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NOMINATION OF HON. SHAUN L.S. DONOVAN

HEARING

BEFORE THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

NOMINATION OF HON. SHAUN L.S. DONOVAN TO BE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

JUNE 11, 2014

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CONTENTS

	Page
Opening statements:	
Senator Carper	5
Senator Coburn	7
Senator Enzi	16
Senator Johnson	18
Senator Begich	21
Senator Tester	24
Senator Baldwin	27
Senator Portman	30
Senator Levin	33
Prepared statement:	
Senator Carper	39
Senator Collins	41
Senator Landrieu	44

WITNESSES

WEDNESDAY, JUNE 11, 2014

Hon. Susan M. Collins, a United States Senator from the State of Maine	1
Hon. Mary L. Landrieu, a United States Senator from the State of Louisiana	3
Hon. Shaun L.S. Donovan, Nominated to be Director, U.S. Office of Management and Budget	
Testimony	8
Prepared statement	46
Biographical and financial information	49
Letter from the Office of Government Ethics	68
Responses to pre-hearing questions	70
Responses to post-hearing questions	116

NOMINATION OF HON. SHAUN L.S. DONOVAN

WEDNESDAY, JUNE 11, 2014

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

The Committee met, pursuant to notice, at 10:12 a.m., in room SD–342, Dirksen Senate Office Building, Hon. Thomas R. Carper, Chairman of the Committee, presiding.

Present: Senators Carper, Levin, Pryor, Landrieu, Tester, Begich, Baldwin, Coburn, McCain, Johnson, Portman, and Enzi.

Chairman CARPER. Good morning. Senator Collins, have you been in this room before? [Laughter.]

We actually thought of naming it after you at some point in time.

Senator COLLINS. Only about 5,000 times. I think that is a rough count.

Chairman CARPER. Something seems wrong with you sitting on that side of the table.

Senator COLLINS. It does to me, too.

Chairman CARPER. Do you want to come up here? [Laughter.]

I am sure you would do well.

Senator Landrieu is going to join us, I think, shortly, and if it is OK with Dr. Coburn, I think we will just go ahead and recognize you to make some introductory remarks, and then if she is here, we will let her take over, and if not, we will proceed. Thank you. It is nice to see you.

And, Shaun, to you and your family, welcome. We are especially happy to see your bride and those two sons of yours. We are happy you are all here.

Susan, please proceed.

TESTIMONY OF THE HONORABLE SUSAN M. COLLINS,[1] A UNITED STATES SENATOR FROM THE STATE OF MAINE

Senator COLLINS. Thank you very much. Chairman Carper, Ranking Member Coburn, Members of the Committee whom I am sure will be joining us shortly, I come before you this morning to introduce Shaun Donovan, who has been nominated to be the Director of the Office of Management and Budget (OMB).

In many ways, my appearance here today is, as the Chairman indicated, a homecoming, as I served for 16 years on this Committee. And introducing Secretary Donovan is, in many ways, bittersweet. I very much enjoyed the opportunity to work closely with him since

[1] The prepared statement of Senator Collins appears in the Appendix on page 41.

becoming the Ranking Member of the Appropriations Subcommittee on Transportation and the Department of Housing and Urban Development (HUD) in 2011. So, we have worked very closely together, and I will miss working with him.

During his tenure as HUD Secretary, Secretary Donovan has been widely recognized as an effective and knowledgeable leader, and not just in terms of HUD's own programs. As this Committee may well be aware, he has been centrally involved in shaping the future of the government's role in housing finance and he also led the recovery efforts following Hurricane Sandy.

Having served on this Committee for many years, I know that I frequently was frustrated by the OMB Directors ignoring the "M" in OMB. Effective management of Federal procurement policy, analysis of proposed Federal regulations, and the reduction of unnecessary government paperwork are core functions of OMB, and yet oftentimes the focus of the OMB Director has been solely on budget issues. Important as those are, it is also important that there be a concentrated focus on the management issues that are so important and in which OMB plays such a key role.

So, I think it may be of considerable interest to this Committee to know about the data-driven approach that Secretary Donovan brings to improving the effectiveness and efficiency of Federal programs. At HUD, he instituted quarterly reviews, known as HUDStat, to improve the Department's performance and to ensure that HUD programs are meeting their goals. Central to these reviews has been the use of data to develop plans to overcome challenges and strengthen the effectiveness of programs.

I have no doubt that the Federal Government would benefit from the broader application of these efforts by having him lead the Office of Management and Budget. I know this is an issue that Senator Coburn has been interested in for many years, the need to have metrics so that we are actually measuring whether or not our programs are working and whether the taxpayers' investment has been warranted, and that is exactly the kind of data-driven system that Secretary Donovan instituted at HUD that was not there prior to his becoming the leader of that Department.

He has demonstrated the ability to achieve meaningful results by measuring programs, and perhaps nowhere is that more evident than the goal of reducing homelessness. It is one thing to have a broad goal to reduce homelessness and put some money behind it and create some new programs. The question is, does it work? Since 2010, due in large measure to data-driven solutions leading to more effective programs, chronic homelessness in this country has been reduced by 16 percent, and veterans' homelessness has been reduced by 24 percent.

Not only is Secretary Donovan knowledgeable and data-driven, but he has also demonstrated his responsiveness to Congress, and I cannot say that about every member of this cabinet or this Administration. I would like to briefly cite to you just one example.

