members of your family who are here.

TESTIMONY OF HON. JAMES A. NUSSLE [1] TO BE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. NUSSLE. Well, Mr. Chairman and Ranking Member Collins and Senators, thank you so much for the opportunity to be here today and for the introduction. I appreciate the opportunity to testify and to be considered. I want to thank you both for the time that you have given me in these past weeks for personal conversations, as well as a number of Members on this Committee and throughout the Senate. I appreciate the advice and counsel. The Chairman spoke very eloquently about the challenge that we find ourselves in, and I can report to each one of you that it was a challenge that was felt in a bipartisan way in every conversation that I had.

Many nominees are given the luxury of coming before you at possibly calmer times in our history and during the cycle. This is not one of those times. Judging from the rhetoric, picking up the newspaper, I understand that. But I also enjoy a challenge. I am an optimist. I am someone who likes to dive right in and tackle tough problems. And I am very interested in doing that on behalf of the President and also with, I believe, a unique understanding of not only the budget process but maybe more importantly how Congress works.

I will not suggest to you, as I have told you in private, that I understand the Senate possibly as well as I understand the House. Former colleagues that have served with me in the House that have come over to the Senate have reported back that it is a little different in the Senate. So it is one of those parts of the job that I hope to continue to learn with your advice and counsel. But I very much look forward to continuing our dialogue, our discussions, and our meetings on a regular basis.

I also want to thank my two home-state Senators. First, my "Dad," Senator Grassley. It is funny—he told that story on the campaign trail when he was campaigning for me about the fact that he had hoped that a son—and it is a story that has tickled me ever since. He is not always that way when we have disagreements, I will say, but he treats me very respectfully and has always been there as a mentor, and I appreciate that.

And Senator Harkin, wow, I wish he was here for me to say thank you again in public, because he is right. Many of us are not going to agree on every single thing, but there is a way to do it. And the Chairman mentioned, I think so well, and it is this whole notion—we hear about you can disagree without being disagreeable. And, boy, we need that. We really need that, because we are passionate about what we believe. Each and every one of us come with backgrounds, philosophies, upbringing, principles that we

[1] The prepared statement of Mr. Nussle appears in the Appendix on page 44.

fought hard to get here. We wouldn't be here if we did not have that. But there is a way to do it, and as the Chairman spoke of compromise, we do not have an Iowa Compromise in history that I can think of, and we probably, like many people from Missouri, are accused of being stubborn. There is a song about Iowa being stubborn and sometimes that precedes us. But it is passion. It is not partisanship; it is passion. And I think you can be passionate without having necessarily to be partisan in the negative sense of that word. And I believe I can do that.

So I thank Senator Harkin for the tone that he set that suggests that even though Senator Harkin and I have had our differences on public policy, we are able to sit next to each other and have this kind of discussion and discourse. And I am proud of the service that they have provided our State.

I would also like to thank your staff, Mr. Chairman and Ranking Member Collins. They interviewed me this past week, and I enjoyed that session. I have a feeling they were not as tough on me as you all will be, but it was a good beginning to the relationship that I know is a unique one between OMB and this Committee. And I look forward to that continuing.

Also, if I may, Mr. Chairman, I want to thank the OMB staff. You do not know—at least I did not know when I accepted the President's invitation for nomination—what happens next. And some may think that what happens next is you come before the Committee. There are a number of preparation sessions; they provide briefings. I have no doubt I have so much more to learn, but they have done an excellent job, and I want to thank them for their professionalism. OMB, the staff at OMB, as I have always heard, has a great reputation. I want to continue to build on that, Mr. Chairman. I can speak for so many public officials who interact with them, and I just want to say thank you.

You are right, I have family here today. My wife, Karen, is here, and I want to thank her for her support. She stands by me with grace. It cannot be easy to do that. As we all know who have spouses who deal with our public service, that is a challenge. But she does it with an inordinate amount of grace and understanding and patience, and I am very blessed to have her by my side.

As I stated when the President nominated me, Mr. Chairman, I feel truly humbled and privileged at this opportunity. If confirmed, I look forward to helping to develop the policies that will help keep us on the path to balance, keep our economy growing, address some of the biggest budget challenges that many of us discussed at our meetings in private—about entitlement spending growing at an unsustainable rate, Medicare, Medicaid, Social Security—huge out-year challenges that we are not tackling yet, but that we need to tackle if we are going to be serious.

If I should be confirmed by the Senate, I intend to work every day, wake up every morning to try to deal with these challenges as straightforward as possible and honor the responsibilities the President has nominated me to and that I hope you will place upon me.

I also have to tell you that it feels good to be back in Congress. It was in these halls that I learned some really amazing things. I have learned some very valuable lessons and met some incredible

people and formed friendships that will last a lifetime. My very first Chairman is in the room here today, Chairman Carper, who I served with in the House on the Banking Committee when I was detailed to that Committee. I remember when then-Minority Leader Bob Michel called me up and said, "You have to serve on the Banking Committee," but it was a pleasure serving with Chairman Carper.

And my first Vice Chairman is in the room here today, Senator John Sununu. And Senator Sununu and I forged a friendship after we actually competed for the job. I don't know how it is, but——

Senator SUNUNU. It was not very close. [Laughter.]

Mr. NUSSLE. There are days, I have to say, where I wish you would have won, Senator. But I appreciate that friendship.

I really do appreciate the chance to follow in the footsteps of Rob Portman and Josh Bolten and so many others who have demonstrated an ability to not only be a professional advocate and representative of the President, but to do so with grace and dignity, to be able to reach across party lines, and to forge and continue to forge relationships here on the Hill.

As I was trying to think of how to present this today, I cannot help but flash back to a time that Senator Grassley was mentioning when I was a student 30 years ago at Luther College and a political science class, and my professor, Joan Thompson, who is now a professor up in Pennsylvania, decided that during our Introduction to Congress class, she was going to teach us about the Federal budget process. And I have to tell you, at that time I thought to myself, "When in the world am I ever going to find this information useful at all? Do I really need to know this stuff about the budget?"

And what I learned, as you all know, is that the budget process interweaves everything we do—you do, I used to do—on Capitol Hill, and it is an important part of everything that we do.

I got hooked in this class on the budget, and I will have to admit it, I am a budget wonk. I love the budget, the budget process, and everything about it that goes along with it. But never in a million years as a 19-year-old college student at Luther in Decorah, Iowa, would I have thought I would be sitting here today, let alone having been chosen by my peers to serve on the House Budget Committee and to be chairman, and I am honored by that. It is truly an awesome thought for me, and I hope my daughter, Sarah, and son, Mark, who are teenagers, learn a lesson from this, as well as many other students, who sometimes I hear, when they say, "Why do I have to know this?" My story, I suppose, is a lesson of listening and learning even at times when you do not know exactly why you are doing it because you really do not know where life is going to take you.

Listening and learning has been something that I have always taken very much to heart in my 16 years as I was blessed to represent Iowa in the House of Representatives. I believe we all govern better when we listen and learn from not only each other, but the people that we represent.

Should I be confirmed by the Senate, I intend to continue that philosophy that my parents first taught me was important and that

the people of Iowa really cemented for me, that listening, learning, teamwork, and honesty are paramount.

Mr. Chairman and Ranking Member Collins and Members of the Committee, I am eager to answer your questions and the Committee's questions, and I very much look forward to continuing to work with you, and I ask for consideration in my nomination.

Chairman LIEBERMAN. Thank you very much, Mr. Nussle, for that outstanding opening statement.

I am going to start my questioning with the standard questions we ask all nominees. Incidentally, it strikes me, as I heard your statement, that you are starting with a kind of unfair advantage with this Committee based on your past experience with Senators Carper and Sununu, and the fact that you have our former Staff Director, Michael Bopp, advising you as to what each of us will do.

Mr. NUSSLE. Please do not hold any of that against me.

Chairman LIEBERMAN. I am going to start with the standard questions that we ask all nominees.

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

Mr. NUSSLE. No, sir.

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

Mr. NUSSLE. No, sir.

Chairman LIEBERMAN. 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. NUSSLE. Yes, sir.

Chairman LIEBERMAN. We are going to start with the first round of questions limited to 6 minutes each. The vote apparently will not go off until around 10:40 a.m., so hopefully we will have some time for a few Senators to ask questions.

Let me begin with the short-term challenge and what may become a crisis that you will step into if you are confirmed. What is your view of how to negotiate our way, your way, through the difference of opinion between the President and the congressional majority on the top-line spending so that, in fact, we can keep our government functioning?

Mr. NUSSLE. Mr. Chairman, we have been through these challenges before. While we are in a new challenge and it may seem daunting given the fact that we have, as I understand it, 27 legislative days before the end of the fiscal year, given the August recess and other impediments that I am sure will be there to success, as I said in my opening statement, I am an optimist. I believe that while there are two speeding trains heading at each other—I have always been amazed—none of us has ever seen a real train wreck, but we always refer to it as a train wreck around here as part of the end of the cycle. There is one, as you said, that was going at $953 billion, I believe you said, and one that is heading at $922 billion, and they are heading at each other.

Chairman LIEBERMAN. Nine hundred thirty-three billion.

Mr. NUSSLE. Excuse me; $933 billion. The sooner that these two trains can get onto a side track, the sooner you have someone who is in place at OMB who can wake up every day to not only work with the President but also work with you to build that side track—the sooner that happens, Mr. Chairman, I believe the better.

Exactly how we are going to build that, I have learned also in my time as Budget Chairman that you sometimes do not always see that clearly, exactly how it is going to come about until possibly later in the session.

But the one thing that we do know, the one thing that is almost always clear, is that failure is never the final answer. Our country must endure. The Federal Government will continue. We need to be able to solve this problem. And I believe it is my role, if confirmed by you and the Senate, to do just that, to wake up every day to figure out how we can avoid that kind of final collision that, while it will not be the final answer, will be a very challenging one for all of us, let alone for the American people to watch.

Chairman LIEBERMAN. I appreciate what you have said. Let me ask you this specific question: Will you remain open in pursuit of an agreement to continue the functioning of our government, which is what the public expects from us, to advising the President to compromise in any way on spending levels to avoid, for instance, a shutdown of the government?

Mr. NUSSLE. You asked me if I would remain open. The answer is yes, sir.

Chairman LIEBERMAN. I appreciate that, and I——

Mr. NUSSLE. If I may add to that, though. As you know, it is a new role, and I have been told this by others that have come forward that used to be Congressmen or Senators, that had been in that position where you were your own boss.

Chairman LIEBERMAN. Yes.

Mr. NUSSLE. I will have a new boss, and certainly my first duty is to uphold the Constitution. But I also know that anyone who sits in this chair from the Administration has to report back and has to follow the decisions made by that Chief Executive. I also know I will need to and intend to do that as well. But, yes, sir, I will remain open, and I need to remain open if we are going to have the conversations we are going to need to have in not only those next 27 days but beyond. We have much more work to do than just finishing the end of this fiscal year. That is job one. But we have much more to do that we need to be able to do together.

Chairman LIEBERMAN. Let me ask you a big question, and you only have about 2 minutes of my time to answer, but it is a beginning. So I have asked you a question about the short term. In some sense, for you as OMB Director, the long term is going to be 18 months for the remaining time of this Administration. You referred to the long-term imbalances particularly in entitlement programs that jeopardize what our country has promised the baby boomers and those who follow them.

What initiatives do you contemplate during the 18-month period to deal with those long-term imbalances?

Mr. NUSSLE. If confirmed, Mr. Chairman, I intend to continue to be a voice in the Administration that we need to continue to break

our pick on that rock. It is one, as you know from past experience, that may not be solved in 18 months. It may not be solved in a comprehensive way in one fell swoop. But it needs to be dealt with, if nothing else, with downpayments on a regular basis. It is the reason why I, as Budget Chairman, tried every year to have a small reconciliation for us to at least begin the conversation of reform. And I believe Congress and the President should get in that habit together to work on small downpayments. If nothing else—and you know these numbers better than I do, but 2017 for Social Security, as an example, used to sound like a long time away. It is 10 years; 2017 is when we stop taking in enough money in the payroll tax to pay the benefits for Social Security. That used to sound like a long way off. It is 10 years.

And so we have to begin that process, and while many proposals on both sides have been rejected, I suppose, we need to keep trying. And I hope to be an advocate in the Administration and on behalf of the President for that.

Chairman LIEBERMAN. I appreciate the answer, and I will just conclude by saying, as you said, that the problems, the entitlement balances long term are too big and we took too long to get to this place we are at to solve them in the next year and a half. But as this term of this President ends with you as his OMB Director, I think you do have an opportunity to start some things that will lead to a solution, perhaps beginning some institutional processes, bipartisan, to work us in that direction and maybe turn some recommendations over to the incoming administration. So I thank you for your commitment to do that.

Senator Collins.

Senator COLLINS. Thank you, Mr. Chairman.

Congressman, I am very impressed with the support that you have received today from Senator Harkin and also from Chairman Spratt with whom you have worked so closely over the years, and they both have attested to your ability to work across party lines. You do have some critics, however, who suggest that you are simply too partisan for a job that requires extensive outreach to Congress.

I want to start my questioning today by giving you the opportunity to respond to those charges.

Mr. NUSSLE. Well, first of all, Senator, I appreciate the opportunity to do that, but let me suggest that probably all of us from time to time could have those charges leveled at us, particularly when you are given the role of leading a charge on probably one of the most partisan things that we do around here, and that is the budget.

We have never passed a bipartisan budget. We have passed bipartisan agreements at the end of the year, omnibus plans, funding agreements, things like that. But the very first thing we do in Congress, to my frustration and I know to many of yours, is the budget, where we break up into shirts versus skins, Republicans versus Democrats, and we form these two teams, and we go at each other on the priorities. And as the Chairman said, sometimes we argue about 2 percent here and 1 percent there, and maybe just a variation on a reform measure. But it would seem like we would never

be able to come together at the beginning of the year, but at the end of the year somehow we find the ability to do that.

My role, fortunately—and I appreciated the role—was to not only gain the consensus of my colleagues in the House, but also to present that. And oftentimes that is presented in a way that seems very passionate, as I said in my opening statement, but often perceived to be partisan.

I believe that the way I would like to be judged is not only by how you battle each other on the floor and during debates like that when passions certainly can sometimes even get the best of you, but it is also how you conduct yourself behind closed doors and with colleagues and honoring agreements and working together to find consensus when that becomes the opportunity. And I believe I have done that as well.

So I confess to being a passionate person. Sometimes that is perceived to be partisan. But it is never intended to be.

Senator COLLINS. Thank you. I now would like to turn to an issue that is very important to my constituents, and that is the Low-Income Home Energy Assistance Program (LIHEAP). If you look back at the hearing records for OMB Directors, you will find that I raised this issue with every single one of them.

If we would release the funding for the LIHEAP program during the summer months, we would allow it to serve far more people because the cost of home heating oil, for example, is lower in the summer months than during the height of the winter.

Now, last year, shortly after he was confirmed, Director Portman in response to my concern raised at his nomination hearing released $80 million in unspent fiscal year 2006 emergency LIHEAP funds for the purpose of providing a limited summer fill program. And it was a huge success. It allowed us to help more of our neediest citizens before the winter months hit.

Now, currently there is about $200 million in fiscal year 2007 emergency LIHEAP funds. It would be extremely beneficial, not only to my constituents but to others throughout this country who rely on this important program, if the funding were released now. I am asking: Would you be willing to take a look at the issue of releasing advance funding to see if at least some of that $200 million in unspent emergency funding could be used to help those who are really struggling with the high cost of energy to heat their homes?

Mr. NUSSLE. Yes, Senator Collins. If I am confirmed by the Senate, I would be very pleased to not only take a look at it, but to work with you to try to address this. My understanding, again, because of our knowledge of your concern in this area and your leadership in this area, is that the Director is looking at that actively even this summer. But I do not have that information about what he is doing any more than I am able to until I am confirmed. But I would be honored to be able to work with you on that, and, yes, I would be interested in talking to you about that further.

Senator COLLINS. Thank you. Let me now very quickly switch to another issue. A mission of OMB's that is not well known is the responsibilities that OMB has for providing guidance to agencies for the security of private information that agencies collect, whether it is birth dates or addresses or Social Security numbers. And

in the last year, we have seen a number of very troubling breaches where private information of our citizens has been lost, stolen, or inadvertently released by Federal agencies.

What do you plan to do, if you are confirmed, to ensure that individuals' sensitive, private information is better protected than it is now?

Mr. NUSSLE. Well, Senator, if I am confirmed, I will be working with the administrator of E-Government that, as you know, is part of OMB to ensure that this information is secured. It is troubling to me, as well, as I hear of those kinds of reports. I cannot speak to them specifically, not having been in the position yet. But I understand and would take it very seriously as the role of the Director to work with those agencies, to ensure that this information is protected. I know that is part of the role of the legislation that has been passed, and I know that is an important issue for this Committee. And I would work with you and other Committee Members to ensure that this mission is carried forward to success.

Senator COLLINS. Thank you.

Chairman LIEBERMAN. Thanks very much, Senator Collins.

I have just been informed, in the spirit of the Senate and the tempo of the Senate, that the votes will now not occur until 12:20 p.m. So we can actually have a hearing here.

Senator Levin, your turn.

Senator LEVIN. Thank you, Mr. Chairman, and let me add my welcome, Congressman Nussle.

Mr. NUSSLE. Thank you.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. As Chairman of this Committee's Permanent Subcommittee on Investigations and formerly as its Ranking Member, we have spent a great deal of time looking at what is called the "tax gap," which the IRS has estimated to be about $350 billion. That is the gap each year between the amount of taxes owed and the amount collected.

One of the sources of that tax gap is abusive tax shelters, and these are the illegitimate ones that have no economic substance other than to attempt to provide large tax benefits to the individuals that are using them. And so we end up with people not paying their fair share of taxes, usually upper-income folks, and the rest of us then have to pick up the burden.

Can you tell us your position in terms of going after these abusive tax shelters? Have you supported that effort in the House? And, generally, what is your position?

Mr. NUSSLE. I have, Senator. As you know, it has been an issue that has come to the forefront more recently. But during my time as Budget Chairman, it was an area that we did look into and continue to be concerned about. And I would not only work with Treasury but also with you, if I am confirmed, to do what we can to ensure that we are collecting the taxes that are due.

Let me say further, if I may, that I am someone who was a proponent of looking at our entire Tax Code for comprehensive reform. I believe that we should consider reforming our entire Tax Code, and as part of that, I believe we can and have the opportunity to

take a look at all of these different areas that you are suggesting as part of that comprehensive reform.

So yes, sir, I think it is an important issue that we should and I would be happy to work with you to sink our teeth into.

Senator LEVIN. Thank you. We have lost 3 million manufacturing jobs in this country in the last 6 years. I know that you, by reputation and by the introductions today, have a special sensitivity for rural areas, and that is great. We need to do that wherever those rural areas are. But in the area of manufacturing, we have lost 3 million jobs without much of a peep from this Administration.

Other countries support their industry. They partner with their industry. Our companies are not competing with companies overseas. They are competing with countries that support their industries.

Have you taken a position on a couple of programs that are important in terms of manufacturing? One is called the Advanced Technology Partnership, and the other one is called the Manufacturing Extension Partnership. Have you supported those programs in the House?

Mr. NUSSLE. Honestly, I would have to look back in my record, Senator, to give you an accurate answer. I am not sure what my record would be on that.

Senator LEVIN. Do you believe there is a very important vigorous role that is essential for the Federal Government in terms of support of manufacturing in America?

Mr. NUSSLE. Yes, sir, and please do not let the name "rural" disguise the fact that Iowa has a number of small rural companies and also some pretty large manufacturers as well. We lost just recently Maytag, as an example, in Iowa and over the years have had some enormous challenges with John Deere, as an example. So we have some small and large manufacturers. I am very sensitive to that, represented those areas in my district. I believe in order for us to be competitive, one of the areas, as we were just talking, is our Tax Code, because one thing that we have always prided ourselves on in this country is that we have an arm's-length relationship with those businesses. Some countries are very overt in their partnerships with those companies. We try and take an arm's-length relationship with them.

But one of the ways that we can ensure that they are competitive is through our Tax Code, and I believe that is an area that should be ripe for discussion and for proposals within comprehensive tax reform.

Senator LEVIN. The OMB's Office of Information and Regulatory Affairs, OIRA, has as its primary job the review of draft agency rules before they are published. They are published for public comment before they are adopted. Under the existing Executive Order, the process of those rules and their consideration during the drafting process is supposed to be a transparent one, and the current Executive Order says that it must be disclosed to the public those changes in the regulatory action that were made at the suggestion or recommendation of OIRA. In other words, the relationship between the agencies and OIRA is a critical one.

But OIRA has now circumvented the Executive Order by establishing a process of informally reviewing—the word "informally"

being the key one—agency-proposed rules before the proposed rule is formally presented to OIRA.

Now, changes that are made because of these informal reviews are not disclosed to the public, although the Executive Order does not make a distinction between changes based on formal presentation or informal presentation by an agency to OIRA. It says "changes that are made at the recommendation or suggestion" are supposed to be disclosed to the public.

Will you see to it that the Executive Order's spirit as well as its letter is maintained and that changes that are proposed, recommended, or result from conversations between the agencies and OIRA are disclosed to the public?

Mr. NUSSLE. Senator, if confirmed, I will take a look at that. I have been made aware that this is an area of concern, and it is a challenging area because, of course, you need to have something to look at. And until a regulation is formally presented, until there is a regulation to discuss, it may be difficult—and I think we are going to have to talk to counsel to understand exactly how that process works—to know when that Executive Order formally kicks in.

I am not sure I am in a good position, having not held the job yet, to do more than say I am aware of the challenge. I am for transparency. I believe that our processes should be transparent. My understanding is that there is a new website where these regulations are posted so that we have better transparency for the general public as well as you and the staff as to how these regulations are promulgated. The Executive Order in and of itself commands transparency that was not there prior to the last two Administrations.

So we are working to become more transparent. That would be my endeavor. I would be happy to work with you, if I am confirmed, to ensure that continues. But to jump into the middle of that legal, should I say, interpretation at this point without having had the job, I think, would be a challenge for me.

Senator LEVIN. Thank you. Thank you, Mr. Chairman.

Chairman LIEBERMAN. Thanks, Senator Levin. Senator Warner.

OPENING STATEMENT OF SENATOR WARNER

Senator WARNER. Thank you, Mr. Chairman.

We welcome, as American citizens, your willingness to return to public life and have your family accept the long hours and heavy burdens of the office to which you are about to be confirmed.

Mr. NUSSLE. I did not tell her about that. Don't—— [Laughter.]

Senator WARNER. Well, I could give a little advice having been in a position comparable in my past years. All the decisions made after 8 p.m. are usually reviewed and reversed in the morning. [Laughter.]

So get him home.

My dear friend here Carl Levin and I came to the Senate together 29 years ago and joined the Armed Services Committee, and since that time the distinguished Chairman has become a member of the committee, Ranking Member Collins, and Senator Akaka, so there are at least five of us on this Committee that have the privilege to be on that historic and great committee.

But we have watched here under the Administration of President Bush the repeated necessity—I will use that word for the moment, "necessity"—to have a major part of our defense expenditures processed quickly by the Appropriations Committee and passed on to the President.

That just does not work. It does not work for the benefit of the men and women of the armed forces, the overall programming, the long-term programming. The Armed Services Committee is an authorizing Committee. It is there for a specific purpose. The Appropriations Committee is to make allocations, important decisions as to the quantum of money for the various programs that we authorize.

We have extensive hearings going into all aspects of defense spending, and predicated on our findings in those hearings are the decisions made to authorize or not authorize or to authorize at levels that we deem appropriate.

It has gotten to a point where it has almost broken down, and I am not faulting the appropriators. This burden, in a sense, has been cast upon them.

I would like to have your views—fortunately, you have been in the Congress, and you understand the difference between an authorizing committee and an appropriations committee—and what steps you will take hopefully to correct the major departure from the historic way the Congress of the United States has handled this all-important budget for our national defense.

Mr. NUSSLE. Well, Senator, first of all, for you to ask my advice on this matter honors me because there is no one that I am aware of that is any stronger advocate and has more expertise when it comes to defense matters. And so I am honored that you would even ask me the question.

Let me suggest that this is an area where my passions may have spilled over, maybe even in a nonpartisan way. I believe I was the first Republican, and certainly the only Chairman that I am aware of, that criticized the Administration for the method by which it has funded the war going back to the very beginning of that war and suggested that appropriation by supplemental after supplemental after supplemental is part of the challenge that not only our overall budget has but that we have seen continue as a challenge for giving the kind of predictability you spoke of for our men and women in harm's way.

If confirmed, I will continue to be a strong voice even if that is to the disagreement of others within the Administration that I believe that, as much as possible, this needs to be budgeted. That is what a budget is. It is a plan. It is indicating what your priorities are. It is indicating how long that challenge or that opportunity may be out there. It is recognizing the costs not only from a fiscal standpoint, but it is recognizing how it is balanced within those priorities. And I wanted to see that built into the Administration's plan.

The good news—and I am certainly not willing to take any credit for this because there were many who have joined in that chorus on both sides of the aisle in a bipartisan way—is that the Administration now does that to a much better job than it did in year one, two, and three of the war. This year, as an example, it does build

that into the budget, and it does not only build in the supplemental into the budget, but also recognizes certain out-year obligations.

But we could do a far better job, and Senator, I think the challenge between authorizers and appropriators is one that, while I would wish you and I would be able to change, is a natural tension that has been there for quite some time within the Congress. Sometimes that tension is good. It provides oversight. It provides for the kinds of debate and discourse that needs to occur within very challenging areas, such as homeland security, such as defense. They are paramount responsibilities of the Federal Government.

But other times it can be very problematic where an authorizing Committee comes in at a very high level of spending, and then when the appropriators do not match it, there is confusion over, well, wait a minute, wasn't there supposed to be a little extra money there?

So it is a natural tendency——

Senator WARNER. I am fully familiar with that. That has always been a historic part of the disagreement between the two Committees. But it is this constant enormity of these supplementals that come through without even a glimpse by those of us who spend our whole time on defense. Appropriations scatters itself over all the issues before the Congress.

Mr. NUSSLE. Well, sir, I share that concern. I have been an advocate, as I know you have, in that regard. I may not win every battle that I wage, but when I believe in something, I will be glad to tell you that, and I will be glad to tell colleagues on the other side of the aisle, or my boss.

Senator WARNER. Well, there may be some means by which on a supplemental the authorizers could take a quick look at it—not hold it up, but a quick look—to give its views before it went on to the Appropriations Committee.

Thank you very much. Good luck.

Mr. NUSSLE. Thank you. Yes, sir.

Chairman LIEBERMAN. Thank you very much, Senator Warner.

Senator Akaka was next, but he had to leave, so Senator Carper.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Thanks very much.

Welcome, Congressman Nussle, it is good to see you, and we are delighted that you are before us today.

I would say to my colleagues, I came to the House of Representatives in 1982 following the election that November, and a member of our freshman class was John Spratt, who, as we know, has been working with Congressman Nussle for some time on the Budget Committee in the House.

I do not know about the rest of you, but when I am trying to find out whether to hire somebody, one of the things that my staff and I always like to do is call folks, on the Q.T., who have worked with the particular candidate and just say, well, what do you think, what was this man or woman like to work with. And I took advantage of my friendship of long standing with John Spratt, just to call him and say, "Talk to me about Jim Nussle. What was he like to work with? What was he like to serve with? Talk to me about his intellect, his honesty, his ability to keep a promise." And I would

just share with all of you, as I am sure Congressman Spratt will share with the Budget Committee, his high regard for Jim Nussle and his belief that he will serve ably in this post. It was a pleasure to serve with him in the House as a member, and I was privileged to be among the folks that served with him on the Banking Committee.

I want to really ask you to comment on three things. First, I want to go back to, I guess it was, 1995 and 1996 when there was a meltdown in the budget process. The Federal Government came to a halt. We had a President of one party; we had a Congress with the majority of the other party. And let me just ask what lessons do we take from that experience—not a very good experience for any of us. But what lessons do we take from that experience and how can we avert that today when we have a President of one party and a Congress with a majority of the opposite party?

Mr. NUSSLE. Well, as the Senator knows, you were governor, I believe, at that time, but I was here for that, and I guess a couple of lessons.

First of all, it wasn't the final answer, and the one thing that we know about it is that it certainly is one of the chapters in the challenge, but it is not the final answer. Even when there is a breakdown, there needs to continue to be the kind of communications and conversation, debate, discussion that needs to occur to find a solution. That would be lesson No. 1.

Lesson No. 2 is that we need to start earlier, and every one of my reform proposals that I have put forth has always tried to force earlier conversations about what we know is going to be a problem. On day one, when the President came out with $933 billion, I can tell you if the Chairman is as able as I know he is, Kent Conrad and John Spratt, I know they knew that was going to be a difficult budget. And by the same token, the President was put on pretty early alert when the budgets were passed at $953 billion. So there was an early warning signal that we had a problem.

