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NOMINATION OF HEATHER A. HIGGINBOTTOM

HEARING

BEFORE THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

NOMINATION OF HEATHER A. HIGGINBOTTOM TO BE DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

MARCH 8, 2011

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NOMINATION OF HEATHER A. HIGGINBOTTOM

TUESDAY, MARCH 8, 2011

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

The Committee met, pursuant to notice, at 2:34 p.m., in room SD–342, Dirksen Senate Office Building, Hon. Joseph I. Lieberman, Chairman of the Committee, presiding.

Present: Senators Lieberman, Carper, Collins, Brown, and Portman.

OPENING STATEMENT OF SENATOR LIEBERMAN

Chairman LIEBERMAN. The hearing will come to order. Thank you all for being here. It is a pleasure to welcome Heather Higginbottom today to this hearing on her nomination to be Deputy Director of the Office of Management and Budget (OMB), a really important position in our government.

Perfect timing, Senator Kerry. I will give you a choice, dear colleague and friend of—I will not mention how many years. You can either hear Senator Collins' and my opening statements or you can go ahead with your introduction.

Senator KERRY. That is a real choice? [Laughter.]

Chairman LIEBERMAN. But I know how busy you are, so I would invite your introduction.

TESTIMONY OF HON. JOHN F. KERRY,[1] A U.S. SENATOR FROM THE STATE OF MASSACHUSETTS

Senator KERRY. Mr. Chairman, thank you. I apologize for being a moment late, and I apologize especially to my friend and the nominee, Heather Higginbottom, who probably was thinking I had forsaken her and left her alone.

Mr. Chairman, Senator Collins, and Senator Portman, thanks so much for inviting me. It is a privilege to be able to introduce Heather Higginbottom to the Committee.

In a sense, I feel a very special bond to Ms. Higginbottom for a lot of different reasons. Her parents, George and Anne, are not here today, but they live up on Cape Cod in Yarmouth Port, and I think because of the last-minute changes they were not able to be down here. But I am sort of a surrogate in that sense.

[1] The prepared statement of Senator Kerry appears in the Appendix on page 29.

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She came to my office, I think, in 1999, fairly fresh from graduate school and college and her early endeavors. She went to the University of Rochester and then received a graduate degree in Social Policy and Administration from George Washington University and worked at communities and schools in between on education reform. But I have seen her journey from the beginning as a young, idealistic member of my staff when she first came on, moving up to leadership within my presidential campaign where she was Director of Policy, and then becoming my Legislative Director when I came back to the Senate, and then leaving my office to join President Obama's campaign and to become his first National Policy Director over the course of that campaign, and subsequently going into the West Wing, into the White House, as a Deputy Assistant to the President where she has been for the last 2 years.

I have been, frankly, continually impressed by her leadership skills, by her knowledge, by her energy and enthusiasm for the public sector. She is very smart, or she would never have survived any of those jobs. But she is also somebody who brings a very special understanding of the difficulties—the complexities—of public policy today and the tough choices that we face.

One of the things that I think is interesting is that her experience in the campaigns, both mine and President Obama's, has given her a tremendous sense of what this is all about. She has interacted with mayors, State legislators, speakers, Senate leaders on the Federal, State, and county levels all across the country.

When she looks at a budget, she knows the numbers, she understands the choices we have to face today. She also understands that the budget is a statement of priorities for the country and certainly for the President who puts it in. And I think she looks at those with a really critical eye, and she understands that the numbers represent people's lives. And they represent the hopes for our country for where we need to go and how we get there.

We have tough choices ahead of us. I do not think anybody understands that better than she does. We are going to have to deal with Medicare, Medicaid, Social Security, these larger issues. And I think you will find she is very knowledgeable and very accepting of the global budget position that we find ourselves in and the tough choices we are going to have to make.

She also worked very closely with me across the aisle. And I know, Senator Collins and Senator Portman, that is important to you and to others. She worked on education and social policy.

We did a lot with Senator Gordon Smith, and it was Ms. Higginbottom who worked with his staff and worked very closely with them. We worked very closely with Senator Santorum's staff in developing the Workplace Religious Freedom Act. She did that and, in addition, helped develop my legislation for a presidential line-item veto that we thought was constitutional, and she helped to develop that.

So I think all in all, the people who worked for her, on my staff and otherwise, have always found that she is a terrific boss. She is somebody who listens. She does not require everybody else to do the work and take the credit. She shares the pain. I remember, for instance, long weekends. If legislation was being developed, she would work her heart out with people and then put a note on my

desk, "so-and-so worked all weekend, you should let them know and thank them," and so forth. But she never sought that recognition.

So, Mr. Chairman and Senator Collins, I really think that given the tough times we find ourselves in and the difficult choices we face, Jack Lew has made a terrific choice; and the President has made a terrific choice. I have every bit of confidence that she will deal with us openly, honestly, directly, be available, answer questions, be accountable, but also be driven by the right policy values in the choices that she will be required to make in this job. And I completely and enthusiastically encourage the Senate to consent to her nomination as rapidly as we can.

Chairman LIEBERMAN. Thanks very much, Senator Kerry, for that very thoughtful and obviously heart-felt introduction and endorsement. I was thinking as you were talking that our former colleague Pat Moynihan once said to me that he measured his career in one sense—not the only sense—by what people who worked for him did after they left working for him. So I would say that you should measure your career on this ladder quite high because of what Ms. Higginbottom has gone on to do.

Senator KERRY. Thank you.

Chairman LIEBERMAN. Now, of course, he produced Tim Russert. Neither you nor I have done anything like that.

Senator KERRY. And Lawrence O'Donnell.

Chairman LIEBERMAN. Yes.

Senator KERRY. And a few others.

Chairman LIEBERMAN. I am looking around at my staff to see if anybody—— [Laughter.]

Senator KERRY. We are working on it.

Chairman LIEBERMAN. Thanks, Senator Kerry.

Senator KERRY. It was my pleasure. Thank you for letting me be here. I appreciate it.

Chairman LIEBERMAN. All the best.

Senator KERRY. Good luck.

Chairman LIEBERMAN. We will go on now. If confirmed, Ms. Higginbottom, as Senator Kerry just said, you will have one of the Nation's most challenging jobs, always challenging, but particularly at this moment in our government's history and in our Nation's economic history. You are going to be called upon to work closely with a politically divided Congress at a time when there are very few easy decisions to make, decisions that are not politically risky. You have to try to help us bring the Federal budget under control and in a way that hopefully does not impede the national economic recovery. Given the size of the current debt and our existing spending commitments, the recurring threats of a government shutdown, the expiration, to bring it close, next week of the third Continuing Resolution for Fiscal Year 2011, and an impending showdown over the debt ceiling—that is an extremely tall order. I almost ended the sentence by saying, "Are you sure you want to go forward with this job?" But I know you do, and it is one that we all have to work together to meet.

Our economic challenges today, I think, are as difficult as they have been at any point during the last half century or so. We have seen positive job indicators recently, which is very hopeful, and an

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unemployment rate that has finally inched below 9 percent. But the uncertainty of the political situation in North Africa and the Middle East and its effect on the price of oil and gasoline threatens not just the economic gains we are beginning to make, but the return of the critically necessary public confidence or optimism that we are making economic gains again.

Late last year, the President's National Commission on Fiscal Responsibility and Reform issued, I think, a series of tough recommendations to move us toward long-term solvency. The Commission recommended that we initiate many of its proposals in fiscal year 2012, and I want to talk to you about the extent to which you think the President's budget for fiscal year 2012 does that and what else we can do in Congress to meet that standard.

I would also like to raise two other issues that concern me and which I raised with Director Lew during his nomination hearing. They are about the system by which the Federal Government purchases goods and services from the private sector and the management, government-wide, of information technology (IT).

I am going to include the rest of my statement in the record for now and just thank you for your years of public service in the Legislative and Executive Branches of our government, as documented by Senator Kerry, and thank you for responding to this latest call to serve our country.

Senator Collins.

OPENING STATEMENT OF SENATOR COLLINS

Senator COLLINS. Thank you, Mr. Chairman.

The last time our budget was balanced was in 2001. Since that time, the Federal debt has increased dramatically, rising from 33 percent of gross domestic product (GDP) to 62 percent in 2010. If we continue on our current course, debt will soar ever higher, reaching an estimated 97 percent of GDP in the year 2021. Interest payments alone on that debt would be approximately $1 trillion. By 2025, revenue would cover only interest payments, Medicare, Medicaid, and Social Security. Every other Federal obligation—from national defense and homeland security to transportation and education—would have to be paid for with borrowed money or terminated.

Throughout our Nation's history, Americans have passed along to their children a Nation that is stronger and offers more opportunity. We cannot be the first generation to betray that legacy.

I am deeply concerned about the President's lack of leadership on the challenge we face. Six months ago, at the hearing on the nomination of OMB Director Lew, I spoke of my concern that we are heading toward a future of financial stagnation, bogged down by costly entitlements, sluggish economic growth, and high unemployment. I expressed my hope that OMB would help put forth a realistic plan for the next budget year to prevent the Federal budget from becoming an albatross that threatens economic growth, job security, and career opportunities for young people trying to enter the workforce or that would jeopardize retirement savings right at the moment that baby boomers are all retiring. I had hoped that we could avoid our current crisis, where so many Americans are

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coping with what is turning out to be a decade of lost opportunity, lost prosperity, and lost investment.

I based that hope on the expectation that the President would embrace the two-part mission that he himself assigned to the bipartisan Fiscal Commission that he created: First, to bring the budget into primary balance—that is, excluding interest costs—by the year 2015; and, second, to substantially improve our Nation's long-term fiscal outlook.

The budget presented by the President last month fails in both respects. The President's proposed budget does far too little to rein in Federal spending and spends and borrows too much.

While the President's budget does include a proposed 5-year freeze on discretionary spending, the money that we would save from this freeze is nowhere near enough to address our urgent fiscal challenges. The President's budget proposes nearly $46 trillion in spending over the next 10 years—an increase of $18 trillion over the past decade. By comparison, the $400 billion that would be saved through the President's "freeze" is less than one penny for every dollar he proposes to spend. That is like bragging about skipping dessert a few times and hoping no one notices that you recently put on 100 pounds.

Compared to where things stood when this President took office, his proposal would double the public debt by the year 2013 and triple it by the year 2021. That kind of spending is simply unsustainable, and that is the stark economic and fiscal environment that now confronts us.

Washington not only spends too much, but also it does not spend well. A report released by the Government Accountability Office (GAO) last week, at the request of our colleague Senator Coburn, illustrates this, in embarrassing detail. The GAO found that the Federal Government has 15 different Federal agencies involved in food safety; 80 economic development programs; 100 different surface transportation programs; a myriad of agencies involved in biodefense; and perhaps this last example is the most ironic: 20 different agencies and 56 programs engaged in helping Americans improve their financial literacy.

Well, I would suggest that the American people can teach the government a thing or two about financial literacy: In difficult fiscal times, we should be paying for something once, not dozens of times. And it is part of the responsibility of the person who is the Deputy Director of OMB to look at the management of Federal programs to identify redundancy, duplication, and overlaps and to lead that charge.

The nominee's background, while impressive in many respects, does not include a great deal of experience in the budget process or financial analysis. So I look forward to exploring with her today how she intends to evaluate the effectiveness of Federal programs and address the longer-term fiscal challenges facing our country, should she be confirmed as Deputy Director.

Thank you, Mr. Chairman.

Chairman LIEBERMAN. Thank you, Senator Collins.

Heather Higginbottom has filed responses to the biographical and financial questionnaire, answered pre-hearing questions submitted by the Committee, and has had her financial statements re-

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viewed by the Office of Government Ethics. Without objection, this information will be made part of the hearing record with the exception of the financial data, which are on file and available for public inspection in the Committee offices.

I think you know, Ms. Higginbottom, that our Committee rules require that all witnesses at nomination hearings give their testimony under oath, so I would ask you to please stand and raise your right hand. Do you swear that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you, God?

Ms. HIGGINBOTTOM. Yes.

Chairman LIEBERMAN. Thank you. Please be seated.

We would welcome a statement from you at this time and introduction of anyone you would like who is in the room with you.

TESTIMONY OF HEATHER A. HIGGINBOTTOM [1] TO BE DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Ms. HIGGINBOTTOM. Thank you very much, Mr. Chairman, Ranking Member Collins, and Members of the Committee. I am honored to come before you today as President Obama's nominee to be Deputy Director of the Office of Management and Budget.

I would especially like to thank Senator Kerry for taking time from his very busy schedule to introduce me to the Committee. For over 7 years, I had the privilege of serving in several capacities for Senator Kerry, and in many ways, what I have learned about public service and government, I learned in this body working for him. I am grateful for that, and I am confident that I would not be before the Committee today without the opportunities those experiences afforded me.

I am also deeply grateful to President Obama, not just for nominating me for this position, but also for the tremendous opportunity he gave me when I joined his presidential campaign 4 years ago. Over the course of the campaign and for the past 2 years in the White House, I have had the opportunity to contribute to the Nation in ways I could never have dreamed of.

Mr. Chairman, the serious fiscal challenges facing the country make this an extraordinarily important and humbling time to be nominated to join the Office of Management and Budget. We have only recently turned the tide on the worst economic downturn in a generation, and once again the economy is growing and the private sector is creating jobs. The policies deployed to rescue the economy necessarily added to this deficit in the short term. As the economy strengthens, it is time to make the tough choices necessary to place the country on a responsible fiscal path and focus on our long-term challenges. This means cutting where we can and making the investments necessary to foster continued economic growth and job creation for our long-term global competitiveness. It also means managing the resources of the Federal Government in a way that gets the most from every taxpayer dollar, cuts waste, boosts efficiency and effectiveness, and gives all Americans the means to see how their money is being spent and to hold their government accountable for its actions.

[1] The prepared statement of Ms. Higginbottom appears in the Appendix on page 31.

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The Federal budget is an articulation of the President's agenda, and that requires making choices among competing interests, within the constraints of the recovering economy, and with the best interest of the taxpayer in mind. In each position that I have held—as legislative director in Senator Kerry's office, managing policy in two presidential campaigns, and for 2 years in the White House Domestic Policy Council—I have worked on a wide range of areas, from economic policy to national security to domestic policy, and I have had to work through the budgetary implications of each. I have guided processes that made choices about what we could afford, what programs and initiatives were the most cost-effective, and how to implement them. If I am fortunate enough to be confirmed, I will bring this experience developing policy within our budgetary constraints to OMB and the Deputy Director role.

If confirmed, I will work closely with the OMB Director, Jack Lew, and the Deputy Director for Management, Jeffrey Zients, to help our government run as efficiently and effectively as possible. And I also look forward to working with all of you on this shared goal.

Thank you very much for your consideration today, and I would be pleased to address any questions you have.

Chairman LIEBERMAN. Thank you. Let me start with the standard three questions we ask of all nominees.

First, is there anything 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?

Ms. HIGGINBOTTOM. No.

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

Ms. HIGGINBOTTOM. No.

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

Ms. HIGGINBOTTOM. Yes.

Chairman LIEBERMAN. Thank you. We are going to start with a first round of questions limited to 7 minutes each.

Let me start with a kind of inside-the-office question. I presume that you and Director Lew have talked about what your responsibilities would be if you are confirmed, and I wonder if you would share your understanding of that. What do you see as your priorities and particular assignments if confirmed?

Ms. HIGGINBOTTOM. Sure, I would be pleased to. As Director Lew and I have discussed, I would work closely, if confirmed, with the Director on the development of the annual Federal budget, I would have responsibility for internal management within OMB, and I would lead and help coordinate OMB's participation in the policymaking process within the Executive Office of the President as well as with agencies to ensure that OMB's considerations are a part of those conversations.

Chairman LIEBERMAN. That should keep you busy.

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Let me go to one of the macroeconomic questions that is on our mind, but it comes right down to a specific. I mentioned the President's National Commission on Fiscal Responsibility and Reform. I was very pleased when the President selected the Commission and equally pleased by the recommendations it put out. Though it did not get the super majority that we hoped it would, it got a good, strong bipartisan majority, and they continue to go on working here in the Senate in the so-called Gang of Six.

Obviously, a lot of people commented on the fact that the President's budget for fiscal year 2012 did not endorse any of the recommendations of his own Fiscal Commission that impact entitlements, notably Social Security, Medicare, and Medicaid. I presume you would agree that these three have to be addressed if we are going to get our long-term finances in order, so I guess I have two questions, really. First, do you agree? And, second, when do you believe the President will come forward with his plans for entitlement reform?

Ms. HIGGINBOTTOM. Well, on the first question, I do absolutely agree that as we tackle our long-term deficit and debt challenges, we have to look at the real drivers, specifically Medicare and Medicaid. Also, during the President's State of the Union address, he talked about the need to strengthen Social Security, and he laid out some principles for doing so, and I know that he is eager to engage in a conversation. I understand that there will be proposals made here in Congress addressing both of those entitlement programs. I know he is eager to participate in those discussions.

He has said numerous times that we need to come together and do this across parties and that the big challenges that we have addressed in the past have happened in such a fashion where we could sit down and work things out.

One of the things I am excited about working on with Director Lew, if confirmed, is these big challenges. He obviously has a record of success of working in this fashion to really get down, sit across the table and figure out where we can find common ground and solve and tackle some of these big challenges.

So I know that this issue of entitlements and how they will be addressed is something that the President takes very seriously. The budget he put forward takes some initial steps. He has said it is a down payment to tackle our deficit, to stabilize our debt as a percentage of the economy, but it is just a first step, and the real work comes as we come together to tackle those longer-term challenges.

Chairman LIEBERMAN. So am I hearing you correctly to say that the President is committed to so-called entitlement reform or mandatory payment reform, but is unlikely to put forward his own suggestions soon for the details of that reform, but intends to engage in some bipartisan process with Congress to try to find solutions?

Ms. HIGGINBOTTOM. Yes, I think that is what he has said in the past. And one of the statements that he has made and I think the Director made during his testimony around the budget is that often when you put a very detailed plan out there by the Administration, it is something that becomes the subject of a lot of target practice. And what we really want to do is get to a place where we can have constructive discussion. So he is very open to those conversations,

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and I know the Director has great experience in trying to broker those conversations as well.

Chairman LIEBERMAN. I am going to leave that there. I would guess that my colleagues, some of them, may want to pursue that line of questioning.

Thank you for confirming my suspicion, Senator Brown.

As I mentioned in my opening statement, oversight of Federal procurement of goods and services is an increasingly important, financially consequential responsibility of OMB. The latest data show that the Federal Government spent over $536 billion for goods and services in fiscal year 2010. Wasteful spending, as identified by both the GAO and various Inspectors General, of course, is unacceptable both from a management and a budget perspective.

I know that early in his presidency, President Obama issued a memorandum directing the heads of agencies to address particularly problematic areas, such as use of noncompetitive and cost-reimbursement contracts, and the lack of clarity on which jobs can and cannot be contracted out.

So I would say, to get to the question, that high level attention from the President and from OMB, it seems to me, has begun to force agencies to confront weaknesses in the procurement process. But obviously there is a lot more that needs to be done. I wanted to ask you if you have any particular plans of action to build on the reform efforts that have occurred so far.

Ms. HIGGINBOTTOM. Thank you. I know that this area has been a priority for the President from the beginning of the Administration and that the work that the Office of Federal Procurement Policy (OFPP) within OMB has been spearheading has been very important.

The report just recently that for the first time in many years, 13 years, we have actually seen a decrease in spending on contracts is evidence of those reforms. They clearly need to be accelerated and implemented, particularly as the Federal budget comes under increasing pressure and we have to figure out how to do more with less. We have to look for more efficient ways to spend resources.

I know that OFPP, through its Acquisition Council and the work it does with agencies, is looking for ways to be more strategic to get rid of contracts that do not make sense, that are not necessary anymore, and that is work that, as Deputy Director, if confirmed, I would work to support.

Chairman LIEBERMAN. Good. You are right, and I would mention for the record that there was a small decrease in procurement expenditures in fiscal year 2010 from the year before, and even though it was relatively small, every dollar counts, and it was a move in the right direction. So hopefully we can keep it going in fiscal year 2011. Thank you.

Senator Collins.

Senator COLLINS. Thank you, Mr. Chairman.

Let me start with some basic questions. I mentioned in my opening statement my concern about the fiscal path that we have embarked upon. The President's budget proposes spending $3.7 trillion, and we are only going to take in revenues estimated to be $2.2 trillion, so a $1.5 or $1.6 trillion deficit in 1 year, a record amount. In the month of February, we had the highest 1-month deficit ever.

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Do you think that this level of spending is sustainable?

Ms. HIGGINBOTTOM. No, of course it is not, and I think the steps that the President took in the fiscal year 2012 budget recognized that it is not. The freeze on non-security spending for 5 years is what he referred to as a first step that we need to do. As the economy is recovering and we are making careful cuts to try to cut the deficit and stabilize the debt as a percentage of the economy, we have to start carefully as we do this. But as he said when the budget came out and certainly what the Director and, if confirmed, the Deputy Director's role would be is to lay out a path that more aggressively tackles these issues in the long term.

We are recovering from the worst economic downturn since the Great Depression. The recovery has been much more slow than we would have hoped, and it has taken longer to get out of the hole. We are beginning to see, obviously, some very positive signs from the economy—consecutive months of private sector job growth and the unemployment rate is coming down. But it is still quite fragile, and I think what the President has said with respect to his budget is that we have to take steps to cut spending and reduce the deficit, but we also have to do it very carefully.