We had reports surface in my State of Maine of poor conditions at HUD subsidized housing. The problem was first brought to my attention by a local fire chief in western Maine who was really worried that some of this housing was so dangerous, it was at risk of serious fires. I turned to the Secretary, requested assistance from

him, and he understood how important it was to resolve these issues as quickly as possible. He worked with HUD's Inspector General (IG) to have HUD and the Office of Inspector General (OIG) staff come to Maine, inspect the properties, identify the underlying oversight deficiencies in the inspections that the State housing authority was doing, and formulate a correction plan. The board of the Maine State Housing Authority used these findings and recommendations to implement sweeping reforms, including much-needed leadership changes to prevent these unacceptable problems from happening again.

I mention that example because it demonstrates the Secretary's commitment to protecting not only the tenants who were living in squalor, in some cases, and really dangerous conditions, but also to protecting the taxpayers who were subsidizing this unacceptable housing.

With the confirmation, if you choose to do so, of Secretary Shaun Donovan as Director of OMB, I can assure you that the American people will have a leader of integrity and intelligence in a critical job. I want to thank him personally for his service at HUD, and I would respectfully urge this Committee to give him your support.

Thank you for the opportunity to introduce him to the Committee today. I, of course, would welcome any very hard questions that you would like to direct to the nominee. [Laughter.]

Chairman CARPER. All right. Here is my first question. Where is Senator Landrieu?

Senator LANDRIEU. Right here.

Senator COLLINS. She has arrived right on time.

Chairman CARPER. You called it. That was a wonderful statement. Thank you.

Senator Landrieu, great to see you. Thank you.

Senator LANDRIEU. Mr. Chairman, thank you.

Chairman CARPER. Senator Collins just wrapped up. She had nothing good to say about him, but maybe you will. [Laughter.]

TESTIMONY OF THE HONORABLE MARY L. LANDRIEU,[1] A UNITED STATES SENATOR FROM THE STATE OF LOUISIANA

Senator LANDRIEU. I do not believe that.

Hello, family.

Good morning to the Chairman and Ranking Member, and I apologize for being a few minutes late and I thank my colleague, Senator Collins, for going ahead, because we are both here so privileged and grateful for the opportunity to introduce someone who I believe, and I think shared by Senator Collins, is one of the brightest lights in President Obama's cabinet and one of the best collaborative leaders I have ever known in my career. And, I have been now doing this quite a long time. In fact, Senator Collins and I have similar careers, having started much earlier and served at our State level and now have the privilege to serve here in Washington for almost the exact same time.

So, I know that she has given some background of this nominee, but let me just remind the Committee of his extraordinary educational background at Harvard University, Master's of Public Ad-

[1] The prepared statement of Senator Landrieu appears in the Appendix on page 44.

ministration and a Master's Degree in Architecture. And, I find that his work as a scholar in those fields really comes into play every day that he is here working in the jobs that this Administration and others have entrusted to him in really building a better Nation, and that is really what we are all here to do. I know, Mr. Chairman, you feel very strongly about that, as does your Ranking Member, building a greater democracy, more fair, more generous, and a government that is more effective and more efficient every day.

During the President Clinton and President Bush Administrations, Secretary Donovan served as Deputy Assistant Secretary for Multifamily Housing at HUD, and Acting Commissioner of the Federal Housing Administration (FHA). In 2004, he became Commissioner of New York City Housing Preservation and Development, which is no easy job to take on. It is really just a monumental assignment, a $500 million budget, having to work with a variety of different stakeholder groups. I can only imagine. Every time I fly into the city of New York, I am always amazed that it can be run at all, it is so huge, and he did his part in doing it.

But, on a more personal note—and, Mr. Chairman, I think you will get a chuckle out of this—as you know, I am the daughter of a HUD Secretary, and my father served proudly for President Carter. I have said in front of my father that I thought once he was the best Secretary of HUD that ever served, but I have met one even better. Now, Shaun gets very embarrassed, and my Dad does not like it, but it is true.

So, I am thrilled to be here, and let me just say in conclusion, because I know we want to hear his testimony, that when Hurricanes Katrina and Rita struck, the two fiercest natural disasters to strike our country, and unfortunately struck within 3 weeks along the same coast about 9 years ago, it was this Secretary that really stepped up in his first trip as Secretary, came down to New Orleans and the Gulf Coast, went to Mississippi, as well. He has visited multiple times. He has really been the light and the strength that has helped us to rebuild, which starts with schools and hospitals and housing, primarily, in neighborhoods, so that cities and communities can come back. He also understands small business coming back as soon as possible.

So, I just want to say, because of all my dealings with him in a variety of different fields, I have watched him on the ground with people. I have watched him, literally, as he has jogged through neighborhoods in New Orleans. I have seen him on the stump. And, I have been in many conferences with him, trying to work out very difficult problems. And, I find him to be very straightforward, very honest, and most importantly, hard working and caring.

So, this is a big job he has been nominated for, a really big one, but I know that he can do it and I have every confidence and would give him my strong support and would ask the Members of this Committee to support him in every way they can.

Thank you, and I will submit the rest of my testimony for the record.

Chairman CARPER. Senator Landrieu, thank you so much.

Senator Collins, before you arrived, was good enough to offer to answer any questions that we had, and I asked one, just as you

were coming in. I would ask one question of you before you leave, and that is, would you say that Secretary Donovan is one of the two best HUD Secretaries that our country has ever had. [Laughter.]

Senator LANDRIEU. Yes. He would be among the top two.

Chairman CARPER. OK. Fair enough. [Laughter.]

I am glad we got that on the record.

Senator LANDRIEU. Thank you.

Chairman CARPER. Dr. Coburn, do you have anything?

Senator COBURN. No.

Chairman CARPER. Susan, Mary, great to see you both. It means a lot, I know, to our nominee and to us that you are here. Thank you. Welcome home.