Since then there has not been the kind of communications that needs to, I believe, go on. Part of it is because there have been a number of other very challenging subjects that have come up. But early communication, which is why I am stressing the need to, with only 27 legislative days left in the fiscal year, have someone who wakes up every day and goes to OMB and works on this problem on behalf of the President, as well as recognizing the sensibilities of what's happening here on the Hill, I think, is vitally important if we are going to find that answer.

Senator CARPER. Alright. Thank you. I want to return and visit just very briefly with you a matter we touched on when you were kind enough to visit with me. One of my focuses in my 6 years that I have been here has been how do we provide cost-effective airlift in the 21st Century for our country. And we do that with a combination of airlift and sealift. Most of the cargo that we move around the world to support our troops we do with ships. Most of the people that we move around the world, our military personnel, we do it with aircraft. Roughly half the folks go on commercial aircraft and half the folks go on military aircraft.

I talk about an air bridge that includes C–5s, that includes C–17s, that includes C–130s. We are operating currently with a game

plan going forward of eventually flying 190 C–17s, a wonderful aircraft. We are just getting a new squadron of them in the Dover Air Force Base. We are also calling for—the Department of Defense is calling for 110 C–5s, and then a bunch of C–130s to supplement those aircraft.

About 2 or 3 years ago, the Congress passed legislation that said, before we retire additional C–5s, we want to make sure that a modernization effort is underway to fully modernize the aircraft—new engines, new hydraulics, 70 new systems in all, new cockpits—we want to make sure that we have the opportunity to update, fully modernize three aircraft, flight-test them for 18 months, and evaluate them before we decide whether or not to retire any additional aircraft.

This is probably something you have not given a lot of thought to, but I want you to keep your eye on this ball, and I would just ask that you do that as we go forward.

Mr. NUSSLE. I appreciated the conversation we had, Senator, and I would be very happy to work with you on this issue. I thought your arguments were very compelling. But you are right, I do not have a lot of independent information about that, but I would be very happy to work with you because I know it is a concern to you.

Senator CARPER. Thank you. The last thing I want to say in the few seconds that are remaining, we are going through a time in our country—and one of our colleagues has already mentioned, I think Senator Levin, the loss of 3 million manufacturing jobs. We are seeing a diminution, almost a scary diminution, of our manufacturing base with respect to automobiles.

One of the things that several of us—Senator Voinovich and myself, Senator Levin and others on the Committee—have focused on is how do we, on the one hand, reduce our reliance on foreign oil, how do we reduce the emission of harmful stuff into the air, and how do we maintain a manufacturing base, including an automotive manufacturing base.

As I see it, there are several roles that the Federal Government can and should take. One of those is R&D investments, including investments in new battery technology, to make available the creation of plug-in hybrid vehicles that will enable us to compete around the world; second, using the government's purchasing power to help commercialize new technologies and advance the technology business, both on the civilian side and on the defense side. Maybe a third is to use tax policy to incentivize folks to buy more energy-efficient vehicles in this country and to reduce our reliance on foreign oil, to clean up our air, and to try to make sure we have a manufacturing basis.

Your thoughts on those three roles: Again, R&D investments, including new battery technology; using the Federal Government's purchasing power to help commercialize new technology; and, lastly, a tax policy to help incentivize people to buy more energy-efficient vehicles.

Mr. NUSSLE. Well, Senator, I know of your leadership in these areas, and I agree with all three. If I may be permitted to add one more in addition to that, I would add education, and I understand that the States take the primary lead with regard to education, but science education and entrepreneurial mentoring, if you will, be-

cause we need to create not only the jobs of the future, but we also need to create the job creators of the future if we are going to be successful. And certainly within that atmosphere that you are creating, with energy policy, with R&D through a more competitive tax policy, we have to make sure that our young people, and others, through non-traditional ways are constantly learning and keeping up with the skills they are going to need to be able to not only take those jobs but create those jobs.

Senator CARPER. Thanks very much, and good luck.

Mr. NUSSLE. Thank you.

Senator CARPER. Thanks, Mr. Chairman.

Chairman LIEBERMAN. Thank you, Senator Carper.

Just for the information of my colleagues, the order in terms of arrival is Senators Sununu, Tester, Voinovich, and Coleman.

Senator Sununu.

OPENING STATEMENT OF SENATOR SUNUNU

Senator SUNUNU. Thank you, Mr. Chairman, and it is great to see Mr. Nussle here. I am only a little bit disappointed that he brought up our campaign to be Budget Chairman, although that probably worked out very well for both of us. He did a great job at the Budget Committee, and obviously the next year was the year that I ran for the Senate, and I was very pleased to be assigned to this Committee, Mr. Chairman.

I want to make a few observations about this process, and then I have a question about the "M" in OMB, the management responsibilities in oversight and what you hope to bring to the agency from that perspective.

Both you and a few of the Senators, who have already spoken, I think made some important points, but they really should be emphasized because, despite the support you may have here, any nomination can be a little bit challenging. A lot was made of bipartisanship. Bipartisanship is important. In the legislative process, we look for bipartisan relationships because they might help us to enact legislation more quickly.

But as was pointed out, whether we like it or not, the way the 1974 Budget Act was written, it created a very partisan process. I think this Committee probably ought to look at why that is and what the shortcomings of the 1974 Budget Act are. Because if we are frustrated by the partisanship of that process, then we need to look at the law because that is largely what drove it. Under Democrats or Republicans, the budget process has been extremely partisan, and that is certainly not Jim Nussle's fault.

In fact, I think the point we have to look at is in a partisan environment, what are the characteristics that we really want in a leader. Whether it is the leader of OMB or leader in any other part of the Executive or Legislative Branch, we want professionalism, we want civility, we want integrity, and we want credibility. And if we listen to Senator Harkin, Senator Grassley, and their personal experiences, and Congressman Spratt, with whom I was pleased to work with in the House on a lot of partisan matters, those are the characteristics that Mr. Nussle has brought to his job in the House and I know he will bring to OMB.

So I think it is at least as important as we talk about those characteristics of professionalism, civility, and integrity as we ask the question of what kind of a job Mr. Nussle will do at OMB.

And as a corollary to that, if someone does not think that Mr. Nussle has those characteristics or has not exhibited them to the extent that they might have liked to have seen in the past, I hope they will be up front, honest, and professional about describing those instances where Mr. Nussle may have fallen short. And I will say to date what I have heard mostly from the few voices that have provided some criticism is phrases like people have said to me that they felt Mr. Nussle was "a little confrontational at times," or "I heard that someone said that they had a problem with him."

Well, that is not appropriate. It is simply not appropriate to criticize someone's performance by repeating rumors or secondhand information that you may or may not have heard from someone else. If someone has a criticism, I hope that they will absolutely be public and give Mr. Nussle the opportunity to deal with that very directly, as I know he always has. Whether Republican or Democrat, as we have heard, if you have had a disagreement with him, he is happy to talk to you about it directly and honestly, and that is what professionalism, civility, and credibility is all about.

Finally, on matters of policy, it is important that we bring up policy initiatives that we care about as senators or House members in dealing with the Director of OMB. But I do hope that a disagreement on a particular vote or a particular issue is not a requisite for not supporting the nominee. Otherwise—not that any of us harbor any aspirations to ever be nominated by any executive to any position, but if disagreement on one vote one time is a reason to vote against a nominee, none of us are going anywhere.

So I think this is a terrific nominee from personal experience, but also observing from afar the work that Mr. Nussle has done in his past. And as I said, I want to come back to this issue of management. There is responsibility for financial management within OMB, for transparency issues and accountability, for the financial systems that other departments and agencies bring. I want to give you an opportunity to talk about one or two areas that you think we can really improve the way the Executive Branch goes about day-to-day management and oversight and accountability on the financial management side.

Mr. NUSSLE. Well, Senator, first let me say thank you for your comments, and I, too, while I have observed people on the other side who have disagreed with me from time to time, cannot think of a time where I have ever questioned their motives. They sincerely disagree, and they sincerely and very passionately disagree with me on issues. That does not mean they are partisan. That means they have passionate disagreement. And that is healthy for our system. In some countries, that spills out into the streets. Thankfully it only spills into a committee room now and then, and sometimes to the floor. And while we find that distasteful, it is better left there than on the street.

With regard to management, I have had a chance to be briefed on a number of these, and I would be very interested, if I am confirmed, to work with you and others on this Committee who I know are very concerned about the "M" in OMB, and appropriately so.

The three that I observed and have asked questions about maybe more intensely than others:

First, the fact that in the next 10 years, 60 percent of our Federal workforce will be eligible for retirement. We are going to lose a lot of good people to retirement, appropriately so. How do we replace them? How do we find the kind of quality individuals who are willing to be in public service and serve the needs of our country, our communities, and our constituents?

Second, keeping up with technology. The whole E–Government office that is part of OMB has a monstrous task; $66 billion is the number I was told that the Federal Government is purchasing and has under its control, assets involving information technology. It is a daunting task, and if you are in a small business in Iowa just trying to keep up with the advances in technology, it is hard enough. Trying to do it as a Federal Government with $66 billion plus in your ledger for financing, making sure they communicate, making sure they are adequate, making sure they are doing the things you wanted them to do, all of that is very important.

The third is financial management in general. I remember one of my very first hearings on the Budget Committee, a hearing about some of the financial management challenges at the Defense Department, as an example, and others where we are just not able to do an audit. People find money all the time. They find that they lost money all the time. I picked up the paper the other day, and dead farmers are getting farm payments. We pick up the paper, and we find that ice is shipped some place away from Hurricane Katrina and melted at taxpayers' expense, according to the GAO report. I mean, we find this all the time, and we wonder why can't we do a better job of managing those billions, let alone the nickels and dimes that go around.

So those are the three big management challenges, and they involve enormous sums of money. We will argue and debate and discuss and hopefully come to a conclusion over this 2 percent. But I can tell you, we probably and unfortunately waste more than that in the Federal Government just this year alone. And the President's budget has a number of areas that I have been informed about that work on these improper payments, and there has been some savings—I believe $9 billion just in the last 2 years have been saved through some reforms in improper payments. But much more work needs to be done there, and so those would be the three huge management challenges, I would say, that confront the next Director, and I hope I am confirmed to be able to take those on and tackle them.

Senator SUNUNU. Thank you, Mr. Chairman.

Chairman LIEBERMAN. Thanks, Senator Sununu. I was thinking as Senator Sununu was raising the question of the allegations of your partisanship, some say from your record in the House you were quite bipartisan. Others say you were quite partisan, and they cite a single incident. So I think to make the record of this hearing complete, I should ask you, if confirmed, whether you pledge never to put a paper bag over your head again. [Laughter.]

Mr. NUSSLE. Mr. Chairman, everyone is—at least I have always thought everyone is allowed at least one freshman mistake. It is one of those incidents that—I am proud of the fact that it rooted

out what was, I think, a bipartisan scandal. It was not a partisan scandal.

Chairman LIEBERMAN. Right.

Mr. NUSSLE. It actually was a bipartisan scandal. But I believe I can safely commit to you, Mr. Chairman, that I will not be doing that.

Chairman LIEBERMAN. That is very reassuring. [Laughter.]

Not just to the Committee, but I am sure to the Administration.

Mr. NUSSLE. And to my family as well, I would have to say.

Chairman LIEBERMAN. Thank you very much. Senator Tester.

OPENING STATEMENT OF SENATOR TESTER

Senator TESTER. Thank you, Mr. Chairman. I want to thank Jim Nussle for being here today.

I appreciate your comment on Senator Warner's question about the war in Iraq being funded not through the regular budget process but through supplementals and how you would fight to make sure that changes back. At least that is what I heard you say.

Mr. NUSSLE. Yes, sir.

Senator TESTER. And I would be interested to know, just on a side note, if you could tell me why it was done that way. It does not make any sense. You were chairman of the Budget Committee in the House for most of the time that was going on. Why did they go the supplemental route? I could see it maybe the first year, but 4 years out, 5 years out?

Mr. NUSSLE. Senator, I can only give you the answers that I was given at the time and that you have probably been given as well, and I will not dwell on them except to say most of the reason for having a supplemental ever is because during the normal budget process, something could not have been budgeted for. It was an emergency. But let me get to why I was frustrated.

Senator TESTER. Sure.

Mr. NUSSLE. But that is the argument that is always made: We do not know how much it is going to cost; we do not know what the exigency will be; we do not know what challenges will lay out there.

But it was never zero. The challenge I saw was they would fail to fund it in the year, and then in the out-years pretend as though they were not going to be there. And that was frustrating to me.

So I agree with you that at least there ought to be some acknowledgment, and that is what was not there until this year. Finally, there has been, I think, some good work in acknowledging that challenge.

Senator TESTER. Well, I appreciate your leadership in pushing that forward to make sure it is done right in the regular budget.

On veterans, there has been a lot of talk about the funding for veterans. There has been a lot of talk about the needs in the Veterans Administration with Operation Iraqi Freedom and Enduring Freedom, the war in Afghanistan, on and on, disability claims, health care. The list goes on and on.

Your perspective? Where are we at? Are we headed in the right direction as far as veterans benefits and the allocation of the dollars? And is it getting to the veterans on the ground? Are we moving in the right direction?

Mr. NUSSLE. Well, Senator, in a bipartisan way, together with members of my committee, I never saw a President's budget that we were not willing to plus up a little bit for the veterans because of their service. This was true during the Clinton Administration; it was true during the Bush Administration. It will probably be true for a time to come. We need to honor their service. We need to make sure that their benefits are paid. We need to make sure that they have adequate access to those services.

But I also believe we should constantly look at ways to deliver those services that recognize a changing world. I represented a rural area, and you, obviously, probably represent one of the most rural areas in the country. And access to veterans' services is challenging.

We came up with this clinic system as an example where outpatient clinics could be put forth. Those are bipartisan discussions as a way to be able to serve veterans in a new way than maybe the outdated ways that were done during the 1960s and 1970s. We need to constantly look at reforming the system to make sure those dollars are delivered to the veterans.

Senator TESTER. I appreciate that, and I appreciate your commitment to the people who served, making sure they get the benefits that are owed.

Native Americans, the trust responsibility, the fact that we had a hearing in the Indian Affairs Committee not long ago where a person from the Bureau of Indian Affairs (BIA) said, "I have to choose between allocating dollars to abused children and roads." And the question is, there has been a lot of funding, whether it is Indian health, whether it is roads, whether it is social services, where a lot of those funds have been reduced.

What is your perspective? Do you think that is reasonable? Do you think that the BIA is accountable enough? What is your perspective on that budget? And do you think it needs to be bumped up or maintained?

Mr. NUSSLE. Senator, this is an area in which I have to admit not having a lot of personal knowledge during my time in Congress, but I would commit to listening to you and working with you to understand the challenge that not only you have but that Native Americans have throughout our country. So let me commit to doing that rather than try to fumble through a guess.

Senator TESTER. Outstanding. You talked about a path to balance the mandatory spending. I assume you are talking about Social Security and Medicare in particular. What are your suggestions? What are you going to advocate?

Mr. NUSSLE. Well, it is not so much balance; it is recognizing that the amount of revenue that has been obligated for those amounts are either running out or we know they are inadequate. They are unfunded in the out-years. As I say, we have 10 years to solve Social Security. We probably do not even have that.

Senator TESTER. Undeniable. What would you advocate?

Mr. NUSSLE. I think at this point in time the proposals are imperfect on both sides. Both sides have rejected proposals that the other sides have come up with. More than anything else, we need to continue this conversation. We cannot just assume that we will wait for the calm of a non-election year. As you and I both know,

it is always an election year, it seems, and if we are waiting for that calm, my guess is that calm will never come. We need to recognize the storm and get to work, at least talking to one another, all of us, about the kind of proposals that could work to solve that problem.

Senator TESTER. OK. Well, I certainly appreciate it, and I think the priorities of listening, learning, teamwork, and honesty are good foundations to work off.

I am new to this body at the Federal level. You were Budget Chairman from 2001 to 2007. The national debt has increased from $5.8 trillion in 2001 to $9 trillion, about a 50- percent increase.

You were chairman of the Budget Committee in the House. You had Republican comrades in the Senate, a Republican administration. Can you explain how we have had a 50-percent increase in our national debt under folks who claim to be fiscally conservative?

Mr. NUSSLE. Well, Senator Tester, let me just recount for you—and this is probably why I like a challenge. I was elected at a time when we had the dot-com bubble burst; we had the corporate scandals that put shivers into the marketplace; we had the attacks of September 11 during one of my very first months as Chairman; we had the emergency spending that came after that; of course, the war on terror; Hurricanes Katrina and Rita. And the list goes on and on, and that drove up enormous amounts of spending.

I will tell you, though, that one of my very first experiences, in addition to submitting a budget, was to work together with Republicans and Democrats in the aftermath of September 11 to respond. And I can tell you, there was never a brighter moment, even though it was deficit, even though it was a struggle, even though people had differences of opinion, we came together in a bipartisan budget way that people forget about and responded. And I think it was one of the foundations that has kept our country moving in a positive direction, which would have been a gut punch to other countries that they would have never gotten up from.

Senator TESTER. And I appreciate that, by the way. I think just a closing comment and then I will shut it down because I know my time has run out. But on my farm, I look at income and I look at expenses. I just don't look at expenses. I look at income, too. And the fact that income tax has been static for the last 7 years tells me something is going on there, either that the schedule is flawed or we do not have the kind of growth we need or we have reduced our ability to get those funds.

But I do know one thing. If I continue to increase my debt by 50 percent over 5 or 6 years—you know this, too, coming from Iowa—you are not going to be in business long. And my concern is for our kids and our grandkids in this country.

I want to thank you very much for being here. I want to thank you very much for making your answers as concise as possible. And I appreciate your candidness.

Mr. NUSSLE. I look forward to working with you. Thank you.

Senator TESTER. Thank you.

Chairman LIEBERMAN. Thank you, Senator Tester. Senator Voinovich.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. Thank you, Mr. Chairman. I ask unanimous consent that my statement be made part of the record.

Chairman LIEBERMAN. Without objection.

[The prepared statement of Senator Voinovich follows:]

PREPARED STATEMENT OF SENATOR VOINOVICH

Good morning. I would like thank the Chairman for this Committee's timely consideration of the nomination of Jim Nussle to be the Director of the Office of Management and Budget (OMB). I had the privilege of meeting with Mr. Nussle last week and was impressed with his understanding of the fundamental issues facing our nation. If confirmed, Mr. Nussle would come to this position as our nation faces some of the most daunting financial challenges in its history.

I arrived in Washington in 1999, and in the eight short years since, our national debt has increased by over 50 percent from $5.6 trillion to a staggering $8.7 trillion. It represents 67 percent of the GDP—the worst number in 50 years. This means that each man, woman, and child in the United States owes $29,000 of the federal government's debt. And yet, these numbers pale in comparison with the budget problems looming in our future as the Baby Boom generation begins to retire 161 days from now, on January 1, 2008. Reality is setting in that this is not just a far-off prediction. It's a growing storm on the horizon that threatens to overwhelm our economy if we do not act now.

In today's dollars, we face a long-term fiscal imbalance of $50 trillion; that's such a big number it's hard for any of us to even grasp, but it works out to $440,000 for every household in the United States. When I warned of our fiscal problems last year, the fiscal gap was $46 trillion, or $405,000 per household. In just that one year, our future debt obligations have grown by $35,000 per household. Every year that we wait and do nothing, this debt continues to grow. Just six years ago, the fiscal gap was "only"—and I put the word "only" in quotes—$175,000 for every household, less than half of what it is today. This is not a can we can kick down the road.

What is of growing concern to me is that 55 percent of the privately owned national debt is held by foreign creditors—mostly foreign central banks. That's up from 35 percent just five years ago. Foreign creditors—including China and OPEC—provided more than 80 percent of the funds the United States has borrowed since 2001, according to the Wall Street Journal. Borrowing hundreds of billions of dollars from foreign governments puts not only our future economy, but also our national security, at risk. It is critical that we ensure that countries that hold our debt do not control our future.

Mr. Chairman, we cannot continue to ignore the fiscal crisis confronting our nation. The Comptroller General of the United States has been participating in a series of fiscal wake up tour events—including one in Columbus, Ohio, that Mr. Nussle's predecessor, Rob Portman, attended; and another in Cincinnati that I helped organize—to discuss with Americans the real state of the nation's fiscal health. I share the Comptroller General's concern, which is why I have partnered with Representative Frank Wolf to introduce the SAFE Commission Act. The SAFE Commission would establish a bipartisan commission to propose tax and entitlement reforms. Congress would be forced to consider those proposals under fast-track procedures similar to BRAC or trade promotion authority.

Furthermore, I believe Mr. Nussle and I agree that for a long time, the M in OMB had been forgotten. Under strong leadership from Deputy Director Clay Johnson, I believe this Administration has brought much needed focus to management. Of particular interest to me are the challenges confronting the federal government in recruiting and retaining the world class workforce necessary to lead this nation through the 21st Century. OMB has a partner in this endeavor with Director Linda Springer at the Office of Personnel Management. In addition, during the last two and a half years, I have been working with OMB and the Government Accountability Office (GAO), and various federal departments, including the Department of Defense, to address GAO's High Risk list. The High Risk list identifies federal programs that are highly vulnerable to waste, fraud, abuse, or mismanagement. In developing partnerships among all involved, the government has crafted a strategic plan for all but one of the 21 programs identified on the High Risk list. Mr. Nussle, as Director of the Office of Management and Budget, I would expect you to continue this partnership, ensure resources are available to address problem areas, and hold departments accountable for progress.

A great challenge in government is for organizations to retain appointees in key leadership positions. As executive branch agencies begin to prepare for the 2009 budget cycle, I hope Congresses recognizes the need for a Director of Management and Budget to be in place to communicate funding priorities through the government and to the Congress.

Thank you.

Senator VOINOVICH. Mr. Nussle, thank you very much for taking time out of your schedule to visit with me in my office. You have come to Washington to continue your public service at a very important time for our President and also for our country.

As you know, I am very interested in management, and one of the things that you ought to know is that the agency you have been nominated to lead, the Office of Management and Budget, ranks very low on the President's Management Agenda. Are you aware of that?

Mr. NUSSLE. I am.

Senator VOINOVICH. Yes, OMB received red marks on all categories but one where it received a yellow rating, and I hope that this something you will focus on during your term.

This Committee has worked hard to re-establish the "M" in OMB. I think about management in terms of working harder and smarter and doing more with less. I think about having the right people with the right knowledge and skills at the right place and time, and also being able to recruit, retain, and reward workers. I believe Clay Johnson has done a pretty good job in this area, but there is still a whole lot more that needs to be done. I would hope that you would particularly look at the need to reform our security clearance process, which has been on GAO's high-risk list for a long time. I would also call your attention to the work that Senator Akaka and I have done on the issue of supply chain management. It looks like maybe we are going to make some progress there. And what I hope you will do is look at the high-risk list, review the strategic plan that Clay Johnson has put together, and then make sure there are adequate performance metrics in place.

In addition, I would like you to look at whether we need a Chief Management Officer (CMO) for certain agencies. I would like to see one in the Department of Homeland Security. DHS continues to face numerous challenges as it merges 22 agencies and more than 200,000 employees. DHS will remain a mess unless we have somebody who is going to pay attention to management.

I believe the Defense Department is another agency that would benefit from a CMO where I think maybe we need someone with a 5-year term to ensure the Department's business transformation finally gets done.

I also, as you know, have been interested in tax reform and in entitlement reform. I remain very disappointed in the Administration that they did nothing with the report that came back from the Breaux-Mack Commission.

As you know, Congressman Frank Wolf and I also have introduced legislation, the SAFE Commission Act, to try to put a BRAC process in place to do tax and entitlement reform. I would like your opinion on the possibility of advancing reform in either of these areas. The alternative minimum tax (AMT) needs to be dealt with.

How do you feel about these issues? Will you be an advocate in the Administration for tax reform?

Mr. NUSSLE. Senator, I happen to believe that the alternative minimum tax may very well be the fuel that could help us with this project that you and I have visited about in private as well, and that is on reforming the Tax Code. It unfortunately never seems to have the critical mass behind it that it needs in order for the engine to start running toward reform. But AMT is probably one of the more challenging issues, budget issues, tax issues, that all of us are grappling with. And it is possible—I am suggesting that this could be the fuel that fuels that.

So, yes, sir, I will be an advocate for comprehensive tax reform, to work on that with the Secretary of the Treasury, whom I also know is interested in that, or I have been told that and have read that, as well as a number of Members of Congress on both sides of the aisle who recognize, as Senator Levin suggested, that competitiveness is at issue, and so many others that recognize that our Tax Code is broken and needs to be overhauled.

So, yes, sir, I would be an advocate and would enjoy, if I am confirmed, working with you on not only the tax reform issue, but also, knowing of your interest in the management area, any help we can get from you and others to help us push through continuing management successes and improvements I think would also be important for this Administration.

Senator VOINOVICH. Well, I can tell you that in terms of tax reform, we have not really been encouraged. Your predecessor and I talked about it over and over again, and I know he was very interested in it. I think if you want to do something that is relevant at the end for the American people, at least get started with tax reform. It is so needed today. Everybody that you talk to says we have to do it. And I think that this Administration as part of their legacy could lay the groundwork for real reform.

I think that would resonate with the American people, and it would be so important, I think, as part of this President's legacy to this country.

Mr. NUSSLE. Thank you. As I say, I would be happy to work with you on that. I happen to agree. One of the things I have learned in my 16 years in Congress is that oftentimes you need a little extra push, a little gas for the engine, so to speak. The engine of reform does not always run on its own. It needs a little fuel, and sometimes that fuel is negative reaction from our constituents. I do not know of one that could be any more negative than the AMT, and it may very well be the engine's fuel that we need to help push this forward.

So I would be honored, if confirmed, to work with you and others on that project.

Senator VOINOVICH. By the way, Breaux-Mack included AMT reform. Thank you.

Chairman LIEBERMAN. That is true. Thanks very much, Senator Voinovich.

I would like to ask the indulgence of Senator Coleman and Senator McCaskill. Senator Akaka was here earlier and had to go to another committee, so he did not get his round of questions. I would like to call on Senator Akaka now.

OPENING STATEMENT OF SENATOR AKAKA

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

It is good to have you here, Congressman Nussle. I also want to welcome your wife, Karen, to this hearing. I know how important a role she plays in all that you do.

I understand that you were a part of the 2000 White House political transition team. However, from a management perspective, preparing for goverment-wide departmental transitions, which will occur in just 18 months, is an even bigger task, especially at DHS. Do you have any plans to have OMB begin laying the groundwork to ensure that agencies are prepared to carry on management initiatives into the next administration?

Mr. NUSSLE. Thank you, Senator. I do not have any specific plans today that I can report to you. Having had an opportunity to be briefed on the part of the staff, Clay Johnson, and others who are working in this area, the management legacy is one that will be carried on, in part because of the bipartisan support it enjoys on Capitol Hill as much as anything.

I believe that the next administration will ignore the management piece of OMB at their peril. I think it is smart from a business standpoint. I think it is smart from a budgetary standpoint. I think it is smart from a political standpoint. How embarrassing is it to pick up the newspaper and hear of waste, fraud, and abuse within your administration? And so ignoring this peril of managing these resources, I think, would be to the detriment of any administration, and having the backing of yourself and so many others with regard to the "M" in OMB, I think, will be a legacy that will live on almost regardless of who takes the directorship or who takes the Presidency.

Senator AKAKA. In many of your pre-hearing questions, Congressman, you focused on budgetary issues, with little emphasis on management. What do you see as the relationship between OMB's dual roles of directing management and formulating a budget?

Mr. NUSSLE. Management is how you get it done. You are so right. The dollars are what usually grabs the headlines. The dollars are usually what we fight about and where we oftentimes see problems come up. But it really can be alleviated with better management.

As I was saying before to a previous question, we are talking about a potential challenge in ending this fiscal year and beginning a new one over $20 billion—please do not misunderstand me, that is a lot of money. I am not suggesting it is not. But we have more than $20 billion that have been identified in overpayments in the Federal Government that through better management needs to be dealt with, needs to be alleviated, needs to be eliminated, and those resources redirected to either the appropriate parties or be plowed back into savings that can go to help reduce the deficit and pay down our debt.

So I believe the management side of this equation is very important. The "M" comes before the "B," and everybody who is in business recognizes that you cannot be successful in your business or in your personal life if you do not manage those resources properly.

Senator AKAKA. You are very correct on that. Many of the problems we have relating to fraud and waste are usually due to poor

management. This is something that would be your responsibility if confirmed.

I would like to ask one final question. Under current rules for contracting for services, contractors can be hired to develop, manage, and even oversee other contracts or contractors. At a hearing last week, Comptroller General David Walker said that it was time to redefine what we should consider inherently governmental functions.

Do you think that the Federal Government relies too much on contractors?