Senator COLLINS. Well, we do have to do it carefully, but the fact is that the $400 billion in savings that the President has proposed is less than one penny for every dollar that the President is proposing to spend and that he is still proposing enormous increases.

Ms. HIGGINBOTTOM. So a couple of things. First, I think that the budget that the President laid out achieves the goal of, as you said in your statement, primary balance by 2017, which means it will pay for the programs it is proposing.

In terms of the deficit, in the situation that we find ourselves in, we have—the cost of——

Senator COLLINS. Excuse me for interrupting, but let me stop you. You said that it would reach the goal of primary balance? How do you see that?

Ms. HIGGINBOTTOM. The President's fiscal year 2012 budget lays out a path that by 2017, the budget path will have revenue to pay for all of the programs. That is in the President's budget.

Senator COLLINS. The President's budget has huge and expanding deficits for the next 10 years. It does not bring the deficit down.

Ms. HIGGINBOTTOM. The concept of primary balance is to pay for——

Senator COLLINS. Primary balance means to exclude the interest payments only. The President's budget is not in primary balance by that year.

Ms. HIGGINBOTTOM. The President's budget by 2017, if you look in it, achieves the primary balance. I would just like to say one thing. I do not have all the budget documents. I did not put the 2012 budget together, and I did not bring those resources. But as the Director testified just a couple weeks ago, that is indeed the case.

Senator COLLINS. So you are saying that without changing anything except having the freeze on discretionary spending, which is only 12 percent of the budget, the President's budget is going to be in primary balance in that year. The Commission proposed sweep-

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ing changes to bring the budget into primary balance by the year 2015.

Ms. HIGGINBOTTOM. That is correct, and one of the reasons——

Senator COLLINS. But the President has not endorsed those changes.

Ms. HIGGINBOTTOM. That is correct. I did make a distinction that the President's budget laid out a path that would achieve primary balance by 2017, so it does not do it as quickly as the bipartisan Fiscal Commission did. And I think the President or at least Director Lew has indicated his concerns that making the level of cuts particularly in discretionary spending that quickly will jeopardize the recovery, and that is why it takes us longer. We do not hit the goal in the same time frame that the Commission did. And I did not mean to suggest that it was the same.

Senator COLLINS. And that is not my dispute with you. I do not see, unless there is a lot more to come from the Administration, how you are saying that the President is going to produce a budget that is in primary balance by the year 2017, 2 years later than what the Commission called for. So I will look forward to getting more information——

Ms. HIGGINBOTTOM. Absolutely. I would be happy to.

Senator COLLINS [continuing]. On how that can possibly be the case unless there is a lot more to come.

The President's State of the Union address mentioned the need to reorganize government to make it more effective. The President very memorably gave an example of the regulation of salmon—something near and dear to anyone in the State of Maine. We have yet to receive, however, any legislative proposals to cut or streamline government through reorganization beyond some general language in the President's budget. And this is in spite of the fact that the GAO has issued a truly alarming report that identifies many opportunities for streamlining and removing overlap and duplication.

When exactly are we going to see legislative proposals that would streamline programs identified by the GAO, or by OMB, for that matter?

Ms. HIGGINBOTTOM. So I will take the two separately, if that is OK. The President appointed the Deputy Director for Management at OMB, Jeff Zients, to lead the reorganization effort. They have started that relatively recently. They have a team of folks who are working on it. I would expect, if confirmed, to work with them and support their work. I do not know under which specific timetable they would produce legislation, but I know that they are working as expeditiously as they can, and they will be meeting with Members of Congress and various stakeholders to do so. I look forward to working with them on that important initiative.

With respect to the GAO report, actually OMB and a lot of the programs and initiatives that have been spearheaded by OMB have been working on many of those areas. In fact, throughout the report, it indicated places where the Administration has taken some leadership. So we really welcome this report and having it on annual basis, and we look forward to working with Members of this Committee who have been very supportive of these efforts and taken that beyond this Committee and to the rest of the Congress.

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Senator Coburn, obviously, who requested the report, I just read in an article recently, talked about the Administration's willingness to embrace many of these proposals. So that is another area that, if confirmed to be Deputy Director, I would look forward to working with you and the Committee on.

Senator COLLINS. Thank you, Mr. Chairman.

Chairman LIEBERMAN. Thanks, Senator Collins.

I do not suppose you need any notice or warning before I call on the next Senator to know that Senator Portman brings unique experience to this Committee. One part of it is his time on the other side of the table at OMB. So as always, it is a pleasure to call on our colleague from Ohio.

OPENING STATEMENT OF SENATOR PORTMAN

Senator PORTMAN. Thank you, Mr. Chairman, and it is unique because no one who ever went to OMB has ever had a political future. There is probably a reason for that. [Laughter.]

Chairman LIEBERMAN. You really surprised us all.

Senator PORTMAN. Including myself.

Senator COLLINS. Not me.

Senator PORTMAN. Well, first of all, having been there for 13 glorious months, 2 weeks, 3 days, and 4 hours—not that I am counting—it is a difficult job, and I relied heavily on the Deputy who was there. I worked with Steve McMillan when I was there, who was someone—if you have not already spoken to him, I would encourage you to talk to him. You might not seek confirmation after speaking to him. But this is the President's choice. We get to advise and consent or not consent to it. But I have to tell you I share Senator Collins' concerns just as deeply and maybe even more because I was just so gravely disappointed in the budget. And you even said today that it is now time for us to make tough choices, and those choice were not made in the budget.

When I was at OMB, we had tough choices to make, and it was not easy. When I left, the deficit was smaller because we had a better economy and there was some spending restraint going on in Congress at the time, and had been, so we had better numbers. The deficit was $162 billion in fiscal year 2007. I left that year in the summer, maybe during the June-July period. But even with those kinds of numbers, we proposed a balanced budget over 5 years. Secretary Geithner was before the Budget Committee recently, and he sort of turned the tables back on me when I talked to him about the fact that the assumptions that you all used, I thought, were way too optimistic in order to show any savings—in fact, your $1.1 trillion, I think, is all eaten up by your economic assumptions, unfortunately. I hope I am wrong, but when you compare it to Blue Chip, you all assume the economy is going to grow faster than the private sector does. And he came back to me and said, "Well, you were there, too." And I said, "Well, yes, but"—I did not mention this to him, but we stuck with Blue Chip for those 5 years.

Now the Congressional Budget Office (CBO) has different numbers than Blue Chip. Those numbers will be adjusted based on what happens on policy, and so the baseline will adjust. But I just have to tell you, I was really surprised by the budget, not only that

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it did not address, as Senator Collins said, the issues that need to be addressed, but that it used some of these so-called budget gimmicks to hide even the supposed savings as compared to the baseline.

So I hope you are going into this job understanding that some of us feel that way. I do not know how you feel about it. I should ask you that, I guess, and so I will. And while you are answering that question, also if you could think about another question: What do you consider the biggest fiscal challenge facing the U.S. Government?

Ms. HIGGINBOTTOM. So just to make sure I understand your question, you are asking me how I feel about the President's fiscal year 2012 budget with respect to——

Senator PORTMAN. The economic assumptions or just in general.

Ms. HIGGINBOTTOM. Again, in general, I support the President's budget. I think that it takes the steps forward that we need to address the deficit in a responsible way in the short term and stabilizes the debt, which I think is really important, as a percentage of GDP. We clearly have more work to do. The President said that, the Director said that as he rolled out the budget. I did not, obviously, have anything to do with the selection of the economic assumptions in this budget. I appreciate your point. I think that they are within the consensus mainstream assumptions. I appreciate your concern and comment about the overall budget picture, and as I go into this position, if I am confirmed, I see what an enormous challenge we face.

The second question you asked was what do I see as the biggest fiscal challenge, and I think clearly it is tackling our long-term drivers of deficit and debt in Medicare and Medicaid. I mean, there has been a lot of controversy and discussion of the Affordable Care Act, but one of the important elements of moving forward with that is implementation. The CBO estimates it will save $1 trillion over the next 20 years, $200 billion just in the next decade, and I think those are important first steps to take that we need to build on as we continue the discussion, particularly around Medicare and Medicaid.

Senator PORTMAN. I agree with you that it is health care, and I asked Douglas Elmendorf, the Director of the Congressional Budget Office, that question, and he said the same thing, which was encouraging. I would disagree with you on the impact of the President's health care legislation. But that is a longer discussion. And, again, I think that was an opportunity lost because unless we get control of the health care costs, it is hard to get control of the cost drivers in Medicare and Medicaid, which ultimately is health care. And this year it will increase 9 percent, which is not sustainable.

Two quick comments and questions. One is about the management job. The Deputy Director for Management, as you know, is a critical job. What do you view your role in that? What do you think is the mission of the Deputy Director for Management versus your role and how do you expect to interact with that person?

Ms. HIGGINBOTTOM. So obviously the Deputy Director for Management has responsibility for overseeing our entire Accountable Government Initiative, many of the reforms that we started to talk about, such as contracting reform, the IT gap, the performance of

programs, and so on and so forth. I worked with Mr. Zients while I was at the White House on the Domestic Policy Council (DPC) staff and look forward to working with him, if confirmed. I can see many ways already that the Deputy Director, who is really the number two working with Director Lew, and the Deputy Director for Management have to work hand-in-glove, particularly to ensure that high-priority goals, performance management, and effectiveness of programs are brought into the budget development process. They tend, I think—not all the time, but they can be siloed and think that the organization can be split like this. And it is really important not only that the information is being integrated but also that it is being integrated in a way that is added value and not looked at as a burden. In other words, we have a management side issue over here that needs to interact with the budget side over there. That needs to come together in a way that really ensures that all the program analysis is happening in a coordinated fashion, not in a sort of add-on way.

One of, I think, the qualities that Director Lew saw in me for this role is the ability to ensure we have very strong communication and collaboration across OMB and within the Executive Office of the President. And it is an area, frankly, I am quite excited about. The core principles that are driving the management side in terms of accountability, transparency, and use of data and analysis for programming were really integral to the policy development we did during the campaign and the approach that we have taken in the Administration, and that is true of my job in the Domestic Policy Council as well.

So I see these things as very well integrated, and I am excited to work with Mr. Zients on that, if confirmed.

Senator PORTMAN. I think you are right. I do think sometimes the Deputy loses sight of the fact that the person is the Deputy for OMB, not for budget. And I think it is important that you realize that you are actually also given responsibility for management. It sounds like you have an interest in it, which is good. But I think putting the M back in OMB, as they say, is important, and that comes partly from the Deputy taking a personal interest in it. So if you will do that—and I know this Committee is extremely interested in that. Senator Lieberman and Senator Collins have been involved in this issue over the years, and I think they would agree with me that often that gets left behind. And so you should look at your role not as the Deputy for budget, which too many deputies do, but for both.

My time is up. Just one other final point, which is one that is almost a point of personal privilege here. The career people at OMB are among the best in government. It attracts the best and the brightest, and as you know, most of them take their responsibility extremely seriously because they are attracted to it because they care about management or they care about oversight of the agencies and they care about spending. And so there is a strong personal commitment. I hope you will reach out to them. I do not know how much you have worked with them in your role as Deputy at DPC, but I have often found that, again from experience, they were not brought into the process by some of the political appointees early enough, and often their expertise was left out. So,

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again, I would encourage you to look to the career staff, not just for some of the original data but actually for policy decisionmaking. I certainly found that to be successful.

Thank you, Mr. Chairman.

Ms. HIGGINBOTTOM. Thank you. If I may——

Chairman LIEBERMAN. Go right ahead.

Ms. HIGGINBOTTOM. One of the reasons I am most excited about this job is to have an opportunity to work with Director Lew and to exhibit some management within OMB that will really recognize the contribution and the expertise of the career staff.

Chairman LIEBERMAN. Thanks, Senator Portman.

Senator Carper, I think you were next in the order of arrival.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Thank you, Mr. Chairman.

Just sitting here and listening to a former OMB Director question a potential new Deputy OMB Director, I was wondering if it is better to be on this side of the dais or that side of the table.

You may have already done this. Were you asked to introduce anybody who might be with you?

Ms. HIGGINBOTTOM. I was, but I skipped right over it.

Senator CARPER. Do you want to do that?

Ms. HIGGINBOTTOM. I would. Thank you.

I am joined here by my boyfriend, Danny Sepulveda, who has supported me for over 12 years in the various positions in public service that I have taken.

Senator CARPER. That is about half as long as my wife has supported me.

Chairman LIEBERMAN. But in your wife's case, it was harder. [Laughter.]

Senator CARPER. You have the floor, Ms. Higginbottom.

Ms. HIGGINBOTTOM. And my brother is also here today. He is recently transplanted to Washington from Los Angeles, so it is a real pleasure to have him here. Our parents very much wanted to be here, but they escaped New England winter for Florida yesterday, and so we decided that was the right move for them to take. Thank you.

Senator CARPER. Welcome to all of you.

You and I chatted a little bit before, and it is nice to see you again. Around here some of us are trying to create what I call a culture of thrift to replace, if you will, what some would perceive here as a culture of spendthrift, and we are suggesting that we really do not look all that closely at every Federal program to see if we getting the best result for the money we are putting into it.

I always like to say that everything I do I know I can do better. I think that is true for most of us. And my sense is that for a lot of Federal programs, we could probably get a better result for the money that we are putting into it, and one of our challenges is to do that.

The President recently signed into law legislation that some of us had worked on for a while, and I think among the folks that worked on it were, I think, Senator Collins and Senator Coburn—I am not sure if Senator Brown was on that one. He was on a bunch of them. But the legislation actually says we are going to

consider performance. Do we have a lot of redundant programs? Do we have some programs that we ought to merge? What should we be expecting in terms of objective goals and measurements? We are just doing a much more systematic job in doing that.

With this legislation the President just signed into law, is this an area that you are going to be involved in? Do you have a lot of direct involvement? And if you do, just take a minute to talk about that, please.

Ms. HIGGINBOTTOM. I am looking forward, actually, if confirmed, to assisting with the implementation of the GPRA Modernization Act. I think it is really important that we have a performance management system that is really focused on the higher-priority goals, which OMB has been doing with the agencies, and one of the innovations in this legislation is the real cross-cutting agency goals.

One of the things that I frequently did at the Domestic Policy Council was convene agencies as we identified a presidential goal or initiative to come together to figure out how we could get aligned. In some cases that required agencies adjusting what they were doing, moving personnel here or there, and having clear goals and sort of check-ins. And this is really what this legislation is focused on doing. So I am excited to support the implementation of that and work closely with Mr. Zients on it.

Senator CARPER. Is Mr. Zients the person with the day-to-day responsibility?

Ms. HIGGINBOTTOM. Yes.

Senator CARPER. And are you going to make sure he stays on track?

Ms. HIGGINBOTTOM. That is right, and I think it is important, to the point I was making to Senator Portman, that we have this hand-in-glove and integrated approach. Particularly when you are looking at something like cross-cutting agency goals, these are performance management priorities, but they need to be brought into the budget process. We need to make sure as we are doing that review and as the budget side of the house is working with agencies that is all very well aligned. And I think the Deputy Director role is very well situated to do that.

Senator CARPER. Some people say, well, we have cut as much as we can, and we cannot find any more savings. I just do not buy that, whether it is the way that we are providing post-secondary education, some of the programs make a lot of sense. Some of them, frankly, are spending a whole lot of Federal money and not getting a very good result. In our weapons systems, we have major cost overruns. Our friends at GAO do us a favor every year and publish the high-risk list. That is just a great place to start. For those of us who have been working on that list for a number of years and actually making a little bit of progress, there is still plenty to do, and we will really look forward to working with you on that.

The other thing I mentioned to you before the hearing started is that some of us are involved—and Senator Portman has been involved in this for a number of years—in trying to figure out how to change the President's rescission powers to make them real. Since 1974, when the President signs into law an appropriations bill, he or she is able to send us a list of items within that appropriations bill that he or she would like to rescind spending for or

reduce spending for. And as it turns out, the President sends us rescission messages, and for the most part we ignore them and they go away. A number of us—I think everybody who is sitting here today—actually cosponsored legislation to say, well, for the next 4 years, we are going to have a 4-year test drive on strengthening the President's rescission powers to make them real. Let us say you are the President, and we are the Congress. We send you a bill. You sign it. You send us a rescission message. And we would have to vote on it. We would have to vote it up or down. We could vote it down with a simple majority, 51 in the Senate or 218 in the House. But we would have to vote on it. It is not a silver bullet to balance the budget, but I think it is something that is going to provide a tool for the President, but it will really require some accountability on our side as well.

The 1996 balanced budget amendment that was passed, you may recall, said the President could exercise his line-item veto on spending bills, tax bills, entitlement programs, and the Congress would have to override those with the House and the Senate, both with a two-thirds vote; otherwise, they take effect. Then the Supreme Court—with whom we all had dinner a week or so ago—basically said, no, that does not work for us, that is not constitutional, and they threw it out. We think we have come back with something that is constitutional here, and this was before you signed on to do this job, but the Administration seems to be embracing this idea, and I would just ask for your thoughts.

Ms. HIGGINBOTTOM. It is interesting. You were not here when Senator Kerry introduced me, but he actually mentioned the work that I had done to help draft his constitutional line-item veto. It is something that we had proposed during the campaign, and when we returned here, we developed it into legislation. I think it is an important tool, and, again, the times are such that we are going to need to really be looking and digging as deep as we can to ensure that we are only spending taxpayer dollars as effectively as we can. And an expedited rescission is a good way to do that. I know it is an idea that the Administration has supported, and I look forward to working with you on that if I am confirmed.

Senator CARPER. And I would say, Mr. Chairman, in closing, if you look at what was offered in 1996 that was deemed to be unconstitutional, where the President could not only essentially veto appropriations, tax measures, entitlements, and you needed a two-thirds vote by both the House and the Senate, that really shifted power to the Executive. It was an enormous shift of power. I describe that as like giving the President a bazooka under his desk. And this is not a bazooka, what all of us have cosponsored, but it is maybe a rifle. It is not a BB gun or a .22, but it is a rifle. This would make a difference, and so we are anxious to move forward.

But my thanks to all my colleagues for supporting this, and we very much appreciate the Administration's support, as well as yours. Thank you.

Ms. HIGGINBOTTOM. Thank you.

Chairman LIEBERMAN. Thanks, Senator Carper. I presume the rifle was made in Connecticut.

Senator CARPER. Actually, the only thing the Carper family in West Virginia was ever famous for was the Carper rifle. Maybe it is from there. I am not sure.

Chairman LIEBERMAN. The mysteries of your life continue to unfold before my eyes. Thank you.

Senator Brown, rescue us.

OPENING STATEMENT OF SENATOR BROWN

Senator BROWN. Thanks, Mr. Chairman. Welcome. I am sorry I missed the introduction. I had another hearing.

I notice from your resume you have some great political experience and some really good policy experience. I was wondering if you would share with the Committee what type of accounting and budgetary experience you have.

Ms. HIGGINBOTTOM. I would be happy to. As I was saying at the very outset of the hearing, the responsibilities that the Director and I have discussed, and the President, for this role are the development, working with the Director, of the Federal budget, the management of OMB, and taking a leadership role in the policy process. The experiences I have had here on Capitol Hill, developing campaign policy, working in the White House, have all had budgetary implications.

I can take some examples most recently working in the White House, the Domestic Policy Council. I worked hand-in-glove with OMB as we developed the budget for education and other social policy areas. And obviously that is true——

Senator BROWN. Let me just interrupt, and I appreciate that. But, I mean, you will be the No. 2. If he is not there, you will be the No. 1 potentially. In that respect I would presume you would be dealing with accounting and budgetary problems obviously within the OMB. Is that a fair statement?

Ms. HIGGINBOTTOM. Sure.

Senator BROWN. What type of budgetary and accounting experience do you have?

Ms. HIGGINBOTTOM. I have done a lot of policymaking and budgetary implications throughout all of my professional experiences, and that will be the same at OMB, if confirmed. A lot of what this work entails is understanding the economic and budgetary impacts of programs, making trade-offs about what we can pay for and afford, and how these things stack up.

Senator BROWN. I understand that, but I guess I am asking, do you have any accounting or budgetary experience aside from dealing in policy matters?

Ms. HIGGINBOTTOM. I am not an accountant, but the President's budget is an articulation of his agenda.

Senator BROWN. I understand.

Ms. HIGGINBOTTOM. His policy agenda.

Senator BROWN. I understand that, and I guess that being said, the OMB did come out recently with information that there are billions of dollars of duplication and waste. If that is the case, why have they not just terminated those programs and streamlined and consolidated and saved us those billions of dollars so we can use them in other areas? Do you have any idea on that?

Ms. HIGGINBOTTOM. Are you referring to the GAO report?

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Senator BROWN. Any report that says we have—I mean, obviously, you are dealing with the President's agenda, and he has also talked about the duplication and waste.

Ms. HIGGINBOTTOM. Absolutely. As I was saying, the GAO report includes many proposals that the Administration is working on. There is, as Senator Collins was referencing, a government reorganization effort underway specifically around trade agencies and that set of policies.

Throughout the GAO report, there are indications of programs that need to be consolidated or combined and an indication that the Administration is working on that.