OPENING STATEMENT OF CHAIRMAN CARPER

Chairman CARPER. All right, ladies and gentlemen. As we all know, our previous OMB Director, Sylvia Mathews Burwell got another job. You knew her when she was Sylvia Mathews, did you not? She has been confirmed as Secretary of Health and Human Services (HHS). In the past, this might have left us with a vacancy at the top of OMB for a long time. Fortunately, in this case, the President has moved promptly to nominate a replacement for Secretary Burwell, and we are glad that he has.

Our Committee has, in turn, moved forward with a similar sense of urgency. I want to thank Dr. Coburn—I want to thank his staff, and mine, as well—for working with us on a bipartisan basis to move this nomination forward, but with due diligence.

Our Nation's fiscal crisis may have receded from the headlines in recent months, but, in fact, we are still dealing with the same challenges we faced for years now. As I have stated before, our country needs a comprehensive, long-term budget plan that really does three things. One of those is to raise some revenues, hopefully, to do tax reform that looks at corporate rates. We need to really overhaul some of our entitlement programs in ways that save money, save the programs for our future generations, and does not savage old people or poor people. And, we need to look at everything that we do and ask, how do we get a better result for less money? And you, your purview, your job, if confirmed, will really encompass all of those, so we are anxious to drill down on each of them.

But, the Director of OMB is a critical player in making decisions and making progress in these areas, including helping to put our country forward on a fiscally sustainable path. We need a leader in this role who will be a strong voice for fiscal responsibility and for effective government management, as our two introducers have said.

We have had the privilege of working with Sylvia Mathews Burwell, who played, as you know, an integral part in achieving the bipartisan budget deal reached late last year. I believe, colleagues, that we have the same kind of leader in Shaun Donovan, as well.

And to those of us in Congress and so many other Americans, Secretary Donovan is a familiar face, having served as Secretary of HUD for the last 5 years now. From his work there, we know he

can take on and solve tough problems. We have heard that from our two introducers already. During his time at the Department, he has guided Federal housing programs through economic crisis and helped millions of Americans modify their mortgages and avoid foreclosures.

He has also demonstrated an ability to cut through red tape and find ways for agencies to work together more effectively. He did this with President Obama asking him to be Chair of the Hurricane Sandy Rebuilding Task Force, and he has done so on a number of other issues, including transportation, energy efficiency, and veterans' homelessness.

Secretary Donovan's tenure at the Department of Housing and Urban Development gives him a strong foundation when it comes to understanding how agencies tick. He also knows how the Federal budget process works. And, just as importantly, he has also worked in local government and in the private and nonprofit sector. He knows from those experiences how decisions at the Federal level can impact communities, businesses, and individual citizens.

In each job that he has held, Secretary Donovan has earned a reputation as someone who uses data and evidence to get better results and to save money for taxpayers. He is someone who wants to find out what is working and do more of that, and to find out what is not working and do less of that.

Secretary Donovan is also someone who values strong public-private partnerships. He has consistently championed ideas that further the public good while also spurring economic development.

This Committee works in close partnership with the Office of Management and Budget in all areas, but especially as we try to identify areas where we could achieve results throughout the Federal Government while spending fewer taxpayer dollars. Based on his previous experience and our past conversations, I believe that Secretary Donovan is committed to continuing those efforts at OMB and governmentwide.

Everything I know about Secretary Donovan's accomplishments, commitment to public service, tell me he is going to be a strong and effective leader at the Office of Management and Budget and a good partner with this Committee if he is confirmed.

His predecessor at OMB is an exceptional leader, and left big shoes to fill at the agency, a tough act to follow. Dr. Coburn and I thought and think the world of her and the team that she has put together. But, I think Secretary Donovan, colleagues, is ready to hit the ground running. I expect Secretary Donovan to work just as hard and to continue the same bipartisan approach and to be as accessible as Sylvia was. She was incredibly accessible, as were the senior members of her team.

I look forward to your testimony today—we look forward to it—and we hope the full Senate will consider your nomination as soon as possible.

And with that, I will turn it to Dr. Coburn for any comments he might like to make. Thank you. Dr. Coburn.

OPENING STATEMENT OF SENATOR COBURN

Senator COBURN. Well, Mr. Secretary, thank you for spending the time with me yesterday. I enjoyed it and got to know you better.

We talked a lot about management yesterday, and I am not going to talk about that today. I feel pretty comfortable in that area.

But, I am going to raise some questions with you during the question and answer period about responsiveness. I sent several letters to HUD that, on the replies, multiple questions that were asked in the letter never were answered, which is in contrast to Sylvia Burwell. The No. 1 thing we think is we have an obligation to get answers to our questions. And so, for me, that is a troubling track record. Most of the time, Mr. Secretary, you do not write the answers to those. Somebody else writes them for you, and you are not necessarily fully informed. So, that, to me, is concerning and would relate to management in terms of really knowing.

The second area of concern was your testimony before this Committee on Hurricane Sandy and the Task Force and the details of what was testified versus what the actual facts were. And, again, I think that is totally excusable, given your position, but again, it is important for us to have testimony that is accurate and clear. And, no malicious motive is implied in that. The fact is, the facts that we were given were not exactly the facts, as we later found out.

So, I would welcome you to the Committee. I have no doubt that you are going to be approved. What I would like to do is establish with you the kind of rapport we had with Ms. Burwell, which means that we got answers to every question. Sometimes we did not like the answers, but we got answers. No. 2, she was timely and responsive, which I think is an important characteristic.

And so I have a lot of questions for you on specific details of OMB's obligations and some of your personal philosophy in terms of some of the things that have happened around here on the big problem in terms of solving our fiscal issues, and you are going to be the key for this Administration in directing that and leading that.