Mr. NUSSLE. It is a fair question, Senator, and I am not sure in the aggregate I am able to answer that, if it is too much or not enough. But I would say that you are correct—at least I agree with you that there should be a concern about particularly contractors managing contractors managing contractors in some instances it has been, as I understand it. I saw that question in the hearing packet that was sent to me, this is an area that we have talked about in my briefing, and I am told that this is an area that is not intended as anything but an inherently governmental role, meaning overseeing taxpayers' dollars, the spending of those dollars, the management of contractors, where contractors are appropriate. That management is inherently governmental.

I am not confirmed yet. I cannot negotiate with you what that definition would be. But let me say to you, Senator, that I believe that to be an inherently governmental role, and I would be happy to work with you, if I am confirmed, to make sure that definition is clear so that in our oversight from OMB of contracts, my responsibility and role is clear in making sure that there is oversight of those contracts.

Senator AKAKA. Well, thank you very much. I really appreciate your responses.

Thank you, Mr. Chairman.

[The prepared statement of Senator Akaka follows:]

PREPARED STATEMENT OF SENATOR AKAKA

I would like to welcome Congressman Nussle and his family to this hearing. With the fiscal and management challenges facing our nation, finding someone capable of strong leadership and a spirit of cooperation is essential for heading the Office of Management and Budget.

With a budget approaching 1 trillion dollars, on top of a spiraling national debt, it is only natural that the Office of Management and budget focus on the "B" in OMB. However, the management responsibilities of the Director of OMB are every bit as important. In fact, government management is tied very closely with the budgetary powers wielded by OMB.

There are now 27 areas on the Government Accountability Office's High Risk List, which are indicators of programs across the government at risk for waste, fraud or abuse. Almost all of these areas are tied directly to poor management at the agencies.

It is the responsibility of OMB to set guidance for the Federal Government to ensure sound management. The Federal Government now faces weaknesses in contracting management, human capital management, and financial management. As Chairman of the Oversight of Government Management subcommittee, I have witnessed first hand how a failure to manage effectively can waste taxpayer dollars and harm government missions.

I understand that the nominee has little experience in management. I look forward to hearing how he intends to address management issues effectively in light of this inexperience.

I am also greatly concerned over the budgetary crisis this country now faces. While you will face more questions on this on Thursday before the Budget Committee, budgetary issues are also of very great importance to this committee.

The Federal dollar continues to be stretched to meet the needs of the wars in Iraq and Afghanistan, the Global War on Terror, the continuing aftermath of the 2005 hurricane season, and our other domestic priorities. At the same time, this Administration has attempted to push through tax cut after tax cut.

Adding over $200 billion a year to the national debt is simply not sustainable. This heavy burden should not and cannot be laid at the feet of our children and our grandchildren. I am hopeful that Congress has finally started to right the fiscal course, which I have not been satisfied with throughout the current Administration.

However, the Administration has threatened to veto many of the spending bills that Congress intends to pass in the coming months. This Administration must understand that in a divided government, it is essential that we all work together. It is my hope that whoever is at the helm of OMB will understand this imperative and work cooperatively with Congress on spending.

Chairman LIEBERMAN. Thanks very much, Senator Akaka. Senator Coleman.

OPENING STATEMENT OF SENATOR COLEMAN

Senator COLEMAN. Thank you, Mr. Chairman. I want to start off by saying I am very pleased the President has nominated Representative Nussle for this position. I think he brings the expertise and he brings leadership. I think he brings the judgment that we need at this time. And so I look forward to supporting this nomination.

I just want to respond to a comment my colleague from Montana raised and asked about, which is how did we get in this deficit situation with folks who are supposed to be firm against deficits. I could respond by saying, well, when I was in the majority I voted against a trillion dollars of additional spending by my friends on the other side. I could say that right now the deficit is only 1.5 percent of the overall economy, the 40-year average is 2.4 percent. I could say a lot of things.

I am reminded of the "Pogo" cartoon that said, "We have seen the enemy and it is us." The reality is—you are going to be in a position where there are programs that are important to us that you are going to come in and recommend spending less than we want to spend. I have had battles with OMB over community development block grants (CDBG). You have been a champion of that during your time in the House.

I say that because—I have also used the position as Chairman of the Permanent Subcommittee on Investigations to fight waste, fraud, and abuse—significant waste, fraud, and abuse. I want to make sure that we do not bring green eyeshades to the equation, that there are things that we invest in, like community development block grants (CDBG), that then promote economic growth in our communities.

And so as we go through this process—and we could play political football one way or the other. But I am not looking for an answer on this because I know you have been there. You have been in the trenches. But there are those things that do generate growth, that are investment, that are infrastructure, and I hope we do not forget that.

When you were talking about the "M" in management, the second piece was technology. Congress passed the Federal Information Security Management Act in 2002, and it focused on cyber security.

I believe Federal agencies scored an average of C-minus in the last year's information security card. This is a critical issue. This is a national security issue.

Can you tell me as Director of OMB what you would do differently to address cyber security? I do not want the FISMA thing to be simply seen as a patchwork responding to a report. I think we need a real commitment to cyber security; otherwise we will pay a very big price. Can we hold agencies more accountable? Can we do more things with the private sector? Do we need additional resources? I would love your perspective on that issue.

Mr. NUSSLE. Senator, all of those answers that you just gave or particular potential alternatives may be correct, and I am not in a position, having not held the position of OMB Director, to be able to maybe give you enough wisdom or advice on exactly how that should be dealt with. But let me suggest to you, if I am confirmed, I am certainly much more in tune to that than I was as House Budget Chairman, not only how much responsibility lays within OMB, but how much the Director has to be personally committed to that.

I am still learning the role, I would have to suggest, and so I may not be clear on all of the ways that I can apply pressure. But I would suggest that, first and foremost, I need to work with those different department heads, secretaries, agency administrators, etc., to ensure they understand—I believe they do, but how we can ensure that the resources that have been allocated deal with those challenges, work with Congress to make sure that we provide the kind of oversight and lessons learned, best practices, so that when there is an agency or a department that goes in one direction it should not, we can quickly snap that back and learn from that experience and move in a more positive direction.

So I would commit, if I am confirmed, to work with you on this issue and to work with our E–Government Office to ensure that this is a commitment that is held throughout the government.

Senator COLEMAN. My concern is that this becomes more than a paperwork drill. We had the VA reporting stolen external drive hardware impacting 26 million veterans. I think Commerce, Agriculture, and TSA have all reported incidents. I just think it is important.

And then a last comment about technology. One of the comments I have heard from a number of agencies has been the difficulty in meeting—when we did the Hurricane Katrina hearing, we had a situation where FEMA said they knew stuff was in the pipeline, but they did not know where it was. And my comment was, "Why don't you call FedEx?" I mean, the 21st Century, you should not be losing anything today. You should know where it is. And the response has come back a number of times of the difficulty in getting IT personnel, the level of expertise, in the Federal Government. The problem is that consumers really expect us to operate like the private sector does. They put the bank card in the ATM machine, and they get money out right away all over the world. And I have heard this from a number of agencies that it is difficult to get the level of talent, and so when the GAO says you need to come back with a change in 2003, they are still looking at getting it done in 2006 and 2008, and maybe later.

So I raise that again, without looking for an answer right now, to simply raise the issue that in the end these are things that will make us cost-effective, that will make us safer, and apparently we are facing some grave challenges in getting the talent and moving forward at the level of the private sector. It really should not be way ahead of government on these things.

Mr. NUSSLE. Well, thank you, Senator. It is the reason I made my comment to Senator Sununu that I did. I think it is one of the most important management challenges that OMB has, and that is the fact that we are losing—it is not only recruitment, but we are losing the ones that are experienced, too. So there are both sides to that coin, and so I appreciate that, and I appreciate your highlighting that with me. And if confirmed, I would be glad to work with you on that challenge.

Senator COLEMAN. Thank you. Thank you, Mr. Chairman.

Chairman LIEBERMAN. Thank you, Senator Coleman. Senator McCaskill, welcome.

OPENING STATEMENT OF SENATOR MCCASKILL

Senator MCCASKILL. Thank you, Senator Lieberman.

Thank you, Mr. Nussle, for being here today. My colleague from Montana talked about the deficits under the watch of President Bush and the Republican-led Congress. I would like to talk about earmarks.

It is unbelievable to me the growth in earmarking in the last decade. In 2005, when President Bush traveled to Illinois to sign the highway bill into law, it contained more earmarks in one piece of legislation than the entire history of the Highway Trust Fund going back to 1956. So in one stroke of the pen, the President enacted more—including the Bridge to Nowhere, which was later pulled out after people figured out it was in there. But there was lots of other stuff in there.

In 1995, when the Republicans took over Congress, there had never been up until that point an earmark in the Labor, Health and Human Services appropriation bill, and look at it now.

Just this year, the Republican Party in the House has requested 10,000 earmarks in this budget. And the President is now making noise—this is the big irony. You talk about hypocrisy. The President is now making noise about earmarks, and he has been earmarking at a record pace for a President.

I understand that people in Congress want to fund special projects at home. I think they incorrectly believe that most of their constituents want them to. I think they are wrong. I think most of their constituents want them to have the discipline to not participate. And, by the way, it has gotten to the point, as you well know, Congressman, that there was a spread sheet in the back room. I mean, this is a spread sheet. People are going in a back room, and you are told, "You get this much money. Tell us what you want." And that is it, and then it got in the bill.

Now, you were here as that process really took root. And I am not saying that Democrats aren't doing the same thing. This is a nonpartisan criticism.

As the Chairman of OMB, what can you do to say the emperor wears no clothes? I mean, the idea that now we are talking about

vetoing appropriation bills because of earmarks? Give me a break. I mean, he signed a thousand of them with all kinds of earmarks, and yet never said a word about earmarking. And it has become this political football, which, frankly, there are a few Republicans who do not participate in the earmark process. You probably know who they are. There are not that many of them. There are even fewer, probably, Democrats who do not participate in the earmark process. I am going to try to be one of them. I had over 300 groups come to my office saying they had been promised earmarks by my predecessor.

Now, how are we going to get a handle on this? How are we going to push everyone away from the trough? Because this is not only bad budgeting, it is bad management.

Mr. NUSSLE. Senator, I recall even my own thoughts in that regard, and the challenge, of course, comes up when those 300 constituent groups come to your office and they tell you that—and I do not have knowledge in this instance—the last person they talked to, the last Senator they spoke to, or your neighboring district Congressman promised them the same earmarks, why aren't you supporting Iowa, or Missouri, whatever it might be?

So you are right, it is not only the pressure that comes from within the Congress, but it is also the pressure that comes from home when they don't quite understand why they can get the same commitment from someone else in the delegation. And I think all of that is runaway.

I would say what I tried to do—and I do not come to this with clean hands. I am not suggesting I do. If you got that impression from me, I will admit to the fact that I cheerfully attempted to get earmarks for my district and was successful and issued press releases hoping to take a little credit for that.

But what I will say is that I did suggest during that same period of time, those 2 years, those two cycles when I was House Budget Committee Chairman where this became an issue, that we stop the practice for everyone, that we have a moratorium on any new earmarks. I did not want to prejudge, let's say, an earmark that someone had gotten that had gone through the process and had been approved. But I said no new ones, let's just have a moratorium, and even that was not acceptable.

So I do not come to this with clean hands. I also do not come to this with a certain amount of success in doing that. But we have to start somewhere, and I believe the most important part of what the President has put out there is one other area that you did not mention that I would just throw out for your consideration, and that is transparency.

The one thing that I believe your earmarks and my earmarks should be able to withstand is the light of day, whether it is the light of day from our constituents or maybe more importantly the light of day from our members and colleagues that we serve with. Too often, I think the challenges with earmarks are the ones that no one ever saw, the ones that were dropped in at the last moment, the ones that seemed to go to certain members of committees or certain people with fancy titles. That is where people get frustrated, or at least I got frustrated as a member.

So I would think that the transparency of the goals the President has laid out is the most important goal that we need to live within, and if we do that, I think that transparency, that disinfectant of the light of day will solve much of this challenge.

Senator MCCASKILL. Are you willing to advocate that the President make all of his earmarks transparent as he submits a budget?

Mr. NUSSLE. Yes, ma'am, and——

Senator MCCASKILL. Because frankly, Congress looks like pikers in this budget compared to the President in terms of how many earmarks are in it.

Mr. NUSSLE. Well, if I may offer to you, the one difference that I would suggest to you is that, of course, the President has to put all of that on the table in the budget to start with. So if you want to call it an earmark, I certainly respect that. But you know it is there. The difference, as I was saying, that I think is frustrating to people is they do not see them.

Senator MCCASKILL. Well, but sometimes you cannot tell it is there, though. I mean, you know that knowledge is power, and you know the reason this process has grown and there has been no accountability is because—and frankly, I have been critical of some of my colleagues on my side of the aisle. The idea that we need to vet earmarks internally—I will tell you who are the best people to vet earmarks. It is the public. That is the best vetting of earmarks. It is not Chairman Obey and it is not a committee—it is not a subcommittee chairman of an Appropriations Committee in the Senate. It is the public. And if the President is willing to put his name with specificity on projects that this is one he wants, then I think the public can—and I do not care whether it is a Democrat or Republican President. I think you are right. I think that would go a long way because, frankly, some of this stuff people are going to be embarrassed to put their name on. And so I think that might help.

Then just briefly, if I could, Mr. Chairman, just one more question. Besides the earmark issue, noncompetitiveness. There was $200 billion in noncompetitive contracts in our government, which is more than 10 times the amount of earmarks. We have seen a growth in noncompetitiveness in terms of contracts in this Administration unlike any other.

What will you do, if confirmed as OMB Director, to reverse the very dangerous trend, which is the worst kind of management you could ever have in a public body, of letting all of these contracts without competition?

Mr. NUSSLE. If I may first just say one thing for the record, I am told by a note that was passed to me that the President has not specifically threatened a veto based on earmarks. I am not interested in arguing. I know what your point is, and I respect it.

Senator MCCASKILL. The politics has already started on this.

Mr. NUSSLE. I understand.

Senator MCCASKILL. And it is all of a sudden the Democrats are the big bad boys in spending, which is just nuts.

Mr. NUSSLE. All I am saying is I do not think any specific threat has been made based on that.

Senator MCCASKILL. OK.

Mr. NUSSLE. But I take your comment very sincerely, and I appreciate it.

As far as the contracting goes, I, too, have been frustrated by some of that, and I have done some research on it to learn a little bit about why the government does these sole-source contracting or contracts that are not competed for. There are some situations where, because of an emergency, because of the exigency of getting a job done, you have to do it that way quick, and go get it done. The other, of course, is that there are some instances where there is only one source that makes a particular product or provides a particular service. Those are maybe rare, but they do happen, and there are reasons why that would occur.

I think the goal here should be even in those instances where that might be the first order of business, we should look to constantly work toward a more competitive model. And so when you ask me what I would do, I would say to the gentlelady, if I have the opportunity to be confirmed, I will take that very much as a priority that we need to work toward a more competitive model and do so across the board where that is available, and that it should be transparent so that oversight not only on the part of the Administration through OMB as well as the primary contracting agency can provide oversight, but so that you can provide oversight as a Member of the Senate.

So both of those need to be part of the commitment that I make, and I am happy to work on that with you.

Senator MCCASKILL. OK. Thank you very much. Thank you, Mr. Chairman.

Chairman LIEBERMAN. Thank you, Senator McCaskill.

Mr. Nussle, you have been excellent and given good responses. I am going to exercise the prerogative of the Chair and ask you a few more questions.

Mr. NUSSLE. Please.

Chairman LIEBERMAN. The first is on defense spending and defense budgeting. It seems to me—and it is there in the numbers—that one of the most significant reasons why we have added to the Federal debt over the last 5-plus years is that we have increased spending on defense and homeland security post-September 11.

Personally, I am on record as having said and still believing that I wish we had adopted a special war on terrorism tax at the outset post-September 11 to both fund increases in spending that were necessitated for homeland security and also particularly after we got into the wars in Afghanistan and Iraq, which have been very costly, and that we had asked as effectively as we could every American to pay something according to their tax bracket.

But that has not happened. Defense spending has, nonetheless, increased necessarily quite significantly, and yet I think on the facts there is a very compelling argument to be made that we are still not spending enough.

I can tell you as a member of the Armed Services Committee that the service chiefs presented to us more than $50 billion of what they consider to be unfunded priorities. These are not just "it would be nice if I could have them." These generally fall into the category of "I really need them and the troops need them, but it is not within the budget limits that you have given me," either in the President's budget or in the congressional budget resolution.

Now, as you know, some Members of Congress in both parties have looked at possibly tying defense spending to a percentage of the GDP on the argument, which is a factual argument, that we are spending significantly less as a percentage of GDP on defense now than we did certainly during Vietnam, which was about twice as high a percentage. Korea was extremely high, much higher. We are at about 4 to 5 percent—now closer to 4 percent, probably; Vietnam was over 9 percent; Korea was 13 percent; and, of course, the Second World War was over 33 percent at one point.

So I know that in the questioning with the Committee staff you rejected that kind of tie to a fixed percentage of GDP. I wanted to ask you to speak a little bit about defense spending, whether you think, in fact, there are priority needs that are being unmet, and if you don't accept the goal of getting to a certain percentage of GDP, what is the metric, what is the standard that, as the Director of OMB, you would apply to defense spending?

Mr. NUSSLE. Well, first of all, Senator, it is the most important priority of our government to maintain our freedom, and so we should take this very seriously. And I think it is illustrative to compare it to GDP because GDP is one denominator that we can use to compare a number of things, whether it is health care costs, defense, or taxes. I think it is a good measure. But the reason I saw it as maybe too imperfect was it seems to me to be arbitrary to tie it to a number and take the prerogative either away from the Commander-in-Chief in determining whether it should be higher or lower or, for that matter, from the Congress in its Article I responsibility of the power of the purse to make that decision, again, outside of that arbitrary match to GDP.

Second, GDP is hard to measure. In fact, I should not say it is hard to measure, it is awkward in that you will get a new GDP number here shortly, and the number, let's say, will come out with growth at 2 percent. And then it is adjusted 6 months later, and adjusted after that, either up or down, imperfectly making it a match to use as a denominator here.

Finally, you asked me the direct question, are there needs that are being unmet? Yes, sir, I am sure there are. There are also areas where money is being wasted and not accounted for. I am sure they are there as well. And it is a constant pressure or tension on both sides that I think we need to grapple with. When you say what will be my metrics, obviously the Commander-in-Chief's judgment and that of the Secretary of Defense in concert with the authorizing committees will be an important measure in determining what those priorities should be. I will do my best to balance those priorities with all of the rest in making my recommendations to the President. I do not have a magic bullet metrics I can whip out for you and say this is exactly how it is going to be measured. But I would end where I started, and that is, it is the most important thing we do, and that is providing for the security of our country.

Chairman LIEBERMAN. On that we agree. I want to talk briefly about PAYGO. As you know, one of the ideas in legislative statutory proposals we had for a considerable period of time through the 1990s is PAYGO, that anytime you raise spending or cut taxes, you have to cover that so that we do not go into deficit. And I gather from the staff interview that you support PAYGO for spending but

not for cuts in taxes, and that the reason—and you correct me if I am wrong—is that you believe tax cuts pay for themselves. There are obviously a lot of reasons to adopt tax cuts, either because they are fair or because they stimulate some other general activity that is good for the country. But where is the evidence, if I am quoting you correctly, that they pay for themselves?

Mr. NUSSLE. Well, that quote was one of those passionate moments where we were debating tax policy, and I would, if I may, rephrase it slightly. There are some tax cuts that are much more dynamic in their economic effect in stimulating the economy and bringing more revenue into the Federal Government than others. That is not true across the board. If I made that blanket statement, it was in error.

Having said that, though, the whole notion of PAYGO, as you know, Senator, is a congressional rule. The President has come out against PAYGO. My position on PAYGO has generally been negative. But I will tell you, I have entertained the possibility of extending PAYGO within a comprehensive model. If you looked at the proposed legislation that I drafted together with Ben Cardin in a bipartisan way, we actually extended PAYGO as part of a comprehensive model.

What I see as problematic is when you use PAYGO almost as a way to try to get Congress to do what it might normally not be in favor of doing. It is a political speed bump to a process which is political, small "p"—meaning if the Congress works its will and decides to reduce taxes, as it did, I believe, in a couple of instances throughout the 1990s when PAYGO was in effect, PAYGO was waived.

So PAYGO is there as a speed bump. We know it is there. Whether or not we spring over the top of it or allow it to stop the vehicle in motion is still a political decision. And that is why I found it to be imperfect as a way to determine whether or not legislation ought to be considered.

Within an overall comprehensive reform package, I would keep an open mind with you, Senator, as we would possibly consider that; not to prejudge that, but I believe it is a spending challenge that we face in our country more so than ensuring more revenue is coming into the Federal Government.

Chairman LIEBERMAN. OK. Last question, and this takes me back to the beginning, and I present you with this hypothetical, but it is in all likelihood a probable scenario: that appropriations bills begin to be passed, and one reaches the President which takes us, by the projections, over the $933 billion that he has in his budget as the top line for domestic discretionary spending, so he vetoes it.

As OMB Director, what do you do next?

Mr. NUSSLE. Well, and your question presupposes what I stated to begin with as well, and that is, that is not the final answer. It cannot be. Our government must continue. Our country must be successful, and in order to do that, the Congress and the President must work together to work out their differences. And I would hope that we do not get to that first scenario. The first veto is what we need to avoid.

There is always this comment about the fact that the President never vetoed these bills in the past, and I would just relate that

one of the reasons why I believe that is true—and I cannot speak for the President or read his mind—is that during those times, even when there was Democratic control of the Senate during my time as Budget Chairman, we held the line in the 302(a) number to the discretionary number in the President's budget. It was awkward, it was challenging. We had fights, we had discussions, we had debates. People were not exactly satisfied, but we always held to that number.

The challenge this year that we have is that the President is suggesting that this number is being breached, and I believe that is the reason why Rob Portman has made the suggestions he has made to the President about vetoing it.

We are going to have to work through that, and I do not have a silver-bullet answer for you on exactly where that is going to end up. But I know, as I said to start with, it has to begin with conversation and communication in the 27 legislative days that we have remaining. And you have been very considerate to me, not only in working through this process with your staff and questions, but in meeting with me and giving me a timely hearing. I appreciate that because I know that, as I say, having watched this process, I believe one of the things that could help is having a Director in place that wakes up every day and works to resolve this.

Chairman LIEBERMAN. Well, I thank you for the answer. That is exactly the challenge that you are going to have, and I think your background in Congress, and particularly some of the bipartisan work you did, will enable you to take action that will avoid crises that are unnecessary and, most of all, that will allow us to dispatch our responsibility to the people of our country.

So I thank you for your testimony today, for your willingness to accept this responsibility, for your wife's willingness to be supportive of you as you do that.

The record, without objection, for this hearing will be kept open until 12 noon tomorrow for the submission of any written questions or statements. In the meantime, I thank you again and look forward to working with you.

The hearing is adjourned.

[Whereupon, at 12:13 p.m., the Committee was adjourned.]

APPENDIX

PREPARED STATEMENT OF SENATOR OBAMA

The position of Director of the Office of Management and Budget is critical to the effective running of our government. On issues of fiscal policy, regulatory compliance, and government management, the Director of OMB must work with all Executive Branch departments and agencies, the White House, and Congress to ensure adequate and transparent budgets, satisfactory compliance, and the effective and responsive performance of government functions.

I approach this nomination, like all nominations, with an open mind because I believe a President should generally get the benefit of the doubt in assembling his or her cabinet. The nomination process is not the best place either for petty political squabbles or major substantive debates. Our duty to advise and consent on nominations requires us to judge the competence and qualifications of nominees and to ensure that they have the character and commitment to uphold our Constitution and respect their role within it. Basically, will a nominee be an asset or an obstacle to the important work the American people expect us to be doing?

It seems to me that a successful Director of OMB needs good policy judgment and political sense, integrity, and effective working relations with leaders in Congress. I believe that a successful Director also needs to prefer evidence to ideology, collaboration over confrontation, and concern for the common good over special interests.

Congressman Nussle comes to us with a significant amount of Federal budget experience. He is not new to the political debates of the annual budget process and not unaware of the steps involved and compromises required in getting from the President's Budget Proposal to a Concurrent Resolution by both houses of Congress to Conference Committee Reports on the various Appropriations bills. He understands the tasks that will confront him if he is confirmed.

Whether or not Rep. Nussle has the appropriate appreciation for the regulatory and management functions of the job and whether his budget experience demonstrates the capacity to effectively perform the key functions of the job are the questions that will be probed today by the Homeland Security and Government Affairs Committee and on Thursday by the Budget Committee.

I had the opportunity to submit some questions to Rep. Nussle prior to the hearing and I have just a few more questions that I'd ask unanimous consent to submit today for the record. I look forward to reviewing his answers to my questions and the questions of my colleagues before reaching a conclusion on this nomination.

Opening Statement of the Honorable Jim Nussle
Nominee, Director of the Office of Management and Budget
Homeland Security and Governmental Affairs Committee
July 24, 2007
As Prepared for Delivery

Thank you, Mr. Chairman and Ranking Member, for your introductions. I appreciate this opportunity to come before your Committee. I also want to thank both of you for the time you have taken in the past few weeks to meet with me and give me your advice and counsel. I look forward to continuing those meetings on a regular basis.

Thank you also to my two home state Senators. I am honored and grateful to have both of them here today to support me. Thank you Senator Grassley and Senator Harkin not only for introducing me today, but for your leadership and guidance throughout my career, and for your devoted service to the state of Iowa. We are all proud to have you serve us with dedication and passion.

I'd also like to thank the staffs of both the committee and OMB. Your professionalism, hard-work and dedication to public service may go unnoticed by the public, but for myself, and I believe I can speak for all public officials, what you do each day is very much realized. Much, if not most, of the work would not get done without you. Thank you.

Thank you also to my wife Karen, for being here today, and every day, to support me. I know it can't always be easy but you do it with grace, understanding and patience and I am grateful to have you by my side.

As I stated on the day the President nominated me, I feel truly humbled and privileged for this opportunity. If confirmed, I look forward to helping develop policies that will keep us on track to balance the budget by 2012, keep our economy growing, and address the biggest budgetary challenge we face: the unsustainable growth in entitlement spending for programs like Medicare, Medicaid and Social Security.
If I should be confirmed by the Senate, I intend to work day in and out with Members of Congress to honor the awesome responsibility placed upon me.

I also have to tell you that it feels good to be back here in my second home – Congress. It was in these halls that I experienced amazing things, learned valuable lessons, met incredible people, and formed friendships that will last throughout my lifetime.

I feel a special allegiance not only toward the building just across the street from here, but for my former colleagues – Democrats and Republicans – who are still working here each day. Many of you I have worked with in the past, and I'm excited for the opportunity you might give me to work with you in the future.

If confirmed, I'd have the honor of following in Rob's footsteps, my former vice-chair; and to continue my professional relationship with Josh, who provided excellent leadership at OMB and continues to serve the President well as Chief of Staff in the White House.

These two individuals give public service a good name with their steadfast devotion to it. And I intend to continue that way of working should I be confirmed.
As I sat to write my opening remarks for today I could not help but get a little nostalgic. I hope you will indulge me for a bit.

It was almost 30 years ago that I sat in the classroom of one of my college political science classes when my professor decided to teach us about the budget. At the time I remember thinking to myself, "When in the world am I ever going to use this information?" "Do I really need to know this stuff?"

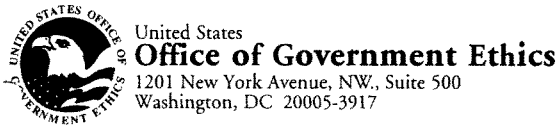
But then something happened. I got hooked. Yes, I'll admit it – I love the budget, the budget process and everything else that goes along with it.

But never, in a million years, would I, as a 19 year old Luther College Student, have ever thought that I would have been chosen by my peers to become the House Budget Chairman, let alone have this opportunity to sit before you as you consider me to be the next director of OMB.

It is truly an awesome thought for me and I hope my teenage daughter and son are paying attention today. My story is a lesson of listening and learning, even at times when you don't know exactly why you are doing it. It is because you truly never know where life is going to take you.

Listening and learning was also something I took to heart for the 16 years I was blessed to represent Iowa in the House. I believe that we govern better when we listen and learn from those we represent. Should I be confirmed by the Senate, I intend to continue those philosophies my parents first taught me were important, and that the people of Iowa cemented for me – listening, learning, teamwork and being open and honest.

Mr. Chairman, I am eager to answer your questions and the Committee's questions. I want to thank you once again for this opportunity and I look forward to you considering my nomination. Thank you.



July 5, 2007

The Honorable Joseph I. Lieberman
Chairman
Committee on Homeland Security
and Governmental Affairs
United States Senate
Washington, DC 20510-6250
Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by James A. Nussle, who has been nominated by President Bush for the position of Director of the Office of Management and Budget, Executive Office of the President.