I will take education as one example. The President's budget took 38 programs, condensed them into 11, and eliminated many more. So we are taking that approach across——

Senator BROWN. But the budget in education has still gone up fairly dramatically. I have to obviously connect with Senator Collins on the fact that we have dissected the budget as well, and I was hopeful that there would be some of the leadership shown by the Fiscal Commission and also in the State of the Union address as to incorporating a lot of those ideas into the budget. I know you did not write the budget, and I know you are obviously in a new position. You have only been there a couple of weeks, right?

Ms. HIGGINBOTTOM. Well, I have not been confirmed for this position, but I have been working as an adviser for a couple of weeks.

Senator BROWN. You have been working there a couple of weeks, so I do not expect you to have all the answers. Let us just start with that. But my concern is that there is going to be somebody at the OMB and every other agency that is dealing with the taxpayers' money to find out where the duplication, the streamlining, and the overspending is. I have to respectfully disagree with your analysis of the budget and agree with Senator Collins. There is nothing in that budget that says that we are going to be saving money over the time period that you referred to. We can agree to disagree.

I guess my hope is if you are dealing with the management and the policy, is there going to be some type of initiative to—forget the hearings, enough with the hearings, enough with the rhetoric, and just actually say, by the way, we saved you $1 billion today? Is there something concrete that you can refer to that I have confidence I can take back to my caucus and say, by the way, she is great, she is qualified, she is going to do A, B, C, and D? Is there something concrete you have in your mind that says we are going to save some money?

Ms. HIGGINBOTTOM. Well, when you talk about the budget, there is an entire volume called Terminations, Reductions, and Savings (TRS) that has this year over 200 programs in it that would save more than $30 billion. If you want to point to something concrete, many of those——

Senator BROWN. Over $30 billion, with all due respect, while I love billions, but since I have been here, we are talking trillions now. When I got down here, there was an $11.95 trillion national debt. It is over $14 trillion in a year. And I do not see the effort to really get in the room with both parties and come up with some real solutions at this point.

Ms. HIGGINBOTTOM. Well, just to finish the point on the TRS volume, I just wanted to point out that many of those programs that have been recommended to be terminated were likely under OMB Director Portman's view as well. We have to come together as Congress and an Administration to really identify the priorities and make the appropriations and funding decisions to ensure that those programs are not funded. And I think we have an opportunity, as we are facing these significant deficits and debts, to come together and really make some of those tough choices. I think we are seeing some of that play out now in the fiscal year 2011 continuing resolution conversation.

Senator BROWN. The primary balance by 2017 issue that Senator Collins was dealing with means we are paying off the annual deficit, not the cumulative debt.

Ms. HIGGINBOTTOM. Right.

Senator BROWN. And so it is like paying a $1.6 trillion deficit minus the interest of $225 billion. So we are not really paying off the debt by 2017.

Ms. HIGGINBOTTOM. I did not suggest that. The concept of primary balance is paying for those programs minus the interest payments on the debt. That is why the President, when he rolled out his budget, talked about this being an important first step, reducing our deficit, stabilizing our percentage of GDP as a percentage of the economy, and coming together to address the long-term drivers of deficit and debt.

Clearly, the level of debt that we have, particularly the trajectory that it is on, is unsustainable, and I do not think anybody within the Administration is defending that. And certainly we look forward to having those conversations to figure out how to tackle those problems.

Senator BROWN. I appreciate your candor. Thank you.

Ms. HIGGINBOTTOM. Thank you.

Chairman LIEBERMAN. Thanks, Senator Brown. We will do a second round as long as Members would like.

Let me go to the subject of information technology, which I mentioned in my opening statement. The Committee has really been working on this for some years as a matter of our oversight responsibilities. And I will say that despite the focused efforts of both the past Administration and this one, we have continued to see out-of-control IT projects that cost taxpayers hundreds of millions of dollars and too often do not produce much for the agencies.

This Administration has been using a number of new management techniques to address these problems and I know recently actually stopped 26 projects worth more than $30 billion in life-cycle costs in order to review them to make sure that they were a good investment of public funding.

I want to ask you to speak generally about this problem and more specifically about what you think now needs to be done to improve government-wide management and acquisition of information technology, particularly in a time of limited budget resources.

Ms. HIGGINBOTTOM. Thank you. It is my understanding that the approach that the Office of E-Government and Information Technology has taken within our Administration has been to really ensure we are working aggressively with the agencies to understand

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the scope of their IT projects, to break them into smaller components, to ensure we are really focused on their core functionality, and that because of the way the budgeting and appropriations process works, we have seen many instances in which by the time funding is appropriated and the program or the IT project is funded, the technology has moved far beyond it. Vivek Kundra, who leads that effort within OMB, has been very focused on trying to work with agencies to make sure that these projects are more effective and efficient.

The use of the IT Dashboard to bring an unprecedented level of transparency into this process is important. I spoke with Senator Collins' staff during my staff interview about the quality of some of that data, and that has been a concern. I know that OMB and the agencies have been focused on trying to improve that, as well as the use of the TechStat sessions to have regular face-to-face interactions with OMB and the agencies to mark progress and to understand where there are problems, address them in the execution of these IT projects.

So this is an area that I think the 25-point plan that the OMB Office of E-Government has put out is also a road map to follow for additional steps, and I have had the opportunity to work with Mr. Kundra over the last couple years. I think he is a really fantastic leader in this space, and I look forward to working with him, if confirmed.

Chairman LIEBERMAN. Good enough. I just urge you, with all the things you are doing, to really keep your eye on this one because we need IT, obviously, for the government to function effectively. But there are just too many occasions when I think for one reason or another the Federal Government has wasted its money on investments in this area.

Let me talk a little bit about the Postal Service. The Postal Service concluded fiscal year 2010 with a net loss of $8.5 billion. A lot of that has to do, of course, with long-term declines in mail volume and the economic downturn. As I am sure you know, the President's budget for fiscal year 2012 proposes to return to the Postal Service an estimated $6.9 billion surplus over a 30-year period that the Office of Personnel Management (OPM) agrees the Postal Service has overpaid to the Federal Employees Retirement System. The budget proposal also reduces the Postal Service's statutory requirement to make a payment into the Postal Service Retiree Health Benefits Fund by $4 billion for the current 2011 fiscal year.

That is a good first step in helping the Postal Service, but this is a rising crisis, and we really have to get together and figure out how to head it off before it hits us very hard.

So if you are confirmed as OMB Deputy Director, I wanted to ask you how you would go about working with the Postal Service, Congress, and others in the private sector who are deeply interested in this to help the Postal Service deal with its extremely challenging short-term and long-term financial problems.

Ms. HIGGINBOTTOM. Thank you. And it is an area that is very complicated and important. As you mentioned, the fiscal year 2012 budget provides what has been referred to in the budget as breathing room for the Postal Service by returning some of the surplus funding to provide the time and the space for these stakeholders

to come together and figure out what the long-term changes are that are going to be necessary. Within OMB, the General Government Programs have had branches in charge of this, and the Deputy Director has oversight over that, so it is an issue that I look forward to working with them on, if confirmed.

It is clearly very important. We have the last couple of years come to this point where we have taken last-minute steps to address their solvency, but the can cannot be kicked down the road much further, and the budget is intended to provide a little bit of breathing space to really get everyone together and figure out what some of those long-term challenges are going to be, which I think everyone agrees are necessary to keep the Postal Service solvent.

Chairman LIEBERMAN. Good. Let me ask you finally about the debt limit. At this point, what is the Administration's best estimate about the time frame in which we will probably hit the debt limit and, therefore, Congress will be asked to extend it?

Ms. HIGGINBOTTOM. I believe that is mid-April.

Chairman LIEBERMAN. So we do not know exactly how many Members of Congress will use this necessity of increasing the debt limit to raise questions, really to force a discussion, as happened last year, and led to the President's appointment of the Fiscal Responsibility and Reform Commission. They will use it to force a discussion about making tough choices regarding the deficit and the debt.

I wanted to ask you if you have thought at all about what message OMB and the President will convey to Congress when this happens. Again, I cannot predict how many Members of Congress, but I can sure predict that some Members of Congress will say they will not vote to extend the debt limit unless there is something forthcoming from the President, the Administration, and Congress in terms of a harder commitment to deal with our debt.

Ms. HIGGINBOTTOM. Well, I have not had conversations with the Director or the President about this, but one thing that I think is very important around this conversation, we are having a robust debate in Congress now over spending for fiscal year 2011 funding levels for the remainder of this fiscal year, and it is a conversation that has focused just on the spending side, which is a relatively small slice of the pie. I think the debt limit, should there be a discussion about what could be attached to it or associated with it, provides an opportunity to broaden the conversation into the mandatory side, the entitlement side. I am not suggesting or putting a plan on the table for what that might look like, but I think that if we are going to get outside of just this conversation of discretionary spending, the debt limit is a place where that debate might start.

Chairman LIEBERMAN. That is a preview. Thank you. Senator Collins.

Senator COLLINS. Thank you, Mr. Chairman.

I want to go back again to the issue of primary balance by the year 2017. Would you at least agree that achieving primary balance in a single year, a year that is several years from now, is not the same thing as getting long-term spending under control?

Ms. HIGGINBOTTOM. Absolutely, and I think that when the President laid out the budget and as it was discussed, he discussed this

as an important milestone. It is not an achievement—it is not an end in and of itself, but it is a place that we need to drive toward so that we can move into the longer fiscal challenges.

Once we achieve primary balance, we have not solved all of our problems, but it is an important balance to achieve so that as we take the next steps, we are at least not digging that particular hole deeper.

Senator COLLINS. But we are still going to have a $14 trillion debt.

Ms. HIGGINBOTTOM. And we need to come together and address those issues and the long-term drivers, specifically Medicare and Medicaid.

Senator COLLINS. And this is the second time that you have described Medicare and Medicaid as long-term drivers, but the Administration has yet to really present plans to deal with those long-term drivers. Do you know when we might expect such plans?

Ms. HIGGINBOTTOM. I know that the President is eager to work with Members of Congress on both sides of the aisle on these issues. He has said that many times. As I mentioned in a previous answer, implementing the Affordable Care Act is also very important. We have passed the law. There is a lot of implementation. There are a lot of savings associated with it on the health care side. There is much more that can be done, and that is an issue that, if confirmed, I suspect I would be very involved in working with the Director on as well as the President.

Senator COLLINS. Well, I will spare you a discussion on the implications of the President's health reform act, but suffice it to say that creating new entitlements such as the Community Living Assistance Services and Supports (CLASS) Act, which is being used in the early years to make the implementation costs look smaller when it is collecting premiums that are going to come due in the out-years is not exactly responsible budgeting, in my judgment. But I am not going to ask for you to respond to that.

Let me switch quickly to two other issues.

First, I completely associate myself with the comments made by Chairman Lieberman about the IT challenges. I cannot tell you how many failed IT contracts this Committee and its Subcommittees have looked at. In fact, it would be a far shorter list to give you those that have been successful. So I hope that you will pay close attention to this.

A second related issue, which has been a concern of mine for many years, is the fact that consistently the government seems to be stuck at awarding approximately a third of its contracts non-competitively. Now, there are sometimes legitimate reasons for no-bid contracts, but many times the government is forgoing what could be both lower costs and improvement in quality.

The Administration has challenged agencies to do better, but we really seem to be stuck at between, according to GAO, 31 to 35 percent of obligations awarded non-competitively. What do you think we can do to improve in that area?

Ms. HIGGINBOTTOM. It is an important issue and something that the President identified early on as a priority. I know that Dan Gordon and his team in OFPP are focused on this issue. It is something that comes up regularly when they meet in the Acquisition

Status (AcqStat) sessions, when they sit down with agencies to review and address what their proposals are. I am not familiar with what their specific recommendations are in this area, but I think it is a really important priority, and it is something I would be happy to work with you and the Committee on, if confirmed.

Senator COLLINS. Thank you. Finally, I have another contracting issue that I want to bring up with you. Under the previous OMB Director, the Administration was considering implementing a new policy for procurement that was misnamed the "high road" procurement policy. There was a lot of dispute within the Administration since most experts will tell you that if the high road policy were put into place, it would actually be the higher-cost road that we would be embarking on. And it would put non-union small businesses at a competitive disadvantage simply because they do not have a unionized workforce and they would essentially lose points for that. What is the status of the high road contracting policy?

Ms. HIGGINBOTTOM. I am not familiar with this being a policy that is under review or being proposed in the Administration. It sounds like a complicated policy. I am not exactly sure how it would work, but I noticed that you had asked the Director this question during his confirmation, and so I did my diligence at OMB, and it is not being considered or proposed now. I was not able to get some of the answers to the questions that were being raised about it.

Senator COLLINS. Well, that is good news if it is not under active consideration right now. I would ask that you inform this Committee and me specifically if it does start coming back under active consideration since we should be trying to decrease the cost of Federal procurements, not put artificial requirements and barriers that have no relationship to quality or cost into the contracting process. As you pointed out, it is complicated enough as it is now.

Thank you, Mr. Chairman. I will submit the remainder of my questions for the record.

Chairman LIEBERMAN. Would you like to ask any other questions?

Senator COLLINS. I will submit them for the record. Thank you.

Chairman LIEBERMAN. Thanks, Senator Collins.

Ms. Higginbottom, thanks for appearing before the Committee today. We are going to attempt to bring your nomination before the next markup of this Committee, which is on March 16, so it would be next week. I hope we can do it because I know, presuming you are going to be confirmed, that Director Lew could use you right there working with him.

So, without objection, the record will be kept open until the close of business tomorrow for the submission of any written questions or statements for the record. Thank you again. We look forward to working with you.

The hearing is adjourned.

[Whereupon, at 3:51 p.m., the Committee was adjourned.]

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APPENDIX



United States Senate
Committee on Homeland Security and Governmental Affairs
Chairman Joseph I. Lieberman, ID-Conn.

Opening Statement of Chairman Joseph Lieberman
Nomination of Heather Higginbottom to be Deputy Director, Office of Management and Budget
Homeland Security and Governmental Affairs Committee
March 8, 2011

The hearing will come to order. Good afternoon. It's a pleasure to welcome Heather Higginbottom today to this hearing on her nomination to be Deputy Director of the Office of Management and Budget (OMB), a really important position in our government.

If confirmed, Ms. Higginbottom, you will have one of the nation's most challenging jobs, always challenging, but particularly at this moment in our government's history and in our nation's economic history. You will be called upon to work closely with a politically divided Congress at a time when there are very few easy decisions to make, or decisions that are not politically risky. You've got to help us bring the federal budget under control and in a way that hopefully doesn't impede the national economic recovery. Given the size of the current debt and our existing spending commitments, the recurring threats of a government shutdown, the expiration next week of the third Continuing Resolution for Fiscal Year 2011, and an impending showdown over the debt ceiling – that's an extremely tall order. But it's one that we've all got to work together to meet.

Our economic challenges today are as difficult as they have been at any point in the last half century or so. We've seen positive job indicators recently, and an unemployment rate that's finally inched below 9 percent but the uncertainty of the political situation in North Africa and the Middle East and its affect on the price of oil and gasoline threatens not just the economic gains we're beginning to make, but the return of critically necessary public confidence and optimism.

Late last year, the President's National Commission on Fiscal Responsibility and Reform issued a series of tough recommendations to move us toward long-term solvency. The Commission recommended that we initiate many of its proposals in FY2012. I want to talk to you about the extent to which the President's FY2012 budget does that and what else we can do in Congress to meet that standard.

I'd also like to raise two other issues that concern me and which I raised with Director Lew during his nomination hearing. They are about the system by which the federal government purchases goods and services from the private sector and the management, government-wide, of information technology.

Oversight of federal acquisition is a critical OMB responsibility, especially given the amount of the budget it consumes. More than half a *trillion* dollars were spent on federal contracts in FY2010, and some of it was wasted through mismanagement and, in some cases, fraud.

Federal contracting programs continue to account for a large portion of GAO's "High Risk" list of mismanaged and inefficient programs. And GAO's recent report on duplication in federal programs found that major cost savings could be achieved if agencies did a better job of buying goods and services collectively, rather than negotiating contracts individually.

I am encouraged by OMB's work to reverse a number of problematic trends, such as an over-reliance on non-competitive contracts, poor contract planning, and weak oversight of contractor performance. Therefore, I would like to hear your ideas, Ms. Higginbottom, on how OMB can keep the momentum going for reform in this area.

340 Dirksen Senate Office Building, Washington, D.C. 20510
Tel: (202) 224-2627 Web: http://hsgac.senate.gov

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Management of information technology (IT) is another major responsibility of OMB, and one in which this Committee has a deep interest. Given the Administration's $80 billion request for IT in the FY 2012 budget, you will be called upon, if confirmed, to help oversee that investment and the Administration's ambitious IT management reform plan. I'd like to know how you think OMB can help agencies better use technology to fulfill their missions more effectively and efficiently, increase transparency, and encourage citizen participation.

Thank you for your years of public service in the Legislative and Executive Branches of our government, and for responding to this latest call to serve our country.

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Statement of
Ranking Member Senator Susan M. Collins

"Nomination Hearing for Heather Higginbottom
to be Deputy Director, Office of Management and Budget"

March 8, 2011

★ ★ ★

The last time our budget was balanced was in 2001. Since that time, the federal debt has increased dramatically, rising from 33 percent of GDP to 62 percent in 2010. If we continue on our current course, debt will soar ever higher, reaching 97 percent of GDP in 2021. Interest payments alone on that debt would be nearly $1 trillion. By 2025, revenue would cover only interest payments, Medicare, Medicaid, and Social Security. Every other federal obligation - from national defense and homeland security to transportation and education - would have to be paid for with borrowed money.

Throughout our nation's history, Americans have passed along to their children a nation that is stronger and offers more opportunity. We cannot be the first generation to betray that legacy.

I am deeply concerned about the Administration's lack of leadership on the challenge we face. Six months ago, at the hearing on the nomination of OMB Director Lew, I spoke of my concern that we are heading toward a future of financial stagnation, bogged down by costly entitlements, sluggish economic growth, and high unemployment. I also expressed my hope that OMB would help put forward a realistic plan to prevent the federal budget from becoming an albatross that threatens economic growth, job security, and career opportunities for young people trying to enter the workforce -- or that would jeopardize retirement savings right at the moment the baby boomers are all retiring. I hoped then to avoid our current situation, where so many Americans are coping with what's turning out to be a decade of lost opportunity, lost prosperity, and lost investment.

I based that hope on the expectation that the President would embrace the two-part mission he himself assigned to the bipartisan Debt Commission that he created: to bring the budget into primary balance (that is, excluding interest costs) by 2015; and to substantially improve our nation's long-term fiscal outlook.

The budget presented by the President last month fails in both respects. The President's proposed budget does far too little to rein in federal spending, and spends and borrows too much.

While the President's budget does include a proposed five-year freeze on discretionary spending, the money we would save from this freeze is nowhere near enough to address our urgent fiscal challenges. The President's budget proposes nearly $46 trillion in spending over the next ten years - an increase of $18 trillion over the past ten years. By comparison, the $400 billion that would be saved through the President's "freeze" is less than one penny for every dollar he proposes to spend. That's like bragging about skipping dessert a few times and hoping no one notices that you recently put on a hundred pounds.

Compared to where things stood when the President took office, his proposal would double the public debt by 2013 and triple it by 2021. This kind of spending is simply unsustainable.

This is the stark economic and fiscal environment that now confronts us.

Washington not only spends too much, but also it does not spend well. A report released by the GAO last week illustrates this, in embarrassing detail. The federal government has -

- 15 different federal agencies involved in food safety,
- 80 economic development programs,
- 100 different surface transportation programs, and
- a myriad of agencies involved in biodefense,

And -- this last one is perhaps the most ironic:

- 20 different agencies and 56 programs engaged in helping Americans improve their financial literacy.

I would suggest that the American people can teach the government a thing or two about financial literacy: in difficult fiscal times, we should pay for something once, not dozens of times. And, it is part of the responsibility of the person who is the deputy director of OMB to look at the management of federal agencies to identify redundancies, duplicities, and overlaps, and to lead that charge.

The nominee's background, while impressive in many respects, does not include a great deal of experience in the budget process or financial analysis. I look forward to exploring with her how she intends to evaluate the effectiveness of federal programs, and address our long-term financial challenges, should she be confirmed as deputy director.

Thank you for holding this important hearing, Mr. Chairman.

Prepared Statement of Senator John F. Kerry
March 8, 2011

Mr. Chairman and Senator Collins, thanks so much allowing me, it's a privilege to be able to introduce Heather Higginbottom to the committee.

In a sense, I feel a special bond with Heather for a lot of different reasons. Her parents, George and Anne, are not here today but they live up on Cape Cod in Yarmouth Port, and I think because of the last minute changes they were not able to be down here. I'm sort of a surrogate in that sense.

She came to my office I think in 1999, fairly fresh from graduate school and college and her early endeavors. She went to University of Rochester and then got a graduate degree in Social Policy and Administration from George Washington University and worked at communities and schools in between on education reform. But I've seen her journey from beginning as a young, idealistic member of my staff when she first came on, moving up to her leadership within my Presidential Campaign where she was Director of Policy. And then became my Legislative Director when I came back to the Senate, and then left my office to join President Obama's campaign and became his first National Policy Director over the course of that campaign, and subsequently went into the West Wing, into the White House, as a Deputy Assistant to the President where she's been for the last two years.