I would also say, I thank you very much for being willing to serve, seeing your two young boys. I have some advice for you. This job will consume you, and what you have to do—I know you called me on a Saturday, I think, at home, and I was pretty short. But, the fact is, I have reserved weekends for my family, and what I do, and my recommendation to you, is get out of there at a decent time every day so you can spend time with your boys and your wife because they are far more important than that job.

Chairman CARPER. I am Tom Carper and I approve this message.

Let me just take a moment to again welcome our witness, his wife, Liza, and sons Milo and Lucas. Thank you for joining us. In a moment, you will have an opportunity when you speak to make some further introductions of them and others that you might wish to recognize in the audience.

Our nominee, as you know, currently serves as the Secretary of HUD. While at that position, he also served as the Chair of the Hurricane Sandy Rebuilding Task Force. Secretary Donovan also

previously has served in a variety of important roles, including Commissioner of the New York City Department of Housing Preservation and Development, and as Deputy Assistant Secretary for Multifamily Housing at the Department of Housing and Urban Development. Secretary Donovan also worked in the private sector on ways to finance affordable housing and as a consultant to the Millennial Housing Commission, which seeks ways to increase the number of multi-family housing options.

Secretary Donovan, before you proceed with your Statement, our Committee rules require that all witnesses at nomination hearings give their testimony under oath, so I am going to ask you to stand, raise your right hand, if you will, and here we go.

Mr. Donovan, do you swear that the testimony you will give before this Committee will be the truth, the whole truth, and nothing but the truth, so help you ,God?

Secretary DONOVAN. I do.

Chairman CARPER. Please be seated. OK. Secretary Donovan, feel free to proceed with your statement, and again, introduce family and friends as you would like. We are happy you are here.

TESTIMONY OF THE HONORABLE SHAUN L.S. DONOVAN,[1] NOMINATED TO BE DIRECTOR, U.S. OFFICE OF MANAGEMENT AND BUDGET

Secretary DONOVAN. Thank you, Chairman Carper, Dr. Coburn, Members of the Committee, for welcoming me here today. It is a privilege to be considered by this Committee as the President's nominee to be the Director of the Office of Management and Budget.

I want to begin by thanking Senator Landrieu and Senator Collins for their kind words. I have had the great pleasure of working with these distinguished public servants on a broad range of issues over the years. As you heard, Senator Landrieu and I have collaborated to improve the way our Nation responds and rebuilds after a natural disaster strikes. Senator Collins and I have worked together to make HUD operate better and on many other issues, particularly her great leadership, along with Chairman Patty Murray, in making sure that we get our heroes off of our streets around this country. They have been great partners and I am deeply grateful for them being here today and for their leadership and friendship.

I also want to thank my wife, Liza, and my two sons, Milo and Lucas. In public service, the biggest burdens and sacrifices often fall on our families. So, I deeply appreciate their continued support as I seek to take on this new challenge.

I am also grateful to President Obama for nominating me. I continue to be honored and humbled by the confidence he has shown in me.

Finally, I want to thank Members of the Committee and their staffs for meeting with me over the last few weeks and for sharing your insights. If I am confirmed, I very much look forward to continuing these conversations.

I recognize that now-Secretary Burwell has set a high bar for OMB Directors going forward, both with her strong leadership and

[1] The prepared statement of Mr. Donovan appears in the Appendix on page 46.

her efforts to maintain solid relationships with Congress. If confirmed, I would look forward to picking up where Secretary Burwell left off by engaging with you and your colleagues to achieve common goals, to meet deadlines, and to work with Congress to restore regular order.

During my time as the Secretary of the Department of Housing and Urban Development, I worked tirelessly to ensure that the Federal Government is doing its part to help the American people secure access to safe and affordable housing. Homes are the center of every person's life. They play a key role in shaping safe neighborhoods, good schools, solid businesses, and, ultimately, a strong economy.

For the past 5½ years, HUD has been creative in helping families obtain this key part of the American dream, and during these tough fiscal times, have done so in a fiscally responsible fashion. Working with colleagues across the Administration, we have helped millions of families fight off foreclosure, reduced the number of veterans experiencing homelessness by 24 percent in 3 years, revitalized distressed neighborhoods, and helped communities hit by natural disaster rebuild stronger than before.

Through all this work, I have seen firsthand how critical the Federal budget process is and how it makes an impact on the people we serve. The Federal budget is not just numbers on a page. It is a reflection of our values, and it is important to our future.

I believe the President's budget shows a responsible path forward for the Nation. It creates jobs and lays a foundation for growth by investing in infrastructure, research, and manufacturing. It expands opportunity by ensuring health care is affordable and reliable, expands access to housing, invests in job training and preschool, and provides pro-work tax cuts. And, it ensures our long-term fiscal strength by fixing our broken immigration system and addressing the primary drivers of long-term debt and deficits, health care cost growth, and inadequate revenues to meet the needs of our aging population.

Over the last 5 years, the deficit has been cut in half as a share of the economy, the largest sustained period of deficit reduction since World War II. Our Nation can continue this progress while focusing on the critical goals of accelerating economic growth, creating jobs, and expanding opportunity for all Americans.

I would like to briefly outline my priorities, if I am confirmed as Director. First, if confirmed, I look forward to working with Congress to continue the important progress made on the budget over the past year. The Bipartisan Budget Act and Consolidated Appropriations Act for Fiscal Year 2014 were good first steps in moving beyond the manufactured crises of the past few years and providing some measure of relief from the damaging cuts caused by sequestration. But, there is more that we must do to invest in our economy, create jobs, promote national security, while continuing to promote fiscal stability by addressing the key drivers of our long-term debt and deficits.