We have reviewed the report and have also obtained advice from the Office of Management and Budget concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is a letter dated June 19, 2007, from Mr. Nussle to the agency's ethics official, outlining the steps Mr. Nussle will take to avoid conflicts of interest. Unless a specific date has been agreed to, the nominee must fully comply within three months of his confirmation date with any action he agreed to take in his ethics agreement.

Based thereon, we believe that Mr. Nussle is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Marilyn L. Glynn
General Counsel

Enclosures

REDACTED

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION

1. **Name:** (Include any former names used.)
   Jim Nussle, James Nussle

2. **Position to which nominated:**
   Director of the Office of Management & Budget

3. **Date of nomination:**
   June 25, 2007

4. **Address:** (List current place of residence and office addresses.)
   residence:
   office: 2265 Meadowbrook Drive SE, Cedar Rapids, Iowa

5. **Date and place of birth:**
   June 27, 1960, Des Moines, Iowa

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

7. **Names and ages of children:**
   Sarah Nussle (18),

8. **Education:** List secondary and higher education institutions, dates attended, degree received and date degree granted.
   Luther College, 1979-1983, BA in Political Science May 1983
   Drake University, 1983-1985, JD, December 1985

9. **Employment record:** List all jobs held since college, and any relevant or significant jobs held prior to that time, 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.
    5/1985 – 8/1985
    District Court Judge George Bergeson, Clerk
    Polk County, IA

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.
Navigating Strategies, L.L.C.
Rudy Giuliani Presidential Exploratory Committee
Roche Pharmaceuticals
The DCI Group
University of Dubuque Board of Trustees

12. **Memberships:** List all memberships, affiliations, or and offices currently or formerly held in professional, business, fraternal, scholarly, civic, public, charitable or other organizations.
Farm Bureau, Delaware County Volunteer Firefighter, University of Dubuque, International Rett Syndrome Association

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.
    Delaware County Prosecutor, US Representative from Iowa, candidate for Governor of Iowa

    (b) List all memberships and offices held in and services rendered to any political party or election committee during the last 10 years.
    US Representative from Iowa
    Candidate for Governor of Iowa
    Rudy Giuliani Presidential Exploratory Committee Advisor

    (c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more during the past 5 years.
    7/1/03, Bush-Cheney '04, $1000 (Personal Contribution)

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.
Americans for Tax Reform Award, National Taxpayers Union Award, Citizens Against Government Waste Award, the Council for Government Reform Award, the National Tax-Limitation Committee Award, and the Concord Coalition Award, Farm Bureau Golden Plow Award

15. **Published writings:** Provide the Committee with two copies of any books, articles, reports, or other published materials which you have written.

16. **Speeches:**

(a) Provide the Committee with two 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. Provide copies of any testimony to Congress, or to any other legislative or administrative body.

(b) Provide a list of all speeches and testimony you have delivered in the past 10 years, except for those the text of which you are providing to the Committee. Please provide a short description of the speech or testimony, its date of delivery, and the audience to whom you delivered it.

17. **Selection:**

(a) Do you know why you were chosen for this nomination by the President?
The President chose to nominate me because of my budget experience, my relationships with my former colleagues on Capitol Hill, and my support of the President's fiscal agenda.

(b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?
I believe my background and experience as House Budget Chairman, my long-time work on the House Ways & Means Committee on tax policy and entitlement programs, and my service as a Member of the House of Representatives from 1990-2006 qualifies me for the appointment.

B. 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? Yes

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, or to start employment with any other entity? 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

6. Have you ever been asked by an employer to leave a job or otherwise left a job on a non-voluntary basis? If so, please explain. No

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 represented Roche Pharmaceutical for three months in support of its efforts to provide medicines for domestic preparedness.

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 or execution of law or public policy, other than while in a federal government capacity.
Advice to Roche on legislative and administration strategy.

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. 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 arrests, charges, or convictions of any kind. To my knowledge, no "investigations"as such. But one contact with police relating to a pizza ordered while in college, for which the vendor made a routine complaint to local police because student payment by check did not clear; after notification, complaint was dropped when payment was made in full. Amount involved was less than $10.

3. Have you or any business of which you are or were an officer, director or owner ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details. No

4. For responses to question 3, please identify and provide details for any proceedings or civil litigation that involve actions taken or omitted by you, or alleged to have been taken or omitted by you, while serving in your official capacity.

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

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

Jim Nussle 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.

Jim Nussle

Subscribed and sworn before me this 27th day of June, 2007

Diana H Gilkerson

Notary Public

District of Columbia
Subscribed and sworn to before me this 27th day of June 2007
Diana H Gilkerson
Notary Public

NOTARY PUBLIC
DISTRICT OF COLUMBIA

My Commission Expires November 14, 2011

Question #9.
1/2007 – 6/2007
Navigating Strategies, LLC Chairman
2265 Meadowbrook Drive SE Cedar Rapids, IA 52403

1/1991 – 1/2007
U.S. House of Representatives, Member of Congress
U.S. Capitol Washington, DC 20515

6/1986 - 12/1990
Delaware County, Iowa County Attorney
301 East Main Street Manchester IA 52057

3/1985 – 11/1985
Governor Terry Branstad, Intern
Iowa State Capitol, Des Moines, Iowa

5/1982 - 8/1983
Tom Tauke for Congress, Campaign aide
Locust Street, Dubuque, Iowa 52001

1/1982 - 5/1982
Office of Congressman Tauke, Intern
319 Cannon House Office Building, Washington, DC 20515, n/a

6/1981 - 9/1981
Marko Dumlija Contractor, Painter
Tinley Park, Illinois, 773-206-2002

6/1980 - 8/1980, 7/1979 - 9/1979
Viking Metal Cabinets, General Labor
5321 W. 65th Street, Chicago, IL 60638, 708-594-1111

U.S. Senate Committee on Homeland Security and Governmental Affairs
Pre-hearing questionnaire for the Nomination of
Jim Nussle 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 (OMB)?

Answer:

I believe the President nominated me because of my experience serving in the House of Representatives, particularly as Chairman of the House Budget Committee and as a member of the Ways and Means Committee. In addition, I think the President nominated me because he believes I would effectively lead OMB, be a strong advocate for protecting taxpayer dollars, and work with Congress on a bipartisan basis to advance his priorities.

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

Answer:

No.

3. What specific background and experience affirmatively qualifies you to be OMB Director?

Answer:

I was elected as a member of the House of Representatives for 1991-2007. During that time, I served as Chairman of the House Budget Committee and also served on the Ways and Means Committee.

As Chairman of the Budget Committee, I developed and gained passage of six budget resolutions. I also worked on a bipartisan basis with then Congressman Cardin on legislation to reform the budget process.

I have consistently been an advocate for fiscal discipline, keeping spending under control, balancing the budget, and addressing the long-term problem facing the country due to the unsustainable growth in mandatory spending programs.

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

Answer:

I have committed to the President, members of this Committee, and others that if confirmed by the U.S. Senate I would be dedicated to achieving the President's priorities and that I would faithfully discharge the duties of the Director in accordance with the law and the Constitution.

5. If confirmed, are there any issues from which you 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.

Answer:

Please see attached letter.

June 19, 2007

Mr. Stuart A. Bender
Assistant General Counsel and
Designated Agency Ethics Official
Office of Management and Budget
Room 5001, NEOB
725 17th Street, N.W.
Washington, D.C. 20503

Re: Ethics Agreement

Dear Mr. Bender:

The purpose of this letter is to describe the steps that I will take to avoid any actual or apparent conflict of interest in the event that I am confirmed for the position of Director of the Office of Management and Budget.

As required by 18 U.S.C. § 208(a), I will not participate personally and substantially in any particular matter that has a direct and predictable effect on my financial interests or those of any other person whose interests are imputed to me, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to Section 208(b)(2). I understand that the interests of the following persons are imputed to me: my spouse, minor children, or any general partner; any organization in which I serve as an officer, director, trustee, or general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

Upon my confirmation and before I assume the duties of the position of Director of the Office of Management and Budget, I will resign from my positions as managing member and Chairman of Navigating Strategies, LLC, a consulting firm. I will divest my interest in Navigating Strategies, LLC in the manner described in the paragraph below. Until I divest this interest, I will not participate personally and substantially in any particular matter that would have a direct and predictable effect on the financial interests of Navigating Strategies, LLC, unless I first obtain a written waiver pursuant to Section 208(b)(1) or qualify for a regulatory exemption pursuant to Section 208(b)(2).

By no later than June 30, 2007, Navigating Strategies, LLC, will cease doing business and begin the process of dissolution, or I will sell my entire interest in Navigating Strategies, LLC, to the other current member of that entity. In the event that I dissolve Navigating Strategies, LLC, by June 30, 2007, I will receive a 50% share of all remaining assets and receivables accrued by June 30, 2007. In the event that I sell my interest to the other current member, the amount of the sale will be fixed by June 30, 2007. In either case, I will not participate personally and substantially in any particular

matter that would have a direct and predictable effect on the ability or willingness of any party to the transaction to make such payments or on the ability or willingness of any client to pay outstanding fees, unless I first obtain a written waiver pursuant to Section 208(b)(1) or qualify for a regulatory exemption pursuant to Section 208(b)(2).

For a period of one year from the date that I last provided services to any client of Navigating Strategies, LLC, I will not participate personally and substantially in any particular matter involving specific parties in which that client is a party, or represents a party, unless I have been authorized in advance pursuant to 5 C.F.R. § 2635.502(d).

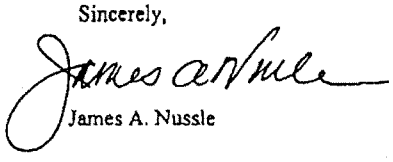
My spouse is a principal of Ripple Communications. In order to avoid potential conflicts of interest under Section 208, I will not participate personally and substantially in any particular matter that would have a direct and predictable effect on the financial interests of Ripple Communications, unless I first obtain a written waiver pursuant to Section 208(b)(1) or qualify for a regulatory exemption pursuant to Section 208(b)(2).

My spouse is also a salaried employee of the National Mentoring Partnership. I will not participate personally and substantially in any particular matter involving specific parties in which the National Mentoring Partnership is a party or represents a party, unless I have been authorized in advance pursuant to 5 C.F.R. § 2635.502(d).

In addition, in order to avoid potential conflicts of interest under Section 208, I and my spouse agree to fully divest my dependent child's stock holding in Conoco-Phillips within 90 days of my confirmation.

I note that I may seek a Certificate of Divestiture ("CD"), if appropriate, from the Office of Government Ethics to defer any capital gains that I might realize on the sale of the above referenced stock. I understand that regardless of whether or when a CD is issued, I must divest the conflicting asset specified above within 90 days of my confirmation. Until such divestiture is fully accomplished, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interests of Conoco-Phillips unless I first obtain a written waiver pursuant to Section 208(b)(1) or qualify for a regulatory exemption pursuant to Section 208(b)(2). I agree to place the proceeds from such divestiture in non-conflicting assets.

Sincerely,



James A. Nussle

II. Role of the Director, OMB

6. What do you anticipate will be your greatest challenges as OMB Director?

Answer:

In general, it seems to me the greatest single challenge for the Director on budget matters is to ensure that Federal spending is allocated for the Nation's priorities within overall fiscal constraints. I am particularly concerned about the long-term problem of the unsustainable growth in mandatory spending programs. In addition, OMB has a responsibility to improve the efficiency and effectiveness of federal programs and ensure accountability for results in the expenditure of taxpayer dollars.

7. How do you plan to communicate and work with Congress in carrying out OMB's responsibilities?

Answer:

If confirmed, it will be a priority of mine to communicate frequently and work closely with Congress in pursuing the President's agenda. I had the privilege to serve as a member of Congress and I would look forward to working with Congress in carrying out OMB's responsibilities.

8. How well does OMB's current strategic plan reflect what you plan to accomplish during your tenure as Director? What would you change?

Answer:

I have not had the opportunity to review the OMB strategic plan, but I believe that strategic and performance planning are important. If confirmed, I plan to review OMB's current strategic plan and goals, and will make any changes that I believe are necessary.

9. 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 the integration of OMB's statutory management, budget, and policy responsibilities?

Answer:

I have not reviewed OMB's strategic plan. If confirmed as Director, I plan to review OMB's strategic plan and to use OMB's Senior Executive Service (SES) performance appraisal process to hold our managers accountable for achieving our goals and objectives. We will use these assessments to inform decisions on SES compensation. The performance appraisal process also 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.

10. Because of the critical nature of OMB's mission, Congress has considerable interest in, and oversight responsibility for, OMB's implementation of its statutory authorities. 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 to federal officials, if necessary, for Congress to fulfill its oversight responsibilities?

b. What are your views on providing Congress 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 Congress, as well as resolving any potential disputes regarding access to information and officials?

Answer:

I believe 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.

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

Answer:

I believe one of the most important challenges is to ensure we sustain a strong economy. By continuing to pursue pro-growth economic policies, particularly the extension of tax relief, and spending restraint, we can achieve the President's goal to balance the budget by 2012. If confirmed, the management part of OMB would also be a top priority of mine. The President's Management Agenda outlines the management challenges for the Federal Government and the steps necessary to improve the management of Federal programs. Deputy Director for Management Clay Johnson is the deputy with responsibility for this agenda and, if confirmed, I would give him my full support to continue and build on the progress he has achieved in implementing the Agenda's goals.

III. Policy Questions

Government Management

12. What do you see as the top three management challenges facing the federal government?

Answer:

While the Federal government faces many specific management challenges, there are also common management challenges:

- *Clearly defining and communicating our goals.* In all areas, the Federal government needs to have a clear definition of what it is trying to achieve. Managers need to clearly and regularly communicate to employees what performance is expected of them. Agencies and programs need to define what outcomes they will achieve.
- *Establishing greater accountability for achieving those goals.* Managers' performance assessments need to tie to the performance of the programs they are responsible for. Clearly defining and communicating goals, and the performance relative to those goals, also fosters greater accountability.
- *Accelerate the use of 'best practices".* When we are successful or fall short of success, we need to understand why and share that information with other agencies and programs so that they can learn from it and possibly replicate it.

13. Do you propose any changes to enhance OMB's ability to lead and coordinate implementation of statutory management efforts such as the Government Performance and Results Act, the Chief Financial Officers Act, and the requirement for agencies to appoint Chief Human Capital Officers?

Answer:

I understand that OMB devotes a great deal of time and attention to its leadership or co-leadership of the various management councils and will continue to do so.

Each year OMB is strengthening the relationship between budget and performance so that taxpayers get more for their money. If confirmed, I will be reviewing how OMB manages implementation of the Government Performance and Results Act.

14. Since 2002, OMB has used the Program Assessment Rating Tool (PART) to evaluate the management and performance of individual programs.

a. What changes, if any, do you expect to make to PART? Please explain.

Answer (14a):

- If confirmed, I will review whether any changes to the Program Assessment Rating Tool (PART) are appropriate.

b. The Government Performance and Results Act (GPRA) was created to involve both the executive and legislative branches in the performance planning process. The PART is solely an Executive Branch effort. What do you believe to be the appropriate relationship between the PART and GPRA? What role do you believe each should play in assessing program performance?

Answer (14b):

- It is my understanding that the PART is not distinct from the Government Performance and Results Act. Using the PART helps us ensure agencies are implementing the Act as Congress intended. The PART helps agencies identify ways to improve program effectiveness and efficiency. By disclosing information about any program's performance goals and actual results, the PART strengthens accountability. All of these are goals of the GPRA.
- A PART assessment of program performance is more comprehensive than GPRA because in addition to performance measures, it includes important information on how well the program is designed and managed. In addition, after completing a PART, the program develops and implements a program improvement plan which may include working with the Congress to seek legislative changes.
- Agencies have and will continue to consult with their authorizing, appropriating, and oversight committees on both PART and GPRA implementation.

c. What will you do to ensure that interested stakeholders have a role in developing and assessing performance standards under the PART analysis?

Answer (14c):

- If confirmed, I will encourage agencies and officials within OMB to consult with Congress and other interested stakeholders in the assessments of program management and performance.

d. What will you do to ensure that OMB does not exert pressure on agencies through the PART review to achieve short-term results which may actually conflict with agencies' efforts to set and achieve long-term strategic goals?

Answer (14d):

It is my understanding that a PART assessment is a joint product of an agency and OMB, and that the tool requires the agency to set and report progress on both short-term and long-term goals. I would expect that the short-term and long-term goals should be consistent with one another and with available funding. I can imagine that OMB does have to work with agencies to ensure that they can feasibly accomplish *all* of their short-term and long-term goals; otherwise, the government would not be responsibly communicating to the American people what its government can feasibly accomplish with the limited taxpayer money provide to it.

e. Does PART lead to second-guessing Congress in terms of program purpose and design? Do you think it is appropriate for an agency to get a poor rating under PART simply because the agency follows a Congressional mandate with which OMB disagrees?

Answer (14e):

If a program is doing exactly what Congress and the President intended when they authorized the program, but the program is not achieving outcomes that benefit the American people, I would hope a PART assessment would illuminate that fact. With this information, Congress and the President can work together to fix the program so that it maximizes what is achieved for the American taxpayer. A program should not get a poor rating simply because it follows a Congressional mandate with which OMB disagrees.

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

Answer:

Eliminating improper payments is one of the Administration's top management priorities.

To be successful, I believe the Administration must continue to hold agencies accountable for establishing and maintaining error measurements for all high risk programs, developing aggressive (yet feasible) error reduction targets, and initiating corrective actions to achieve those targets.

16. OMB is required under the GPRA to annually develop a government-wide performance plan; this plan is expected to provide a comprehensive picture of government performance and could be used to provide a more strategic, crosscutting focus on policy and budget decisions to address goals that cut across conventional agency and program boundaries. OMB has not issued a government-wide plan in recent years.

a. How do you plan to comply with the requirement for a government-wide plan?

b. How can the government-wide performance plan help to focus decisions on broader issues cutting across specific agencies and their programs and reduce program overlap?

c. What are your views on augmenting the required government-wide performance plan with a long-term strategic plan for the federal government?

Answer:

My understanding is that the Administration provides an unprecedented amount of performance information. The President's Budget provides a great deal of performance information and sets out long term, strategic goals and together with the agency

performance budgets and www.ExpectMore.gov, it represents the government-wide performance plan.

The website www.ExpectMore.gov, reports on how well Federal programs are performing, their current performance information, and what they are doing to improve their performance. It is the most comprehensive transparent performance information on Federal programs that exists today.

17. Federal financial management systems must be able to produce accurate, timely, and reliable information. Yet, this capability is lacking in many federal agencies. Do you believe OMB's financial management line of business is the best approach to addressing financial management deficiencies in government agencies and departments?

Answer:

While I am not familiar with the details of the Financial Management Line of Business (FMLOB), it appears to be a sensible approach for addressing financial management and financial management system deficiencies in government agencies and departments.

By leveraging the expertise and economies of shared service solutions, I am told the FMLOB will allow agencies to implement higher performing financial systems at lower risk and cost.

Government Information, Openness and Transparency

18. Given the regular involvement that OMB has with other federal agencies, along with its dissemination responsibilities delineated under the Paperwork Reduction Act and the E-Government 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?

Answer:

I have been advised the President's December 2005 Executive Order concerning the Freedom of Information Act (FOIA), OMB's policies for improving agency information dissemination, and use of agency public websites should go a long way toward strengthening the public's access to government information. In particular, this Administration had also strongly promoted the efficient, effective, and consistent use of Federal agency public websites as an important way to promote a more citizen centered and open government.

If confirmed, I would like to see how effectively agencies implement the Order and OMB's policies before I make any judgments on what more should or could be done.

19. 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?

Answer:

In determining whether and how to disseminate information to the public, agencies must determine the best balance between the goals of maximizing the usefulness of the information and minimizing the cost to the government and the public.

It is my belief agencies have a responsibility to provide information to the public consistent with their missions and with the constitutional and statutory prerogatives and obligations of the Executive Branch. When managing information dissemination programs, agencies must consider the effects of their efforts on the public, State and local governments, and industry to avoid undue burden and inappropriate competition.

20. What do you think is the importance of each of the five major initiatives of the President's Management Agenda:

a. Strategic Management of Human Capital?

b. Competitive Sourcing?

c. Improving Financial Performance?

d. Expanded Electronic Government?

e. Budget & Performance Integration?

Answer:

I believe the significant attention the Administration gives to these initiatives is strong evidence of their importance. It is my understanding that together, the initiatives of the President's Management Agenda are designed to improve the effectiveness and efficiency of the Government's programs.

E-Government

21. Expanded electronic government, or E-Government, is one of the five major initiatives of the President's Management Agenda. A provision in the Financial Services and General Government, Treasury, the Judiciary, the District of Columbia, and Executive Office of the President Appropriations Act of 2008 (H.R. 2829) states "no funds shall be available for transfers or reimbursements to the E-Government Initiatives sponsored by the Office of Management and Budget (OMB) prior to 15 days following submission of a report to the

Committees on Appropriations by the Director of the Office of Management and Budget and receipt of approval to transfer funds by the House and Senate Committees on Appropriations."

a. What impact do you believe this provision would have on E-Government programs?

Answer to (21a):

The required report submitted by OMB provides the Congress with transparency into the progress, results of the E-Gov initiatives and how agencies are managing these efforts collaboratively. It is my understanding there may have been a delay in the funding of the E-Gov initiatives, there were only minor impacts on the net results. If confirmed, I will work to ensure this transparency continues.

b. Do you support such a requirement for future years?

Answer to (21b):

I believe Congress should have timely access to accurate information. If confirmed, I will work to accommodate the interests of Congress as it relates to the President's Management Agenda and in particular to the E-Government initiative.

22. What must OMB do to communicate the importance of E-Government and other cross-cutting initiatives to Congress?

Answer:

My understanding is that OMB has increasingly reached out to Members of Congress and their staff to explain the E-Government goals; performance relative to the goals; and the cost savings and benefits from the initiatives. If confirmed, I will work with Clay Johnson, Deputy Director for Management, and Karen Evans, Administrator of the Office of Electronic Government, to ensure the review of E-Government initiatives are transparent.

23. As the Director, would you make e-government initiatives a high priority? How would you assess governmentwide progress and success in e-government initiatives?

Answer:

Yes. If confirmed, I will be committed to the President's goals to expand E-Government. Prudent management and information technology integration is critical to improved government program performance. If confirmed as Director, I would continue to rely on my leadership team of Clay Johnson (the Deputy Director for Management) and Karen Evans (the E-Gov Administrator) to assess governmentwide progress and success with E-Government.

24. What is your view of the potential for e-government to improve the public's participation in government processes? What is your view of its potential to improve public access to government information? Please explain your answer and give specific examples.

Answer:

I believe E-Government has the potential to fundamentally change agency services to improve ways of interacting with the public. As a result, the Government can improve services and provide more timely and accurate information to citizens and government decision makers to deliver results for the American people.

25. The E-Government Act of 2002 requires the establishment of a federal website providing public access to information about research and development funded by the federal government? OMB has complied with this requirement by ensuring modest funding of the RADIUS database. The RADIUS database contains substantial amounts of data on research and development funding, but the web site is under-utilized. What steps would you take to promote the ongoing development of the database and web site, and to ensure greater awareness and utilization by the public?

Answer:

Dissemination of and access to information about federally funded research and development (R&D) stimulates the exchange of new scientific information and technologies and provides opportunities for understanding and applying knowledge towards the production of useful materials. I have been advised that the Federal Government funds two primary research and development information repositories: RaDiUS (https://radius.rand.org) and Science.gov. It is my understanding use of Radius and science.gov is in part driven by the needs of the users, and agencies continuously evaluate these programs to ensure they meet user needs.

26. The E-Government Act of 2002 requires federal agencies to establish electronic dockets so that agency rulemaking can be publicly accessible over the Internet. While progress has been made in the resulting E-rulemaking website, there have been several obstacles: many agencies have objected to standardized online rulemaking; and in previous years, congress has threatened to cut funding for the initiative. Furthermore, many users complain the website is not well designed.

a. What is your view of how this initiative has progressed?

Answer (26a):

It is my understanding currently, citizens can comment on all active rulemakings through the Regulations.gov website – E-Rulemaking citizen facing interface. Furthermore, I am informed that most Federal agencies use E-Rulemaking as their primary docket management system and remaining Cabinet level agencies are scheduled to implement this system by January 2008.

b. If confirmed, how would you move past these difficulties to allow more efficient online interaction and tracking of public rulemaking?

Answer (26b):

It is my understanding that the E-Rulemaking initiative, lead by EPA, is a centralized rulemaking site that provides citizens with a cost-effective and helpful tool to understand how their government is serving them. If confirmed, I will be in a position to look into this issue further.

Information Sharing

27. Congress included in the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA) a requirement that the President establish an information sharing environment (ISE) for the sharing of terrorism information. Unfortunately, it appears that only minimal progress has been made toward achieving the ISE and that a number of the requirements set out in IRTPA have been neither promptly nor fully met. In December 2005, the 9/11 Public Discourse Project issued a final report on the implementation of each of the 9/11 Commission's recommendations; the information sharing elements received a "D," and the report found that the office of the ISE Program Manager was "not getting the support it needs from the highest levels of government." A March 2006 report by the Government Accountability Office (GAO) concluded that "more than 4 years after September 11 the Federal government still lacks comprehensive policies and processes to improve the sharing of information that is critical to protecting our homeland."

a. As Director of OMB, which has government-wide oversight responsibility for information management, what steps would you take to improve information sharing efforts across federal agencies, support the efforts of the ISE Program Manager, and fulfill both the letter and spirit of section 1016 of IRTPA?

Answer (27a):

If confirmed as Director, I will continue to rely on Clay Johnson (the Deputy Director for Management and Karen Evans (the E-Gov Administrator) to work with the Program Manager and the agencies to ensure the actions required by the Intelligence Reform Act are effectively implemented including coordinating with the Privacy and Civil Liberties Oversight Board.

b. What level of funding do you believe is necessary to adequately support the federal government's information sharing efforts, including the development and implementation of the ISE? Do you believe it would be helpful to have a separate line item in the budget specifically to support the information sharing efforts of the ISE Program Manager (PM)?

Answer (27b):

I do not know the details of the ISE, but am advised that the successful creation of the Information Sharing Environment is important to protect Americans from terrorism. If confirmed as Director, I will work with the Director of National Intelligence (DNI) and

other appropriate agencies to ensure the Information Sharing Environment resources are adequately addressed.

c. Section 1016(d)(2) of IRTPA required that, within 270 days of enactment (i.e., by September 13, 2005), the President, in consultation with the Privacy and Civil Liberties Oversight Board, issue guidelines to "protect privacy and civil liberties in the development and use of the ISE." If confirmed, what specific steps will you take as OMB Director to ensure that these guidelines are fully implemented in a timely manner, and that government information sharing efforts protect individuals' privacy and civil liberties.

Answer (27c):

If confirmed, I will work with the DNI and other appropriate agencies as well as consulting with the Privacy and Civil Liberties Oversight Board when appropriate to ensure guidelines to protect privacy and civil liberties are fully implemented in a timely manner. The government's information sharing efforts are entirely compatible with individuals' privacy and civil liberties.

d. In light of section 1016(f)(2) of IRTPA, which assigns the Program Manager of the ISE the authority to address and facilitate information sharing between and among federal agencies, what is your view of the degree of authority that Program Manager should have in resolving interagency disputes over the sharing of a particular piece or pieces of information?

Answer (27d):

If confirmed, I would be committed to the continued establishment and successful implementation of the Information Sharing Environment to improve government-wide processes related to the sharing of terrorism information.

Fiscal Policy

28. As Chairman of the Budget Committee, you stated that tax cuts pay for themselves. Do you still maintain that this is the case? If so, please provide a specific reference to the empirical evidence on which you base this assertion?

Answer:

Tax relief has played an important role in helping to boost our economy. We have seen strong sustained economic growth, particularly since the full implementation of tax relief in 2003. The unemployment rate is low and real wages are growing – up 1.1 percent over the past year.

With strong economic growth comes strong growth in tax receipts. Receipts to the U.S. Treasury have grown by double digits the past 2 years – by 14.5 percent in FY 2005 and by 11.8 percent in FY 2006. And so far this year, receipts are up by 8 percent through May compared to the same period last year.

Not all tax cuts are the same in terms of how they affect the economy and the extent to which they affect receipts. Tax relief that promotes economic growth will have a greater amount of offset than tax cuts that do not generate positive incentives.

Even if tax cuts don't generate a full offset from the resulting higher economic growth and associated increases in tax receipts, I believe that the static receipts estimates that are used for scoring purposes overstate the declines in receipts that occur with tax cuts.

29. What do you think is an appropriate rate of growth for discretionary spending over time?

Answer:

It is my understanding that the 2008 Budget proposes 5-year discretionary spending levels that ensure constrained, but reasonable growth in discretionary programs through 2012. The 2008 Budget also proposes to keep non-security discretionary spending below inflation for the next five years.