I have been, frankly, continually impressed by her leadership skills, by her knowledge, by her energy and enthusiasm for the public sector. She is smart – very smart – or she never would have survived any of those jobs. But she's also someone that brings a very special understanding of the difficulties – the complexities – of public policy today and the tough choices that we face.

One of the things I think that's interesting is her experience in the campaigns, both mine and President Obama's, have given her a tremendous sense of what this is all about. She has interacted with Mayors, state legislators, Speakers, Senate leaders on the federal, state, and county level all across the country.

When she looks at a budget, she knows the numbers, she understand the choices we've got to face today. She also understands that the budget is a statement of priorities, for the country, and certainly for the President who puts it in. And I think she looks at those with a really critical eye, and she understands that the numbers represent people's lives. And they represent the hopes for our country for where we need to go and how we get there.

We have tough choices ahead of us, and I don't think anybody understands that better than Heather does. We're going to have to deal with Medicare, Medicaid, Social Security, these larger issues. And I think you'll find she is very, very knowledgeable and very accepting of the global budget position we find ourselves in and the tough choices we're going to have to make.

She also worked very closely with me across the aisle. And I know Senator Collins, Senator Portman, I think that's important to you, to others. She worked on education and social policy.

We did a lot with Senator Gordon Smith and it was Heather who worked with his staff and worked very closely with them. We worked very closely with Senator Santorum's staff in developing the Workplace Religious Freedom Act. Heather did that, and in addition helped develop my legislation for a Presidential Line Item Veto that we thought was constitutional and she helped to develop that.

So I think all and all the people who worked for her, on my staff, have always found that she is a terrific boss. She is somebody who listens, she doesn't require anyone else to do the work and take the credit. She shares the pain. I remember, for instance, long weekends, if legislation was being developed, Heather would work her heart out with people and then put a note on my desk, "so-and-so worked all weekend, you should let them know and thank them." But it wasn't her who ever sought that recognition.

So, Mr. Chairman and Senator Collins, I really think that given the tough times we find ourselves in and the difficult choices we face, I think that Jack Lew has made a terrific choice and the President has made a terrific choice. I have every bit of confidence that she will deal with us openly, honestly, directly, be available, answer questions, be accountable, but also be driven by the right policy values in the choices she will be required to make in this job. I completely and enthusiastically encourage the Senate to consent to her nomination as rapidly as we can.

Statement of Heather A. Higginbottom
Nominee to Serve As
Deputy Director of the Office of Management and Budget
Before the Committee on Homeland Security and Governmental Affairs
United States Senate
March 8, 2011

Mr. Chairman, Ranking Member Collins, and Members of the Committee, I am honored to come before you as President Obama's nominee to be Deputy Director of the Office of Management and Budget.

I would like to thank Senator Kerry for taking time from his busy schedule to introduce me to the Committee. For over seven years, I had the privilege of serving in several capacities for Senator Kerry; and in many ways, what I have learned about public service and government I learned in this body working for him. I am grateful for that, and I am confident I would not be before the Committee today without the opportunities those experiences afforded me.

I am also deeply grateful to President Obama, not just for nominating me for this position, but also for the tremendous opportunity he gave me when I joined his campaign as policy director four years ago. Over the course of the campaign and for the past two years in the White House, I have had opportunities to contribute to the nation in ways I could never have dreamed of.

Mr. Chairman, the serious fiscal challenges facing the country make this an extraordinarily important and humbling time to be nominated to join the Office of Management and Budget. We have only recently turned the tide on the worst economic downturn in a generation and once again the economy is growing and the private sector is creating jobs. The policies deployed to rescue the economy necessarily added to this deficit in the short-term. As the economy strengthens, it is time to make the tough choices necessary to place the country on a responsible fiscal path and focus on our long-term challenges. This means cutting where we can and making the investments necessary to foster continued economic growth and job creation for our long-term global competitiveness. It also means managing the resources of the Federal Government in a way that gets the most from every taxpayer dollar, cuts waste, boosts efficiency and effectiveness, and gives all Americans the means to see how their money is being spent and to hold their government accountable for its actions.

The Federal budget is an articulation of the President's agenda, which requires making choices among competing interests, within the constraints of a recovering economy, and with the best interest of the taxpayer in mind. In each position that I have held - as Legislative Director in Senator Kerry's office, managing policy for two presidential campaigns, and for two years in the White House Domestic Policy Council - I have worked on a wide range of areas, from economic policy to national security to domestic policy, and I have had to work through the budgetary implications of each. I have guided processes that made choices about what we could afford, what programs and initiatives were the most cost-effective, and how to implement them. If I am fortunate enough to be confirmed, I will bring this experience developing policy within our budgetary constraints to OMB and the Deputy Director role.

If confirmed, I will work closely with the Director, Jack Lew, and the Deputy Director for Management and Chief Performance Officer, Jeffrey Zients, to help our government run as efficiently and effectively as possible. And I also look forward to working with all of you on this shared goal.

Thank you for your consideration today. I would be pleased to address any questions you may have.

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION

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

   Heather A. Higginbottom

2. **Position to which nominated:**

   Deputy Director, Office of Management and Budget

3. **Date of nomination:**

   January 26, 2011

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

   Residence: REDACTED
   Business: The White House, 1600 Pennsylvania Ave NW, Washington, DC

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

   Date: 7/15/1972
   Place: Binghamton, NY

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

   Single

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

   N/A

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

   Secondary: Chenango Valley Jr. Sr. High School, Binghamton, NY, June 1990
   Undergraduate: University of Rochester, Rochester, NY, 1990-1994, B.A. in Political Science, May 1994
   Graduate: George Washington University, Washington, DC, 1997-1999, MPP, May 1999

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,

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location of work, and dates of employment. (Please use separate attachment, if necessary.)

- *Transportation Research Board, National Research Council, Administrative Assistant, Washington, DC, November 1994 – June 1995*
- *Communities In Schools, Government Relations Assistant, Alexandria, VA, June 1995 – July 1997*
- *Office of Senator John Kerry, Legislative Assistant, Deputy Legislative Director, Legislative Director, Washington, DC, July 1999 – March 2004; November 2004 – May 2005; January 2006 – February 2007*
- *John Kerry for President, Deputy Policy Director, Washington, DC April 2003 – November 2004*
- *American Security Project, Executive Director, Washington, DC, April 2005 – February 2006*
- *Obama for America, Policy Director, Chicago, IL, February 2007 - November 2008*
- *Obama Presidential Transition Team, Staff Secretary, Washington, DC, November 2008 – January 2009*
- *The White House, Deputy Assistant to the President and Deputy Director of the Domestic Policy Council, Washington, DC, January 2009 – Present*

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.

None

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.

American Security Project, Executive Director, Washington, DC, April 2005 – February 2006

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

Platform Drafting Committee, Democratic National Committee, Member 2008

13. **Political affiliations and activities:**

(a) List all offices with a political party which you have held or any public office for which you have been a candidate.

None, except for positions held in connection with political campaigns as described below.

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

- *John Kerry for President, Deputy Policy Director, Washington, DC April 2003 – November 2004*
- *Platform Drafting Committee, Democratic National Committee, Member 2008*
- *Obama for America, Policy Director, Chicago, IL, February 2007 – November 2008*

(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.

$401 to Obama for America in 2008

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.

University Fellowship from George Washington University that covered graduate school tuition and provided a stipend for expenses.

15. **Published writings:** Provide the Committee with a list and two copies of any books, articles, reports, or other published materials which you have written. These items can be provided electronically via e-mail or other digital format.

- *The White House blog, "Taking America from #12 to #1", 7/23/10, http://www.whitehouse.gov/blog/2010/07/23/taking-america-12-1*
- *The White House blog, "Ensuring Your Success", 9/27/10, http://www.whitehouse.gov/blog/2010/09/27/ensuring-your-success*
- *The White House blog, "The Results are In," 4/30/10, http://www.whitehouse.gov/blog/2010/04/30/results-are*
- *The White House blog, "Race to the Top High School Commencement Challenge," 3/4/10, http://www.whitehouse.gov/blog/2010/03/04/race-top-high-school-commencement-challenge*

16. **Speeches:**

(a) Provide the Committee with a list and 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 a list and copies of any testimony to Congress, or to any other legislative or administrative

body. These items can be provided electronically via e-mail or other digital format.

- *Remarks about Obama Administration's education policy agenda at Board Meeting Dinner of Communities In Schools, 5/14/09*
- *Commencement address, Political Science degree ceremony, University of Rochester, 5/17/09*
- *Remarks on child welfare to Every Child Matters conference on child welfare, 10/22/09*
- *Remarks at conference on Promise Neighborhoods, 11/09/09*
- *Remarks about Obama Administration Domestic Policy Council agenda to Grantmakers Income Security Taskforce and Grantmakers for Children, Youth, and Families, 2/25/10*
- *Remarks to Voices for America's Children national conference, 6/25/10*
- *Remarks to First Focus Children's Budget conference, 7/14/10*
- *Remarks at Department of Education conference on Promise Neighborhoods, 11/8/10*

(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.

- *Remarks to state delegates to the Democratic National Convention about the Kerry campaign policy agenda, 7/04*
- *Heather Higginbottom Reacts to the Citizen's Briefing Book http://www.youtube.com/watch?v=L6Vtsy5kWA8, 1/13/09*
- *Open for Questions: The State of the Union http://www.youtube.com/watch?v=3SF8bSbHD4M, 1/27/09*
- *Remarks about Obama Administration Domestic Policy Council (DPC)policy agenda at White House briefing of American Hotel and Lodging Association, 3/16/09*
- *Remarks about DPC policy agenda to the Children's Leadership Council, 4/2/09*
- *Remarks about DPC policy agenda at White House briefing of Hebrew Immigrant Aid Society, 4/2/09*
- *Remarks about DPC policy agenda at White House briefing of National Caucus of Hispanic State Legislators, 4/24/09*
- *Remarks to high school students about professional career path, 10/23/09*
- *Remarks at dinner honoring inductees into Chenango Valley High School Hall of Fame, 10/24/09*
- *Remarks about immigration reform at White House briefing of Irish American organizations, 1/15/10*

- *Open for Questions: More Questions from You Tube http://www.whitehouse.gov/photos-and-video/video/open-questions-more-questions-you-tube , 2/5/10*
- *2/5/10 White House: Open for Questions via YouTube Part 1 of 4 http://www.youtube.com/watch?v=GcqTpJ16b78 , 2/5/2010*
- *Remarks to students in the YouthBuild program, 3/24/10*
- *Remarks at closing of White House Summit on Community Colleges, 10/5/10*
- *How the President Stays in Touch with Young People http://www.mtv.com/videos/news/583083/how-president-obama-stays-connected-with-young-people.jhtml#id=1649327, 10/13/10*
- *Remarks at reception for winners of Promise Neighborhoods planning grants, 11/8/10*
- *Remarks about DPC agenda to White House briefing for attendees to Hanukkah reception, 12/3/10*
- *Remarks about DPC agenda to White House briefing for attendees to White House holiday party, 12/16/10*
- *Remarks at reception for Promise Neighborhood applicants, 12/16/10*
- *West Wing Week: Student Loans http://www.youtube.com/watch?v=jFMQT-I0lWI, 12/30/10*

17. **Selection:**

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

I have worked for President Obama for four years, first as Policy Director on his campaign for the Presidency, and since the beginning of the Administration, in the White House as the Deputy Director of the Domestic Policy Council. He knows my work, my experience, and the values I bring to public service.

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

Over nearly a decade of public service, ranging from non-profits to Congress to the White House, I have worked hard to improve the efficiency and effectiveness of government; to make critical programs respond better to the needs and priorities of ordinary Americans. Our Nation faces hard budgetary choices in the coming years. The experience I gained as the Legislative Director for Senator Kerry, as a Policy Director for two national Presidential campaigns, and most recently as Deputy Director of the Domestic Policy Council has prepared me to tackle those challenges as Deputy Director of the Office of Management and Budget. This position demands policy sophistication as well as technical budget expertise. I possess both. I have been involved with numerous budget and appropriations-related issues during my career. This was essential for me to develop national platforms for two presidential candidates. Similarly, my role at the Domestic Policy Council has required significant involvement with the budget processes during the Obama Administration. Yet, I have been responsible for

managing such complex processes throughout my professional life, all of which have had multiple constraints on decision-making, and often many sources of information to process and competing equities to balance. These skills are critical to ensuring that policy initiatives are affordable, cost-effective and have long term returns for the taxpayer, which in turn are essential for the Administration to be a good steward of government.

B. EMPLOYMENT RELATIONSHIPS

18. Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate?

If confirmed, I will remain an employee of the U.S. government.

19. 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

20. 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

21. Has anybody made a commitment to employ your services in any capacity after you leave government service?

No

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

Yes

23. 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

24. 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.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Office of Management and Budget's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with OMB's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

25. 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.

While I have had extensive experience in the formulation of legislation and public policy as a federal government employee in the legislative and executive branches, as well as during political campaigns, I have had minimal engagement in these activities during the short period in which I was neither a government nor a campaign employee during the relevant time period.

26. 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

27. Have you ever been disciplined or cited for a breach of ethics or 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

28. 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

29. 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.

It is possible that my former employers were involved in litigation during the periods I worked for them; however, to my knowledge, no suit involved allegations related to my own conduct, and I was not personally involved in any legal proceedings.

30. For responses to question 30, 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.

N/A

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

None

E. FINANCIAL DATA – REDACTED

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

Heather A. Higginbotham 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.

Heather A. Higginbotham

Subscribed and sworn before me this 26th day of January, 2011

Bessie M. Jones-Heaves
Notary Public
Commission Expires: August 14, 2014

U.S. Senate Committee on Homeland Security and Governmental Affairs
Pre-hearing questionnaire for the nomination of
Heather A. Higginbottom to be
Deputy 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 Deputy Director of the Office of Management and Budget (OMB)?**

I have worked for President Obama for four years, first as Policy Director on his campaign for the Presidency, and since the beginning of the Administration, in the White House as the Deputy Director of the Domestic Policy Council. He believes that my commitment to public service, my professional accomplishments and my experience would contribute further to his Administration.

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

No.

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

Our Nation faces tough budgetary choices. The experience I gained as the Legislative Director for Senator Kerry, as a Policy Director for two Presidential campaigns, and most recently as Deputy Director of the Domestic Policy Council has prepared me to tackle those challenges as Deputy Director of the Office of Management and Budget. This position demands policy sophistication, technical budget expertise, and an understanding of how government works at many levels. I believe that I possess all three. I have been involved with numerous budget and appropriations-related issues in the executive and legislative branches. My role at the Domestic Policy Council required significant involvement with the budget process as the policies we develop in collaboration with OMB inform the President's budget proposals. Throughout my career, I have been responsible for managing complex processes, often with many sources of information to reconcile and competing equities to balance. These skills are critical to ensuring that policy initiatives are affordable, cost-effective, and have long term returns for the taxpayer, which in turn are essential for the Administration to be a good steward of government.

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

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No.

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

None that I am aware of.

II. Role of the Director of OMB

6. **How do you envision your functions and responsibilities as Deputy Director? Have you and OMB Director Jacob Lew discussed what your role would be? If so, please describe how you view your role in light of those discussions.**

It is my understanding that the OMB Director expects the Deputy Director and Deputy Director for Management to work as a team, with defined areas of focus depending both on changing demands and the skills and background that each individual brings to the position. For instance, if confirmed, I expect to work closely with the Director to manage the preparation of the annual budget; to coordinate and lead OMB's participation in the policy process within the Executive Office of the President; and to help lead internal management of OMB. If confirmed, I would also work closely with the Deputy Director for Management to ensure that agency performance information is integrated into the annual budget process.

7. **In many agencies, the Deputy is charged with internal management of the agency. Do you expect to take on this role at OMB? If so, what do you see as the major internal management challenges there, and how would you plan to address them.**

If confirmed, I expect to work with the Director and Deputy Director for Management on internal management of OMB. I look forward to ensuring that OMB's career staff is fully integrated and coordinated with the leadership of the Agency and that communication from management to staff is regular and effective. If confirmed, I also intend to ensure that OMB operates as efficiently as possible to serve the President, particularly at a time of constrained resources and increased demands on the Department.

8. **How do you view your role as Deputy Director in relation to OMB's three statutory offices: the Office of Federal Financial Management (OFFM), the Office of Federal Procurement Policy (OFPP), and the Office of Information and Regulatory Affairs (OIRA)?**

As stated above, I view the role of Deputy Director to be part of a team with each individual bringing their expertise, working with the Director, the Deputy Director for Management, the Administrators of OIRA and OFPP, and the Federal Controller, as well as the other members of OMB's senior leadership.

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9. What specific background and experience do you bring to the various roles that you would assume as Deputy Director?

The work I have done outside and inside government has prepared me for the role of Deputy Director of OMB: to manage staff, to coordinate and oversee the development of the annual budget, and to help coordinate and lead OMB's role in the White House policy development process. Driving effective policy works hand in hand with setting budget priorities, particularly in an environment where resources are strained. As a Legislative Director in the U.S. Senate, in senior roles in the White House, and on two presidential campaigns, I have had significant management experience leading teams in the development of policy agendas and proposals. I have also had responsibility for managing and coordinating policy across a wide range of issues, as would be necessary as Deputy Director of OMB. In two presidential campaigns, I was charged with development of the candidate's entire policy agenda, ranging from economic to domestic to national security policy. In addition, I have worked on budget and appropriations issues in each of these roles, whether developing a budget for the campaign policy platforms, working on budget and appropriations legislation in the Senate, or working with OMB to develop the President's budget and secure funding for key priorities at the Domestic Policy Council.

10. Please describe all experience that you have had in matters relating to the federal budget or to other matters within the purview of the OMB Deputy Director.

The Federal budget is an articulation of the President's agenda, and this requires making choices among competing interests, particularly in the challenging fiscal environment that we face. In each position that I have had, the fundamental challenge has been to develop and implement policies that reflect the agenda of the individual or organization I was working for.

In all of these instances – in Senator Kerry's office, in two presidential campaigns, and in the White House – I have developed policies in a wide range of areas, from national security to economic policy to domestic social policy, and I have been forced to contend with the budgetary implications of each. I have had to make choices about what we could afford, what programs and initiatives were the most cost-effective, and how to implement them.

11. How do you believe your experience as Deputy Director for the Domestic Policy Council would help inform and guide your decisions and enhance your effectiveness as Deputy Director of OMB?

My experience working in the White House for two years and working for the President for a total of four years would enhance my effectiveness as Deputy Director of OMB. I have experience working with all offices in the Executive Office of the President to advance the President's agenda and if confirmed, I will ensure that OMB is properly and effectively represented in the Administration's policy processes. I also have a deep understanding of the President's agenda and priorities that I will bring to the role if

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confirmed. The work I have done on domestic policy in the White House and in the Congress has enabled me to understand how the work we do in government affects people's lives. As the President said when he announced his intent to nominate me as Deputy Director, I 'understand the relationship between numbers on a ledger and the lives of real people.' As we make the hard choices to get our fiscal house in order, I will work to ensure that we are doing so in a way that enables our economy to grow, jobs to be created and people to prosper. Finally, as Deputy Director of the Domestic Policy Council, I understand the importance of evaluating the effectiveness and cost efficiency of Federal programs and incorporating that analysis in program implementation. If confirmed, I will work to enhance coordination and collaboration among OMB, the policy councils and Federal agencies to ensure we are investing in effective programs.

III. Policy Questions

General Government Management

12. One of OMB's goals, as stated in its strategic plan, is to improve the effectiveness and efficiency of government programs. In your view, what are the principal means available to OMB to further these goals? What OMB initiatives, through its statutory and resource management offices, can make the greatest difference in governmental efficiency and effectiveness?

At the outset of his Administration, the President made it clear that we needed to make government work better, faster, and more efficiently. OMB's performance management efforts are focused on six strategies that have the highest potential for achieving meaningful performance improvement within and across Federal agencies.

1. Driving agency top priorities;
2. Cutting waste;
3. Reforming contracting;
4. Closing the IT gap;
5. Promoting accountability and innovation through open government;
6. Attracting and motivating top talent.

Just as important as the choice of what strategies to pursue is the matter of how we pursue them. The best way to achieve meaningful performance improvement is to focus on outcomes and to keep government attention on what we want to accomplish. Deputy Director for Management Jeff Zients has reinforced the importance of having clear goals and high-level attention focused on each. To that end, agencies have identified clear owners for each of the six performance strategies and for each agency High Priority Performance Goal. Agency leaders are holding regular goal-focused, data-driven reviews to stay focused on these goals, and to analyze past experience and other relevant information to guide their actions. Complementing agency internal reviews, OMB is also holding regular, data-driven constructive performance reviews on Priority Goals, IT projects (TechStat), acquisition (AcqStat), and other Government-wide management priorities, including regular reviews with OPM on agency progress on personnel

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management priorities. If confirmed, I intend to ensure continuity of these goals and alignment with the budget process. In addition, I will work with the OMB Director and the Deputy Director for Management to put in place a process to select and drive progress on Federal cross-cutting goals to improve program outcomes.

13. **How do you believe OMB can strike an appropriate balance by achieving improved performance and results within the government, but without unduly intruding upon the authority of individual agencies and programs to define their own missions and goals under applicable statutes?**

I believe the Administration's High Priority Performance Goal effort is a good example of where OMB and the agencies have struck the appropriate balance. As part of this process, agencies set measurable goals for each of their top priorities. These goals were published in the FY 2011 Budget, and OMB is conducting constructive quarterly reviews to help agencies stay focused on their goals, develop corrective action plans where necessary, and facilitate coordination across agencies working on shared goals.