Second, I want to acknowledge the critical management side of OMB's responsibilities. I would work to advance the President's Management Agenda, which is focused on making the Federal Government more efficient, effective, and supportive of economic

growth. Under the President's leadership, the Administration is working to improve key citizen and business-facing transactions with Federal agencies. It is working to increase the quality and value in core government operations and enhance productivity to achieve cost savings to the American taxpayer. It is working to open Federal Government assets to the public, including data from Federally funded research, to create a platform for innovation and job creation. And, it is working to unlock the potential of the Federal workforce and build the workforce we need for tomorrow by investing in training and ensuring agencies can hire the best talent from all segments of society.

Third, it is critical that OMB's Office of Information and Regulatory Affairs (OIRA) continue the Administration's regulatory focus on maintaining a balance between protecting the health, welfare, and safety of Americans, and promoting economic growth, job creation, competitiveness, and innovation. And, I would seek to continue the President's successful regulatory retrospective review, or regulatory look-back, where the Administration is streamlining, modifying, or repealing regulations to reduce unnecessary costs and burdens.

Finally, I want to note what a particular honor it would be for me to serve as the head of OMB. OMB plays a unique and critical role in the functioning of the Federal Government. As HUD Secretary, I work closely with OMB's leadership, including Deputy Directors Brian Deese and Beth Cobert, and I have seen the outstanding contributions made by the talented men and women who work throughout this institution.

To give just one example, in my role as the Chair of the Hurricane Sandy Rebuilding Task Force, I saw the tireless efforts made by OMB staff, many of them long-serving career employees, as they worked literally day and night for weeks and even months to ensure that disaster relief was delivered swiftly, fairly, and responsibly. It was OMB employees who had the expertise, knowledge, and governmentwide perspective to help coordinate the effort and make sure it was done right.

Again, I want to thank the President for giving me this opportunity and the Committee for considering my nomination. I look forward to answering any questions you may have.

Chairman CARPER. Thanks so much for that statement.

I need to start our questioning today with three standard questions we ask of all nominees.

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?

Secretary DONOVAN. No, there is not.

Chairman CARPER. All right. No. 2, 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?

Secretary DONOVAN. No, I do not.

Chairman CARPER. No. 3, 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?

Secretary DONOVAN. I agree.

Chairman CARPER. All right. I want to go back to that first question, about conflict of interest, and I want you to talk about any potential conflict of interest that might flow from your 12-year-old son, Lucas, performing in a rock-and-roll band with Jay Carney's son and Michael Froman's son. I think they are called Twenty20. Is there a conflict of interest there, any that you can think of?

Secretary DONOVAN. I promise not to depend too much on my retirement being dependent on his success in his rock band. [Laughter.]

Chairman CARPER. All right. Milo there will probably be managing the band, and we look forward to great things from all of you.

I just want to say, Dr. Coburn and others have mentioned the sacrifice that families make on behalf of their moms or dads who serve in these positions. Your sacrifice begins today by giving up a part of a day in school, so thank you for your willingness to do that and to join us here.

Let us talk about Sylvia Mathews Burwell. I understand you have known her for a while. Where did you all meet?

Secretary DONOVAN. We met in our dorm, freshman year at college, actually.

Chairman CARPER. No kidding.

Secretary DONOVAN. We have been friends ever since.

Chairman CARPER. OK. Why do you think she has been just enormously successful, highly regarded, highly respected here and really kind of taken the place by storm over the last year or so? Why do you think that has been the case?

Secretary DONOVAN. Well, from the thank you note that I got from her freshman year when we actually went on a double-date together, through my long experience with her since, I would say, first and foremost, something that Dr. Coburn really focused on is her responsiveness and outreach. And, one of the key things that I would want to do, if confirmed, is to continue in what I think she has built as a very strong set of relationships with the Committee and more broadly with Congress.

I also think when she came in, she was very focused on making sure, not just that the "M" side of OMB was not forgotten, but that, in fact, the "M" side and the "B" wide of OMB worked very closely together. I believe very deeply, as I think you have heard a little bit about today—I often say to my team, too often, we do not know what success looks like in Government, and by measuring, setting clear goals, measuring those goals, I believe we not only can achieve success in achieving the ends of Government, we can also save money for taxpayers, and that is really, for me, where we have to make sure the "M" and the "B" in OMB are connecting.

And, finally, I would say that Sylvia is beloved within the institution of OMB, despite a short time there, because she has really focused on building the institution. To be frank, if I am confirmed, 2½ years is not a long time, and I do believe that it is absolutely critical to make sure that OMB is adding to the terrific team that is there with the best and the brightest and to making sure that the institution is strong, particularly among the career staff that is there. So, not just managing across government, but managing

OMB itself as an institution is something that she has focused on and I would want to continue.

Chairman CARPER. Good. When you and I met, we talked a little bit about regulations. This Administration, every one of them, put out a lot of regulations and OMB plays a critical role in that process. We probably have a lot of regulations that are still in effect that maybe are not worth much and we ought to do something about them. Cass Sunstein in his earlier role as the head of OIRA within OMB sought to do that. Tell us a little about your approach to the regulatory side——

Secretary DONOVAN. Yes.

Chairman CARPER [continuing]. Of OMB and how we—what kind of look-backs you would be interested in, updating regulations' timeliness, that sort of thing.

Secretary DONOVAN. I am glad you raised this, Mr. Chairman, because it really is one of the most important functions that OMB plays through OIRA. And, I think, we absolutely have to be focused on a common sense balance between protecting the air that we breathe, the water that we drink, the safety of the American people, with ensuring that our regulatory framework supports economic growth, more jobs, and building as strong an economy as we possibly can.