I believe these levels would help to meet the goal of balancing the budget by 2012.

The Administration's Budget increases funding in high priority defense and homeland security programs and offsets these increases with savings in low priority programs, programs where there is not a clear Federal role, and through striving for greater performance of Federal programs at a lower cost.

30. Do you believe dynamic scoring should be used in preparing cost estimates of pending legislation? If so, please explain how you believe it should be done.

Answer:

Clearly, major tax law changes can have significant effects on the economy. I believe the Administration and Congress should be able to consider these economic effects as part of the budget and legislative process.

As chair of the House Budget Committee, I urged CBO to consider the macroeconomic effects of tax changes and they have begun to do that kind of analysis. I also understand that the Administration has proposed a new division within the tax policy area of the Treasury Department to estimate the economic effects of major tax proposals.

As I understand it, there are still a large number of technical issues related to translating estimated economic effects – "dynamic analysis" – into the official scoring estimates that are used in the legislative process – "dynamic scoring." Until these issues are resolved, I believe the results of dynamic analysis can provide helpful supplemental information when reviewing legislation.

31. The long-term fiscal gap is approximately 3.2% of projected GDP through 2050. What steps would you advocate to close this gap? If you would advocate cutting spending, please identify specific budgetary functions on which you would focus? (Committee on Homeland Security and Governmental Affairs Majority)

Answer:

OMB, CBO, and others have projected for years a looming fiscal gap stemming from rising outlays for Social Security, Medicare, and Medicaid due to the impending retirement of the baby boom generation and rapidly rising health care costs. I believe entitlement reforms that slow spending particularly for health care spending are the only way to successfully address this problem in the long-run.

32. What steps would you recommend taking to ensure Medicare's long-term solvency?

Answer:

Medicare faces serious long-term financing challenges. I understand that the Administration is committed to improving the long-term fiscal health of the Medicare program. Making the program more sustainable will help to preserve Medicare for future generations.

As the 2007 Medicare Trustees' Report indicates, Medicare's funding problems are worsening and are caused by rising health care costs and a growing number of Medicare beneficiaries.

I understand that the 2008 President's Budget proposes initial reforms to slow the growth of Medicare spending. These Budget proposals would produce significant long-term savings of about $8 trillion, nearly one-quarter of Medicare's $34 trillion 75-year unfunded obligation.

Permanently fixing Medicare's long-term insolvency will take time and the 2008 President's Budget would an important step toward this goal. I look forward to working with the Congress to make Medicare more sustainable.

33. By 2027, projected annual Social Security expenditures will exceed revenues to the Social Security Trust Fund from all sources, including interest. What options would you favor to ensure Social Security's long-term solvency, and would you consider options that would affect both the benefit and revenue sides?

Answer:

I agree that it is important to strengthen Social Security through the right combination of reforms.

It is my understanding that the President's approach would couple voluntary personal accounts with other changes, such as progressive indexing.

The President has made clear that he believes the Social Security problem can be solved without raising taxes. At the same time, the President has expressed a desire to work with legislators who may have different ideas, and to have bipartisan negotiations with all options on the table.

Human Capital Management

34. Many of the human capital challenges that agencies face will require targeted investments of resources, especially for training and individual performance incentives. How would you work with agencies to ensure they have the resources necessary to succeed in making their agencies employers of choice? Would you be an advocate for additional resources for human capital management within the Administration?

Answer:

As I understand it, OMB works with agencies to implement the Strategic Management of Human Capital initiative of the President's Management Agenda to better align employees, managers and skills with missions.

I believe that our most important task in this area is developing agency budgets that better target existing resources toward recruitment and training activities that specifically attract and develop necessary skills sets.

The Administration is also strengthening performance appraisal systems throughout the Federal government to more effectively recognize individual employee performance.

35. It is often argued that one function of statutory civil service protections, such as 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. Do you agree? If so, how can we ensure that proposals to grant increased flexibility to managers in the areas of hiring, firing, and setting of pay and benefits would not compromise the ability of the civil service system to serve this function? Please describe the safeguards that you believe should be in place, if any, to prevent favoritism and politics factoring into personnel decisions?

Answer:

It is my understanding that the Administration strongly supports these essential protections, which allow Federal employees to serve the public free of without undue political influences. OMB and OPM closely scrutinize the use of human resources flexibilities to ensure that they not only meet agencies' human capital needs, but also are consistent with merit system principles and statutory protections against prohibited personnel practices.

36. In light of the long-standing and ongoing controversies and litigation regarding the establishment and implementation of the National Security Personnel System (NSPS) at the Department of Defense and of the new Human Capital Operational Plan, formerly known as MAX HR, at the Department of Homeland Security, what additional steps do you believe these Departments should take to build employee trust in their respective personnel systems?

Answer:

I believe that employee and management buy-in will continue to be essential to the success of these alternative personnel systems.

It is my understanding that the Department of Defense is implementing the National Security Personnel System in stages, which has allowed Department leaders and managers to make adjustments to the system based on employee feedback.

Both Departments require modern civilian human resources systems to better support their critical national security missions.

37. Do you believe there are special challenges in establishing a pay-for-performance system in some environments? Do you believe there may be certain settings where pay-for-performance is not appropriate? For example, how do you believe pay-for-performance could be made to function effectively in a workforce that requires extensive teamwork to successfully accomplish its mission? What is your opinion about whether and how pay-for-performance could be applied effectively in a law-enforcement context, or in the case of Administrative Law Judges?

Answer:

The main challenges of establishing pay-for-performance systems in any environment are to clearly define individual performance goals that contribute to the agency's mission, and to make sure that Federal managers have the necessary training and guidance to evaluate employees thoroughly and objectively.

Many jobs in the Federal government, such as law enforcement, require strong teamwork to accomplish agency goals. In those cases, employee performance is reflected in both individual and team accomplishments.

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

Answer:

It is my understanding that OPM's primary role is to aid and advise the President on promoting an effective civil service in accordance with Merit System Principles. OPM also has the lead in providing guidance and requirements for the Strategic Management of Human Capital Initiative of the President's Management Agenda.

It is my understanding that OMB monitors implementation of the intiative by ensuring that each agency's recruitment, training and workforce management practices are on track to meet the current and future demands of its mission. OMB is also responsible for assessing the budgetary and performance implications of the government's personnel policies.

39. With a significant portion of the acquisition workforce eligible to retire in the next few years, OMB has begun initiatives to develop and manage this critical human capital resource. However, most of OMB's focus has been on standardizing the education, training, and experience requirements for contracting professionals to improve workforce competencies and increase career opportunities. At the same time, many agencies' vacancies go unfilled in the face of competition over too few qualified and experienced candidates. How would you respond to this challenge?

Answer:

I understand that OMB's Office of Federal Procurement Policy (OFPP) is taking a lead role in coordinating recruitment and development efforts to attract qualified entry-level and mid-career acquisition professionals to the federal government. If confirmed, I will support these and other appropriate efforts to ensure that the acquisition workforce can meet the government's needs now and in the future.

40. What role should federal employees and their organizations and unions play in the design and implementation of federal human capital policies and practices? To what extent should they be subject to collective bargaining? What steps would you take, as Director of OMB, in this regard?

Answer:

I believe that Federal employees and their representatives are major stakeholders in the design and implementation of new human capital policies and practices, and their participation and input is critical to the success of these new systems.

41. Two years ago, at a hearing before this Committee's Subcommittee on Federal Financial Management, Government Information, and International Security, Comptroller General David Walker testified that "the federal government is in a period of profound transition and faces an array of challenges and opportunities to enhance performance, ensure accountability, and position the nation for the future." (21st Century Challenges: Performance Budgeting Could Help Promote Necessary Reexamination (GAO-95-709T)). What do you see as the most important "opportunities to enhance performance, ensure accountability, and position the nation for the future," and how do you believe OMB should take advantage of them?

Answer:

The President has outlined an ambitious agenda to "position the nation for the future." It includes policies to sustain a strong economy, build a strong national defense, balance the budget, and to address the unsustainable long-term growth in mandatory spending. If confirmed, I would strive to implement the President's priorities that I believe would enhance the performance of the federal government, ensure accountability, and better position the Nation for the future.

Competitive Sourcing

42. The Administration anticipates realizing cost savings and improvements in the performance of commercial functions by competing these functions between public and private entities. 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 potentially provided by contractors?

Answer:

When used in appropriate circumstances, public-private competition for commercial functions can be a highly effective management tool for achieving greater efficiency in government operations.

Rules for conducting public-private competitions must be transparent and provide for unbiased and consistent decision-making.

Federal employees must perform all inherently governmental activities and commercial activities that are unsuitable for private sector performance -- e.g., because they are core to the agency's mission. Private sector performance should be considered only for activities that are commercial in nature and can be provided by contractors more efficiently and effectively than by Federal employees.

43. Congress has expressed opposition to establishment of arbitrary goals, targets, and quotas for contracting out government work. Will you commit to rejecting arbitrary goals, targets, and quotas under the President's privatization initiative?

Answer:

I do not support arbitrary goals, targets, or quotas. Competitive sourcing must be tailored to each agency's unique mission and workforce needs. Equally important, it must be applied in an unbiased manner that helps agencies identify which sector and provider can meet their needs in the best and most cost-effective manner.

44. What steps will you take to reach out to federal employees and ensure that they are treated fairly under the A-76 process?

Answer:

If confirmed, I will expect the Administrator of OFPP and the OMB budget offices to work closely with agencies to ensure competitions are being conducted in an unbiased manner and on a level playing field. I understand that Federal employees have won more than 80 percent of the work that has been competed since FY 2003. This suggests to me that agencies are giving employees a full and fair opportunity to demonstrate their value to the government and the taxpayer.

45. Do you believe that there is new work or work currently performed by contractors that should be subject to public-private competition for possible insourcing? If public-private competitions result in the greatest efficiency for work traditionally performed by government workers, why would OMB not give federal employees the opportunity to win through competition work that they can perform more efficiently than contractors?

Answer:

If confirmed, I will ask the OFPP Administrator to review current policies. My understanding is Circular A-76 includes procedures for conducting public-private competitions that could include the potential insourcing of a commercial activity.

46. Two years ago, the General Accounting Office (GAO) found that the Department of Veterans Affairs (VA) did not track its in-house time and expenses associated with performing cost comparison studies to determine whether increased savings can be obtained from outsourcing certain segments of its operations. GAO stated that "VA was unable to provide us with any estimate, no matter how rough, of the time its VA employees spent on activities in connection with the cost comparison studies . . . [T]his amount is likely to be substantial." ("Subject: Purpose Statute Violation: Veterans Affairs Improperly Funded Certain Cost Comparison Studies with VHA Appropriations" (November 30, 2005), GAO-06-124R.) What steps will you take to ensure that agencies keep track of time and expenses related to conducting cost comparisons in-house? What steps will you take to ensure that such costs are taken into account in projecting savings from the A-76 process?

Answer:

I am not familiar with the GAO's report. However, I support the tracking of out-of-pocket (incremental) costs of competition in estimating savings to be achieved from public-private competition. If confirmed, I will ask the Administrator to ensure that agency savings projections take incremental costs into consideration.

Acquisition

47. How will you ensure that the federal government is obtaining fair and reasonable prices, does not avoid competition, and otherwise ensures that it obtains the best value for the taxpayer in the acquisition of services?

Answer:

If confirmed, I will ask the Administrator for Federal Procurement Policy (OFPP) to work aggressively with agencies to ensure they are taking maximum advantage of competition and limiting sole source contracting to situations where it is necessary and justified in accordance with law. I will also look to the OFPP Administrator to promote contracting policies that hold contractors accountable for measurable results and ensure effective oversight to confirm that contractors are meeting the government's needs in a timely manner.

48. The acquisition function and processes at several agencies has been on GAO's high-risk list for over a decade and in January 2005 GAO added interagency contracting to this list. DOD, NASA, and DOE spend billions of dollars as a result of ever-increasing reliance on contractors for services and mission operations and support. Unfortunately, a history of inadequate management and oversight of contractors and even failure to hold contractors responsible puts government contract management at DOD, NASA, DOE, and other agencies at high risk for fraud, waste, abuse, and mismanagement. With interagency contracting, several factors can pose risks, including the rapid growth of dollars involved combined with the limited expertise of some of the agencies in using these contracts and recent problems related to their management. What are your views on the ability of agencies to resolve these high-risk management areas and what is OMB going to do to press them for real reform?

Answer:

I understand that OMB has been working with agencies and the GAO on action plans with clear goals and milestones for reducing risk in each of the high-risk areas. If confirmed, I will look to the Administrator for Federal Procurement Policy to continue taking a leadership role in mitigating and managing risk in the acquisition areas. My goal is to see the eventual removal of these areas from GAO's high-risk list.

49. Last month the Administrator of the Office of Federal Procurement Policy (OFPP) issued a memorandum to the Chief Acquisition Officers of all agencies stating that the government's acquisition workforce is not taking full advantage of tools to facilitate the efficient and effective use of competition. In examining agencies that each spent over $1 billion on contracts in FY06, OFPP found that only 64% of dollars spent on contracts contract was competed. Several civilian agencies that rank among the top spenders on contracts fell far below this average. For example, NASA competed only 50% of its dollar spent through contracts, and DHS competed only 49%. What actions will you take to increase competition in contracting across the federal government?

Answer:

In confirmed, I will look to the Administrator of OFPP to work closely with agencies to maximize the level of competition at their agencies. The OFPP memorandum that you cite in your question, for example, identifies a number of regulatory changes to strengthen the use of competition and increase transparency in sole source contracting. I support improvements that will encourage a more competitive contracting environment and will expect the Administrator to work aggressively to implement appropriate changes to acquisition policy and practice with this goal in mind.

50. A number of audits and investigations have found significant waste and mismanagement associated with interagency contracting, the process by which one agency uses other agencies' contracts and contracting services. For example, DHS's use a contract through the Department of Veterans Affairs to provide support for one of its offices led to work performed grossly beyond the scope of the contract's terms. When the DHS General Counsel advised the Office of Procurement Operations (OPO) to discontinue the contract, OPO used GSA schedules to acquire the support services from the same contractor on a sole-source basis. The Government Accountability Office found that OPO placed $33.4 million in orders and modifications against the GSA schedule without obtaining competing proposals as required by the Federal Acquisition Regulation. What actions will you take to ensure that there is proper oversight of interagency contracts, and to ensure that these contracting vehicles are not used to circumvent competition?

Answer:

In confirmed, I will ask the OFPP Administrator to review and strengthen, as necessary, policies and practices associated with interagency contracting, including competition requirements when conducting acquisitions through another agency's contracts. Interagency contracting offers important efficiencies and I understand use of this practice

has increased significantly in recent years, making it all the more important that this contracting tool be used properly and consistent with sound contracting principles.

51. In recent years, the amount of federal dollars spent on contracting has grown rapidly, from $203 billion in 2000 to $412 billion in 2006. Trends in the strength of the government's acquisition workforce are exactly the opposite. The federal acquisition workforce has declined by nearly 50% since the mid 1990's, and roughly half of the current acquisition workforce is eligible to retire in the next four years. What steps will you take to reinvigorate the acquisition workforce so that agencies have the skilled personnel they need to plan, negotiate, and oversee contracts?

Answer:

The government must take affirmative and immediate steps to attract and retain talented individuals to close competency gaps where they exist. Agencies rely on the skills and judgment of the acquisition workforce to ensure that their missions are accomplished effectively and responsibly. OMB must continue to lead the development of the acquisition workforce to ensure they are equipped to maximize the value of taxpayer dollars.

52. Contractors now perform many tasks that were once reserved almost exclusively for federal employees, such, development of policies, budget preparations, management of personnel, drafting of regulations, and even performance of intelligence operations. In some instances, contractors are hired by the government to oversee other government contractors. What do you believe is the test for determining whether work should be performed by a federal employee or by a contractor? What safeguards are appropriate to prevent conflicts of interest when a contractor is hired to oversee another contractor?

Answer:

I believe that Federal employees should perform all inherently governmental activities (e.g., making budget decisions, setting policy, and overseeing employees) and commercial activities that are unsuitable for private sector performance (e.g., because they are core to the agency's mission). It is my understanding that, as a general matter, federal employees trained and qualified to perform contract administration should be overseeing contractors. Contractors may provide support to federal employees in performing contract administration functions, but inherently governmental activities must be performed exclusively by federal employees. It is also my understanding that conflicts of interest can be effectively mitigated when contracts include clear performance requirements and standards and federal employees are engaged in contract administration.

Real Property

53. The Government Accountability Office (GAO) placed federal real property on its "High-Risk List" of federal programs. Problems with federal management of its real property across the government include excess and underutilized property, deteriorating facilities, poor inventory data, and over-reliance on costly leasing. Since the high-risk designation, the administration has taken steps to improve the management of real property through an executive order and other initiatives.

a. What is your evaluation of the steps taken so far by the executive branch to address the problems identified by GAO?

b. Do you believe that the government as a whole has made progress in addressing the problems identified by GAO?

c. What further steps, if any, would you recommend to improve the management of federal real property?

Answer:

My understanding is that there has been significant progress in improving the management of the government's real property assets.

If confirmed, I look forward to working with Congress to streamline the property disposition process so that agencies have needed flexibilities to move unneeded properties off the Federal books.

Homeland Security

54. While several processes are in place within DHS and FEMA to develop collaborative concept and operational plans for response to domestic emergences, including the 15 National Planning Scenarios, there remain vast disparities across the agencies with responsibilities under the National Response Plan in the understanding of how such plans are defined, what they consist of, and how they are to be integrated with other government planning efforts. What can be done to improve the collaboration among federal agencies, state and local governments, the private sector, and the not-for-profit nongovernmental organization sector in developing such plans, and to improve agencies' responsiveness to the authorities granted to FEMA, in the Post-Katrina Reform Act of 2006, in coordinating interagency operational planning in support of the National Response Plan?

Answer:

I understand that FEMA is leading a collaborative effort to revise the National Response Plan in response to lessons learned from Katrina and feedback provided by state and local emergency managers as well as private-sector and non-profit partners. Further, the Budget provides $100 million to implement a New Vision Initiative to transform FEMA's response capacity and fully integrate preparedness functions as a result of the lessons learned after Katrina.

55. The Homeland Security Act of 2002 among other things, changed OMB's requirements for reporting funding data related to combating terrorism. Combating terrorism includes efforts to secure the homeland and those to combat terrorism overseas. Section 889 of the Homeland Security Act of 2002 required the President's budget to include an analysis of homeland security funding only. Because combating terrorism funding is embedded within appropriation accounts, agencies provide OMB with information on the portion of funding that is attributable to combating terrorism activities—both homeland security and overseas combating terrorism. OMB then uses this information to report funding information on homeland security activities only in the President's budget.

a. What do you believe should be the process and criteria for determining which accounts are classified as homeland security funding? What level of transparency should there be for these criteria and determinations?

Answer (55a):

a. The Homeland Security Act requires a homeland security funding analysis be incorporated in the President's Budget. It is my understanding that OMB has defined homeland security activities and requires agencies to report information from all Federal agencies with homeland security responsibility. OMB seeks agency review of the application of the homeland security definition as it pertains to their programs annually.

It is also my understanding, that OMB consults annually with representatives from the Congressional Budget Office and the House and Senate Budget and Appropriations Committees on the definition of homeland security activities that is used in the President's Budget as required under the Homeland Security Act.

b. Do you think that a separate budget function should be created for homeland security? Please explain

Answer (55b):

If confirmed, I will look into this issue.

56. Producing a budget in a manner that balances competing priorities and provides the appropriate level of funding to do the work of the Federal government within available resources is a tremendous challenge. Homeland security needs in recent years have further exacerbated the challenge. Recognizing that challenge has been exacerbated by homeland security needs, it is clear that key areas, such as port security and interoperable communications, have continually been underfunded. Do you believe we are spending an adequate amount on homeland security? How would you determine the appropriate level of homeland funding? Should homeland security needs be treated with greater urgency?

Answer:

Homeland security requires a coordinated national commitment with cooperation among all levels of government, the private sector, and individual citizens to be successful. Fully

developing the strategic capacity to protect America is a complex effort. There is a wide range of potential threats and risks from terrorism.

Since 2001, it is my understanding that the Administration has more than tripled spending devoted to non-defense homeland security, and the President's Budget continues to increase funding for homeland security in 2008.

57. The Homeland Security and Governmental Affairs Committee's report, "Hurricane Katrina: A Nation Still Unprepared" found fundamental shortcomings in preparedness efforts at all levels of government. Secretary Chertoff has also testified to this Committee that DHS "was not where it needed to be" in terms of preparedness for a catastrophic event before Katrina. Nevertheless, the President's proposed budget makes cuts in programs that would help first responders become more prepared, and indeed would cut overall first responder grant funding by 37% percent from Fiscal Year 2007.

What are your views about the federal government's responsibility to ensure preparedness for catastrophic events, and what are the budget implications of that view. Specifically, do you believe that significant new resources should be dedicated to this task? If not, why not?

Answer:

It is my understanding that State and local first responders will receive more than $3.3 billion in the 2008 Budget, including DHS and other homeland-security related grant programs in other departments. Inclusion of an additional $1 billion in interoperable communications grants to be awarded before the end of September brings this total to $4.3 billion. In addition, DHS is using the authority under Homeland Security Presidential Directive #8 to review state progress in meeting preparedness goals and to determine gaps in preparedness and response capabilities to assist states and better target Federal resources.

If confirmed, one of my duties will be to review whether adequate resources are being provided to this and other government functions.

58. Border security programs receive some of the largest increases in the President's Fiscal Year 2008 request for the Department of Homeland Security (DHS). If the President's request is adopted, the budgets for Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE) would represent 33% of DHS funding. Do you believe that the Department's resources are appropriately allocated between border security efforts and other responsibilities of the Department?

Answer:

I believe border security is a key priority for the President and his 2008 Budget reflects his commitment to border security, interior enforcement, and immigration reform.

However, I also understand that the President's 2008 Budget is targeted to strengthening the DHS overall mission of safeguarding the Nation and its citizenry, including

- Detecting, and tracking nuclear and radiological materials;
- expanding regional preparedness and response activities, by, among other things, funding regional strike teams as Senators Collins and Lieberman have recommended; and
- improving the detection of prohibited items, at airport passenger screening checkpoints;

59. The President's Fiscal Year 2008 budget proposal includes $1 billion for the Department of Homeland Security's (DHS) Secure Border Initiative Net (SBInet) to develop and install technology and infrastructure along the southwest border aimed at reducing illegal immigration. DHS has calculated the total cost of implementing SBInet to be $8 billion, but the DHS Inspector General in November of 2006 projected that the cost could be as much as $30 billion. In February of this year, the Government Accountability Office (GAO) issued a report critical of SBInet's expenditure plan, reporting that it "...lacked specificity on such things as planned activities and milestones, anticipated costs and staffing levels, and expected mission outcomes." As a result, GAO warned that SBInet was at risk of not delivering promised capabilities on time and within budget. The first trial of SBInet was to have taken place on June 13 at a 28-mile sector of the Mexico/Arizona border designated "Project 28. DHS announced on June 8, 2007, that the project would be delayed. To date, DHS has not provided a new launch date. What role do you believe the OMB Director should play in ensuring that DHS is effectively managing this large border security contract in order to avoid cost overruns and further delays?

Answer:

I am not familiar with the details of SBInet and the trials that have taken place to date. However, I understand that OMB worked with DHS to strengthen the acquisition vehicle used to implement the SBInet initiative and will continue to work with DHS to oversee the implementation and management of the project. I think it is important to have strong program management and contract oversight will ensure successful execution of SBI*net*.

60. In addition to the hurdles that would accompany any restructuring on the scale of creating DHS, the new Department has been burdened by ongoing vacancies in allotted positions and substantial turnover in leadership posts. This situation at the leadership level, combined with a tendency to contract out many program-development tasks, may lead to a deficiency of institutional knowledge and expertise within the career professional staff of the Department. Moreover, some observers are concerned about poor morale among line employees. How can OMB help to build a robust, skilled and stable workforce at DHS?

Answer:

Over the past four years, I believe DHS has made significant strides in pulling together a diverse set of agencies with a variety of missions into a single department. However, much remains to be done. I understand OMB has played a key role, from the inception of the Department in lending staff, time, and expertise to assist DHS through the transition and establishment of an operational department. Through the President's Management Agenda, Human Capital Initiative, it is my understanding that OMB and OPM will

continue to work with DHS to address hiring and retention issues by implementing the Department's Human Capital Operating Plan.

61. Despite the terrorist attacks on the rail and transit systems of London, Madrid, Moscow, Tokyo, and Israel, the Administration did not include a line item for rail or transit security in the FY2007 budget and instead left to the discretion of DHS a $600 million fund for a host of critical infrastructure security needs, including rail, transit, chemical facilities, nuclear facilities, and ports. There is no guarantee what portion of that fund, if any, will go toward rail and transit security. The federal government has appropriately spent over $15 billion over the last four years, but has spent less than $500 million on rail and transit security. Do you support dedicating federal funds specifically and directly for rail and transit security?

Answer:

Properly prioritizing homeland security funding is a serious concern and if confirmed, I look forward to studying the best way to allocate such funding.

I also understand that in his 2008 budget request, the President did include a line item for rail and transit security grant funding.

FEMA

62. There has been a debate about how much help the federal government should give states and localities to prepare for disasters. The Committee on Homeland Security and Governmental Affairs recently released a report, "Hurricane Katrina: A Nation Still Unprepared." The report found that neither the local, state, nor federal levels of government were prepared for a storm whose destructive impact had long been predicted. What is your vision of the role of the federal government in assisting state and local officials in preparing for all domestic incidents – both man-made and natural? What policies should this Administration pursue in assisting state and local officials in preparing for all domestic incidents – both man-made and natural?

Answer:

Close working relationships among Federal, state and local governments are critical to disaster preparedness. I also understand the Administration is in the process of revising the National Response Plan (NRP) – based in part on the finding from the various Katrina lessons learned documents – to strengthen the Federal, state and local planning and response process. If confirmed, I look forward to working more on this issue.

63. The Homeland Security and Governmental Affairs Committee's report, "Hurricane Katrina: A Nation Still Unprepared" also found that FEMA lacks the resources needed to accomplish its mission and that resource shortages contributed to FEMA's failures in responding to Katrina. Although the Administration's 2007 budget request for FEMA contained increases, it fell short of addressing the urgent concerns about FEMA. What is your vision of the need for increased funding for FEMA?

Answer:

It is my understanding that the 2008 Budget proposed a significant increase for FEMA's base programs. FEMA also has a new organizational structure, as legislated by Congress, to integrate preparedness planning activities and state and local assistance within FEMA.

If I am confirmed, I intend to continue to review FEMA's funding needs to ensure they are adequately prepared to respond to disasters and that its Federal responsibilities are coordinated appropriately with State and local government partners who lead preparedness and response.

Gulf Coast Recovery

64: The Administration made a commitment that the federal government would be a full partner in the recovery and rebuilding of the areas devastated by the hurricane. A full partnership includes providing adequate resources and oversight of the recovery efforts. (HSGAC)

a. What steps will OMB take to monitor the distribution of these funds to ensure that they are being spent efficiently and that real progress is being made towards full recovery?
b. How will OMB ensure that there is transparency with regard to the federal dollars obligated to the storm ravaged area?

Answer (64a,b):

- I understand OMB has taken a number of steps to improve oversight of Gulf Coast recovery spending including reviewing relevant agencies' plans to adopt additional controls over such spending.
- I understand that OMB has worked with the relevant agencies to ensure that Federal funding is transparent and used both effectively and efficiently. OMB worked with DHS following Hurricane Katrina to develop regular, reports on spending from FEMA's Disaster Relief Fund and OMB plans.
- It is also my understanding that OMB continues to work closely with HUD to ensure that the CDBG funds are used properly and as intended for the rebuilding of communities in the Gulf Coast States.

c. Congress has allotted funds to the Gulf Region in the form of Community Development Block Grants (CBDG) for funding reconstruction of communities devastated by Katrina. Recent press reports, however, have suggested there is likely to be a shortage of CBDG funds in Louisiana. What is your understanding of this potential shortage of funds? Do you anticipate another supplemental budget spending bill to cover ongoing recovery needs this year?

Answer (64c):

- It is my understanding that OMB, HUD, and OGCR have been working together with Louisiana to assess reports about a potential shortage of funds for the Road Home. I understand that Louisiana has expended a small share of its allocation of CDBG funds.

- In addition, the 2007 supplemental provided 100 percent Federal cost share for all disaster relief funding provided by FEMA. This waiver of the State cost share, which CDBG funds were expected to cover, has had the effect of making an additional CDBG funds available to Gulf Coast states to assist in recovery efforts.

d. What processes are in place to identify areas where current funding is inadequate and additional funding is necessary?