These practices are reinforced by the GPRA Modernization Act of 2010, which came out of the leadership of this Committee. The Act requires OMB to coordinate efforts on Federal crosscutting goals and work with agencies to develop performance improvement plans when they are at risk of not meeting their goals. Both of those changes can greatly improve government's effectiveness and efficiency, and if confirmed, I look forward to working with Congress on the implementation of this law.

14. **The President announced in his recent State of the Union address that, in the coming months, the Administration "will develop a proposal to merge, consolidate, and reorganize the federal government in a way that best serves the goal of a more competitive America," and that he would submit the proposal to the Congress and would advocate for its passage.**

a. **What role, if any, did you have in developing this initiative?**

I did not play a role in developing this initiative.

b. **What role do you anticipate that you will have, if confirmed, in developing and advocating for this proposal?**

The President has asked Jeff Zients, the Deputy Director for Management at OMB and Federal Chief Performance Officer to lead this effort, and if confirmed, I will work closely with Jeff and the relevant departments and agencies, stakeholders and Congress, to explain our objectives and hear your ideas on how to streamline our Government, reduce waste and improve efficiency.

c. **What benefits do you believe such a reorganization could yield, and how quickly after Congressional approval could such benefits be expected? How can the costs**

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or disruption inherent in any governmental reorganization be avoided or minimized?

To my knowledge, this effort is very much in the beginning stages and there is not a firm proposal yet to evaluate. I understand that Jeff Zients and his team are well aware of the costs and disruption inherent in any reorganization, and the need to ensure that the benefits of any changes far outweigh those costs.

d. When and how do you believe those responsible for developing the proposal and advocating for its passage should exchange information and views with agency officials, Members of Congress, and others?

I understand that Jeff Zients is looking for input, advice and suggestions from the Congress as well as from all interested stakeholders on where we can streamline and operate more efficiently in order to make sure U.S. companies are competitive in this global economy.

15. Last Congress, this Committee reported and Congress passed the GPRA Modernization Act of 2010 (P.L. 111-352) so that various decision makers, including OMB and Congress, can better assess agency performance and improvement. If confirmed, how would you see your role in implementing the requirements of the GPRA Modernization Act, including helping to enhance agency strategic and annual planning?

The GPRA Modernization Act of 2010 is an important law that will help us make government more effective and efficient. It builds on efforts the Administration already has underway to transition Federal agencies from using goals and measures primarily to comply with requirements to produce annual reports to using them as powerful tools to communicate priorities and to improve outcomes, reduce costs, support cross-agency coordination on shared goals, and enlist outside assistance and expertise. If confirmed, I believe my experience as Deputy Director of the Domestic Policy Council will facilitate greater coordination between the OMB leadership team, other parts of the White House, and Federal agencies. I intend, if confirmed, to build on this relationship to carry out OMB's responsibility to coordinate the development and implementation of the Federal cross-cutting Priority Goals and instill a strong performance management culture across the Federal Government.

16. The GPRA Modernization Act of 2010 seeks to improve collaboration on performance measurement and evaluation among agencies, which is necessary to achieve common outcomes across the government. OMB is the focal point for overall management in the executive branch agencies, so it plays a key role in providing leadership and direction to federal agencies' collaborative efforts.

a. What role, if any, should the OMB Deputy Director play in ensuring that OMB focuses attention on additional areas in need of greater collaboration?

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OMB is in a unique position to look across the Federal Government and identify areas for collaboration. The GPRA Modernization Act will be a useful tool to identify crosscutting problems where coordination across the Government is needed. If confirmed as Deputy Director of OMB, I will work closely with my colleagues to help determine areas where we can break down silos and increase collaboration to improve results for the American people.

b. Do you believe that it is within the OMB Deputy Director's purview to reinforce agency and individual accountability for collaborative efforts? If yes, how do you plan to do so if confirmed?

One of the keys to improving performance accountability is to regularly review progress with senior accountable officials. As part of the High Priority Performance Goals initiative, OMB requires agencies to identify a Goal Leader for each Priority Goal. The process of naming a senior accountable official is critical to ensuring the accountability and coordination required for success. This Administration has emphasized this approach in a variety of efforts such as the Recovery Act, hiring reform, and each of our six Accountable Government Initiatives. I am pleased that the recently-passed GPRA Modernization Act reinforces this important practice by having a Goal Leader for each Federal Crosscutting Priority Goal and quarterly progress reviews. If confirmed as Deputy Director, I look forward to focusing in particular on those efforts that require collaboration across agencies to achieve the intended result.

17. Another significant improvement the GPRA Modernization Act seeks to make in performance management is greater congressional involvement in setting priorities for program performance review. What do you see as OMB's role in ensuring that agencies develop an effective strategy for obtaining and acting on congressional views on what to measure, how to measure it, and how to best present this information to a congressional audience?

Federal agencies have strong relationships with their Committees and stakeholders in Congress, and I understand that OMB will work to leverage these existing relationships to improve Congressional involvement in the priority and goal setting processes. Specifically, I understand, OMB will work closely with agencies to ensure more timely engagement than has occurred in the past, improve the quality and usefulness of the information provided to Congress, and ensure agencies incorporate Congressional feedback into their priorities and goals.

18. What do you believe can be done systemically to improve the performance of government agencies and programs? How should any such efforts be integrated with the budget process and coordinated with congressional authorizing and appropriating committees?

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I believe we can learn from the experience of an increasing number of states, local governments, other countries, and Federal programs that have successfully improved outcomes and reduced costs by adopting a few simple, but essential, practices. These practices have worked remarkably well across a wide variety of policy areas - whether driving down crime and traffic fatalities or improving water quality and the well-being of children. They include having leaders set clear goals; regularly measuring and reviewing progress toward those goals; and learning from experience and sharing the lessons with those in the delivery chain, including field offices, other levels of governments, and affected members of the public. When agencies analyze their data and relentlessly try to understand why progress or problems arise, it illuminates a path to improvement. When leaders run regular reviews to understand progress on goals, it keeps people energized and focused on the priorities.

If confirmed as Deputy Director of OMB, I will work to strengthen current OMB efforts to make sure agency priorities and evidence about effective programs and practices inform agency and OMB budget decisions. I will also support the requirements of the recently enacted GPRA Modernization Act for significant Congressional consultation by agencies and OMB in the goal setting and planning processes.

19. **At the beginning of each Congress, GAO publishes a report on government operations it deems to be of "high risk," and GAO released its report for the 112th Congress on February 16, 2011 (GAO-11-278). The High Risk List has contributed to congressional oversight by identifying problem areas at high risk of waste and mismanagement and that cost the government billions of dollars each year.**

a. What role, if any, do you believe GAO's High Risk List should play in setting priorities for agencies and for OMB?

The GAO High Risk List provides valuable insight into areas of Government operations that need improvement. I believe OMB and agencies should consider the High Risk list and GAO's related recommendations when setting priorities and deciding where to focus attention.

b. If confirmed as Director, to what extent, if any, would you focus agencies' attention on those programs on the High Risk List, and what types of actions will you require agencies to take to address High Risk List issues?

If confirmed, I will work with the Director and the Deputy Director for Management to continue the Administration's current practice of running regular, data-driven reviews with agencies to maintain focus on items on the High Risk List and ensure that each item on the list has an up-to-date corrective action plan with clear performance measures and targets.

c. Comptroller General Dodaro recently indicated that he has scheduled meetings with agencies that have areas on the High Risk List to help identify ways to

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remove the "high risk" designation. If confirmed, what would you plan to do, and what would you plan to have others at OMB do, to hold agencies accountable for taking steps to enable GAO to remove their programs from the High Risk List?

One of the key approaches the Administration takes to performance improvement is to review progress regularly with senior accountable officials. We are taking this approach to help overcome challenges facing agencies in achieving their missions, including those identified on GAO's High Risk List. It is my understanding that OMB's Deputy Director for Management and GAO officials meet regularly with the agency owner of the High Risk areas identified by GAO to focus attention on these issues, review agency progress, and identify necessary corrective actions. If confirmed, I will work to support these efforts.

20. **On his first day in office, President Obama signed a memorandum on Transparency and Open Government which stated that government should be transparent, participatory, and collaborative. How successful do you think the Administration and federal agencies have been in implementing the President's vision for a more "open government?" What additional steps do you believe OMB should take to ensure that federal agencies are more interactive with the public? Are there measures that you would recommend to increase transparency and strengthen public access to government information?**

This Administration has taken unprecedented steps toward making government more open and accountable to the American people. I believe the Open Government initiative has successfully promoted increased transparency, accountability, and participation across the Executive Branch. OMB has issued guidance to all agencies to support open government initiatives and has leveraged internal and external communication channels, including the Internet, to promote widespread sharing of government information, excepting that which relates to national security and pre-decisional policy.

Open Government initiatives include: USASpending.gov which provides information on Federal spending across all agencies; Recovery.gov which provides data on the spending of funds related to the Recovery Act and allows for the reporting of potential fraud, waste, and abuse; Data.gov which provides access to more than 300,000 agency-contributed data sets on a wide range of mission areas; the IT Dashboard which provides information on how nearly $80 billion is being spent on IT investments that enable key agency mission areas; and a Regulatory Review Dashboard, which provides insight into Federal regulations under review by OMB.

If confirmed, I will support the work of OMB to issue additional guidance where needed to increase transparency in how government operates, to continue tracking agency compliance, and to increase the amount and quality of information on agency performance that is being provided via public websites. I understand that OMB is working to provide improved navigability to posted information and is working with all

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user groups (citizens, industry, interest groups, other agencies) to identify areas where new information should be provided, as well as the best ways to present that information.

21. As GAO has noted, "Determining whether to obtain services through insourcing with current or new federal employees, outsourcing with private sector contractors, or cosourcing with a combination of the two is an important economic and strategic decision critical to the federal government's effective and efficient use of taxpayer dollars" (GAO-10-58R). Under separate mandates from Congress (Sec. 324 of P.L. 110-181 and Sec. 736 of P.L. 111-8), the Department of Defense and civilian agencies are charged with developing and implementing guidelines on insourcing. OMB also issued a memorandum on July 29, 2009 (M-09-26), outlining a framework for managing the multi-sector workforce and providing criteria on how agencies can use insourcing as a tool to manage their multi-sector workforce. DOD and many agencies, though, have struggled to develop and implement insourcing guidelines. One model that has been developed with a long-term strategy in mind is the Department of Homeland Security's Balanced Workforce initiative, which seeks to ensure that inherently governmental jobs are performed by federal employees, federal employees perform critical functions that enable the Department to maintain control of its mission and operations, and, for work not reserved for federal employees, Departmental components perform some level of cost analysis. What will you do to ensure that agency insourcing programs are, like the Balanced Workforce initiative, ongoing human capital management tools?

OMB guidance makes it clear that insourcing is a shared responsibility that requires the active involvement of an agency's human capital office. If confirmed, I will work with OMB's Management Team to ensure they are collaborating with the Chief Human Capital Officer's Council and agency human capital offices as they develop and implement guidance and review agency practices on insourcing.

Financial Management

22. Despite considerable effort to improve federal financial management and systems, significant deficiencies remain, including inadequacies that prevent the United States Government from receiving an opinion on its consolidated financial statements. While agencies have taken a number of steps over the years to modernize federal financial management systems, many of these modernizations efforts have been plagued by cost and schedule overruns and performance shortfalls.

a. Please describe your views on the need for, and the importance of, improvements in financial management.

Strong financial management practices are critical for government to meet its responsibilities, and to ensure efficient use of taxpayer dollars. These practices include reliable public reporting of the Government's finances, robust internal

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controls to mitigate the risks of error and fraud in Government programs, and timely reporting of financial and other relevant data to agency decision-makers. The annual results of agency financial statement audits are a key indicator of progress in carrying out these activities effectively. We have seen improvement in the number of Federal agencies that have achieved an unqualified or "clean" opinion on their annual financial statements. While this achievement provides the foundation for additional improvements in financial management moving forward, it is clear that much more work needs to be done.

If confirmed, I will continue to emphasize the importance of improving financial management results, including the Government's efforts to obtain a clean opinion on the consolidated financial statements.

b. What additional steps do you think OMB and agencies should take to further improve federal financial management systems? What would you do, if confirmed, to foster improvement?

OMB recently initiated a review of agency financial systems IT projects. The review was triggered by longstanding problems with the performance of these systems, including projects that cost too much, take too long to deploy, and fall short of planned functionality. It is my understanding that the OMB review has been extremely successful to date, with agencies moving to smaller projects that focus only on mission critical business needs and that can be implemented with reduced risk of project failure. Of note, OMB recently reported that project reviews have thus far reduced planned budgets for financial system projects by more than $1.5 billion.

If confirmed, I will support these efforts. Financial systems are an important tool in helping meet the Government's responsibility to track and report on taxpayer dollars. We must take the appropriate steps to manage longstanding risks associated with these projects, including controlling cost and maximizing performance.

23. The President recently signed into law the Improper Payments Information Act of 2010 (P.L. 111-204), which requires agencies to reduce improper payments made by agency programs, such as Medicare and Medicaid. In 2009, improper payments totaled more than $100 billion and the President has instructed his Administration to reduce these payments by $50 million by 2012. Furthermore, the Improper Payments Information Act imposes numerous requirements on OMB, including prescribing guidance for agencies and working with agencies so that they can identify programs that may be susceptible to significant improper payments.

a. If confirmed as Deputy Director, what steps would you take to ensure that both OMB and agencies meet the necessary requirements set forth in the Improper Payments Information Act of 2010?

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This past summer, the President signed into law bipartisan legislation – the Improper Payments Elimination and Recovery Act (IPERA) – which will help agencies prevent, reduce, and recover improper payments. OMB, the Administration, and Federal agencies are committed to implementing this important legislation. OMB issued interim implementing guidance in November 2010 that contained instructions for agencies on steps they should take to expand their payment recapture audit programs in line with the new law's expanded authorities. It is my understanding that OMB will soon issue final implementing guidance to agencies that will provide further instructions on how agencies should meet the necessary requirements set forth in the new law. If confirmed, I will support OMB's efforts to effectively execute this important law, and in doing so, meet our responsibilities to prevent and recapture improper payments.

b. What steps do you intend to take in order to meet the President's goal of reducing improper payments by $50 million by 2012?

It has never been more important that we eliminate all forms of government waste and inefficiency, including improper payments. The Administration has a number of initiatives underway to meet the President's goal of reducing improper payments by $50 billion by 2012, and if confirmed, I will work to support and advance those initiatives.

Over the past fourteen months, the President has issued several directives to OMB and the Federal agencies to reduce and recapture improper payments, including increasing transparency of payment errors through a new public dashboard, assigning senior accountable officials at the agencies in charge of improper payment efforts, requiring agencies to double the amount of improper payments that are recovered from vendors, and creating a "Do Not Pay" list that consolidates relevant information on eligibility for Federal benefits and awards. Also, as previously stated, if confirmed I will support OMB's efforts to implement the requirements of IPERA.

Personnel Management

24. The management of federal human capital has emerged as a high profile issue in recent years. GAO has identified human capital management as a government-wide high-risk area ever since 2001, and it is expected that GAO will include human capital management on its high-risk list for 2011.

a. What is your assessment of human resources management in the federal government, and what kinds of changes do you believe are desirable?

It is clear that strategic human resource management in the Federal Government is still not adequate to meet the needs of today's workforce challenges or to drive needed transformations in the way we recruit, hire and develop employees. I am excited about the progress I understand has been made on the Government-wide

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hiring reform initiative and agency use of the Employee Viewpoint Survey as a management feedback tool, as well as the recently launched effort to revitalize the Senior Executive Service. At the same time, I know far more progress is needed in hiring and in efforts to develop our current workforce, as well as developing a fair and effective personnel performance management system. If confirmed, I look forward to working with the OMB and OPM leadership on these efforts to ensure the Federal Government is recruiting, hiring, and developing the highest quality public servants to serve the American people.

b. What role do you believe OMB should play in working to improve federal human resources management?

I understand that OMB has worked closely with OPM to improve human resource management across the Government. Collaborative efforts between OMB and OPM have bolstered agency commitment to the hiring reform effort, and I expect OMB and OPM will continue to have a constructive partnership that strengthens the overall hiring experience, employee engagement and commitment, and overall results-focused management.

c. What should be the functions and responsibilities respectively of OMB and of the Office of Personnel Management (OPM) in this area?

I foresee a continued close working relationship between OMB and OPM. It is my understanding that OPM and OMB have partnered with agencies on many key human resources initiatives, including hiring reform, developing the Employee Viewpoint Survey as an important management feedback tool, and labor-management relationships. OMB's policy-setting, performance management leadership, and budget tools can reinforce OPM's capacity to implement change across the whole Federal Government.

Procurement Policy

25. The federal government spent over $538 billion on contracts for goods and services in FY2009. Across the government, a number of trends have led to wasteful spending, including an over-reliance on noncompetitive contracts, misuse of interagency contract vehicles, inappropriate use of "cost-plus" contracts, poor requirements planning, and insufficient oversight of contractors. GAO's "high risk" list of government functions at risk for waste, fraud, and abuse includes contract management at the Department of Defense, the Department of Energy, and the National Aeronautics Space Administration, as well as interagency contracting. What do you believe are the most important steps that agencies should take to improve efficiencies in contracting and to improve contract management?

Agencies must be fiscally responsible by buying strategically. I was very pleased to read recently that the Administration has turned the tide on contract spending, which currently

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accounts for roughly one of every six dollars the Government spends. To achieve the first drop in spending on contracts in 13 years, agencies have cut costs by ending contracts that they cannot afford or that are no longer needed, pooling the Government's buying power to negotiate lower prices, increasing the use of competition, and taking other steps to identify savings or reduce wasteful spending. I applaud these efforts, as well as those the Administration has taken to strengthen the acquisition workforce. If confirmed, I will support OMB's Office of Federal Procurement Policy (OFPP) in its continuing efforts to identify new avenues for savings and make sure every contract dollar is well spent.

26. **Total spending on government contracts has roughly doubled since 2000, yet the number of federal acquisition specialists who help plan, write, and oversee these contracts has remained fairly constant, following a downsizing of approximately 50 percent in the 1990s. The shortage in this area of expertise could become even more acute over the next few years, when roughly half of the acquisition workforce is eligible to retire.**

    a. **What steps should be taken to address this shortage? What will you do to ensure that acquisition workforce planning development processes will be aligned with agency budget submissions?**

    I am pleased that after years of inattention, this Administration has taken steps to improve the capacity, capability, and effectiveness of the acquisition workforce, which is responsible for achieving best value from the more than $500 billion the Government spends annually on contracting. The FY 2011 and 2012 Budget requests show the Administration's commitment to helping agencies address acquisition workforce shortages, therefore providing an important tool for improving effectiveness and efficiency in contract spending. Equally important, the human capital plans for acquisition which I understand agencies now develop annually should help to ensure individual agency needs for the workforce are aligned with their budget submission.

    b. **The downsizing of the acquisition workforce, which began in the 1990s, ultimately led to systemic failures in the planning and oversight of contracts as the volume and complexity of contracting increased in the following decade. The depletion of the acquisition workforce can be directly linked to the government's inability to prevent cost overruns and deter waste, fraud and abuse. As agencies face difficult budget choices in FY2012 and beyond, how will you ensure that they avoid short-sighted cuts in acquisition personnel that lead to longer-term costs to the government?**

    Developing the acquisition workforce is critical to ensuring that the Government spends taxpayer dollars wisely. The efficiencies to be gained through increased competition and better negotiation can contribute to agency efforts to reduce spending and save costs. These efforts are dependent on a skilled acquisition workforce. I

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understand OFPP has been working with agencies to take affirmative steps toward strengthening the acquisition workforce and that the President's FY 2012 Budget sustains agency improvements required in FY 2011. If confirmed, I will continue working with OFPP to ensure agencies are focused on strengthening the acquisition workforce.

27. **On March 4, 2009, President Obama sent a memorandum to heads of executive departments and agencies making clear that it is the policy of the federal government that agencies not engage in noncompetitive contracts unless fully justified and appropriate; cost-reimbursement contracts be used only where agencies cannot define requirements to support fixed-price contracts; taxpayer dollars should not be spent on contracts that are wasteful, inefficient, subject to misuse; and the government must have sufficient capacity to oversee contracts from start to finish. The President also directed the OMB to issue government-wide guidance to address these issues, and also to clarify when outsourcing for services is and is not appropriate. Consistent with the President's memorandum, OMB issued a series of memoranda last year providing new guidance, instructing agencies to review current contract practices, and, in some cases, laying out specific targets for agencies to meet (*e.g.*, saving 7% of baseline contract spending by the end of FY2011 and reducing by 10% in FY2010 the share of contract dollars awarded to high-risk contracts. On February 3rd, OMB announced that agencies spent $80 billion less than would have been expected had the rate of growth in federal spending continued unabated.)**

    a. **How can OMB be most effective in ensuring that agencies follow up on these guidelines? Over the long term, what should OMB's role be in influencing the management of contracts at the agency level?**

    OMB should regularly engage senior-level leadership at the agencies to discuss their progress in cutting contract costs and reducing reliance on high risk contracts. I understand that OFPP has begun to conduct regular reviews with the major buying agencies to discuss systemic issues as they work to improve acquisition practices and results. OMB should use these opportunities and its leadership role on the Chief Acquisition Officers Council, to facilitate the sharing of best, proven practices so that the practices at the agencies having the greatest success can be emulated across government.

    b. **Should there be a greater link between an agency's progress in implementing contract reforms and the budget review process for the agency?**

    I understand that OFPP is working closely with other OMB offices to ensure that agencies are making progress toward implementing the President's policies on contracting. I am not familiar with the extent to which the contract savings initiatives are tied to the budget review process. If confirmed, I will work with OFPP to determine if a closer link would be beneficial.