I mentioned the regulatory look-back in my remarks. I think that is a very good example of how we can work together on a bipartisan basis to make our regulatory system work more effectively. And, I thought maybe I would just give you a couple examples of work we have been doing at HUD. Obviously, given the crisis——

Chairman CARPER. Just make them fairly brief——

Secretary DONOVAN. OK.

Chairman CARPER [continuing]. Because I have one more question.

Secretary DONOVAN. I am happy to do that. So, within the mortgage world, obviously, this has been a major area of focus, and as Senator Tester knows from his service on the Banking Committee, he and a number of other members have expressed an interest in making sure that we are not necessarily treating our community banks and small lenders in the same way we treat the largest banks, that we have to have a real focus on small business. And, so, one of the rules that we have issued recently streamlined the way that we oversee smaller institutions, the reporting requirements we have for them within the FHA program. I think that is a very good example.

Another example I would give you is we have adopted e-signatures in FHA. We are one of the first agencies across the Federal Government to do that. And what I have heard consistently from citizens and small lenders is it has made their process not only less expensive and faster, but it has allowed consumers to sit at their kitchen table and read those stack of documents we usually get at mortgage closings to make those simpler, more accessible, but also give families time to really look at them rather than being rushed at the closing table.

So, those are two examples at HUD of the kinds of things that I think we really need to do more of.

Chairman CARPER. Good. Thanks.

Let us go back to the "M" in OMB and talk a little bit about management. In the Navy, when you are trying to do something really hard, what we used to say is like trying to turn an aircraft carrier, you need the whole crew in order to be able to do that, and you are going to need not just the crew at OMB to actually affect and implement the President's management budget. But, talk to us about how you plan to network, to build a sense of team and coordinate working with us, with the Government Accountability Office (GAO), working with the Inspector Generals and others that can help implement a thoughtful management agenda.

Secretary DONOVAN. I think this is a really important area in the sense that what I saw in local government, some of my frustrations, frankly, with the Federal Government is that, too often as a Federal Government, we operate in our silos of agencies and we do not necessarily connect with other agencies, with local government, and with Congress effectively or the private sector.

And so I think one of the hallmarks of the work that I have tried to do at HUD, whether it is on the mortgage crisis, whether it is in our response to natural disasters, whether it is on homelessness, where health is a critical savings we actually get out of the work that we do on homelessness, with education, with the Department of Energy, I have built strong cross-governmental relationships where we have actually set shared goals and we have looked to achieve those in a coordinated way.

And so one of the reasons I am excited about taking on OMB, if I am concerned, is it occupies a special position in working to coordinate and make sure that we are working as one government as effectively as possible.

Chairman CARPER. All right. Thanks very much. Dr. Coburn.

Senator COBURN. Thank you.

One of the things that has not been able to be achieved yet is a consensus between the Administration and Congress on tackling the big elephant in the room, which is deficit reduction, in a way that will solve the problem into the years. We have a $17.5 trillion debt, predicted to go back to a trillion dollars a year deficit in the next few years. And OMB plays a critical role for the Administration, but also for the country.

So, my first question is, I have worked very closely with the Government Accountability Office. I recommended that you spend time with GAO. When you see the last 4 years' reports from GAO on duplication—and, by the way, the Administration has done a fairly good job at outlining some of those things in the annual budgets—what is your level of frustration when you see that, according to my staff's calculation, we have about $250 billion a year in duplication with minimal metrics outlined by the GAO? What is the position within the Administration in terms of addressing that, in terms of the real leadership of asking Congress, fix this?

Secretary DONOVAN. Well, Senator, you and I spoke a little bit about this and it is an area where I think we have made some real progress. Just to give you one example, the President's budget for 2015 outlines about 130 programs where we can achieve cuts, consolidations, other types of savings, for a total of about $17 billion.

Certainly, my experience at HUD has been that there is a lot that we can do. One of the primary areas I focused on as soon as

I arrived, we have 13 different rental assistance programs at HUD, and some of that makes sense. We have a program for seniors, a program for people with disabilities that have logical differences. But, too often, those differences are just history and circumstance rather than being logical.

So, I started an effort called the Rental Assistance Demonstration, which is already about two-thirds of the way consolidating older, frankly, obsolete programs into a single program, and we have been working with Congress, and, in fact, in our Senate budget—Senator Collins really should get some credit for this—we have been able to start to consolidate about one-fifth of all public housing into the Section 8 program.

And, so, I think there is more work that we can do with executive authority. To be frank, Senator, I think, too often, what is hard is achieving bipartisan consensus about whether it is reducing the number of offices that we have around the country or reducing programs. And, so, I do think we need to find ways, and I would love to talk to you further about it, get suggestions, on ways that we could drive not just ideas about consolidation, but get to actual bipartisan consensus where we can achieve legislative reforms, both in the budget and otherwise, as well.

Senator COBURN. My understanding is OMB has the power to require agencies to put metrics on programs. Do you agree with that?

Secretary DONOVAN. Yes, I do, and, in fact, I would compliment the Committee. The Government Performance and Results Act (GPRA) Modernization has been a very important tool. I am a particularly big believer, referencing something I said earlier, in cross-agency goals.

Senator COBURN. Fine.

Secretary DONOVAN. That is the reason we have been able to achieve such success on veterans' homelessness, is because we built a data system that was shared between HUD and the Veterans Administration (VA) and we meet on a very regular basis with the most senior leadership to really look at the progress we are achieving, not just nationally, but place by place, to see what is working and what is not.

Senator COBURN. But, the way to find out if things are working is to have metrics on the things, which you testified in your opening statement——

Secretary DONOVAN. Absolutely.