Answer (64d):

- To my knowledge, OMB works closely with HUD and the Office of Gulf Coast Recovery, regularly sharing information on the progress of recovery, concerns about implementation, and proposals related to funding and legislation. States also regularly provide federal partners state expenditure and progress reports for review and discussion, as appropriate.

e. What do you believe is the role of OMB with regard to the massive rebuilding effort underway in the Gulf Coast?

Answer (64e):

- It is my understanding that OMB coordinates with Federal agencies to ensure that taxpayer monies are invested wisely and that policies are designed responsibly.
- Through OMB coordination, agencies have already established additional internal controls to improve stewardship of Katrina-related funds. Also, agencies are initiating the appropriate actions under the Improper Payments Information Act of 2002 (IPIA) to identify and recover any improper payments made in the aftermath of Hurricane Katrina.

f. Florida and Louisiana set up state-funded catastrophic insurance programs as a backstop to the private market, in order to preserve the availability of affordable hazard insurance in their communities after Hurricanes Andrew and Katrina respectively. What are your views on the potential for a federal catastrophic insurance fund to support state or regional insurance programs of this nature? Could such a system result in reduced federal disaster assistance costs and increased taxpayer savings? Do you believe that sufficient time has been allowed for the market to set the appropriate rates for hazard insurance?

Answer (64f):

- I believe the private sector should provide catastrophic insurance. It is also my understanding that the Administration opposes creating a new Federal program to backstop catastrophic insurance. A national catastrophic risk insurance plan would likely distort private insurance rates, undermine economic incentives to mitigate risk, and increase costs to taxpayers as it is doubtful that sufficient premiums could be charged to offset disaster payments.

65. Donald Powell serves as Coordinator of Federal Support for the Recovery and Rebuilding of the Gulf Coast. According to the Executive Order released by the White House describing Powell's responsibilities, he serves as the Administration's primary point of contact with Congress, state and local governments, the private sector, and community leaders on mid and long-term recovery and rebuilding plans in response to Hurricanes Katrina and Rita.

a. Does Mr. Powell need management and oversight authority over other Federal agencies to successfully manage the recovery and rebuilding effort in the Gulf Coast?

b. Does he need financial authority over other federal agencies in order to streamline financial assistance to the affected states?

c. What is your vision for the Coordinator of Federal Support for the Recovery and Rebuilding of the Gulf Coast and is it currently being met?

d. What is your vision for the Coordinator of Federal Support for the Recovery and Rebuilding of the Gulf Coast and is it currently being met?

Answer:

It is my understanding that the Executive Order establishing the Coordinator's position required him to coordinate with all executive branch agencies, and directed heads of departments and agencies to provide cooperation and support in his efforts to strengthen Federal support for recovery and rebuilding of the Gulf Coast. It is also my understanding that the cooperation contemplated by the Executive Order is occurring.

I believe three years is adequate time to make progress on the most critical near-term recovery issues. The ongoing need for the Coordinator's office can be reassessed at the end of the three-year period.

66. The President has made a commitment to rebuild and upgrade the levees in and around New Orleans. In mid-July of this year, the Army Corps of Engineers plans to announce its estimates for the cost of providing upgraded levee protection for New Orleans that would protect against a 100-year storm. Upgraded levee protection is vital to restoring confidence in New Orleans and encouraging people to return and rebuild. What are your plans for funding the President's commitment? Do you intend to request money for the levees in the September supplemental appropriation?

Answer:

It is my understanding that the Army Corps of Engineers is still formulating its updated cost-estimates. Until this analysis is completed, it would be premature to speculate on how any additional funding needs would be addressed.

67. There are two potential multibillion dollar requests for federal funding for the recovery of Louisiana. First, the state is seeking assistance to cover the large shortfall in its "Road Home" housing program. Second, the Army Corps of Engineers will be seeking funding after it releases its cost estimates later this month to rebuild the federal levees. What are your priorities for funding these projects

Answer:

It is my understanding that the Corps has yet to finalize its updated cost estimates for the hurricane protection system for greater New Orleans. Until this analysis is completed, it would be premature to speculate on the relative priority of these activities.

It is also my understanding that OMB, HUD, and Chairman Powell's Office have been working with Louisiana to assess reports about a potential shortfall in its Road Home program. As of the end of June, Louisiana expended only a small share of its allocation of CDBG funds. I look forward to continuing to work with the State to prioritize and improve program designs, and exploring the possibility of leveraging other funding streams where appropriate.

Budget Process

68. Do you advocate any change in current budgetary laws, rules, or procedures to improve budget discipline?

Answer:

The Administration proposed a number of changes to budgetary laws, rules, and procedures designed to improve budget discipline and program oversight, and I support these proposals. Among these proposals are the Line Item Veto, statutory caps on discretionary spending enforced by sequester, and a requirement that legislative actions that increase mandatory spending be offset. If confirmed I would work to gain enactment of these reforms.

69. Over the years, there have been various proposals for a biennial budget with funding decisions made in odd-numbered years and with even-numbered years devoted to authorizing legislation.

a. What is your opinion of biennial budgeting?

Answer (69a):

My understanding is that the President supports biennial budgeting.

Each of his past 7 budgets has proposed a biennial appropriations and budget process.

A biennial budget would free Congress to conduct more oversight, give agencies more stable funding levels, and free up time for agencies to more effectively manage programs.

b. One of the major benefits claimed for biennial budgeting is that providing funding for a longer period of time would enhance agencies' abilities to manage their operations. How would this be achieved and what should OMB's role be in assuring the objectives of biennial budgeting are met?

Answer (69b):

Reaching agreement on budget priorities and providing appropriations for two years should allow agencies to devote more time to program evaluation and aspects of management and facilitate longer-range planning. It would also give OMB more time to concentrate on program evaluation and management issues and to engage in additional oversight.

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.

70. What are your thoughts on how or whether the Federal Government can or should budget for emergencies?

Answer:

It is not possible to predict the specific occurrence of fires, tornados, hurricanes, and other domestic disasters, but it is reasonable to assume that a combination of domestic disasters will occur in any given year that require funding equal to a multi-year average for disaster relief.

However, I believe more discipline should be brought to emergency funding.

It is my understanding, the President's Budget provides funding based on a historical average and only requests emergency funding when it exceeds this average funding.

If confirmed, I look forward to working on this important issue.

71. What is your view of the line item veto proposal from the President? As a former member of the House, should you be concerned that it will so enhance the power of the president that it will affect relations between the executive and legislative branches?

Answer:

I support the President's proposal, and I voted for a version of the legislative line-item veto when it passed the House of Representatives last Congress.

It is important to note that the President's proposal preserves Congress' law making authority. A rescission could only take effect if passed by both houses of Congress.

72. What effect, if any, do you believe the elimination of non-defense earmarks would have on overall federal spending?

Answer:

It is my understanding that the President called for the Congress to cut the number and cost of earmarks by at least half. Reducing earmarks will allow the Executive Branch's merit-based or competitive allocation process to work as it was designed. If non-defense earmarks were eliminated from the budget and the savings were not spent on other programs, it would reduce Federal spending.

73. What opportunities do you see for enhancing transparency, particularly regarding assumptions about future spending and revenues, to the President's budget proposal to Congress?

Answer:

Transparency about assumptions is an important element of good budgeting. I know that the President's Budget is submitted with several volumes of supplemental material, including details of the economic forecast and program assumptions. I also understand that OMB is placing a great deal of additional budget, program, and management information on its website to increase transparency.

74. Do you believe that more should be done to ensure that tax expenditures are identified and that their performance and efficacy are routinely evaluated, as is done with respect to spending programs? If so, what steps would you propose to accomplish this?

Answer:

I understand that the Treasury Department identifies over 100 of the most significant tax expenditures and these are listed with their estimated revenue loss each year in the Budget. However, tax expenditure is a misnomer in that most of these tax provisions do not function like conventional outlay programs. The few that are genuinely similar to expenditure programs have been evaluated for effectiveness like other outlays.

It is also my understanding that this Administration has examined tax expenditures carefully for possible reforms. Proposed changes in tax expenditures figured largely in the proposals of the President's Advisory Panel on Federal Tax Reform. In the 2008 Budget, the President also proposed a major change in the single largest tax expenditure – the exclusion of employer contributions for health insurance.

75. In the House, you and now-Senator Cardin co-sponsored a budget process bill that proposed to change how the nation budgets for federal insurance programs and emergencies. Would you still advocate for that bill, or would you support other changes to budgeting in those areas?

Answer:

The budget process bill I co-sponsored with now-Senator Cardin (H.R. 853, the Comprehensive Budget Process Reform Act of 1999) was a bipartisan bill intended to improve the budget process. It is also consistent with many of the Administration's proposals.

If confirmed, I would work to gain enactment of the Presidents' proposals.

Regulatory Issues

76. Presidential oversight of federal regulation, primarily through the mechanism of OMB reviews of agencies' draft rules, has been conducted under successive administrations. At the same time, views on the value and appropriateness of OMB's role in the rulemaking process, and views on how OMB should carry out its role have varied.

a. What is your opinion about the role of OMB and OIRA in regulatory oversight?

b. What, if any, changes do you believe should be made in the role and procedures of OMB and OIRA in overseeing agency rulemaking?

Answer:

I am generally supportive of the regulatory oversight role performed by OMB and OIRA. In meeting its responsibilities under Executive Order 12866, OMB and OIRA are able to coordinate regulatory policy and review to ensure that agency regulations are developed in a transparent manner and are based on rigorous analysis. If confirmed, I would certainly work closely with OIRA and support its efforts to perform its important statutory and Executive Order duties effectively. However, I have not yet developed specific views on any possible changes to the role and procedures of OMB and OIRA in overseeing agency rulemaking.

77. OIRA is a relatively small office within OMB, but it has many responsibilities under various statutes and executive orders. Administration initiatives in recent years have also added more oversight duties to OIRA's staff, in areas such as oversight of information quality, peer review, and reviews of regulatory agencies' guidance documents.

a. Do you believe OIRA has sufficient staff to carry out all of these tasks effectively?

Answer (77a):

OIRA officials inform me that they have adequate resources to handle their various responsibilities, including those concerning information quality, peer review, and good guidance. If confirmed, I will provide OIRA with the leadership and support it needs to meet its many responsibilities as effectively as possible.

b. Alternatively, do you believe any of these tasks should be eliminated, reduced, or delegated to other federal officials?

Answer (77b):

At this time, while I am still in the process of learning about these duties, I do not have any views regarding the possible elimination, reduction, or delegation of any of these tasks.

78. How would you see your role in helping to enhance the integration of agency strategic and annual planning with OMB's budget reviews?

Answer:

The availability of credible performance information is extremely valuable in informing budget decisions. Performance data helps us understand of what the American people are getting for their money and the implications of the President's budget proposals. If confirmed, I plan to continue efforts to expand Agencies' and OMB's use of performance data which I believe will drive continued improvement in the quality and quantity of performance information.

79. During this administration, OMB has been very active with regard to regulatory reviews. Many business groups have been highly supportive of OMB's actions, arguing that regulatory burdens have been reduced. At the same time, many environmental and other public interest groups have been highly critical of OMB's actions, arguing that the concerns of regulated entities have been placed above the public health and safety. Are there ways to bridge this divide? Do you envision any new ways in which OMB would operate with regards to its regulatory review functions?

Answer:

While this Administration has achieved some success in reducing the costs of new regulations, it has also been able to increase regulatory benefits, as well. Many of these higher benefits are due to increased public health and safety. If confirmed, I will review OMB's regulatory review functions to ensure that agencies continue to issue cost beneficial regulations.

80. E.O. 12866 is the executive order that governs the review of proposed regulations by OIRA. Are there any changes to this executive order, or to applicable policies and guidance for implementing it, that you believe should be made?

Answer:

I do not believe that now would be the appropriate time for me to suggest any changes to E.O. 12866. If confirmed, however, I would be open to considering proposed changes to OIRA policies and practices, and would consult with OIRA on these issues.

81. During the early years of regulatory review, OMB and the White House came under heavy criticism from some Members of this Committee and others for the peremptory and secretive ways in which the centralized review of agency rulemaking activities was conducted. The centralization of regulatory reviews outside of OMB became institutionalized during the administration of the first President Bush with the emergence of the Council on Competitiveness. Many came to see the Council on Competitiveness, which was chaired by then-Vice President Dan Quayle, and which refused to disclose any of its meetings or other dealings, as a backdoor conduit for regulated interests seeking to influence agency action. In an effort to address these problems, provisions were incorporated into E.O. 12866 to try to ensure that regulatory review is timely, fair, accountable, and transparent. 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.

a. Do you believe each of the disclosure requirements of E.O. 12866 is in the public interest? Why, or why not?

b. Do you believe that there are any improvements which should be made to the public disclosure rules and policies associated with OIRA's oversight of rulemaking?

c. How would you, as OMB Director, ensure that both the spirit and the letter of the public disclosure requirements of E.O. 12866 are fully complied with?

Answer:

I believe that transparency is generally in the public interest. If confirmed, I would be willing to study this issue further and consider appropriate measures to enhance regulatory transparency..

82. Under the present administration, there have been improvements in the timeliness of OMB/OIRA reviews of rulemaking issues and also the transparency of documentation of some aspects of OMB/OIRA reviews. However, GAO has identified gaps in the documentation of OMB/OIRA involvement in agencies' rulemaking activities, especially as such involvement increasingly occurs earlier in the rulemaking process and informally.

a. What are your views regarding when OMB/OIRA and the regulatory agencies should have to document and disclose their communications regarding OMB-suggested changes that affect regulations?

b. Are there areas where you believe more transparency or better documentation would help the public to better understand OMB/OIRA's role in regulatory policy?

Answer:

I support regulatory transparency, and understand that E.O. 12866 requires the public disclosure of certain information relating to OMB/OIRA's reviews of draft agency

regulations. I also believe that the need for transparency must be balanced against the need to ensure the confidentiality of internal Executive Branch policy deliberations. If confirmed, I would be willing to examine this issue further, but do not feel it is appropriate at this time to make any specific recommendations.

83. Do you agree that, if offices or individuals in the White House outside of OIRA engage is substantive communications with regulated interests and then act to influence agencies' regulatory activities, the transparency goals of E.O. 12866 could be compromised? If so, what means would you recommend, and how will you act, to maintain transparency and accountability, so that offices or individuals in the White House outside of OIRA do not function as a "conduit" by which outside parties could affect the regulatory review at OIRA or the regulatory activities at agencies off the record and without disclosure?

Answer:

I believe that advancing the goal of improving government accountability, transparency, and accessibility, is in the public interest. I have not formed an opinion regarding any potential improvements to E.O. 12866, but would be willing, if confirmed, to consider any reasonable proposal.

84. When you were a Member of the House of Representatives in the 104th Congress, you were an original cosponsor of the Job Creation and Wage Enhancement Act of 1995, H.R. 9. This legislation would have required that every rule must satisfy a cost-benefit test, displacing the decision criteria in all of our landmark environmental, health, and safety statutes – including, for example, laws that require pollution controls that protect public health with an adequate margin of safety, or that require workplace standards that ensure no employee will suffer material health impairment.

a. Do you still believe that the decision criteria in our statutes that protect the environment, health, and safety should be replaced with a cost-benefit test such as the one in H.R. 9, 104th Congress?

b. If so, how will your views on this subject, if you are confirmed as Director, affect the review by OMB of agency regulations developed under statutes that establish decision criteria other than a cost-benefit test?

Answer:

I believe cost-benefit analysis is a very important input into regulatory decision making. I also believe, however, that it is important that agencies work within their statutory constraints. If confirmed, I would ensure that agencies develop regulations in a manner that is consistent with statutory mandates.

85. On January 9, 2006, OMB released a draft bulletin governing how agencies would perform risk assessments. The proposal came under widespread criticism. The committee of the

National Research Council, convened at OMB's request to review the draft bulletin, reported "that the potential for negative impacts on the practice of risk assessment in the federal government, although varied and uncertain to some extent, would be very high if the currently proposed bulletin were implemented." The NRC committee further concluded that "the OMB bulletin is fundamentally flawed and recommends that it be withdrawn."

a. Would you provide your commitment that, if you are confirmed, you will follow the NRC committee's advice and withdraw the draft bulletin?

b. Would you further commit that, if OMB chooses to recast and reissue a risk assessment bulletin, OMB will provide a opportunity for public comment on the revised bulletin and will consider those comments before leaving the bulletin in place as final?

Answer:

I understand that NRC supported OMB's goal of increasing the quality and objectivity of risk assessment in the Federal government and provided OMB with some constructive recommendations for moving forward. While it would be premature for me to commit to a specific process at this stage, if confirmed, I will work with OMB staff to ensure that in developing any guidance to enhance the quality and objectivity of risk assessments, they seriously consider the NRC findings, as well as the public comments, and all that was learned from the inter-agency review process.

Information Technology

86. In general, under the federal government's current legislative framework, OMB is responsible for providing direction on government wide 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 with regard to policies and oversight of government wide and agency-specific information management and technology decisions?

Answer (86a):

- My understanding is that the role of the Director is found in several statues -- the Paperwork Reduction Act, the Clinger-Cohen Act, the Federal Information Security Management Act, the Privacy Act, and the E-Government Act. I take OMB's statutory requirements very seriously and, if confirmed, plan to ensure that OMB fulfills them.

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?

Answer (86b):

The use of information technology to serve the American people is a continuing challenge to the Federal government. It is my understanding OMB has made much progress through the President's Management Agenda. If confirmed I will remain committed to a market based approach to using information technology to enhance the Federal government's productivity and I will continue to rely on the senior leadership of OMB to address the issues.

Information and Technology Management

87. Regarding information technology policy, how do you understand the respective roles of the Office of Information and Regulatory Affairs (OIRA) and the Office of E-Government and Information Technology? How should 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?

Answer:

It is my understanding OIRA and the Office of E-Government coordinate their activities closely and, if confirmed, I expect it to continue.

88. How would 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?

Answer:

If confirmed, I expect the Administrator for E-gov, under the leadership of the Deputy Director for Management, will continue her active work with the Chief Information Officers through the CIO Council and other Councils needed such as the President's Management Council, to maintain their current role.

89. The Clinger-Cohen Act authorizes OMB to enforce accountability for agency information resources management and information technology investment decisions through the use of the budgetary process.

a. What are your views on the use of the budget process to improve information technology management?

b. What other incentives does OMB have at its disposal to encourage good management practices?

c. 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?

Answer:

I believe that the budget process can help agencies to improve the management of information technology and other elements of the President's Management Agenda (PMA). If confirmed, I will work with agencies through the budget process and other venues, including the statutory authorities provided by Congress.

90. The Clinger-Cohen Act requires agency Chief Information Officers (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?

Answer:

I believe that Federal employees are a great asset and an investment in their skills is a critical part of the Human Capital element of the President's Management Agenda. My understanding is that the Office of Personnel Management (OPM), in close coordination with OMB, is pursuing a plan in which agencies have established information technology workforce plans and report quarterly to OPM on their progress.

91. 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"?

Answer:

It is my understanding that agencies continue to improve their efforts to implement information technology projects successfully. OMB executes its responsibilities using various methods such as reviewing agencies' annual budget submissions, engaging with agencies throughout the year on such issues as the electronic government scorecard of the President's Management Agenda, and monitoring specific projects of interest to OMB -- high risk projects . If confirmed, I will continue to rely on the senior leadership team lead by Clay Johnson to continue and strengthen these efforts.

Information Security and Privacy Issues

92. What are your views on the current status of federal information security? How would you ensure that agencies correct their information security weaknesses?

Answer:

It is my understanding that agencies are making significant progress in closing the Federal government's information technology security performance gaps.

I am advised that OMB continues to use the quarterly President's Management Agenda scorecard to monitor and evaluate agency security. It is my understanding, OMB now works with and should continute to work with the agencies, IGs, CIOs, GAO, and the Congress to strengthen the Federal government's IT security and privacy programs.

93. 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?

Answer:

It is my understanding that OMB will continue using its existing oversight mechanisms to improve agency and government-wide IT security. OMB has increased executive level accountability for security and privacy by including these elements in the President's Management Agenda (PMA) scorecard.

94. How do you think policies and programs to protect the privacy of personal information can be better coordinated across the federal government?

Answer:

I am advised that in February 2005, OMB directed each agency to designate a Senior Agency Official for Privacy. OMB is working with these officials and agency CIOs to further improve agency implementation of existing policies and continue to identify additional needs in this area.

95. 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?

Answer:

While there is a necessary balancing between individuals' privacy interests and the security of our nation, I believe the government should strive in all its activities to preserve individuals' information privacy rights to the extent possible.

96. 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?

Answer:

It is my understanding that OMB recently issued guidelines to agencies on this matter.. I believe law enforcement agencies are subject to OMB's guidelines and also are required to ensure their information is of high quality.

97. Federal agencies' use of data mining techniques has raised privacy concerns. In August 2005, GAO described its review of five data mining initiatives. It reported that agencies hadn't met key privacy and security requirements. GAO concluded that individual privacy rights weren't being appropriately protected in the implementation of the data mining initiatives. What would you do to ensure that the public's right to privacy is protected in data mining initiatives and programs?

Answer:

It is my understanding that the referenced GAO report highlighted important issues related to data mining, which involves sharing, matching and manipulation of information in ways already subject to the fair information principles of the Privacy Act and the privacy assessment requirements of the E-Government Act.

I am advised that OMB continues to work with the agencies to ensure a consistent understanding of these principles and requirements and provide the transparency necessary regarding the use of data mining by Federal agencies.

98. In April 2006, GAO described ambiguities in OMB guidance on how privacy requirements apply to federal agency uses of information obtained from commercial resellers of personal data. GAO found that agency practices in this area were uneven and did not fully comply with Fair Information Practices. GAO recommended that OMB revise privacy guidance and develop specific policies for the use of personal information obtained from commercial resellers. What is OMB doing to ensure agencies comply with Fair Information Practices when they use personal information obtained from commercial resellers? What would you do to ensure agencies comply with Fair Information Practices?

Answer:

It is my understanding that information obtained from third parties, such as commercial resellers or data aggregators, is governed by existing requirements and processes, which are addressed in current OMB guidance. If confirmed, I will ensure agencies interpret and properly apply existing law and guidance to new types of information uses and will issue new guidance should we identify policy gaps.

99. The E-Government Act of 2002 requires agencies to conduct privacy impact assessments (PIAs) 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? How would you ensure that PIAs are promptly made available to the public, as required by the E-Government Act?

Answer:

I have been advised that OMB guidance requires agencies to publicly post in a central location on the web site all of the agencies' privacy impact assessments required under the E-Government Act.

LIHEAP

100. The Low Income Home Energy Assistance Program, known as LIHEAP, helps low income families throughout the Nation meet their energy needs. In southern states, this assistance helps elderly people and other at-risk citizens get through potentially deadly heat waves. In northern states, this assistance helps thousands of families who literally would not be able to heat their homes during our long, cold winters without this assistance. This program has become even more critical recently as the Nation struggles with an explosion in energy prices. For low income families and people on fixed incomes, it can be extremely difficult to meet rising energy prices.

a. In May of this year, the $400 million for LIHEAP that was previously included for LIHEAP in the Supplemental Appropriations Conference Report was removed during negotiations with the White House. If confirmed, what, if anything, would you do to change the administration policy that led to the removal of that $400 million?

b. LIHEAP is not available to public housing authorities, many of which have recently experienced a significant increase in utility costs. What steps do you think can be taken to assist housing authorities with these increased costs?

Answer:

LIHEAP is an important program. It is my understanding that the Administration requested funding for LIHEAP as part of its FY 2008 Budget. It is my understanding that HUD encourages energy efficiency at Housing Authorities through a variety of measures including the purchase of efficient 'ENERGY STAR' products and energy saving performance contracts to save energy and reduce operating costs.

Defense

101. How accurately do you believe the Administration and the Pentagon can predict costs for the wars in Iraq and Afghanistan, given the conflicts' volatile nature? (Homeland Security and Governmental Affairs Committee Majority)

Answer:

I think it is extremely difficult, but I was pleased that the President's Budget included estimates for FY 2007 and 2008.

As I understand, Congress has provided and DoD has subsequently obligated funds very close to the President's request. I am committed to ensuring requests for war funding are as accurate as possible and that areas of uncertainty are clearly outlined for Congress. Further, I would provide Congress timely and detailed information when the evolving situation requires a change in the President's request.

102: For the past several years, U.S. forces have been conducting ongoing operations in Iraq and Afghanistan in support of the Global War on Terrorism (GWOT). Until fiscal year 2008, the President's budgets have not included funding requests for the costs of these ongoing operations, rather, they have been funded through a combination of regular and supplemental spending requests. In his FY 2008 budget, the President included --for the first time--funding for the war. Specifically, the budget requested funds for the Department of Defense's base budget and GWOT. However, in some cases, funding for the same items were included in both parts of the request. The FY08 request also included a projected allowance of $50 billion in funding needs for GWOT for fiscal year 2009, which is substantially less than the amount (about $142 billion) requested for FY08.

About the same time that the President submitted the FY08 request, he submitted a supplemental funding request for the remainder of FY07 and also announced a surge in troop levels, primarily in Iraq. While the FY07 supplemental request included funding for the surge, the FY08 request was based on lower troop levels, raising the possibility that DOD might need to seek additional funds during FY08 if troop levels remain at higher levels. In preparing the FY07 supplemental requests, the Deputy Secretary of Defense instructed DOD components to include funding needs for the "longer war against terror" as well as ongoing operations.

102a: What is your position on the appropriate use of supplemental funding requests, particularly with respect to ongoing operations that have been going on for several years? (Homeland Security and Governmental Affairs Committee Majority)

Answer (102a):

I believe separating funding for war costs from base costs is appropriate, since war costs are not permanent and outyear costs remain difficult to predict.

I understand that the Administration's FY 2008 war funding budget request submitted by account-level detail brought an unprecedented level of transparency to the war budgeting process.

102b: What would your intention be in terms of having the budget reflect the Administration's best estimate of funding it is likely to request? (Homeland Security and Governmental Affairs Committee Majority)

Answer (102b):

If confirmed, I would support the Administration's efforts to be as transparent as possible with anticipated war costs.

Ultimately, conditions on the ground can change, and military strategy is also very subject to change. Both of these factors affect costs significantly.

102c: What will you advocate in terms of inclusion of war costs in the budget? (Homeland Security and Governmental Affairs Committee Majority)

Answer (102c):

It is premature to discuss future budgets, but I support the Administration's decision to provide account-level detail in its war requests, in the President's Budget for FY 2008.

102d: How will you ensure that funding requests for the Department of Defense are transparent and realistic, such that the distinction between base and GWOT needs are clear, and that appropriate tradeoffs occur?

Answer (102d):

As I understand, in 2008 the Administration submitted its estimate for the cost of the war with the budget.

I believe this is an important step forward, ensuring that the Administration reviews and presents both base and war costs at the same time, and it also gives Congress maximum time to conduct its own review of costs.

If confirmed, I would work to make sure future requests for war funding are clearly described and delineated from funding for base programs.

IV. Relations with Congress

103. 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?

Answer: Yes.

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

Answer: Yes.

V. Assistance

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

Answer:
I have consulted with staff in OMB to develop answers to the Committee's questions. The answers are my own.

VI. Senator Joseph I. Lieberman

War Supplementals

1. The administration has used supplemental appropriations to fund the cost of the war in Iraq. In recent years, the supplementals have included not only the cost of operations, but also major equipment replacement, procurement for new programs, and even military construction. Many have warned that the excessive reliance on supplementals not only hides the cost by putting it "off budget," but also puts off increasing the base budget that will be necessary for our military to afford necessary recovery, growth, and modernization. Would you advocate for continued reliance on war supplementals or would you advocate for funding the war in Iraq in the base budget?

Answer:

I believe separating funding for war costs from base costs is appropriate, since war costs are not permanent and outyear costs remain difficult to predict.

Keeping war costs out of the base budget will facilitate sound decision-making about Defense resources once major operations in Iraq and Afghanistan are completed.

Military Funding

2. The defense budget is near the lowest level relative to the nation's GDP that it has been since the Korean War. There is a general consensus that the size of the military must be increased to accomplish the missions required in the coming decades. In addition, the cost of acquiring, training, and supporting these people and their families will continue to increase.

2a: Do you agree that military funding must increase?

Answer (2a):

Providing the Department of Defense with the resources necessary to protect this Nation has been one of the President's highest priorities.

While defense spending has increased significantly since 2001, the need for a well equipped, properly trained U.S. military has never been greater.

If confirmed, I would work closely with the Department to ensure that it has the resources necessary to execute its vital mission.

2b: Do you support a funding floor tied to GDP?

Answer (2b):

I think the defense budget should be tied to our national security objectives and determined by the current and future threats to the United States and not necessarily tied to GDP.