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c. Agencies have collectively identified $19 billion in savings from contracting for FY2010 under the OMB initiatives. How should OMB validate or otherwise confirm the accuracy of the agency cost savings projections?

OMB should work with agencies to make sure they are using reasonable methodologies to track and measure progress in implementing the various strategies they are using to reduce contract spending.

28. Numerous GAO, Inspector General (IG), and investigative reports have raised concerns that agencies have improperly tasked contractors with the performance of inherently governmental work or have weakened their core capabilities by being overly reliant on contractors. Used appropriately, contractors bring specific expertise and needed innovations to the government, helping agencies to perform their missions more effectively. However, the rapid increase in dollars spent on contracting over the last decade has been driven in part by an increased reliance on contractors to perform critical functions, including policy development, budget planning, rulemaking, intelligence gathering and analysis, security, and even the contracting process itself. What do you believe are the key considerations in deciding whether work should be outsourced or performed by federal employees?

Agencies must ensure that only Federal employees are performing inherently governmental functions. They must further ensure they have the Federal personnel required to perform core functions so the agency doesn't lose control over its mission and operations and can protect the best interests of taxpayers. I understand that OFPP is in the process of refining draft guidance it has developed to address this issue.

29. As the government's reliance on contractors has increased and become more complex, OFPP's mission in bringing economy, efficiency and effectiveness to federal procurement has become more challenging, and yet the staffing level at OFPP has remained relatively stagnant in recent years, at roughly a dozen FTEs.

a. In light of the fact that federal government contract spending is well over $500 billion annually, do you believe that OFPP has adequate funding and staff to execute its statutory responsibilities effectively?

OFPP plays an important role at OMB – and for the acquisition community -- by overseeing the development of Government-wide acquisition policies and implementing management initiatives to support agencies' continuous efforts to improve their contracting practices. In carrying out its responsibilities, OFPP works closely with other OMB offices, leads the Chief Acquisition Officers Council, participates on a variety of interagency efforts, and relies on agency partners, such as GSA, to promote effective and efficient contracting. If confirmed, I will work with the Administrator of OFPP to ensure that OFPP staff has the resources necessary to further improve Federal contracting.

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b. Do you believe that the current structure of OFPP is effective for executing its statutory responsibilities?

If confirmed, I will work with the Director, the Deputy Director for Management and the Administrator of OFPP to ensure that OFPP and all of the management offices are appropriately staffed and structured to work together in carrying out an effective performance agenda.

c. Given the small number of staff at OFPP, how would you focus your priorities to have the greatest impact on federal procurement?

For the office to be effective and continue to demonstrate leadership in acquisition management, it needs to prioritize those activities that contribute directly to saving money, reducing the use of high risk contracting practices that are especially vulnerable to cost overruns and waste, and increasing the capability and capacity of the acquisition workforce to achieve and sustain better acquisition results and improved Government performance. Inasmuch as procurement improvement is both a management and budget issue, OFPP must coordinate closely with the budget offices within OMB to ensure that policy development and implementation address these dual aspects of Federal procurement.

30. Cost, schedule and performance problems often arise because agencies do a poor job of setting requirements before negotiating contracts, or because agencies change requirements after entering contracts. How do you think the process of setting requirements for contracts, especially for complex acquisitions, and of developing more realistic cost estimates can be improved?

Agencies need to ensure that program managers, who have the greatest understanding of the agency's requirements, receive appropriate training to understand how to describe requirements in a way that generates interest from capable sources that are able to offer effective market solutions. They must also take steps to strengthen ties between contract and program offices who share responsibility for achieving successful outcomes on contracts that support their projects. I support the President's FY 2012 Budget request, which includes funds to strengthen and develop the acquisition workforce, including program managers. I also understand from OMB's 25 Point Implementation Plan to Reform Federal Information Technology Management that agencies will be required to have a dedicated program manager and an integrated team of acquisition, financial, and other specialists in place before OMB will approve the program budget, at least for information technology acquisitions. I believe these are significant steps in the right direction.

31. Strategic sourcing is the collaborative and structured process of analyzing the federal government's spending to make business decisions and leverage buying power to acquire goods and services more effectively and efficiently. This process

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helps agencies optimize performance, minimize price, increase achievement of socio-economic acquisition goals, evaluate total life cycle management costs, improve vendor access to business opportunities, and otherwise increase the value of each dollar spent. As the federal government is faced with budget cuts in the coming years it is imperative that agencies be able to run more efficiently and get more for less. What role does strategic sourcing play in achieving cost savings in the procurement process?

As a major purchaser of goods, the Federal Government should improve how it utilizes its purchasing power to achieve the best prices. Strategic sourcing can help agencies achieve cost savings in at least two important ways. First, by leveraging their buying power, agencies are in a better position to negotiate better prices with contractors. Second, by relying more heavily on existing contracts within the agency or at other agencies, agencies can avoid the administrative cost and burden of developing new and potentially duplicative contract vehicles. I am pleased to read that OMB is working across agencies to coordinate purchasing and facilitate the use of strategic sourcing. These efforts are an important component of fiscally responsible purchasing and making every taxpayer dollar count.

32. **An April 2010 GAO report (GAO-10-367) found a lack of reliable, comprehensive data on the number and use of interagency contracts – contracts that are awarded by one agency but used by another. Federal agencies, for example, purchase over $37 billion in goods and services each year through contracts negotiated by the General Services Administration (GSA) for needs such as office products, information technology, and financial services. GAO found that no government-wide system exists to track the number of interagency contracts and thus poor oversight hampers the federal government's ability to leverage its vast purchasing power. GAO and IG inquiries into interagency contracts have also found a lack of clarity regarding management responsibilities among agencies involved in interagency contracting, leading to poor oversight.**

    a. **GAO recommended that OMB provide guidance to, and work with, agencies to inventory and avoid duplication of these contracts. Do you agree that OMB's role should be to bring greater discipline and efficiency to this area of contracting?**

    OMB is well positioned to work with agencies in gathering information about their use of interagency contracts, provide guidance on the proper use of these vehicles, and identify ways in which agencies can better leverage their purchasing power. Agencies have been making progress in implementing OFPP guidance to strengthen internal controls of the management and use of interagency contracts. Management controls have been incorporated into the Federal Acquisition Regulation to further improve effective use of interagency acquisitions. I understand OMB is developing business case requirements for future interagency contracts, so that we can better leverage our spending, and is also working to improve data and transparency.

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b. What would be your approach to reviewing and assessing the overall trend in the government's dependency on interagency contracts?

OMB and agencies need accurate and timely information about existing interagency contracts to determine how these vehicles can be used most effectively. As agencies continue to seek ways to save money and leverage their purchasing power more effectively, information on existing vehicles will be critical to promoting strategic sourcing and reducing the development of unnecessary contracts. The functionality of existing systems must be improved so that interagency contracts can be readily identified and a clearinghouse of information on existing contract vehicles can be made available for use by acquisition professionals.

c. Every year federal agencies spend nearly a billion dollars in telecommunication services. To reduce costs, GSA developed a program called Networx and awarded contracts with lower overall cost to government for these services. The transition to Networx has proved to be troublesome for many agencies. As a result, the government is losing millions of dollars in savings by remaining on their current contracts. OMB has continued to work to encourage agency transition but significant challenges remain. What steps do you believe need to be taken to make this transition successful?

The most recent assessment of agency transition status by GSA reveals that nearly 80% of the services provided by FTS 2001 (the precursor to the Networx program) have been disconnected. It is my understanding that OMB has supported GSA meetings with Agency CIOs to stress the importance of transitioning and ensuring proper coordination and communication between GSA and the agency that is receiving service. The focus on the transition effort has resulted on a significant increase in the services transitioned to Networx with the goal of completing the transition as soon as possible.

33. Throughout last year, there have been widely publicized reports that the Administration is considering a "High Road Contracting Policy" that may establish a labor preference in the Federal government's competitive source selection process for contractors who adopt certain labor practices for their entire workforce, beyond those already required by law.

a. In general, to what extend do you think a bidding company's labor standards should be considered in the Federal process?

b. Do you think that a contract preference based on labor standards would be consistent with Administration efforts to reduce the cost of Federal contracts, and with the Administration's direction to agencies to aggressively pursue increased full and open competition?

c. What impact would you expect a "High Road" labor preference would have on

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the ability of small businesses to effectively compete in the Federal marketplace, especially if, as has been reported, business would be required to adopt certain labor practices for all of their employees (both those working on Federal government contracts and those working in the commercial sector)? Would implementation of a "High Road" labor preference be an incentive or disincentive for small businesses to compete in the Federal marketplace?

d. Please describe the outreach you plan to perform across Government (including Congress and Chief Acquisition Officers) and the private sector to inform any decision the Administration is contemplating relative to a "High Road" procurement policy.

I am not familiar enough with the issues to respond to these questions. My understanding is that, during his confirmation hearing, Director Lew committed to consider the views of Congress, the private sector, and others with respect to possible statutory, regulatory, and policy initiatives.

Homeland Security

34. The Nation faces a wide range of potential threats, from both terrorist attacks and natural disasters, and the federal government has finite resources to address them.

a. If confirmed, what principles will guide your decision making regarding how to set priorities and allocate resources for prevention and preparedness among this broad set of threats?

If confirmed as Deputy Director of OMB, I would work across the Administration to maximize the impact of taxpayer dollars on our Nation's homeland security and preparedness. Ensuring that our first responders are adequately prepared to respond to hazards, natural disasters, and terrorist threats requires robust emergency response plans at and between every level of government, as well as in the private sector. . Yet implementing those plans also requires resources. Risk-based analysis is critical to leverage our finite resources and target them to minimize the greatest threats.

b. How will you prioritize between investments to protect against higher consequence/lower probability events and investments to protect against lower consequence/higher probability threats?

Clearly, an appropriate balance needs to be struck. Achieving that balance will require the involvement and partnership of our Nation's homeland security leaders and experts, including stakeholders in communities throughout the country and the private sector. If confirmed as Deputy Director of OMB, I would use our ongoing review of existing programs to aid that partnership and determine whether enhancements are needed to improve prevention, preparedness, mitigation, or

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response. These strategies affect our vulnerability and any event consequences in different ways.

35. **The Credit Card Accountability Responsibility and Disclosure Act (Credit CARD Act) requires the Treasury Department to issue regulations governing stored value cards, including specifically requiring the Treasury Secretary to consider the benefits to law enforcement of requiring that stored value devices be included in the reporting requirements at the border. In a series of hearings held by this Committee in recent years, we have learned that law enforcement agencies throughout our government have become increasingly concerned that stored value devices are being exploited by drug cartels and other smuggling networks to launder their proceeds.**

Under current law, individuals carrying cash and other monetary instruments in excess of $10,000, such as traveler's checks or money orders, must declare those instruments at the border. Individuals carrying more than $10,000 in stored value devices do not have to report this fact since the devices are not considered monetary instruments under the law.

The Treasury Department's Financial Crimes Enforcement Network (FinCEN) issued a Notice of Proposed Rulemaking (NPRM) on stored value cards on June 28, 2010, but failed to include any regulations concerning cross-border reporting requirements for stored value cards. Treasury has told us that at the end of January 2011, the regulations for cross-border reporting requirements for stored value cards were awaiting final review and clearance at OMB. If confirmed, what steps will you take to ensure these regulations governing the international transportation of stored value cards are issued as soon as possible?

My understanding is that the Treasury Department solicited public comment on that issue in the June NPRM regarding prepaid cards, and if confirmed I will ensure that OMB works closely with the Department in taking prompt, responsive action.

36. **In December 2010, the *Online Defense and Acquisition Journal* reported that OMB wants to cut the Coast Guard's Offshore Patrol Cutter (OPC) acquisition program.[1] The Committee is increasingly concerned that our Coast Guard's aging aircraft and ships are not worthy of the brave men and women that rely on them to keep our nation safe and secure. While the Coast Guard recapitalization effort has faced numerous budgetary and programmatic management challenges over the last decade, we cannot afford any further delays in this vital program. Will you support the continued recapitalization of the Coast Guard's aircraft and ships at the level that is currently planned?**

[1] Clark, Colin. "Coasties May Lose Cutters to OMB." Online Defense and Acquisition Journal. Dec. 7, 2010. http://www.dodbuzz.com/2010/12/07/coasties-may-lose-cutters-to-omb/.

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The President's FY 2012 Budget supports the recapitalization of the Coast Guard's aircraft and vessels, including funding for the National Security Cutter (NSC), Offshore Patrol Cutter (OPC), Fast Response Cutter (FRC), Response Boat – Medium (RB-M), and fixed and rotary wing aircraft programs. The Administration has consistently supported a robust acquisition program to recapitalize Coast Guard's aging assets.

37. **The President's FY2010 budget supported the "termination of outdated systems," such as the terrestrial-based Long Range Navigation system (LORAN-C) operated by the Coast Guard. The Coast Guard estimates that LORAN-C termination saved $36 million in FY2010 and $154 million over the following four years. However, decommissioning LORAN-C appears to leave most government agencies and sectors of critical infrastructure without a proper back-up for position, navigation and timing that the Global Positioning System (GPS) currently provides. The decision to eliminate the Nation's primary backup to GPS may make GPS a more desirable target for acts terrorism and increase the vulnerability of the United States' cellular communications, financial services, and power grid networks. To review any potential gap created by the decommissioning of the existing LORAN infrastructure, the Department of Homeland Security's (DHS) Office of the Chief Information Officer is working to complete a study related to the need for a nationwide backup for the Global Positioning System. The report is in the interagency process; DHS expects to have their analysis completed and a decision reached on the need for a nationwide backup for GPS by mid-April 2011.**

Will you push for the timely release of a report that addresses the threat posed by the lack of a GPS backup system on the United States' cellular communications, financial services, and power grid networks?

I understand that DHS is in the process of completing a report that evaluates whether there is a need for a single backup system for GPS that focuses primarily on navigational requirements. In addition, DHS, through its National Preparedness and Protection Directorate, is also evaluating what is required to ensure that precision timing requirements, for both the government and critical infrastructure, can be met should GPS be disrupted. If confirmed as the Deputy Director of OMB, I will encourage the timely release of these DHS reports, and I will play a role in determining the appropriate Federal policy and budgetary response to these requirements.

38. **The Post-Katrina Emergency Management Reform Act (P.L. 109-295) directs the President to ensure that each federal agency with responsibilities under the National Response Framework (formerly the National Response Plan) has appropriate capabilities, resources and plans.**

    a. **If confirmed, what will you do to ensure that the many federal agencies that need to prepare for and respond to natural and man-made threats to our nation have sufficient resources to do so?**

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If I am confirmed, I will work to ensure that OMB will continue to serve in an integral role on the Domestic Readiness Group, an interagency policy group led by National Security Staff that convenes on a regular basis to develop and coordinate preparedness, response, and incident-management policy. OMB staff who are part of the Domestic Readiness Group help to determine how best to fund new policies and restructure existing programs to ensure agencies are effectively planning for necessary capabilities. If confirmed, I will work to ensure that Federal agencies with responsibilities under the National Response Framework have the necessary resources to respond.

b. The Post-Katrina Emergency Management Reform Act also requires the FEMA Administrator to submit to Congress annually an estimate of the resources needed by federal agencies to respond to a catastrophic incident, a report which has never been submitted. If confirmed, will you commit to work with the President and executive branch agencies to ensure that the first of these required annual reports is completed and submitted to Congress within a year of your confirmation?

The FEMA Administrator's annual estimate of needed resources required under the Post-Katrina Emergency Management Reform Act requires coordination with all relevant Federal agencies and should be based on appropriate and available data and previous lessons learned. I understand that FEMA is already working on the annual report on catastrophic response, and that OMB will continue to work with them to complete it. I understand that FEMA is on track to submit the report to Congress within a year.

39. DHS, through the Federal Emergency Management Agency (FEMA), administers approximately $4 billion of grants to assist state, local and tribal governments, port and transit systems, first responders, and others prevent, prepare for, protect against and respond to natural disasters, acts of terrorism to, and other man-made disasters. To ensure that these funds are used effectively to increase preparedness, both the Post-Katrina Emergency Management Act of 2006 (109-295) and the Implementing Recommendations of the 9/11 Commission Act of 2007 included provisions requiring the development and implementation of objective performance measures for these grants.

Despite these requirements – and despite the fact that, according to GAO estimates, FEMA budgeted roughly $58 million from FY2008 to FY2010 to develop and implement several different evaluation efforts – FEMA has yet to develop any meaningful performance measures for its grant programs and still cannot provide basic information on the grants' effectiveness. Recently, FEMA leadership indicated that they had abandoned the Cost-to-Capabilities system, the agency's latest effort to track and measure the capabilities being achieved through homeland security grant programs, rather than attempt to improve the system.

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a. If confirmed, what steps will you take to ensure that FEMA develops the required performance metrics for the preparedness grants it administers?

The Administration recognizes the necessity of developing and implementing a system to measure and report on the effectiveness of DHS grant funding. I understand FEMA is currently working to replace the Cost-to-Capabilities methodology with a system that more accurately portrays the Nation's state of preparedness, while minimizing the reporting burden for State and local grant recipients and making the eventual measurement tool useful for stakeholders.

b. What expertise in performance measurement can and will OMB bring to bear to assist FEMA in these efforts?

If confirmed as Deputy Director of OMB, I will ensure that OMB continues to work with FEMA at both staff and leadership levels on improving and measuring performance.

40. As GAO reports[2] have documented, protecting more than 9,000 federal facilities and the millions of federal employees and visitors that inhabit them daily has been a daunting challenge for the Federal Protective Service (FPS). Operational, management, and funding challenges have inhibited the agency's ability to carry out its mission. However, with the recent completion of DHS's Quadrennial Homeland Security Review and Bottom Up Review, DHS has indicated that it intends to redesign the FPS "to better match mission requirements."

a. The FPS is currently funded entirely by fees paid by other agencies. Despite Congressional mandates to increase the size of the FPS in order to sustain an appropriate level of security, many agencies have balked at FPS's efforts to raise the basic security fee to pay for the hiring of additional law enforcement officers. Do you believe the FPS should continue to be funded entirely by fees paid by other federal agencies, or should alternative funding mechanisms be considered for the FPS?

The President's FY 2012 Budget proposes an eight cent per square foot increase in the fees charged to agencies for building security. However, even though the budget increases agency fees, I do not believe that revamping the funding structure in and of itself will solve the challenges that Federal Protective Service currently faces. If confirmed as OMB Deputy Director, I will ensure that OMB works with DHS to responsibly address FPS funding needs but also to develop a more effective and efficient operation.

b. FPS currently relies on approximately 1,200 full time employees and 15,000 contract security guards to safeguard federal facilities. DHS has found that

[2] Most recently in GAO-10-341, *Homeland Security: Federal Protective Service's Contract Guard Program Requires More Oversight and Reassessment of Use of Contract Guards*, released April 13, 2010.

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some contractors are more expensive than federal employees and is developing a tool to review whether positions should be held by contractors or federal employees. In light of that, do you believe OMB and DHS should review the FPS's current mix of federal law enforcement officers and contract security guards, to determine if there is a more appropriate or efficient balance between work done by federal employees and work done by contractors?

I support the Administration's efforts to strike the right balance in work performed by Federal employees and contractors, as well as DHS's efforts to review and rebalance, as necessary, its relationship with contractors. The President's FY 2012 Budget requests an increase of 146 positions which builds capacity and increases the FPS Federal employee to contractor ratio. This will allow for better oversight, administration, and operations of the FPS contract security guard force and ensure the ability of FPS to fulfill its law enforcement and business operations requirements. . If confirmed as Deputy Director, I will work to ensure that OMB works closely with DHS as it continues to pursue these important efforts.

National Defense

41. **In a recent publication[3], Brent Scowcroft noted that our national security strategies will succeed or fail depending on whether they are implemented effectively. Too often a brilliant strategy can flounder for lack of resources or agencies' commitment to implementing the President's decisions. To help address this situation, Scowcroft stated that there should be a closer link between the National Security Council Staff and OMB to ensure that the resources are available to implement the policy and that agencies have committed their resources to achieve the President's policy. Do you agree with this assessment? If so, what will you do, if confirmed, to ensure OMB and the National Security Council Staff collaborate so that the President's policies are implemented by the agencies?**

I believe strongly that policy strategies and resources must mutually inform each other across all policy areas, and no more so than in the national security arena. OMB maintains a close partnership with the National Security Staff, through their joint participation in inter-agency meetings on a wide variety of national security issues – such as the future of Guantanamo Bay, Afghanistan and Pakistan strategy, cybersecurity, nuclear security, the START Treaty, and non-proliferation, among many others. I understand the staffs work very closely to ensure that these and other key priorities are linked appropriately with resources. This happens both formally and informally through a myriad of conversations and meetings.