Senator COBURN [continuing]. And we agree with that. So, I guess, my question for you is, are you committed to trying to implement that across the government through both the GPRA Modernization Act as well as your authority as OMB Director, because if you cannot measure these programs, you cannot manage them effectively and we will not know. And, that is one of GAO's biggest recommendations, is there are no metrics on most of the programs. We do not know what we are doing.

Secretary DONOVAN. I could not agree more. And, in fact, not just in the last 5½ years, but my 5 years working under Mayor Michael Bloomberg in New York, as you know, the CompStat process was started at the Police Department in New York City.

Senator COBURN. Yes.

Secretary DONOVAN. And, I created, both in my agency in New York and here at HUD, an Office of Strategic Planning and Management whose specific responsibility it was to create and track those metrics across the most critical programs and, frankly, to do process improvement work, as well, because it is one thing to identify the problem. You have then got to fix it, and having the capacity to actually have a team that can go in, almost like an internal consultant within the agency to do that, I think, is absolutely critical.

And to be frank, many people—this is not an area that they think is one of the most interesting or sort of most noteworthy around—I am not only interested in doing this, I am actually passionate about it and I drive my team crazy at HUD in terms of my wanting to understand the numbers.

Senator COBURN. Congress and this Committee recently passed the Digital Accountability and Transparency Act (DATA) and it has some deference to the Defense Department (DOD). It gives them some extra time. But, one of the things that is going to be required by that is the head of OMB to keep the commitment that we are going to meet the goals of that legislation. Will you state before this Committee that you will do everything in your power to keep the commitment that the DATA Act timelines are fulfilled?

Secretary DONOVAN. Senator, I am committed to working with you very closely to make sure that we can achieve those goals of the DATA Act. I am getting up to speed on this. I know there was lots of bipartisan work on that bill. I know that OMB is currently trying to understand with agencies what system changes, what investments are going to be required. So, you have my commitment to come back very quickly, if I am confirmed, and work with you to meet those timelines.

Senator COBURN. You just made a statement that shows what kind of trouble we are in. The agencies do not have that information now to comply with the DATA Act. And, the very fact that they have to get up to speed to comply tells you that they do not know what they doing in terms of management because they do not know where they are spending the money. This is pretty straightforward. Where did you spend your money? It is a pretty straightforward bill. And the very fact, across the government, agencies do not know where they are spending their money and do not aggregate those to look at it so that they could comply with the DATA Act is the very reason we wanted the DATA Act in the first place, is to force that consolidation of data so that they will actually know what they are doing and where they are spending the money.

In your statement, you mentioned investing in our economy. How would you reconcile additional spending with the need for additional deficit reduction, given the fact that the Congressional Budget Office (CBO) has a point line mainly based on the entitlement programs, the mandatory programs. In your own mind, outside of what the Administration policy would be—how do you reconcile those two positions?

Secretary DONOVAN. Senator, I think about this in terms of the work that I have done on housing, which is obviously one of the most significant drivers of our economy. What we have to do, and at times it can be a difficult balance, but it is absolutely critical,

there are critical functions that we need to invest in. We have not just a fiscal deficit, we have deficits in our infrastructure, we have deficits in our educational system, we have deficits in the investments we are making in research and development, which we know contribute in the long run to the economic competitiveness of our country and ultimately to economic growth.

We have to find ways to invest in those critical things while at the same time dealing with what are really, as I mentioned in my statement, the two primary drivers of our long-term deficits. Our health care costs have grown more quickly than we have been able to control in our budget, and, at the same time, we have a wave—the Baby Boom generation—that will be adding to, given the commitments we have to seniors, to those long-term costs. And so, we have to find a bipartisan way to make those critical investments in the medium-term while at the same time dealing with those long-term drivers of the deficit.

Senator COBURN. OK. I am past my time.

Chairman CARPER. OK. I am just going to run through the list. This is in order of appearance. Senator Enzi, you are next, followed by Senator Johnson, Senator Begich, Senator Landrieu, Senator Tester, Senator Baldwin, Senator Pryor, Senator McCain, and then, after we have lunch, we will probably get around to Senator Portman, or maybe even before lunch.

All right. Michael, you are up. Please proceed.

OPENING STATEMENT OF SENATOR ENZI

Senator ENZI. Thank you, Mr. Chairman, and thank you, Mr. Donovan, for being here and testifying.

I am kind of curious as to why you would want to switch from an agency that you already have good control over and a lot of potential for solving some big problems that are the drivers for the economy in the United States to move over to OMB and start over again.

Secretary DONOVAN. Other than the fact that I love data and management, it is a chance to work on the big challenges that face my kids that are sitting right behind me. And, as I often say, public service is tough work. I do not necessarily like it every day, but I love it every day and it is a challenge that I want to take on.

Senator ENZI. Well, I appreciate your being willing to do that, and I am assuming that you are going to make it through the process fine and want to give you——

Secretary DONOVAN. I appreciate your confidence.

Senator ENZI. I want to give you a small task to start with. [Laughter.]

A huge priority for my State is something called Abandoned Mine Land Money. This was a program that was started when they started mining coal in the Powder River Basin. Of course, there has been coal mining going on all over the United States for years and years. Our State agreed, rather than taxing and keeping it all for ourselves, that we would allow a Federal tax and half of that would go into a trust fund for Wyoming and the other half would go for reclamation east of the Mississippi River, where they did not have nearly as much mining going on.

When I got to the Senate, no money had been given out of that trust fund yet and it had grown to a substantial number, and Senator Kennedy, in a bipartisan way, helped me to get that released. It took a super-majority to do it. We got the backlog released over a 7-year period.