Transportation Funding

3. A recent GAO report (GAO-07-310) found that "[r]evenues to support federal transportation trust funds are eroding at a time when investment is needed to expand capacity to address congestion caused by increasing passenger and freight travel." Currently, the highway trust fund is based upon a fuel tax. Due to this incentive structure, any increase in transportation funding is linked to consuming more gasoline.

a. Do you support this incentive structure, or do you believe it should be changed?

Answer (3a):

It is my understanding that investment for transportation infrastructure faces challenges under traditional funding mechanisms – and that a particular challenge is the role that fuel consumption plays in financing transportation investment. I am advised that a range of options are under discussion in the transportation community for addressing these challenges, including some that would re-examine the federal role in funding transportation infrastructure. While I would need to learn more about transportation financing before making any recommendations, it is my understanding that the current financing structure needs to be re-evaluated in terms of its effectiveness as a long-term approach for supporting the increasing demand for investment in transportation infrastructure.

b. What steps would you advocate to address this serious problem?

Answer (3b):

I intend to learn more about challenges involving transportation financing before drawing any conclusions about needed changes.

HUD Budget Cuts

4. The President's FY08 budget proposed to cut $2 billion (5 percent) over baseline from the Department of Housing and Urban Development. The proposed cuts would most deeply affect programs to house the elderly and disabled, Community Development Block Grants, public housing, and Section 8 Project-Based Rental Assistance. Do you agree that these HUD programs are overfunded? If confirmed, would you advise the President to include similar cuts in his future budget proposals?

Answer:

It is my understanding that, in general, within HUD's total proposed funding, higher priority and higher performing programs and initiatives were funded while reducing lower priority programs. It is also my understanding that the HUD budget, while admittedly tight, is adequate to effectively administer HUD's programs and meet key priorities.

VII. Senator Barack Obama

EEOICPA Report

1. In the FY '06 Labor-HHS Appropriations bill, Congress required the Department of Health and Human Services (HHS) to prepare a report regarding the cancer types that should be added to the list of specified cancers for individuals covered under the Special Exposure Cohort provision of the Energy Employees Occupational Illness Compensation Program Act (EEOICPA). The purpose of this report is to determine what cancer types, not currently listed among the 22 compensable cancers, are caused or can be caused by exposure to radiation. This report was due to Congress on June 30, 2006, but has not been submitted yet. For at least six months, HHS has told my staff that the report is in the "administrative clearance process," and on June 19, 2007, my staff was told that the report was at OMB waiting to be cleared. Will you commit to releasing this important report to Congress immediately?

Answer:

If confirmed, I will work with HHS to transmit this report to Congress as soon as possible, should it not be delivered to Congress in the meantime.

EEOICPA Advisory Board

2. When Congress created the EEOICPA program in 2000, it established an advisory board to oversee the process. The legislation specifically requires this board to have an equal balance of scientific, medical and worker views. Currently the Board has 6 members who represent a scientific view, 2 who represent a medical view, and 4 who represent a worker perspective. The current composition is in direct conflict with the law Congress passed, despite the fact that many qualified nominees have been submitted to the White House. Will you commit to allowing the composition of the board to include more members with a medical and worker perspective so that this board can operate with the fairness Congress intended?

Answer:

I cannot speak to appointment decisions that have been made, since the authority to appoint Advisory Board members rests solely with the President.

It is my understanding that OMB does not have a role in the appointment of Advisory Board members. However, I have been told that Director Portman and others have assured you the Administration is committed to honoring the statutory requirement that the Advisory Board reflect a balance of scientific, medical, and worker perspectives.

Federal Funding Accountability and Transparency Act

3. In 2006, Senator Tom Coburn and I worked to pass the Federal Funding Accountability and Transparency Act, which requires OMB to create and maintain a searchable website of all federal spending. This website will empower ordinary Americans as watchdogs to hold

government accountable and reduce government waste. To be effective, the website requires leadership from OMB.

a. If you are confirmed, what affirmative steps will you take to ensure compliance with the statutory deadlines and requirements?

Answer (3a):

I will regularly monitor OMB's implementation plans and, if necessary, take remedial actions to ensure the required website meets the spirit of the act.

b. What will you do to improve the quality of the data provided by the agencies so that the website can be a useful tool in improving federal financial management and transparency?

Answer (3b):

The website will provide the most transparency ever into the government's transactions. It will also be an excellent way to assess and ensure data quality. If confirmed, I will ensure that agencies, as part of their compliance with the act, assess and report regularly on their efforts to improve the timeliness and accuracy of the data available on the website.

Working Cooperatively with Congress

4. Solving this country's most serious fiscal challenges related to debt and long-term obligations to veterans and the elderly will require a genuine willingness to engage in bipartisan problem-solving and cooperation. What assurances are you prepared to make that you will approach the important role of OMB Director with a commitment to working cooperatively with Congress?

Answer:

I agree that a willingness for bipartisan problem-solving and cooperation are key to addressing our future fiscal challenges. As current and past President's Budget proposals have shown, both entitlement reform and support for the Nation's veterans are very important to the President. I also look forward to working with the Congress, if confirmed, on these important issues.

a. In light of the President's threat to veto spending bills that exceed his budget requests, will you be willing to find areas of compromise with bills passed by the House and Senate, and, if so, where do you think there will be room for compromise?

Answer:

I look forward, if confirmed, to working with the Congress to finalize the FY 2008 appropriations bills to fund the Nation's priorities at an overall level of spending that is acceptable to the President.

Long-term Fiscal Outlook

5. The American people are worried about the Federal budget and the deterioration of our long-term fiscal situation over the past seven years. During six of those years, you were Chairman of the House Budget Committee and oversaw our reversal of fortunes from a projected 10-year, $5.6 trillion budget surplus into a $2.6 trillion deficit. Congress also failed to reach agreement on a budget resolution in three of those six years of your leadership. Your tenure also coincided with an explosion of earmarks and no-bid federal contracts that have diminished taxpayer confidence in federal financial management. (HSGA Obama)

a. What share of responsibility do you accept for the decline in our country's long-term fiscal situation?

Answer (5a):

The $5.6 trillion surplus that was projected in early 2001 was made on the basis of economic forecasts that didn't envision the recession that was already taking place, and that failed to anticipate the full impact on Federal receipts of the stock market correction that began in mid-2000. That $5.6 trillion surplus was an estimate shared by both OMB and CBO, but in retrospect those surplus dollars were a mirage even before the attacks of September 11, 2001 created huge, urgent spending requirements.

b. What in your experience do you believe qualifies you for the task of restoring taxpayer confidence and reversing the slide in our nation's fiscal status?

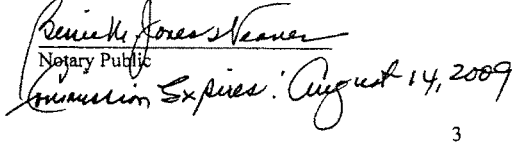
Answer (5b):

We have seen a decline in the deficit the past two years.
As chair of the House Budget Committee for six years, I strongly advocated a path of deficit reduction and I will continue to do so if confirmed as OMB Director. I will use my expertise in the budget process to ensure that the budget stays on track to reach balance in 2012 and to ensure that the taxpayer receive the utmost value for every dollar of Federal spending.

AFFIDAVIT

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

Subscribed and sworn before me this 10th day of July, 2007.



Notary Public

Commission Expires: August 14, 2009

Additional Questions for the Record
Nomination Hearing of Congressman Jim Nussle
July 24, 2007

Senator Daniel K. Akaka

1. **Question:** Currently, OMB is working with the Department of Defense and the Director for National Intelligence to develop a new security screening process to improve the security clearance process government-wide, which has led to a large backlog of clearances, especially at the Department of Defense. The new process is set to be rolled out first at DNI, and then if all goes as planned, replicated across other agencies.

   Currently, the Government Accountability Office may not conduct audits or investigations of DNI's security clearance process. With the new process under consideration, I am worried that this prohibition could extend to all clearance screenings since the system was used at DNI. Would you, if confirmed, support the ability of GAO to investigate the security clearance process, government-wide?

Answer:
If confirmed, I will ensure that GAO has sufficient access to the information it needs to assess the effectiveness and efficiency of the security clearance process.

2. **Question:** The federal government relies heavily on contractors. While federal jobs can now be "competitively sourced" under OMB Circular A-76, the jobs cannot be inherently governmental. The circular defines inherently governmental. However, for contracts for new services, such as many of the contracts put in place at DHS, the definition for inherently governmental is ambiguous at best. Would you, if confirmed as Director, support a clearer definition of "inherently governmental" for government contracts?

Answer:
I will support any appropriate steps to ensure inherently governmental work is performed only by federal employees and will look to the Administrator for Federal Procurement Policy to determine those steps. We must be sensitive to how contractors are used and ensure our contractors are being effectively overseen, especially when they are performing activities that closely support the performance of inherently governmental activities.

3. **Question:** While your background is very strong in budgetary issues, you appear to have little experience in management. What qualities and qualifications do you

possess that you believe will allow you to execute the management responsibilities of the Director of the Office of Management and Budget?

Answer:
My tenure in the House of Representatives demonstrates my commitment and interest in making the government more effective and efficient. I had the privilege to serve as Chairman of the House Budget Committee for six years. I held hearings on management issues such as Waste, Fraud, and Abuse in Federal Mandatory Programs (on March 25, 2003), Performance-Based Budgeting (on July 20, 2005), and Restructuring Government for Homeland Security (on December 5, 2001). If confirmed as OMB Director, I would work to maintain and strengthen OMB's efforts in fulfilling its management responsibilities.

4. **Question:** As you know, the upcoming election will bring about one of the most difficult transitions in recent memory from an agency management perspective. The leadership at every agency is likely to turnover, taking years of management experience at their agencies with them. This is especially troubling at the Department for Homeland Security, where they are struggling to find their footing. Changing managers mid-stream is sure to challenge these efforts. What can OMB do in the coming 18 months to ensure that transitions at DHS, as well as other agencies, do not hamper ongoing efforts at business transformation?

Answer:
OMB plays an important role in ensuring that agencies have clear goals, specific action plans, and accountability systems that make clear who is responsible for achieving them. These are key elements for ensuring that agencies continue to strengthen their management practices and transform how they do business to better serve the American people. If confirmed, I will ensure that this work continues to be a top priority for OMB.

Senator Susan M. Collins

1. **Question:** Over the years, there have been various proposals to adopt 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 claimed for biennial budgeting is that providing funding for a longer period of time would enhance agencies' abilities to manage their operations and allow increased congressional oversight. What is your view of biennial budgeting?

Answer:
The President has proposed a biennial appropriations and budget process in each of his 7 Budgets. A biennial budget would give Congress more time to conduct additional oversight, give agencies more stable funding levels, and allow agencies to focus more attention on managing programs more effectively.

2. **Question:** In recent years, the Administration has been criticized for failing to incorporate into its budget requests the amount that is realistically required to fund the Global War on Terror, and instead has funded a substantial portion of the GWOT through supplemental spending requests. What is your view on whether the costs of the GWOT ought to be built into the President's budget requests from the outset, or met through supplemental requests?

Answer:
I understand that the Administration's FY 2008 war funding budget request – which was submitted with the President's entire budget request for that year – included account-level detail, bringing an unprecedented level of transparency to the war budgeting process.

I believe this approach strikes the right balance of transparency and flexibility. I also believe that separating funding for war costs from base costs is appropriate, since war costs are not permanent and outyear costs remain difficult to predict.

If confirmed, I would support the Administration's efforts to be as transparent as possible about anticipated war costs.

3. **Question:** The National Governors Association wrote to Secretary of Homeland Security Michael Chertoff on July 18, 2007, calling for increased budget authority for the State Homeland Security Grant Program and other critical homeland security funding streams due to the fact our first responders have assumed additional homeland security responsibilities in addition to their day-to-day public safety missions. The letter said "also troubling is the fact that reductions to state grant programs are sometimes justified by statements that question the rate at which states are spending federal funds, or suggest that there are adequate funds

in the pipeline to meet state and local needs. Such statements fundamentally, and in some cases purposely, misstate the facts and must be corrected."

The letter goes on to explain that states are in fact meeting statutory deadlines for expenditure and obligation of these funds, and highlights that states have two to three years to make these investments. States must first plan, then work with localities to make sound investments in preparedness, and then continuously monitor the dollars to ensure they are wisely spent. Procurement practices also result in a delay between the time that grant funding is obligated to a certain project, and the time the money is withdrawn from the Treasury. I think the National Governors Association makes a strong argument against the idea that there is adequate funding for homeland security already in the pipeline.

Representative Nussle, do you think that our states are in fact adequately prepared for terrorist attacks to justify the Administration's proposed 73% cuts in homeland security grant funding for states?

Answer:
I understand that the Budget proposes $2.2 billion in funding for DHS' first responder support programs including State and Local Programs, Assistance to Firefighters, and Emergency Management Performance Grants. I am told that, when combined with $1 billion in first responder interoperable communications grants to be administered by DHS and the $297 million in State and local preparedness funding provided through DHS' supplemental appropriations, the Federal government will have provided an additional $3.5 billion in funding for State and local preparedness projects, or over $100 million more than the funding provided through FY 2007 regular appropriations.

I further understand that State capacity to expend homeland security grant funds in an effective and efficient manner remains a concern. Of approximately $15.7 billion in homeland security grant funds provided from FY 2002 through FY 2006, over $4.7 billion remain unspent. DHS will have also administered another $4.2 billion in grants for State and local preparedness efforts in FY 2007. In light of the large amount of funding which will remain available for State and local preparedness projects through FY 2008, I am told that the Administration believes the Budget provides additional preparedness resources which are sufficient at this time.

4. **Question:** Congress created the Assistance to Firefighters Grant Program to provide critical funding to our nation's 1.1 million firefighters to improve their baseline level of readiness and address deficiencies in training, equipment, and staffing. By design, it addresses the needs and challenges of local fire departments in their response to 22.4 million emergencies annually. It is the only federal grant program that enables fire departments to enhance their performance in the areas of education, prevention and response.

Last year, the Department of Homeland Security received nearly $4 billion in applications for the Assistance to Firefighters Grant Program, yet the Administration's Fiscal Year 2008 budget proposed only $300 million for Fire Act grants and eliminated the SAFER hiring program. This proposed funding level is inadequate to meet the current demand for assistance. In light of these drastic cuts, please explain how you would ensure the basic needs of our nation's fire service are met?

Answer:
From 2001 through 2006, I have been told that DHS provided over $18 billion in support for terrorism preparedness and other first responder needs. Of that amount, nearly 30% has been allocated to fire service or EMS-related projects. In FY 2007, DHS will administer an additional $4 billion in direct support to first responders – a significant portion of which will fund planning, equipment, vehicles, and training for fire service and EMS missions.

In addition to the $300 million in support provided by the Budget directly to fire departments, the Budget anticipates that the fire service will continue to benefit significantly from the resources provided through the State and Urban Area programs. Further, the Budget continues to support other programs critical to training and supporting the fire service including the US Fire Administration, the National Domestic Preparedness Consortium, and the Disaster Relief Fund.

5. **Question:** Throughout my tenure in the Senate, I have supported the adoption of Pay As You Go budgeting and other budget enforcement policies to impose discipline on the budget process. With respect to PAYGO, I have consistently supported rules which apply equally to new tax cuts and to new entitlement spending. I understand that the Administration has a different view with regard to the application of the PAYGO rules to taxes, but I wonder how can it be appropriate to apply PAYGO to just one side of the budget?

Answer:
In my view, there is a fundamental distinction between proposals that lead to higher government spending and proposals that let taxpayers keep more of their own money. If PAYGO is applied to tax relief proposals, it would pose a significant hurdle to extending current tax rates, resulting in automatic tax increases. It would also provide an incentive to increase entitlement spending paid for with new taxes. With revenues above historical averages, as a share of the economy, I believe our remaining budget challenge is addressing excessive spending growth, and not a lack of revenues.

For these reasons, I do not support applying PAYGO to tax legislation. I do support the Administration's approach to controlling mandatory spending, in which spending increases must be offset by spending reductions.

6. **Question:** The Improper Payments Information Act of 2002 (IPIA) requires agencies to reduce waste that occurs in the form of improper payments. The Act recognizes that it is far more efficient for the government to take steps to prevent an improper payment up front, than to attempt to recoup an improper payment after it is made. We know from previous studies that the government often collects just pennies on the dollar when it attempts to recoup improper payments. This Committee has held a number of hearings on fraud, waste and abuse, particularly at FEMA. GAO estimates that FEMA made $1 billion of potentially improper and/or fraudulent payments in the wake of hurricanes Katrina and Rita. GAO found that FEMA made improper payments to non-existent victims, to prisoners, and to non-qualifying aliens. FEMA also allowed nearly $20 million dollars in improper payments by allowing some victims to claim double benefits for their damaged homes by submitting the same claim for both Hurricane Katrina and then again for Hurricane Rita. We simply cannot afford such waste. What can OMB do to ensure that agencies comply with the IPIA and prevent improper payments before they occur?

Answer:
I understand that the Administration has made eliminating improper payments one of its top management priorities, including making it a separate initiative under the President's Management Agenda (PMA). The standards of success for this PMA initiative closely mirror the requirements of the Improper Payments Information Act of 2002 (IPIA). Specifically, agencies must assess risk in all programs, measure all high risk programs, prepare corrective action plans, and meet error reduction targets. This accountability and improvement framework has been very effective in driving improvements.

My understanding is that the amount of improper payments in the programs originally reported in FY 2004 was reduced from a baseline of approximately $45.1 billion to $36.3 billion this year, a nearly 20% reduction.

I am told that the Administration is also working to reduce fraud in emergencies. President Bush issued an Executive Order in August 2006 (Improving Assistance for Disaster Victims), that established a Task Force on Disaster Assistance Coordination.

To be successful, I believe the Administration and the Congress must (1) continue to hold agencies accountable for both preventing and recovering improper payments and (2) fund program integrity efforts that have proven returns on investment for reducing payment error.

7. **Question:** The Acquisition Advisory Panel [SARA Panel] has completed its work and submitted its report to OFPP and Congress. Many of the approximately 80 recommendations in that report are directed at OMB, specifically OFPP. These recommendations range from improving the federal government's acquisition workforce to improving the data available on contracts awarded across the federal

government. What steps will you take to evaluate these recommendations and ensure they are appropriately implemented?

Answer:
I am not familiar with the details of this report but understand it addresses a broad range of issues that are in need of careful attention, including enhancing competition, strengthening the workforce, and improving transparency and accountability. If confirmed, I will look to the OFPP Administrator to carefully evaluate the recommendations and take prompt action as appropriate. In fact, I understand the Administrator recently issued a memorandum to enhance competition that endorses recommendations that were also made by the SARA Panel.

8. **Question:** This committee has heard disappointing testimony with examples of our federal contracting process failing to meet requirements and maximize returns on the taxpayers' dollars. In many cases this is directly attributable to a stressed acquisition workforce-- too much work, too few people and in some cases people with the wrong skills for the tasks in hand. The Chairman and I, along with other members of this committee, are sponsors of a bill to authorize a government-wide Acquisition Intern Program, a government-wide Acquisition Fellowship Program and an Industry / Government Exchange Program under the management of the Office of Federal Procurement Policy. Do you believe such programs would assist OFPP in rebuilding the Acquisition Workforce?

Answer:
I am not familiar with the details of your legislation but support, in concept, the steps you describe to strengthen the acquisition workforce. The government must take affirmative and immediate action to attract and retain talented individuals to close competency gaps where they exist. The types of tools you describe should help in that important goal, along with OFPP's policy leadership and the agencies' operational support.

9. **Question:** In 2002, the Administration introduced a Management Scorecard to measure progress in each of the initiatives of the President's Management Agenda. On the March 2007 scorecard, fourteen of twenty-six agencies received red, or unsatisfactory, in the area of financial performance. This is a crucial area of government management, but one in which many government agencies are lacking. What is your assessment of current OMB efforts to help agencies improve their financial performance, and what will you do to bring about more improvement?

Answer:
I agree that financial management is a crucial area in overall government management. I also believe it is important to first look at the improvements made to date and then discuss plans for the future.

We should not be satisfied if any Federal agency has unsatisfactory financial performance. It is my understanding that since the President's Management Scorecard was initially implemented, seven agencies have improved from being rated red, and that OMB continues to work with the agencies to assess, prioritize, and monitor corrective actions related to identified material weaknesses. This type of collaboration has benefited both the agencies and has led to a number of significant accomplishments including the following:

- The average days to issue financial statements decreased from 147 in 2001 to 46 days in 2006.
- Auditor identified material weaknesses decreased from 62 in 2001 to 41 in 2006.
- Clean audit opinions increased from 17 in 2001 to 19 in 2006.

10. **Question:** I was dismayed to find that on the latest scorecard, the agency rated red, or unsatisfactory, in the greatest number of areas, 4 of the 5 areas, was OMB. What will you do to ensure that the Office of Management and Budget, and I emphasize Management, improves its performance on the Management Scorecard?

Answer:
If confirmed, I will make OMB's internal management one of my top priorities. While OMB's current scores on the President's Management Agenda are not impressive, it has done much better on its progress scores. I am advised that OMB earned upgrades in two areas, E-Gov and Budget and Performance Integration, in the quarter that ended on June 30. Those upgrades suggest that OMB is taking steps to make improvements. But, OMB's current status scores are unacceptably low and I want to work to improve them.

11. **Question:** The E-Government Act of 2002 (E-Gov Act) was enacted, in part, to improve government services for citizens and increase opportunities for citizen participation in government, through use of the internet. OMB's approach to funding E-Gov initiatives has been to tap agency budgets to support common initiatives, such as grants.gov and e-rulemaking. Yet, some in Congress have objected to this approach. Do you believe this is the most appropriate way to fund E-Gov initiatives, and if so, how can OMB convince Congress of this?

Answer:
It is my understanding that the Clinger-Cohen Act of 1996, the E-Government Act of 2002 and the Economy Act of 1932 serve as the foundation for the funding approach and investment decisions made regarding interagency and Government-wide investments in information technology. Agency funding levels for each initiative are determined collaboratively by the agencies themselves, working through each E-Gov initiative's governance board. It makes sense for agencies to fund E-Gov initiative service providers where agencies benefit from the services provided and value is delivered -- just as they would any other service provider.

Senator Carl Levin

1. **Question:** The Advanced Technology Program is a cost-sharing program that promotes the development of new, innovative technologies and products that are made and developed in the United States, helping American companies compete against their foreign competitors and contribute to the growth of the U.S. economy. According to the Department of Commerce ATP has produced a eight-time return on investment when the Department of Commerce partners with industry on advance technologies.

   The Manufacturing Extension Partnership Program co-funds a nationwide system of manufacturing support centers to assist small and mid-sized manufacturers modernize to compete in a demanding marketplace by providing technical assistance and helping small firms boost productivity, streamline operations, integrate new technologies, and lower costs. In fiscal year 2005 alone, MEP clients reported 53,219 new or retained workers, sales of $6.25 billion, cost savings of $1.30 billion and plant and equipment investments of $2.25 billion as a consequence of MEP assistance.

   Since 2004, the President's budget request continues to zero out the Advanced Technology Program and drastically reduce funding for Manufacturing Extension Program.

   a. Did you support the ATP and MEP programs when you were in the House of Representatives?

   b. If confirmed as OMB Director will you work to fully fund these two important programs?

Answer:
If confirmed as OMB Director, I will consider your concerns and your support of the ATP and MEP programs, and will bear them in mind when weighing the many competing requests for Federal funding.

It is my understanding that the Administration believes that MEP clients have the incentive and the means to cover more of the cost of the business support services provided to them, creating an opportunity to reduce the program's reliance on direct appropriations.

It is also my understanding that Congress had placed the ATP program on a path for termination before enactment of the 2007 full-year Continuing Resolution. ATP is a grant program for businesses that was intended to develop new technologies for commercial use, designed before the more recent growth of venture capital and other financing sources for high-tech projects. Large shares of ATP funding have gone to major corporations, and past GAO studies found that projects often have been similar to those conducted by firms not receiving such subsidies.

Currency Manipulation

2. **Question:** Since 2001, the United States has lost 3 million manufacturing jobs, including over 200,000 manufacturing jobs in the state of Michigan alone. These manufacturing losses have undermined our economic strength as a country. One key issue for manufacturers is currency manipulation. The Treasury Department releases a semi-annual Report to Congress on International Economic and Exchange Rate Policies, which is supposed to determine, in part, whether trading partners are manipulating their currencies. Since it was mandated in the 1988 Trade Act, the Treasury Department has never once made such a finding. Treasury has failed to name China or Japan (or any other country) as a currency manipulator.

   American companies are not just competing against foreign companies; they're competing against foreign countries. This is especially true when foreign governments like China and Japan manipulate the value of their currency to keep its value artificially low. Currency manipulation makes Chinese and Japanese exports unfairly cheap and U.S. products more expensive in China and Japan, displacing U.S. production and jobs. This is nothing short of a government subsidy, and we should be doing all we can to fight back against such harmful unfair trade practices.

   What is your position on the problem of foreign countries manipulating their currencies in order to gain a competitive advantage in trade? If confirmed, what type of oversight will you pursue at OMB of this Treasury Department report in particular and of trade policy in general?

Answer:
I do not believe that countries should manipulate currencies to gain an unfair advantage in trade. The coordination of US policy with regard to exchange rates is a Treasury responsibility and I have not been thoroughly briefed on exchange rate issues. So I cannot offer an opinion on any of the Department's determinations. I understand that both Secretary Paulson and Trade Ambassador Schwab are working on exchange rate and other economic issues, through such venues as the Strategic Economic Dialogue with China. If confirmed, I look forward to working with them as well as with the Congress to open foreign markets to U.S. goods and services while ensuring that our companies and workers compete on a level playing field.

CFTC Budget

3. **Question:** President Bush's budget includes a proposal to fund the Commodity Futures Trading Commission (CFTC) by authorizing it to collect user fees from the commodity markets. The proposal to authorize user fees to fund the CFTC has been included in every President's budget since President Reagan, but never enacted. At this point, the CFTC is the only U.S. federal financial regulator that isn't funded with user fees, including the Securities and Exchange Commission, Federal Reserve, Office of the Comptroller of the Currency, and others.

   Do you support authorizing the CFTC to collect user fees from commodity markets, and will you work with my office and others to finally get this provision enacted into law?

Answer:
As you indicate, the Budget notes that CFTC is the only Federal financial regulator that is not currently funded through user fees on market participants, and accordingly proposes legislation authorizing the collection of user fees to fund the CFTC's operations. If confirmed, I look forward to working with you and others in the Congress to enact the President's policy agenda.

Environmental Regulations

4. **Question:** OMB has oversight over federal agencies and plays a key role in developing regulations through its Office of Information and Regulatory Affairs, which reviews draft agency rules before they are published for public comment. Many of those regulations touch upon environmental concerns, including, for example, regulations affecting clean air and water, forestry, oil and gas drilling, endangered species, global warming, and many other environmental matters.

   In 2003 and 2004, while you were in Congress, the premier environmental rating organization, the League of Conservation Voters, gave you a zero rating for your votes on environmental issues. In 2004, you were one of just 20 House Members to receive a zero rating. That's 20 House Members out of 435, which means your rating was lower than 95% of the Members of the House. Why should the American people have confidence in your ability to serve as the gatekeeper for federal environmental regulations?

Answer:
I believe that all regulations, including those pertaining to environmental protection, should be consistent with the statutory mandates enacted by Congress. If confirmed, I would follow the law and I would ensure that OMB performs its regulatory review function under Executive Order 12866 in a transparent and accountable manner. If confirmed as OMB Director, I will work closely with the Congress in pursuing the

President's environmental agenda and ensure appropriate review of all major environmental regulations.

Congressional Oversight

5. **Question:** Many Members of Congress have raised concerns that this Administration has hindered the ability of Congress to perform its oversight function by asserting broad powers to withhold testimony and documents from Congress. There is also a lot of confusion over the policies and procedures involved when information is withheld. OMB could play a role in helping to clarify the policies and procedures related to the withholding of testimony and documents from Congress.

   Is there any reason or justification that the executive has for denying documents or testimony from Congress other than an assertion of executive privilege based on the need to preserve the confidentiality of communications between the President and his advisors?

Answer:
I am told that historically, as well as during this Administration, OMB and other agencies rely on the Department of Justice for legal advice on the legal issues surrounding Congressional oversight. The Department of Justice has institutional expertise about these complicated legal issues, and that Department would be the better party to identify the appropriate standards applicable to various oversight requests.

Senator Joseph I. Lieberman

1. **Question:** If confirmed, how might you move the Administration towards effective bipartisan efforts to address the long-term fiscal crisis?

Answer:
My understanding is that Director Portman and Secretary Paulson had a number of constructive meetings and discussions with members of Congress on entitlement reform. If confirmed, I would be committed to continuing those efforts. More specifically, I see three things that I could do to move towards an effective bipartisan effort. First, we need to continue to educate members of Congress on both sides of the aisle, the media, and the general public on the problem. Second, I would be an advocate within the Administration to address this long-term problem and to look for bipartisan solutions. And, finally, I would reach out to members in both parties to see if we could build a consensus around some solutions.