If confirmed as Deputy Director of OMB, I will use my policy council experience to strengthen that partnership. As resources become more constrained, it becomes even more necessary that there is a very close alignment between national security priorities

[3] Forward by Brent Scowcroft, in *The National Security Enterprise Navigating the Labyrinth*, edited Roger Z. George and Harvey Rishikof. Published January 2011.

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and how our national security budget allocates resources. I agree that national security strategies will succeed or fail depending on whether they are implemented effectively. Thus, any discussion about strategy must simultaneously be informed by resource needs and constraints.

Budget and Economic Policy

42. In response to the prehearing questionnaire that this Committee submitted to Director Lew in connection with the nomination for his current position, he stated that, "[i]n the long run, it is crucial that we take significant and concrete steps to get our country back on a sustainable fiscal track," but that, in the short run, "immediate deficit reduction would be counterproductive, and it is important to continue targeted initiatives that help to stimulate the economy." Do you agree with Director Lew and believe that the situation he described still applies? If so, how do you believe we can achieve the appropriate deficit reduction in the long run and stimulus in the short run? And when must that deficit reduction begin?

I agree with Director Lew's statement to this Committee last August, and I believe that the Administration's actions in the intervening months have carried out this position. The bipartisan tax agreement passed by Congress and signed by the President last December provided much-needed, short term, targeted relief to middle-class Americans, extended unemployment insurance for millions of Americans hit hard by the recession, and provided incentives for businesses to create jobs and invest in growth.

As Director Lew stated to the Committee last August, the President's FY 2011 Budget outlined a transition from economic recovery to fiscal discipline, and the President's FY 2012 Budget outlines the next phase of that transition. Specifically, the FY 2012 Budget details a plan to cut the deficit in half by the end of the President's first term, and to reduce deficits as a share of the economy to 3 percent by the second half of this decade. This path requires significant fiscal discipline and will require us to make some very difficult decisions, including cuts to lower priority programs that we cannot afford in order to make the investments necessary to grow the economy and keep our Nation competitive in the 21st century.

43. In his State of the Union address, the President proposed to make investments in innovation, education and infrastructure to help our companies compete and to create jobs. How do you believe the design and timing of such investments can be made to support the dual goals of stimulating our still-weak economy and addressing the unsustainable long-term budget outlook?

In the State of the Union, the President was clear that we must invest in the programs that will enable the United States to out-innovate, out-educate, and out-build in the 21st century. At the same time, the President was clear that we must cut programs that we cannot afford in order to ensure that every taxpayer dollar is spent wisely. This means making tough choices – choices reflected in the President's FY 2012 Budget. For

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example, the Department of Education has made difficult decisions in order to maintain historic increases for Pell Grants, which are critical to creating future generations that are well-educated and globally-competitive. The Administration would put Pell Grants on firm financial footing through steps that include eliminating the in-school interest subsidy for loans to graduate students and ending the new year-round Pell Grant, which offers students a second Pell Grant in one year, but has cost ten times more than anticipated. The Budget also eliminates 13 discretionary programs at the Department of Education and consolidates 38 K-12 programs into 11 new programs that emphasize using competition to allocate funds. Overall, the FY 2012 Budget proposes significant investments in education, innovation, and infrastructure while proposing to eliminate or reduce over 200 programs, saving more than $33 billion in 2012 alone.

44. How do you believe officials within OMB and elsewhere in the Administration should engage with the 112th Congress to address the nation's long-term fiscal challenges? Do you believe that the Administration should make proposals that are much more specific than the ones made by the President in his State of the Union address? If confirmed, what role would you play in this effort?

As the President has said, we must come together in a bipartisan way to tackle the tough challenges facing the country, including our long-term fiscal challenges. The Administration, through its budgets and in other policy proposals, has provided detailed responses to many of these challenges. What is most important is getting leaders of both parties to agree to come together and find common ground. If confirmed, I look forward to working with Members of Congress of both parties on budget and fiscal issues.

45. In response to this Committee's prehearing questionnaire for Director Lew's confirmation hearing, he referenced the then-ongoing work on the bipartisan National Commission on Fiscal Responsibility and Reform created by the President. As you know, the President did not endorse the recommendations issued by the Commission. That being the case, what role do you believe the Commission's recommendations will play going forward, in terms of long term deficit reduction as far as the Administration is concerned? Are there recommendations made that you believe ought to be endorsed by the Administration?

While the Administration doesn't agree with all of the Commission's proposals, many of their recommendations were used in the President's FY 2012 Budget. For example, the Commission called for Federal employee pay freezes, medical malpractice reform, Government reorganization, and the elimination of in-school subsidies for graduate student loans. The Administration has embraced these proposals as well as more than a dozen of their recommendations that are included in the Terminations, Reductions, and Savings volume in the FY 2012 Budget. And like the Commission, the Budget includes proposals to improve budget discipline, from subjecting the Transportation Trust Fund to PAYGO rules to providing for program integrity cap adjustments.

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The Commission was pivotal to starting the process of creating bipartisan consensus on the nature of the challenge we face, and expanding the debate to include a broader range of options. Their work helped to educate the public on the seriousness of our fiscal situation, and the scale of response needed to address it. This will help to keep momentum going as the Administration works with Congress over the coming months.

46. What level of publicly held debt as a percentage of GDP do you believe would be appropriate to achieve by the end of 2020?

While the overall level debt is an important metric of our fiscal health, it is more important that we have laid out a credible path for medium- and long-term deficit reduction. The President's FY 2012 Budget takes an important first step towards this goal, stabilizing the debt as a share of the economy in 2017. Stabilizing the debt, however, is an important milestone but not an end goal by itself. As the President has said, the FY 2012 Budget is a down payment on long-term reform, and we must work together with the Congress to keep the country on a sustainable fiscal path.

47. Aside from measures that have already been enacted into law, what measures do you believe should be implemented to reduce the nation's deficits and reduce the nation's debt to the level that you believe would be appropriate and achievable by the end of 2020?

The country is on an unsustainable fiscal course and we must pursue a credible path to reduce the Nation's deficits – a path laid out in the President's FY 2012 Budget. Specifically, the President's Budget proposes policies that reduce the deficit by more than $1 trillion over the next decade and put the Government on a course to pay for all of its programs by 2017. To maintain this path by the end of 2020, the President and Congress must work together to cut excessive spending wherever we find it – in domestic spending, defense spending, health care spending, and spending through tax breaks and loopholes. The Budget makes a significant down payment in these areas. Beyond a five-year freeze in non-security discretionary spending and additional spending restraint in security programs, the Budget pays for three years of relief from the Alternative Minimum Tax (AMT) by reducing the value of certain tax expenditures for the wealthiest Americans and pays for two years of extending the current rate for the Sustainable Growth Rate (SGR) formula with $62 billion in specific health savings. If confirmed as Deputy Director, I hope to work with Congress to ensure that we reach this sustainable fiscal path.

48. Do you believe that, over the long term, revenues need to be increased in addition to spending being reduced (each as a percentage of GDP), to restore balance to our nation's finances? If so, what do you believe is the appropriate ratio of spending cuts to revenue increases?

Addressing our Nation's long-term budget challenges by definition requires a mixture of increased revenues and decreased spending, and the precise combination of the two is one

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of the issues that will have to be part of a bipartisan discussion in the coming months. The FY 2012 Budget makes a down payment on a number of our long-term challenges, but the Administration looks forward to working with Congress to put in place permanent reforms to bring our finances back into sustainable balance.

49. Do you believe that the principles for federal infrastructure investment set out in Executive Order 12893 ought to be followed in assessing the expected benefits and costs of the investments President Obama will be proposing? If not, how would you propose to assess the expected costs and benefits of those investments?

I agree with Executive Order 12893 that "A well-functioning infrastructure is vital to sustained economic growth, to the quality of life in our communities, and to the protection of our environment and natural resources." Because infrastructure is so vital to economic growth, the President has made it clear that we must invest in the future while also addressing our long term fiscal challenges.

Consistent with the Executive Order, we must only invest in those based on sound cost-benefit analysis. Importantly, EO 12893 makes clear that many benefits of infrastructure investments cannot necessarily be bought and sold, such as environmental and social benefits, and are inherently difficult to quantify. In deciding whether to invest a project, we must strive to consider as many of these benefits as possible.

50. What experience do you have in analyzing costs and benefits of investment projects?

My previous experience weighing domestic policy priorities included evaluations of the relative benefits to the public. Thought I have not been as involved in specific investment projects, I would review these with a similar guiding principle of seeking to balance costs and benefits.

51. In light of our nation's long-term budget challenges, do you believe it is appropriate to invest in projects where costs will exceed benefits?

Irrespective of budget challenges, policy-makers should always strive for investments to be made based on sound cost-benefit analysis. However, as EO 12893 makes clear, many benefits of infrastructure investments cannot necessarily be bought and sold, such as environmental and social benefits, and are inherently difficult to quantify. In deciding whether to invest a project, we must strive to consider as many of these benefits as possible.

52. Executive Order 12893 directs that "[b]enefits and costs should be measured and appropriately discounted over the full life cycle of each project." To what extent do you believe this methodology is sensitive to changes in interest rates over time? How do you believe OMB should take into account changes in interest rates over time in assessing these costs and benefits?

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While I agree with Executive Order 12893 on the importance of a well-functioning infrastructure and on making smart investments, I am not familiar with the details of EO 12893's interest rate methodology. If confirmed, I will work with OMB staff to better understand these details where relevant.

Recovery Act

53. OMB has a significant role in effectively managing agencies' implementation of the American Recovery and Reinvestment Act of 2009 (ARRA) (P.L. 111-5). In addition to the goals of creating jobs and stimulating the economy, the legislation was designed to provide the public with unprecedented levels of transparency into how the government spends the funds.

a. To what extent to you believe ARRA has met its intended purposes?

As you note, the American Recovery and Reinvestment Act (Recovery Act) was designed to stimulate the economy and create jobs, both in the short term and the long term. I believe that the Recovery Act has succeeded in these goals. According to the Congressional Budget Office (CBO), the Recovery Act is responsible for as many as 3.6 million jobs nationwide, and has reduced the unemployment rate by as much as 2%. In the quarter before the Recovery Act was passed, the economy was shrinking by nearly 7%. Today, it has grown for six straight quarters at an average rate of 3% - growth that is attributable in part to the Recovery Act.

The implementation of the Recovery Act itself has also been a success story by meeting aggressive deadlines for awarding and spending dollars quickly, while achieving low levels of fraud and error and providing unprecedented levels of transparency to the public.

b. What has been OMB's role in ensuring proper tracking and oversight of the ARRA funds?

Working closely with agencies, recipients, the Vice President's office, and the Recovery Board, OMB has created an aggressive tracking and oversight program that has focused on transparent and complete recipient reporting, maintaining high quality data, and close monitoring of Recovery Act programs and projects. OMB issued initial implementing guidance the day after the Recovery Act was signed into law and followed up with 10 additional guidance documents over the next 10 months. These guidance documents prescribed how funds should be reported on by recipients, as well as how agencies should track funds, ensure data quality and compliance, and conduct oversight. It is also my understanding that OMB has maintained its emphasis on keeping waste, fraud, and abuse at record lows, and worked collaboratively with the Government Accountability Office and the Inspector General community to ensure that strict oversight and vigilance is maintained.

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c. What additional improvements to implementation of the Recovery Act do you believe exist and what are the remaining challenges to effective implementation?

Being two years into the implementation of the Recovery Act implementation, much of the work has been done, but important milestones and challenges remain. First, the high levels of collaboration, oversight and accountability should be maintained by all stakeholders involved to safeguard the ongoing effective implementation of those Recovery Act programs and projects that are still active and working to improve our economy. Second, I believe we must continue to have complete transparency of Recovery Act funds through full and detailed recipient reporting. While the level of compliance with Recovery Act recipient reporting requirements is extremely high, no level of non-compliance is acceptable to the public and I believe that OMB should continue to work with agencies and recipients to make sure that 100% of funds are reported on as required. Third, I believe OMB must continue to engage in vigorous oversight efforts, in concert with the Recovery Board and the Federal agencies, to maintain the extraordinarily low levels of waste, fraud, and abuse that we have seen thus far.

U.S. Postal Service

54. The financial condition of the United States Postal Service (USPS) continues to deteriorate due to the economic downturn and the electronic diversion of mail. The Postal Service concluded FY2010 with a net loss of $8.5 billion, compared to $3.8 billion in FY2009. GAO added the Postal Service to its high-risk list in July 2009, and in its February 2011 high risk report, GAO stated that USPS, "cannot fund its current level of service and operations from its revenues." The Postal Service has a significant impact on the economy, and supports a $1 trillion mailing industry that employs approximately 7.5 million people in businesses as diverse as paper manufacturing, printing, catalog companies, publishing, and financial services.

On December 2, 2010 now-Postmaster General Donahoe testified before this Committee's Subcommittee on Federal Financial Management, Government Information Federal Services, and International Security as follows:

"While the Postal Service will continue its aggressive cost-cutting efforts and we will carefully manage our finances, our current forecasts show we will not have sufficient cash to make the next $5.5 billion pre-funding payment, due on September 30, 2011. Any major disruption, such as mail volume declines, weather-related challenges or emergency circumstances, could cause us to experience an earlier cash shortfall resulting in defaults on financial obligations earlier in FY2011."

a. What do you believe could be the impact on America's economy, society, and stature if the financial condition of the United States Postal Service continues to deteriorate to the point of default?

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I believe the impact on the country's economy could be significant if the Postal Service's financial condition were allowed to erode to the point of prolonged service interruption. I understand that postal volumes have dropped precipitously in the last few years due to the economic crisis and longer-run shifts in communication technologies. These changes have created major challenges for the Postal Service and its workers even as the challenges propel innovation and revolutionize our economy. I also recognize the enormous value of the Postal Service to our commerce and communications and share the view that the Postal Service needs legislative reform as well as continued commitment from management and labor, acting as partners, to adapt to changes and to meet higher public expectations for customer service in order to ensure its future viability. The financial health of the Postal Service is important for both our economy and the Budget of the U.S. Government.

b. In the President's budget proposal for fiscal year 2012, OMB recommends reducing the Postal Service's statutorily required payment into the Postal Service Retiree Health Benefit Fund by $4 billion in fiscal year 2011. While this could provide the Postal Service with short-term relief, more long-term solutions are necessary. What role do you believe OMB should play in helping to identify and propose comprehensive changes that will help the Postal Service achieve solvency? If confirmed, do you plan to make this issue a priority?

See response to 54c., below.

c. Within OMB, what office or official would you task with the lead responsibility in working with Congress to identify and propose comprehensive changes to the Postal Service's deteriorating financial condition? What role would you personally play in this endeavor?

I believe that legislation, based on proposals included in the FY 2012 Budget, that provides the Postal Service with the breathing room and flexibility necessary to revise its business plan to adapt to current and forecast economic and service conditions is necessary. If confirmed, I look forward to working with Congress, the Postal Service, and other stakeholders, to ensure that the USPS has the tools and authorities it needs to remain viable during and beyond the current financial crisis. As you know, OMB assists the President in the development and execution of his policies, legislative agenda, and programs, and I would expect OMB to play a central role in coordinating the views and analysis of experts throughout the Government, including the National Economic Council and OPM, on potential legislative and administrative reforms. Within OMB, the General Government Programs area is responsible for the overall oversight of the Postal Service. If confirmed, I would expect to be closely involved in this legislative effort.

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E-Government and Information Technology

55. What do you see as the major challenges in information policy and technology management facing the federal government? How can OMB best help the government meet those challenges?

The Federal Government faces significant challenges in information policy and technology management. Too often, Federal IT projects run over budget, behind schedule, or fail to deliver promised functionality. Many projects use "grand design" approaches that aim to deliver functionality every few years, rather than breaking projects into more manageable chunks and demanding new functionality every few quarters. In addition, the Federal Government too often relies on large, custom, proprietary systems when "light technologies" or shared services exist. Also, the Government's long-range budget cycle can make it difficult to plan and implement large-scale systems given the rapid pace of change in technology. And, finally, the Government has difficulty attracting cutting-edge technologists and individuals with expertise in project management, IT acquisition, and other important skill sets needed to create a 21st century IT program.

I understand that over the last 18 months, OMB has engaged the Federal IT, acquisition, and program management communities; industry experts; and academics. They have conducted listening sessions with Congress, Agency CIOs, and Senior Procurement Executives and received detailed input and recommendations from many industry groups. This engagement process has led to recommendations for IT reform in the areas of operational efficiency and large-scale IT program management, and in December of 2010, OMB released a 25 Point Implementation Plan to Reform Federal Information Technology Management. This initiative is being implemented quickly to address some of these long-standing challenges.

56. GAO estimates that the federal government will spend approximately $80 billion on major information technology investments, government-wide. OMB and agencies have identified that a significant percentage of those projects are poorly planned and poorly performing.

To prevent the severe delays, cost over-runs, and even complete failures that federal government IT investments have endured in the past, last Congress Senators Carper and Collins introduced the Information Technology Investment Oversight Enhancement and Waste Prevention Act of 2009.

This bill would have helped prevent future IT problems by improving agency and Congressional oversight of major Federal IT investments. The bill would have also helped ensure that responsible agency professionals track project performance, alert Congress when projects begin to fall behind, and take steps to rectify major shortfalls for projects that have run off course. This Senate passed this legislation last Congress, but the House failed to pass the bill.

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a. If confirmed, how will you ensure that OMB helps agencies evaluate whether IT investments have been properly planned before they are approved by OMB? How will you empower the E-Government Administrator to better manage government-wide and agency IT investments?

On December 9, 2010, the Federal CIO (E-Gov Administrator) launched an 18-month effort to transform and improve IT capital planning and management for Federal agencies, described in the "25 Point Implementation Plan to Reform Federal Information Technology Management." Many of the actions required by the Plan implement structures and remove barriers to improve the planning and implementation of major IT systems. If confirmed, I will support these efforts.

Moreover, if confirmed, I will support the continued implementation within Federal agencies of the program management principles as laid out in the IT Reform Plan. At a minimum, IT programs must be structured to deploy working business functionality in release cycles no longer than 12 months, with initial deployment to end users no later than 18 months after the program begins. Program managers need to define each phase of the IT development lifecycle and rigorously manage scope. These timelines should encompass the entire process – from concept through requirement analysis, development, test, and delivery.

b. The Office of Information and Regulatory Affairs, the Office of E-Government and Information Technology, and the Office of Federal Procurement Policy each has statutory responsibility relating to planning, selecting, and managing IT investments. What do you see as the respective functions of these offices in this area, and do you believe their functions should be better coordinated and differentiated?

While the principal responsibility for oversight of IT capital planning currently resides with OMB's Office of E-Government and Information Technology, the importance of coordinating with the Office of Information and Regulatory Affairs, the Office of Federal Procurement Policy, and other OMB components for effective oversight of IT investments is recognized. If confirmed, I will work with the Director and Deputy Director for Management and other OMB leaders to ensure proper coordination and implement improvements if needed.

c. What do you believe should be done to enable Chief Information Officers at individual agencies to enhance the planning and oversight of major IT investments across the federal government?

The 25 Point Implementation Plan to Reform Federal Information Technology Management was put into place in large part to enable CIOs to do their jobs better. The Plan focuses on four major themes designed to improve the management of large-scale IT projects: 1) strengthening program management, 2) aligning acquisition

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with budget processes, 3) streamlining governance and improving accountability, and 4) increasing engagement with industry. Detailed action items for each of these themes can the found in the 25 Point Implementation Plan to Reform Federal Information Technology Management.

57. **The enacted version of the E-Government Act created an Office of E-Government and Information Technology and an Administrator to head this office. In 2009 when President Obama appointed Vivek Kundra to serve as the Administrator, he was also named as the Federal Chief Information Officer. Under the Bush Administration, the Deputy Director for Management served as the federal Chief Information Officer.**

    a. **What do you see as the different responsibilities of the Deputy Director for Management, the Administrator of E-Government and Information Technology, and the Chief Information officer?**

    OMB's Deputy Director for Management oversees all aspects of management within the Executive Branch and also serves as the Federal Chief Performance Officer (CPO). Responsibilities of this position include managing and coordinating the development and application of policies to drive progress on agency and cross-agency priorities and improve financial management, acquisition management, human resources management, as well as information technology management.

    The Administrator of E-Government and Information Technology, who also serves as the Federal Chief Information Officer (CIO), has direct responsibility for oversight of the Executive Branch Federal IT invest portfolio and Federal IT policies.

    b. **Do you believe that the position of Federal Chief Information Officer (CIO) should be created legislatively?**

    I do not believe that additional legislative authority is needed for the Federal CIO position. The Federal CIO and the OMB Deputy Director for Management work collaboratively to improve the performance of Federal information technology initiatives that support the mission of the agencies.

58. **The Clinger-Cohen Act of 1996 created Federal CIOs and charged them with strategically planning and managing agency information resources to enhance the way the Federal government achieves its overall mission. What do you see as the role and proper authority of agency CIOs? Do you believe any statutory changes are needed to enhance the authority of agency CIOs?**

    OMB's 25 Point Implementation Plan to Reform Federal Information Technology Management has brought a new focus to the appropriate role of CIOs. As outlined in the Clinger-Cohen Act of 1996 (CCA), agency CIOs are responsible for the planning and management of agency information resources. The CCA, and accompanying guidance

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from OMB, require agency heads to ensure that CIOs have the proper authority within their agencies to accomplish this mission.

As part of the reform plan, OMB is working with agencies to more closely implement the intent of the law and shift the role of Federal CIOs from policymaking and IT infrastructure maintenance to portfolio management – focusing on the agency large-scale IT projects. This will require CIOs to focus on continuously identifying unmet needs, terminating or turning around poorly performing projects, and retiring IT investments which no longer meet the needs of their organizations.

Some statutory changes may be needed to enhance the authorities of agency CIOs. Already, several agencies have worked with Congress to achieve greater IT budget flexibility through multi-year and/or agency-wide portfolio appropriations, to compensate for the misalignment between the realities of IT program management and the need for detailed budgets several years in advance. This flexibility will be matched with increased visibility to help meet Congress' important need for oversight. OMB is currently conducting analysis to develop a workable funding model for "commodity" IT services (e.g., e-mail, data centers, content management systems, web infrastructure). Once these reviews are completed, it is my understanding that OMB will formulate any suggestions for statutory changes and will work with Congress to help enact those recommendations.

59. The Office of Electronic Government and Information Technology within OMB has the responsibility for providing overall leadership and direction to the executive branch on E-Government. OMB's Office of Information and Regulatory Affairs also has certain responsibilities regarding the collection and dissemination of government information under the Paperwork Reduction Act (P. L. 104-13). Do you believe functions related to the management of government information are appropriately allocated between those two offices, or should those functions or offices be reorganized?

The OMB Office of Information and Regulatory Affairs (OIRA) and the OMB Office of Electronic Government and Information Technology (E-Gov) work very closely on policy issues related to information technology. These offices and their Administrators frequently collaborate on key issues and bring valuable perspectives to these issues. I believe that OIRA and E-Gov perform similar but distinct roles, and they complement each other in helping OMB achieve the best results in providing agencies with effective, practical policy and guidance.

60. In May 2009, at the appointment of President Obama, the first Chief Technology Officer (CTO) position was created in the Office of Science and Technology Policy to foster new ideas and encourage government-wide coordination.

a. What do you believe the relationship should be between the CTO, OMB and the Federal CIO?

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The relationship between the CTO and OMB's CIO is collaborative, and each office is very supportive of the other. CTO Chopra and CIO Kundra work closely together and have successfully co-launched numerous initiatives in Open Government, health technology, and other Administration priority areas.

b. What do you believe is the appropriate role of the CTO in assisting in OMB's overall management of the Federal government's information technology infrastructure?

The Federal CTO is responsible for fostering innovation, new ideas, technologies, and research and development activities in the United States. The CTO and CIO work together to bring these innovations, partnership opportunities, and emerging technologies to improve the Federal Government's information technology systems, processes, and procedures.

61. On July 6, former OMB Director Peter Orszag and Cybersecurity Coordinator Howard Schmidt issued Memorandum M-10-28, entitled "Clarifying Cybersecurity Responsibilities and Activities of the Executive Office of the President and the Department of Homeland Security." This memorandum stated that "[e]ffective immediately, DHS will exercise primary responsibility within the executive branch for the operational aspects of Federal agency cybersecurity with respect to the Federal information systems that fall within FISMA under 44 U.S.C. §3543."

a. How would you interpret this memorandum and the differing roles of OMB, the White House Cyber Coordinator, and DHS as it relates to federal information security?

I understand that the memorandum was intended to provide clarification of roles and responsibilities given the new role of the Cybersecurity Coordinator and DHS's expanded information security responsibilities. OMB will continue to be responsible for the submission of the annual FISMA report to Congress, for the development and approval of the cybersecurity portions of the President's Budget, for the traditional OMB budgetary and fiscal oversight of the agencies' use of funds, and for coordination with the Cybersecurity Coordinator on all policy issues related to the prior three responsibilities. The Cybersecurity Coordinator leads the interagency policy process, has visibility into DHS efforts to ensure Federal agency compliance with FISMA, and serves as the principal White House official to coordinate interagency cooperation with DHS cybersecurity efforts. DHS is tasked with serving as a robust operation center for Federal information security. Through the Trusted Internet Connection and Einstein intrusion detection capability, DHS has growing insight into the threats to, and vulnerabilities of, information systems across multiple agencies and has developed core situational awareness. In 2010, DHS initiated the development of a new portfolio of Red/Blue team services to support Federal civilian executive branch agencies through one-on-one engagements.

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b. Specifically, if confirmed, how would you interact with DHS to use the government-wide management and budget role of OMB and the security role of DHS to increase risk-based and cost-effective cybersecurity across the government?

If confirmed, I will support OMB's close partnership with DHS and the Cybersecurity Coordinator to increase risk-based and cost-effective cybersecurity across the Government.

62. OMB recently implemented the IT Dashboard to track cost, schedule, and performance of IT projects to identify where improvements need to be made. Last year, however, GAO reported that data on the IT Dashboard is inaccurate and outdated. What do you believe is OMB's role in ensuring that agencies provide accurate and timely data to the IT Dashboard?

OMB plays an important role in defining frameworks and standards for data quality; however, the ultimate responsibility for data quality lies in the agency providing the data. While it is my understanding that OMB acknowledges the need to assess and improve guidance on an ongoing basis, I also understand that in some cases clear existing guidance is not always being followed by some agencies. Adherence to existing guidance would have a significant positive impact on the quality of the data in the IT Dashboard. To assist agencies in continually improving their data, I understand that OMB analysts have worked directly with agencies to take corrective actions, and monitor their progress, and data quality issues have even been the subject of TechStat action items.

63. OMB memorandum M-05-23 requires agencies to monitor cost, performance and schedule information for major IT investments using an earned value management (EVM) system. OMB is required to collect this information on a regular basis and help agencies that are experiencing cost, schedule, and performance overruns. Many agencies, however, fail to provide EVM data, either because project managers are not aware of the requirement, do not effectively collect and track EVM data, or do not require contractors to provide accurate and useful EVM data. The IT Dashboard currently provides cost, schedule and performance information; however, this information does not reflect agencies EVM data.

a. How do you plan to ensure that agencies provide the EVM data to OMB in an accurate and timely manner?

OMB memorandum M-10-27 (June 28, 2010) rescinded M-05-23. The new policy guidance on baseline management integrated requirements in OMB Circular A-11, Part 7, and Federal Acquisition Regulation Subpart 34.202 with Federal IT Dashboard practices and guidance. This guidance still mandates that agencies track cost and schedule against established baselines. OMB's revised policies recognize, however, that for many smaller or mixed life cycle investments (i.e., those with both

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development and operations costs), true EVM compliant reporting on cost and schedule, consistent with ANSI standards, is inappropriate, or not cost-effective.

b. How will OMB use the EVM data submitted by agencies to monitor the status of IT investments government-wide and better inform Congress whether investments are achieving cost, schedule, and performance goals?

It is my understanding that OMB continuously monitors IT investment performance on the IT Dashboard, where agencies are required to provide monthly updates on cost and schedule performance.

c. What do you think should be done to ensure that contractors are providing useful EVM data to project managers?

Requirements in OMB's current policies mandate that accurate information on cost and schedule is reported regularly to the IT Dashboard. My understanding is that this has the practical effect that agencies generally must require appropriate reporting on cost and schedule in their IT investment contracts.

64. In December 2010, OMB unveiled its "25-Point Implementation Plan to Reform Federal IT Management." The plan seeks to strengthen IT management throughout the federal government and also bring more accountability to federal IT projects. However, as noted in the plan, government officials have been trying to adopt best practices for years with only limited success.

a. What do you see as the greatest obstacles that have frustrated IT reform efforts in the past? What do you see as your role in helping to remove these obstacles and improve IT management?

Government officials have been trying to adopt best practices in Federal IT for years – from the Raines Rules of the 1990s to the Clinger-Cohen Act and the acquisition regulations that followed – with limited success. The obstacles that have frustrated IT reform efforts have been well documented but it seems as if there are three constants in the limited results of previous reform efforts.

- First, many of the reform efforts focused on the desired results of reform (Clinger-Cohen's five percent increase in efficiency) rather than on the execution of the iterative changes required to reach the desired end state. The 25 Point Implementation Plan to Reform Federal Information Technology Management requires a focus on execution of deliverable reforms in IT management.
- Second, while Clinger-Cohen established the position of CIO, the lack of authority of the position has hindered the CIOs' ability to improve efficiency and effectiveness of their agency IT portfolios. The 25 Point Implementation Plan to Reform Federal Information Technology Management will shift the

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responsibility of IT portfolio management to the CIO, and OMB will work with Congress to better align the acquisition and budget cycles to a modular approach that breaks the work into smaller, more distinct deliverables that can stand on their own.

- Third, in past reform efforts, little effort has been focused on changing the paradigm of IT project developments with long planning segments building one on top of another, although many projects would benefit from a shift to a modular approach. The current Federal IT Reform Plan will help achieve the promises of modular development.

If confirmed, I will support the 25 Point Implementation Plan to Reform Federal Information Technology Management in full. The Administration believes that this reform effort will deliver results to the American taxpayer through increased IT efficiency and productivity gains.

b. In your view, what improvements do agencies need to make to their own internal investment review processes to ensure more effective management of large-scale and high-risk projects? How should reviews conducted by OMB, relate to agencies' own acquisition review processes?

IT has transformed how the private sector operates and has revolutionized the way in which it serves its customers. The Federal Government has largely missed out on these transformations, due in part to its poor management of large technology investments. Currently, Investment Review Boards (IRBs) are the method in which agencies manage large scale and high-risk IT projects. In practice, these review boards have failed to take the corrective actions necessary to establish successful projects and sustain a healthy IT portfolio. Today, typical IRB meeting agendas currently set aside two hours to review the entire IT portfolio, far too little time to adequately review dozens of technical projects.

It is my understanding that OMB's strategy for strengthening IT governance centers on driving agency adoption of the "TechStat" model currently used at the Federal level. TechStat Accountability Sessions are face-to-face, evidence-based reviews of agency IT programs with OMB and agency leadership. Using data from the Federal IT Dashboard, investments are carefully analyzed with a focus on problem-solving that leads to concrete action to improve performance. Scaling this capability across the Federal Government will increase the number of programs that can be reviewed and accelerate interventions in troubled projects. This will enable agencies to grow their own performance management standards and focus OMB direct involvement on a limited number of highest-priority cases.

c. In what way do you think OMB can exercise oversight over, and bring discipline to, the procurement and management of high-risk IT projects while at the same time avoiding intrusion on agency decisions regarding their mission needs?

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I believe OMB can continue to bring discipline to the procurement and management of high-risk IT projects by maintaining the visibility of these high-risk projects through the IT Dashboard itself, shining a light on investments to ensure greater scrutiny and accountability from the American public. Building on the IT Dashboard, it is my understanding that OMB plans to continue to conduct TechStat sessions of high-priority investments while, at the same time, working with agencies to develop their own internal TechStat capabilities.

65. **Grants.gov, which serves as the federal government's central portal for finding and applying for federal grants, relies on voluntary contributions from the 26 federal grant-making agencies for its funding. Unfortunately, Grants.gov has had significant problems in the recent past. For example, in 2009, the anticipated increase in the volume of federal grant applications due to the Recovery Act threatened to overwhelm Grants.gov and alternative methods for accepting grant applications had to be quickly identified. In a July 2009 report (GAO-09-589), GAO raised the Grants.gov funding structure as an area of concern noting that untimely agency contributions have adversely affected operations. In its comments to the GAO report, the Department of Health and Human Services (HHS), which serves as the managing partner agency for Grants.gov, stated that "the Grants.gov system funding model is institutionally biased against investing adequate resources in system improvements and could benefit from review."**

a. Do you agree with HHS's comments?

If confirmed, my priority will be to assist agencies in paying their contributions in a timely manner. I will also work with HHS to make sure that smart investments are being made in the Grants.gov solution to best serve agency program objectives and the needs of applicants.

b. What alternative funding mechanisms, if any, would you recommend for Grants.gov?

If confirmed, I will explore potential changes to the funding structure for Grants.gov with HHS and coordinate with the contributing agencies. It is my understanding that the priority at this point is to make sure that agencies pay their contributions in a timely manner and that they receive a commensurate value for their contributions.

Regulatory Affairs and Paperwork Reduction

66. **In describing recently issued Executive Order 13563 in the Wall Street Journal, President Obama explained that the order "requires federal agencies to ensure that regulations protect our safety, health and environment while promoting economic growth. And it orders a government-wide review of the rules already on the books to remove outdated regulations that stifle job creation and make our economy less competitive." What role, if any, do you expect to play in this effort, if confirmed?**

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In Executive Order 13563, President Obama required Federal agencies to design cost-effective, cost-justified, evidence-based regulations that are compatible with economic growth, job creation, innovation, and competitiveness. As you note, the Executive Order also includes a provision on retrospective review to ensure that regulations are necessary and crafted effectively to solve current problems. If confirmed, I look forward to working with the Administrator of the Office of Information and Regulatory Affairs to implement this new Executive Order.

67. Review and revision of existing regulations can impose substantial demands on agency resources and can take substantial time to complete.

a. How do you believe agency efforts can be targeted so that the review of existing rules can achieve the greatest benefit for job creation and economic competitiveness?

The Office of Information and Regulatory Affairs has issued guidance for the retrospective reviews, including guidelines for soliciting public comment on how best to promote retrospective analysis of rules. The purpose of the retrospective analysis is to ensure that rules are effective, up-to-date, and cost-justified. Agencies are working to determine how to target their efforts to achieve the greatest benefit for job creation and economic competitiveness.

b. How can the review be managed so that it does not impair agencies' ability to fulfill their missions to protect safety, health, and the environment?

The President has made clear the goal of this Administration is to "strike the right balance" between reducing burdens on businesses and meeting our responsibility to protect the public interest. A successful retrospective analysis would account for all benefits, including safety, health and environmental benefits.

68. There has been some discussion of the fact that the new Executive Order and OIRA's authority in regulatory review generally do not extend to independent agencies such as the Securities and Exchange Commission or the Federal Trade Commission. Do you have a view on whether the independent agencies should be brought under the authority of OIRA and Executive Orders governing regulatory review? What would be the advantages and disadvantages?

Consistent with past practice under Republican and Democratic presidents, going back to President Reagan, OIRA generally does not review the promulgation of rules by the independent agencies. Whether to bring independent agencies under the authority of OIRA and the Executive Orders governing regulatory review is a much-discussed and long-debated question. If confirmed, I would look forward to further discussions with you on this issue.

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Privacy Policy

69. **President Clinton appointed a Chief Counselor for Privacy at OMB during his second term; however, that position was eliminated at the outset of the Bush Administration and has not been reinstated by this Administration. In fact, since January 2001 there has not been any senior federal official devoted to privacy issues notwithstanding a growing set of challenges posed by technological and policy developments, and a growing cadre of privacy officers within key government agencies. Please discuss your views on how to incorporate privacy concerns into government policymaking and what leadership role OMB should play in this effort.**

Privacy is an OMB-wide priority. While laws such as the Privacy Act assign to agencies the principal responsibility for compliance, OMB plays a key oversight role and provides guidance to help agencies meet their obligations. As the Federal Government encounters new challenges posed by technological and policy developments, OMB helps determine the appropriate steps to ensure that agencies fully protect privacy. If confirmed, I will work with Director Lew to ensure that privacy continues to be an OMB-wide priority.

Inspectors General

70. **The Inspector General Reform Act of 2008 (P.L. 110-409) included language designed to ensure that the IGs are adequately funded and not subject to retaliation via budgeting. Among other things, it specifies that agencies transmit an IG's comments regarding its proposed budget to OMB along with the agency budget request, and that the President's budget request to Congress include the comments of an IG if that IG believes that the budget submission "would substantially inhibit the Inspector General from performing the duties of the office." During the FY2010 budget cycle, the first since the law's enactment, some IGs encountered obstacles in having their comments transmitted to OMB and presented to Congress as the statute requires. Following those challenges, the Committee sent a letter to the former OMB Director, stating that the form and context of the IG's comments about their budget requests should not be prescribed by OMB or the affected agency and that the comments should reflect the views of the affected IG.**

Are you committed to fully enforcing both the letter and intent of this provision?

I believe the IG community plays a vital role in the Federal Government efforts to operate in an efficient manner. If confirmed, I am fully committed to ensuring the IG community has sufficient resources to carry out their duties and to continue to create a more efficient Federal Government. I will also support efforts to provide open and transparent information regarding the IG community.

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IV. Relations with Congress

71. 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?

Yes.

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

Yes.

V. Assistance

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

The answers are my own. I consulted with staff from OMB in developing them.

AFFIDAVIT

I, Heather A. Higginbottom **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.**

[signature]

Subscribed and sworn before me this 1st **day of** March **, 2011.**

[signature]

Notary Public

My commission expires: August 14, 2014

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United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

FEB 3 2011

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

Dear Mr. Chairman:

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

We have reviewed the report and have also obtained advice from the agency concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is an ethics agreement outlining the actions that the nominee will undertake to avoid conflicts of interest. Unless a date for compliance is indicated in the ethics agreement, the nominee must fully comply within three months of confirmation with any action specified in the ethics agreement.

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

Sincerely,

Don W. Fox
General Counsel

Enclosures - REDACTED

January 26, 2011

Jonathan E. Rackoff
Assistant General Counsel and
Designated Agency Ethics Official
Office of Management and Budget
725 17th Street, NW, Room 5001
Washington, DC 20503

Dear Mr. Rackoff:

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 Deputy Director for 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 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 18 U.S.C. § 208(b)(2).

Further, I understand that the interests of the following persons are imputed to me: any spouse or minor child of mine; any general partner of a partnership in which I am a limited or general partner; any organization in which I serve as officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

Finally, as an appointee I signed the Ethics Pledge (Exec. Order No. 13490) and I understand that I am bound by the requirements and restrictions therein in addition to the commitments I have made in this and any other ethics agreement.

Sincerely,

Heather A. Higginbottom

Heather A. Higginbottom

Senator Susan M. Collins
Additional Questions for the Record
Nomination Hearing of Heather A. Higginbottom
March 8, 2011

1. **I have been a strong supporter of the Coast Guard's efforts to recapitalize and modernize its aging fleet through the Deepwater program. The need for recapitalizing the Coast Guard's fleet was never more apparent than during the Coast Guard's support of the relief mission in Haiti, where 12 of the 19 cutters that deployed to Haiti suffered severe engineering failures, and three were forced to return to port for emergency dry-dock repairs. These obstacles prevent the Coast Guard from fulfilling its mission and remind us just how critical it is to keep the Coast Guard modernization effort on schedule.**

   With this in mind, I am very concerned that the Administration's FY 2012 budget request (1) provides no funding for the sixth NSC and (2) pushes the National Security Cutter (NSC) acquisition program completion date from 2016 to 2018. Based on my experience with the naval shipbuilding industry, I am very concerned any time I observe a slippage in the construction schedule, because of the cost implications and the likelihood that additional delays will follow. In fact, it is important to note that the cost increase of a one-year delay to the NSC acquisition program is estimated at between $45 and $60 million per ship.

   If confirmed, what will you do to get the National Security Cutter acquisition back on schedule?

   I recognize that the USCG's Deepwater acquisition program has had a history of delays and cost overruns. Over the past few years, the Administration has focused on improving the USCG acquisition process and strengthening DHS oversight to help bring these much-needed assets on board within the budgeted cost and schedule. The FY 2012 Budget assumes the FY 2011 funding level will address some of the cost overruns affecting NSC-5 procurement and seeks an additional $77 million to complete funding for the fifth NSC. This funding request will allow construction to begin as planned in calendar year 2011. If confirmed as Deputy Director, I would ensure that OMB continues to work with the Department to support USCG recapitalization efforts as future funding is allocated to support homeland security priority missions.

2. **I have learned that the current delays to the fifth and sixth NSCs are largely due to the Administration's application of OMB Circular A-11, a circular that requires "full funding" of a "capital project before any obligations for the project may be incurred." Yet, the Administration granted Circular A-11 waivers to the Coast Guard to allow for the timely production of NSCs one through four.**

As a result, with the exception of purchasing long-lead parts, no construction will begin on the fifth NSC until the remaining $77 million for the ship is appropriated in FY 2012, despite $538 million being sought for FY 2011. If Circular A-11 waivers were granted for NSCs five and six, we could allow the Coast Guard to use the FY 2011 and FY 2012 NSC funding to pursue the original NSC acquisition schedule and minimize costs overruns incurred due to unnecessary delays in their construction schedules.

a. How does the Administration justify delaying the recapitalization for a Coast Guard high endurance cutter fleet that averages more than 42 years, compared to 14 years for the Navy fleet, especially considering that this delay will result in as much as a $180 million cost increase for the final three NSCs?

It is my understanding that the delays and cost increases could be due to a number of variables in shipyard operations, changes in the design and scope of the NSC, and the business practices of a Tier I shipyard, and that the full funding requirement has not caused either delays or cost increases. If confirmed, I look forward to working with the USCG to ensure that future delays and cost increases are minimized.

b. Is OMB considering waivers for NSCs five and six? Why or why not?

I look forward to getting more informed about the past and current approaches to the full-funding policy. This is an important program, and it's crucial that we take a fiscally responsible approach but, at the same time, carefully avoid undue delays and extra costs.