2. **Question:** President Bush has described you as a "strong advocate for fiscal discipline and a champion of tax cuts." As a strong advocate for fiscal discipline, what is your view of the relationship between fiscal discipline and tax cuts? Do you agree that both sides of the equation – revenues as well as expenditures must be on the table?

Answer:
The source of the nation's long-term fiscal problem is unsustainable growth in entitlement spending, not a shortfall in revenues. As analyses by the Administration, CBO, and others have demonstrated, the retirement of the Baby Boom generation and the persistence of healthcare cost growth that exceeds growth in the economy will raise entitlement spending dramatically in coming decades. Our greatest budgetary challenge is reducing the growth in spending for these entitlement programs.

I also believe it is important to take action to ensure strong growth in revenue while keeping tax rates as low as possible. Revenues today are above historical levels, and maintaining pro-growth policies is critical to strong receipts.

3. **Question:** CBO's analysis of the President's 2008 Budget Request found that, over a ten-year period, it would increase deficits by $1.4 trillion more than if no changes were made. This increase is due in large part to the revenues reductions attributable to proposed tax cuts. As OMB Director, would you advise the President to extend the 2003 and 2003 tax cuts, even if such an extension would be ruinous for the nation's already troubled balance sheets? Or would you advise the president that we ought to consider rolling back the 2001 and 2003 tax cuts, at least on the wealthiest taxpayers?

Answer:
Under the rules that CBO uses to construct the baseline, it assumes expiration of the 2001 and 2003 tax relief. However, I believe that the failure to maintain today's low tax rates would be a serious mistake. In my view, continued tax relief is critical to maintaining strong economic growth. Revenues as a share of the economy are above historical averages even with tax relief in place. The right way to balance the budget is to focus on reducing spending growth.

4. **Question:** As you know, the President called for Congress to cut the number and cost of earmarks by at least half. In the grand scheme, how important would you rank the reduction in earmarks to solving our nation's serious fiscal problems? For example, what percentage of the federal budget deficit will be eliminated if Congress were to reduce earmarks by 50%? Would you advise the President to continue to focus on eliminating earmarks – and, if so, on what basis? Isn't the real issue that our current tax structure is woefully inadequate to fund our nation's key priorities?

Answer:
According to OMB's on-line database, earmarks in appropriations bills totaled $19 billion in 2005. Thus a cut-in-half from that benchmark could reduce spending by $9-10 billion, if the funds were not redirected elsewhere. I believe that the benefits of reducing earmarks are not limited to the savings that would ensue, but also the resulting improvement in the budget process. There has been a huge growth in earmarks since the early 1990s, and I'm glad Congress began last year to curtail earmarking and increase transparency.

While our current tax code has serious flaws and needs to be reformed, tax collections have grown by double-digit growth rates the past two years. Relative to the economy, tax collections this year exceed the 40-year average. The heart of our long-term fiscal problem stems from the unsustainable growth in spending for our largest entitlement programs. Tax reform could have important economic benefits, but with federal tax receipts are above historical levels, the real long-term challenge is reducing growth in entitlement spending.

5. **Question:** If confirmed, when you begin formulating the FY 2009 budget in six months, to what extend do you believe you should budget for AMT relief? What changes would you propose to the AMT? Do you believe that an AMT reform package ought to be revenue-neutral?

Answer:
I believe that the AMT should be considered in the context of broader tax reform. I understand that the Administration proposed an AMT patch for 2007, and fully reflected that patch in its deficit projections. A patch allows time for Congress to work on a longer-term solution.

6. **Question:** Now that we have more than four years of data to inform war cost estimates, and we should be reasonably capable of assessing the base budget needs, what is the rationale for avoiding increasing the base budget to include known costs, such as equipment replacement and operation costs? Do you agree that supplemental appropriations should be used only for truly unforeseen requirements? How do you intend to decide on, and enforce, the distinction between "war-only" costs and budgeted programs?

Answer:
I believe that separating funding for war costs from base costs is appropriate, since war costs are not permanent and outyear costs remain difficult to predict. Keeping war costs out of the base budget will facilitate sound decision-making about Defense resources once major operations in Iraq and Afghanistan are completed.

I also believe that it is important to be as transparent as possible with anticipated war costs. The Administration struck the right balance with its FY 2008 war funding budget request, which was submitted with the President's entire budget request for that year.

This approach brought an unprecedented level of transparency to this war budgeting process. If confirmed, I would support the Administration's efforts to continue to be as transparent as possible with these costs, and I would work with the Secretary of Defense to ensure that war costs and base costs are determined appropriately.

7. **Question:** What is your assessment of the funding levels provided in the House and Senate Homeland Security Appropriations bills? Would you recommend that the President reconsider his veto threat to the Homeland Security bills?

Answer:
In my view, the President's request is a substantial and growing investment in the Nation's security and represents a balanced approach that targets resources at those areas of greatest risk.

My understanding is that the Administration has asked that Congress demonstrate a path to live within the President's top line and cover spending increases above the request through reductions elsewhere. I support this fiscally responsible approach.

8. **Question:** Do you believe the Administration's FY2008 budget request provides adequate funding for our state and local first responders? What measures will you rely on to determine whether these grant programs are adequately funded?

Answer:
From 2001 through 2007, I understand that the Administration will have provided over $40 billion in grants, training, and other support for State and local preparedness and

other first responder needs, and I am sure that these activities will remain a priority in future Budgets.

I understand that DHS has incorporated a preparedness measurement framework into the grant application process to ensure funded projects are consistent with national preparedness priorities, and the Department continues to refine its ability to measure and track the status of capability levels.

9. **Question:** In response to a written question from this Committee about the Administration's proposed reduction in funding for first-responder grants, you explained that you support the proposal because, among other things, billions of dollars are still "in the pipeline." However, according to DHS's own reports, the vast majority of these funds – well over 90% of the homeland security grants awarded by DHS – has already been obligated by states and is not available to provide additional support to communities in fiscal year 2008. The funds have not actually been deducted out of the DHS accounts yet. It includes circumstances where, for example, a state has signed a contract for goods or services by those goods or services have not yet arrived – and can even include cases where the goods or services have arrived and have been paid for, but where DHS has not transferred the funds to reimburse those costs to the states. Therefore, isn't it true that well over 90% of the funds "in the pipeline" are not actually available to provide additional assistance to states in Fiscal Year 2008?

Answer:
My understanding is that of approximately $15.7 billion in homeland security grant funds provided from FY 2002 through FY 2006, over $4.7 billion remain unspent. Approximately half of this balance, or $2.3 billion, was awarded at least 24 months ago, and the amount of time States take to draw down their grants and execute on preparedness projects already funded continues to grow. If confirmed, I intend to examine more closely the issues surrounding the expenditure of these funds.

10. **Question:** As we approach the two year anniversary of Katrina, the recovery s still very far from complete. Recently, there have been reports that the Road Home Program, Louisiana's program to rebuild Louisiana, is potentially facing a shortfall of several billion dollars.

    a. What are your thoughts on the potential shortfall in funding for the Road Home Program?

    b. Do you anticipate the potential need for supplemental funding for the program?

    c. What do you believe the federal government should do to assist Katrina evacuees after many of the FEMA programs expire?

d. Can you provide assurance that, if you are confirmed, you will work to keep the Administration committed to rebuilding the Gulf Coast, as well as assisting the people who have been displaced from their homes, for the long haul?

Answer:
a., b.
It is my understanding that OMB, HUD, and Chairman Powell's office have been working together with Louisiana to assess reports about the adequacy of funds for the Road Home program. It is premature for me to speculate whether additional funding might be needed for the Road Home program.

I believe that OMB should continue to work with HUD and the State to prioritize and improve program designs, and explore the possibility of leveraging other funding streams where appropriate.

c.
As you know, FEMA's role is to provide assistance in response to an immediate emergency – not to provide long term assistance. The Administration and Congress have provided over $116 billion in Federal assistance to the Gulf Coast States -- with a majority of these funds going to federal programs outside of FEMA's Disaster Relief Fund to support longer-term recovery and assistance. These programs should provide the continued federal assistance to those individuals in the Gulf Coast states that require it when FEMA's responsibilities end.

d.
The President has made a commitment to assist the people of the Gulf Coast states in their recovery efforts. If confirmed, I will maintain this commitment and continue to have OMB work closely with Federal agencies, and the States to follow through on needed assistance and rebuilding.

11. **Question:** Last year the federal government spent over $415 billion on contracts for the purchase of goods and services – an astounding 89% increase over the past six years. Over this same time period, the number of acquisition personnel who negotiate and oversee these contracts has held fairly steady, but that follows a significant downsizing of the acquisition workforce in the 1990s. And the workforce is about to shrink further if nothing is done, because roughly half the current workforce is eligible to retire in the next four years. A robust and well-trained acquisition workforce is critical to reducing waste, fraud and abuse in federal contracting.

Will you commit to make it a priority for OMB to help find ways to recruit new talent into this field, and to emphasize to all the agencies the importance of investing in their acquisition workforces?

Answer:
Yes.

12. **Question:** Recently the Administrator of the Office of Federal Procurement Policy, Paul Dennett, sent a memorandum to all agencies that stated his concern that agencies are not taking full advantage of the tools available for them to facilitate efficient and effective use of competition in federal contracting. The data released by OMB backs this conclusion. At the major contracting agencies, about 36% of the money spent on contracts last year was awarded without full and open competition. The Department of Defense, which is by far the largest spender on contracts, averaged about 37% spent without full and open competition, NASA 50%, and DHS 51%. If confirmed, what will you do to increase the level of competition in contracting?

Answer:
If confirmed, I will ask the OFPP Administrator to work closely with agencies to maximize the level of competition at their agencies. My understanding is that the OFPP memorandum that you reference includes several regulatory changes that are intended to strengthen the use of competition. I support improvements that will create a more competitive contracting environment and will expect the Administrator to work aggressively to implement appropriate changes to acquisition policy and practice with this goal in mind.

13. **Question:** In testimony last week before our Committee, both David Walker, the Comptroller General, and Marcia Madsen, the Chair of the Congressionally-mandated Acquisition Advisory Panel, told the Committee that there needs to be clearer guidance on what constitutes "inherently governmental" work that should be performed by government employees and not by contractors. This issue is particularly important as the majority of contract dollars – some 60% – is now spent on services, not goods. We need to make sure that contractors do not perform inherently governmental work, and that our agencies retain the in-house expertise necessary to effectively oversee complex service contracts. If confirmed, will you make sure that OFPP undertakes a thorough review of this issue and provides clearer guidelines to agencies?

Answer:
I will support any appropriate steps to ensure inherently governmental work is performed only by federal employees and will look to the Administrator for Federal Procurement Policy to determine those steps. We must be sensitive to how contractors are used and ensure that they are being effectively overseen, especially when they are performing activities that closely support the performance of inherently governmental activities. The Administration must also ensure agencies retain an effective internal capability to perform core activities.

14. **Question:** There's been rapid grown in spending on government information technology programs in recent years, and with that growth there's been an increase in projects that are ultimately unsuccessfully in meeting their goals. Over $14 billion in the president's 2008 budget are for information technology investments that OMB has defined as either poorly planned or poorly performing. While there shouldn't be a one-size-fits-all approach, certainly OMB plays a significant role in helping agencies choose and oversee these major investments. If confirmed as OMB Director, what will your approach be towards government information technology spending overall, and what steps will you take to reduce the number of these at-risk programs?

Answer:
It is important to ensure that federal information technology investments are made wisely. Before the start of the fiscal year, it is my understanding agencies are directed to remedy the shortfalls identified for those project justifications needing improvement prior to expending funds. 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 continue to emphasize the work the Deputy Director for Management is doing with agencies to achieve the intended results through the budget process and other venues, including the statutory authorities provided by Congress.

15. **Question:** In response to pre-hearing questions from the Committee, you wrote that your focus to ensuring the long-term solvency of Medicare would be to cut Medicare expenditures. This is the same approach taken in the President's 2008 budget proposed. But most of those cuts come in the form of decreased payments to physicians and cost-shifting to beneficiaries. About half of the seniors on Medicare earn less than $20,000 per year, and 90% have at least one chronic health care problem. Cost shifting to those beneficiaries and their providers does not seem fair to address the solvency problem. Other than cutting provider payments and increasing beneficiary premiums, what other measures would you work with Congress to enact in order to keep Medicare solvent? Would you seek to control the unprecedented cost increases in the health care sector?

Answer:
As I indicated before, health care spending is a complex issue due to the many interactions. Although there is no one solution to this problem, we need to find means of encouraging efficiency and quality while controlling spending growth—that means looking to both the private and public sectors for possible solutions.

If there are reasonable ways to control and slow the rate of growth in entitlement spending, I believe that we should pursue them. My understanding is that the President's Budget makes a down payment to lower the rate of Medicare spending growth. I also

understand that it promotes high-quality and cost-efficient care through competition and innovation and increases high-income beneficiaries' awareness and responsibility for health care costs.

16. **Question:** The President's budget for FY08 proposed to cut $2 billion from the HUD budget – amounting to 5% over baseline. When asked about these cuts, you told the Committee in response to pre-hearing written questions that "higher priority and higher performing initiatives were funded while reducing lower priority programs." But within HUD's total proposed funding, most HUD programs were cut – none seemed to have been deemed a "higher performer program." For instance, Section 8 Project-Based Rental Assistance was cut 5%. This cut came despite HUD's recent statement that the Section 8 voucher program is "one of the Department's and the Federal Government's most effective programs. This program has been recognized as a cost-effective means for delivering decent, safe, and sanitary housing to low-income families." In evaluating Housing program effectiveness, what criteria do you intend to use? How do you think the federal government can have an effective role in helping to meet the need for affordable housing for the most disadvantaged?

Answer:
It is my understanding that the HUD budget is restrained but adequate to effectively administer HUD's programs and meet key priorities.

It is also my understanding that HUD's FY 2008 Budget emphasizes expanding homeownership opportunities through modernizing the Federal Housing Administration, increasing the funding level to $2 billion for the HOME Investment Partnership Program, and supporting the reauthorization and funding of the American Dream Downpayment Initiative. In addition, the Administration continues to focus on combating homelessness and eliminating chronic homeless with a proposed $1.6 billion for Homeless Assistance, an increase of over $250 million above the FY 2007 enacted level.

The Budget proposed a record $16 billion for the Section 8 housing choice voucher program and proposed a policy of unlocking unspent funds to house 150,000 more low-income families. The Administration has focused on funding housing vouchers that allow recipients greater choice in where they live.

17. **Question:** As you know, the House and Senate appropriations committees have produced bills that meet the targets set forth in the congressional budget resolution. The Bush administration has charged that these funding levels represent irresponsible increases and the President has threatened to veto seven of the forthcoming appropriations bills because of these concerns.

But I would like to put these budgetary differences into perspective. The vast majority—approximately 80%-- of the proposed Congressional increase in discretionary FY 2008 spending consists of military and homeland security requests that are supported by the President in his budget.

When you adjust for inflation, Congress's FY 2008 budgetary levels will only increase traditional domestic spending programs by 1.4% from last year's enacted levels—approximately $5 billion dollars in additional funding for eight of the twelve appropriations bills. On the other hand, the President's FY 2008 budget proposed to cut non-defense domestic programs by $16 billion below enacted FY 2007 levels.

Given these facts, is the dispute over FY 2008 appropriations really a disagreement about fiscal responsibility? Isn't the main dispute about whether to cut domestic programs, rather than add to them? Given this information, would you counsel the President to reexamine his veto threats of domestic spending bills for FY 2008?

Answer:
Total discretionary spending is getting close to $1 trillion annually, a vast sum of money. I believe there are opportunities for savings in these programs by looking for programs that are duplicative, inefficient, or ineffective. The President's Budget, I am told, has sought such tradeoffs by proposing the termination of 91 programs and reforms in 50 others. Those savings can be used to increase funding for other high priority programs or to reduce the deficit. Government spending now comprises 20.2 percent of GDP. To balance the budget, we need to pursue pro-growth economic policies to maintain revenues and reduce the growth of total spending, discretionary and mandatory combined, below the rate of growth in the overall economy. If entitlement spending is not addressed now, I believe that brings a greater urgency to constraining the growth of discretionary spending.

18. **Question:** The pre-hearing written questions from this Committee raised the subject of OMB's efforts to issue a bulletin to govern how agencies perform risk assessments. OMB released a draft bulletin in January 2006, and a committee of the National Research Council, which reviewed the draft bulleting at OMB's request, reported that the draft bulletin had such important flaws that "the committee reluctantly came to its conclusion that the bulletin could not be rescued."

In response to the Committee's question, you stated that it would be premature for you to commit at this stage to a specific process for going forward with respect to the draft bulletin. However, could you at least commit that, if OMB proceeds with this effort, you will ensure that the bulletin is thoroughly rethought, starting from its most fundamental premises? Do you believe that OMB should follow the steps that it would ask agencies to follow in issuing new guidance such as this: for example, document current agency risk assessment practices, highlight major flaws of current practices, and provide an estimate of costs and benefits for implementing the new guidance? Furthermore, would you give your assurance that any new draft will not go into effect until after it has undergone inter-agency review and an opportunity for public comment, and after OMB has taken what was learned from that review and public comment into account in finalizing the bulletin?

Answer:
If confirmed, I will work with OMB staff to ensure that in developing any guidance to enhance the quality and objectivity of risk assessments. OMB should seriously consider the comments from the National Research Council, as well as comments from the public, agencies, and Members of Congress.

Senator Barack Obama

1. **Question:** Today – July 24, 2007 – Executive Order 13422 will take effect, expanding the power of OMB to oversee the work of Federal agencies. Under the Order, it appears that the influence of political appointees will increase dramatically over career professionals in approving regulations and agency guidance documents. Since we have already witnessed the dangers of excessive politicization in some Federal Departments like Justice and the EPA, how do you intend to implement this Executive Order and what, if any, safeguards will you require to ensure: 1) that the Executive Branch does not encroach on the power of Congress to pass legislation directing agencies to promulgate certain rules and regulations; 2) that political appointees are not inappropriately interfering with the work of agency scientists or other career professionals; and 3) that the standards for justifying regulations are not limited to "market failure" but also include public health, safety, or other public good concerns where the "market failure" criterion may be inconclusive or inappropriate?

Answer:
As a former member of Congress, I appreciate and understand that Congress authorizes and enables Executive Branch rulemaking. If confirmed, I would ensure that OMB performs its regulatory review function under Executive Order 12866, and its responsibilities under Executive Order 13422, in a manner that fully complies with statutory mandates. I would also emphasize the need for transparency and accountability in OMB's regulatory review process, and I strongly believe that regulatory decisions should be based on rigorous analysis that considers the full range of regulatory impacts, including public health, safety, or other public good concerns.

2. **Question:** For many years, OMB has depended upon the Census Bureau to compile and release federal funds numbers via its Consolidated Federal Funds Report (CFFR). For the CFFR, the Bureau draws upon data from the Federal Assistance Award Data System, the Federal Procurement Data System, the Office of Personnel Management, the Department of Defense, the U.S. Postal Service, and responses by other federal agencies to specific data requests. In the last four years, OMB has seen the timing for the annual CFFR slip dramatically, falling from a release date about six months behind the end of the previous fiscal year to one that lags the end of the fiscal year by almost two full years. (As of July 23, 2007, the latest available CFFR covers fiscal 2004.) First, can you identify the reason for this delay? Is this a lack of resources issue or has the CFFR simply become less of a priority at OMB? Second, under the Federal Funding Accountability and Transparency Act (FFATA) of 2006, OMB must by January 1, 2008, create and maintain a single, searchable website that will allow public access to federal funding data for all entities and organizations. FFATA also requires that federal awards be posted to this new website within 30 days of being assigned. How will the implementation of FFATA affect OMB's release of the CFFR? Will the timely release of the CFFR continue to be an OMB priority?

Answer:
It is my understanding that the recent delays in the Consolidated Federal Funds report (CFFR) releases have been due to increased workload at the Census Bureau and some data quality issues with funding data submitted by other Federal agencies. Together with the Office of Management and Budget, the Census Bureau has worked with agencies to improve their reporting, and has also received additional financial resources for this work, beginning in 2006. This increased funding has permitted the Census Bureau to add additional CFFR staff. I am told that the 2005 CFFR is scheduled to be released in August 2007. Subsequent releases of the CFFR are planned to be progressively more timely.

I am just becoming familiar with the specifics of FFATA implementation and I would hope that OMB's implementation of FFATA would help speed up release of this data. Implementation of FFATA will require regular review of grants and procurement data. Any problems with data quality should be detected and addressed earlier than perhaps it was in the past. This new discipline and transparency should improve the quality of reporting on how the government awards its funds. OMB will continue to monitor the production and timely release of the CFFR by the Census Bureau.

3. **Question:** The President's "my way or the highway" approach has not served his Administration or the American people particularly well in the war in Iraq, in response to Hurricane Katrina, in addressing Social Security solvency, or in his fiscal policy of debt before discipline. Since he has threatened to veto any Appropriations bill that exceeds his original budget request and refused to compromise, how do you see your role in appropriations negotiations with Congress?

Answer:
If confirmed, I see my role as working with Congress to finalize FY 2008 appropriations bills. As I testified before the Committee, failure is not an option. The Administration and Congress need to come to an agreement on FY 2008 appropriations and I see my role as working to bring about that result.

4. **Question:** Tax cuts can be a very important tool to lower family financial burdens and to stimulate economic activity. Most economists agree, however, that tax cuts do not generate sufficient new revenue to offset revenue losses. This is even more true when tax cuts are financed by higher deficits and higher federal debt, with associated interest expenses. Do you still hold the view you have previously expressed that tax cuts pay for themselves? If so, how much does cutting taxes raise revenues? If not, what is your current position on the need to have PAYGO rules apply to both taxes and spending so that revenue and expense commitments are balanced? What is your view of the economic effect of refundable or partially refundable tax credits like the EITC and the Child Tax Credit?

Answer:
Studies by the Congressional Budget Office and the Treasury Department confirm that lower taxes have positive effects on the economy. The extent to which these effects reduce the net revenue impact of a given tax cut depends on the timing and design of the tax cut in question. But it's clear that the static models used by the Joint Tax Committee and the Treasury Department generally overstate the revenue loss from tax reductions.

Even if tax cuts don't generate a full offset from the resulting higher economic growth and associated increases in tax receipts, I do not believe that it is appropriate to apply the same PAYGO rules to entitlement spending and tax proposals. Budget projections from both OMB and CBO illustrate that the long-term fiscal problem comes from unsustainable growth in entitlement spending, not a shortfall in revenues. Our greatest fiscal policy challenge is reducing the growth in entitlement spending, and a PAYGO rule that allows new entitlement spending to be paid for by tax increases will only hinder efforts to meet that challenge.

Senator George V. Voinovich

1. **Question:** There was talk earlier this year about a bipartisan working group on tax and entitlement reform. Director Portman and Treasury Secretary Paulson appeared ready to work on it, as did Senators Conrad and Gregg on the Budget Committee. But other elements in both parties didn't want any part of a deal, and the idea of a bipartisan working group died. The biggest obstacle in tackling the entitlement problem seems to be getting people to the table and forcing Congress to act. Congressman Frank Wolf and I introduced the SAFE Commission Act, which would create a bipartisan commission to propose tax and entitlement reforms. Congress would be forced to consider those proposals under fast-track procedures similar to BRAC or trade promotion authority. The idea is to force Congress to act. Do you believe that a BRAC-like commission would be an effective way to force action, or do you think there is a better way?

Answer:
I am eager to work on solutions to the entitlement problem. As I testified during the hearing, I believe the tax code needs to be reformed as well. With respect to entitlement reform, my preference would be to try to get specific reforms enacted into law. However, I recognize that it will be difficult to achieve enactment of these reforms. The Budget Act's reconciliation procedures have been used in the past to achieve mandatory savings and I would also consider a BRAC-like commission as means to force action.

2. **Question:** As Chairman and now Ranking Member of the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, I held four hearings on the federal government's security clearance process. The current security clearance process remains broken, limiting the ability of our national security agencies to meet their heightened mission requirements. At a May 17 subcommittee hearing, Clay Johnson, Deputy Director for Management at OMB said that he would work with the Department of Defense and Director of National Intelligence to develop a plan that would re-engineer the process, which included the use of innovative technology available in the marketplace. As Director of OMB, how will you ensure this plan results in real reform?

Answer:
If confirmed as OMB Director, I will make sure that OMB continues to use its leadership of the security clearance task force to ensure that we have clear goals for improving the security clearance process, develop specific plans for how we will achieve them, and work aggressively to improve the system.

3. **Question:** I have spent a lot of time focusing on improving government-wide management. Senator Akaka and I have been working with the Government Accountability Office to study the conditions in which a Chief Management

Officer may be needed at federal agencies. We have found that there are certain agencies whose missions are so complex, and whose transformational challenges are so significant, that a high-level, dedicated CMO position is needed. In my view, these agencies include the Departments of Defense and Homeland Security. I have been working on establishing a CMO position at both agencies. What is your view on whether a CMO can improve long-term transformational efforts at certain troubled federal agencies? Will you be in favor of establishing such a position at DOD and DHS?

Answer:
I share your interest in making sure that there is consistent, focused attention to address the government's management challenges. While I agree that is important to have clear designations of responsibility, I imagine that there are a variety of ways to achieve this goal. I look forward to learning more about the issue and the specific proposals before forming my own view.

4. **Question:** I continue to be concerned over the impact continuing resolutions (CR) have upon federal departments and agencies. Already this year, there are discussions of a CR for fiscal year 2008. Mr. Nussle what impact, if any, do you believe Congress' inability to pass appropriations bills before the start of a new fiscal year has on an agency's ability to meet its mission? Do you have any thoughts on how the Congressional process could better respond to those needs?

Answer:
Continuing resolutions make it difficult for agencies to plan and carry out operations, since they are uncertain about the level of funding that they will receive for the entire year. Ideally, Congress would pass all appropriations bills before the start of the fiscal year, so that we avoid this situation.

5. **Question:** I know that you are aware the federal government is facing a human capital crisis with the number of federal employees eligible for retirement ever increasing. Through the Chief Human Capital Officers, the executive branch is planning for the impending retirement waive; however, I often hear from human resources professionals that many flexibilities, such as student loan repayment authority, is not used effectively because the agency does not have the financial resources to do so. The Office of Personnel Management has responsibility for the human capital pillar of the President's Management Agenda; however, do you believe OMB can and should play a greater role in working with agencies to ensure budgets support workforce needs of the agency?

Answer:
I understand that OMB uses the President's Management Agenda and other tools to hold agencies accountable for ensuring that their human capital planning aligns with current and future demands of their missions. I believe that OMB's work to help agencies make

data-driven decisions is also relevant to the use of workforce flexibilities; agencies should be able to support their requests to use flexibilities in terms of the associated improvements in performance.

6. **Question:** Often times we see in Congress raiding the management accounts of departments and agencies to fund favorite projects. For example, the appropriations bill passed by the House of Representatives actually has Under Secretary for Management owing the Department money in fiscal year 2008! Do you believe OMB can or should play a stronger role in demonstrating the importance of strong management in the federal government?

Answer:
I look forward to working with you to ensure that agencies have the resources necessary to accomplish essential management tasks, including implementing organizational transformations that will make them more efficient and effective. I will continue OMB's ongoing work to clearly communicate the anticipated benefits associated with improved management practices.

7. **Question:** Federal agencies are undergoing fundamental transformations in what they do, how they do it, and in some cases, who does it. What role should OMB play in supporting, leading, and overseeing agencies that are undergoing such change?

Answer:
I believe OMB is in a unique position to look across the government. It can help agencies undergoing transformation to identify best practices, as well as help agencies avoid past mistakes. OMB also has an important oversight role and should hold agencies accountable for establishing clear plans and carrying them out.

8. **Question:** There seems to be a significant disconnect between what agencies are expected to accomplish and what agencies are able to accomplish. Consider, for example, the current backlog of passport applications. Do you believe OMB should play a greater role in working with both agencies and Congress to ensure expectations and capabilities are in line?

Answer:
I have been told that OMB has been working with agencies to help them better understand the relationship between their resources and performance. This analysis is intended to inform actions to improve effectiveness and efficiency. I believe that understanding capabilities would be a key part of setting appropriately ambitious goals.

9. **Question:** What is your principle goal as the Director of the Office of Management and Budget? How would we in Congress measure your progress?

Answer:
Because OMB has a broad set of responsibilities, it is difficult to boil it down to one goal. I want to help the President develop and implement a fiscal policy that sustains a strong economy, provides the resources and produces results to address national priorities within responsible spending levels, and addresses the long-term unsustainable growth in entitlement spending. There are many measures, but I would include progress towards achieving a balanced budget and progress on the President's Management Agenda.

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