But, right now, the Office of Surface Mining (OSM) is reinterpreting that and determining that we do not get all of that back pay. So, it is something that I would like for you to look into and to help me work on, because I like numbers, too, and I am keeping track of this, and so I know that it was supposed to be given to us over a 7-year period. Five of the years passed, and the balance that is still owed us, without interest, is $165,401,519—— [Laughter.]

Which might not sound like a lot in the Federal scheme of things, but for a small population State like Wyoming, it is a real big thing. So, I hope you can commit to me to work with OSM to get a correct interpretation on how the money is to be distributed so that this trust fund can truly be a trust fund.

Secretary DONOVAN. Senator, should I be confirmed, this is an issue I look forward to getting up to speed on it and seeing what I can do to help resolve it.

Senator ENZI. Thank you. Now, on the broader scale, and Senator Coburn started on this and I want to pursue it a little bit more, and that is the $17 trillion in debt that we have and how we are going to get some kind of control over the spending that we are doing, and you are in a prime position to do that. Do you have any kind of an idea of a plan where we can start to get toward a balanced budget and perhaps a mechanism for actually doing some prioritization? That is what Senator Coburn was talking about earlier, the GPRA process. Do you have any ideas for how to implement those?

Secretary DONOVAN. Generally speaking, Senator, what I would say is I think we have begun to make some bipartisan progress on the deficit. Over the last few years, we have seen the deficit coming down faster than at any time since World War II. But, there is more that needs to be done, and I think, in particular, if you look at the President's budget, over the budget window, it would bring down deficits as a share of the gross domestic product (GDP) from nearly 4 percent to about 1.6 percent. So, I think there are some important things to build on there.

In particular, I think the $400 billion in savings that are contained in the budget in Medicare and Medicaid are critically important. I would also point to places where we can really look at wasteful spending that we have in our tax code through closing loopholes and other efforts. I think those are a very good beginning to a longer-term solution.

Senator ENZI. Well, I appreciate those comments. I hope that you will look at the duplication that there is out there and maybe get some kind of a system for prioritization.

Wyoming was faced with needing to make a 6-percent cut, partly because of the money that I just mentioned a little bit ago, but the Governor came up with a mechanism. If you just ask agencies, what is your top priority, or can you give me a priority, everything is a top priority. So, he asked them to prepare lists showing what

they would cut if they had to cut 2 percent, 4 percent, 6 percent, and 8 percent, and then he could look at the lists. And if it showed up on all four, it was one they were probably willing to cut. But, if it only showed up on the 8 percent list, it was probably pretty important.

You are welcome to that idea from one of the laboratories of the States, which in this case happens to come from Wyoming, but I think they have a lot of ideas out there that will work.

I know that you headed up the recovery effort following Hurricane Sandy. In that process, did you discover any waste or inefficiencies that we ought to be correcting?

Secretary DONOVAN. And, I would share the frustrations of, I think, many of your colleagues in seeing places where we can speed up and improve the way government works, and I would actually just recognize Senator Landrieu, who was very focused on working after Hurricane Katrina to rationalize, simplify, streamline the approval processes, and I would say particularly around the environmental review process.

So, for example, when we worked with Congress to pass the Sandy Supplemental Appropriations Bill, we included a provision that allowed any community that was using multiple sources of Federal dollars to rely on one single environmental review. Too often, we end up having to require multiple agencies to do environmental reviews for a single project, and that is obviously one example, but one very expensive example, of an inefficiency.

And, I would say I am very encouraged by the bipartisan work that has been done in the Committee around infrastructure permitting more broadly. That is something, given how much investment is going into infrastructure after Hurricane Sandy, we created a regional working group with every critical Federal agency, with State and local government, to dramatically streamline how we are going to get those large infrastructure projects done. And, as I think you know, there has been great work that the Committee has done with OMB and the Department of Transportation to implement that around high-priority infrastructure projects.

The best example of that is the Tappan Zee Bridge in my home State of New York, where we took a process that would have been probably 3 to 5 years to get the permitting done and dramatically cut that to under 2 years.

Senator ENZI. Thank you, and my time has expired.

Chairman CARPER. Thanks, Senator Enzi.

Senator Johnson, and then Senator Begich.

OPENING STATEMENT OF SENATOR JOHNSON

Senator JOHNSON. Thank you, Mr. Chairman.

Secretary Donovan, welcome.

Secretary DONOVAN. Nice to see you, Senator.

Senator JOHNSON. I appreciate you spending the time to meet in my office and I appreciate your willingness to serve. It is a big job, and I agree with you, OMB is right at the center of addressing so many challenges we face in this Nation.

Let me start first by getting your take, and assessment of where we are economically. In terms of recoveries after big recessions, our post-World War II average after 19 quarters—and that is how far

we are into the recovery now, 19 quarters—economies have, on average, recovered by about 23 percent, in other words, grown by 23 percent. After the 1980 recession, during the Ronald Reagan recovery, our economy had grown at 25.6 percent. Following the Great Recession here under President Obama, our economy is growing at 10.8 percent. So, we have not even achieved half the average growth of post-World War II recoveries. Do you have any explanation of why do you think that is?

Secretary DONOVAN. So, it is interesting you asked this, Senator. We actually spent some time with the economic team and the President just yesterday on this issue and a range of factors. The biggest factor, most economists agree, is actually the demographic changes that we are undergoing, and that accounts for about half of the difference between this recovery and other historical ones.

Other factors that are very important, the debt overhang that we have from this crisis. Financial crises, in general, are slower to recover from. We see that across the world in the performance of world economies relative—the United States is actually relatively doing better, but that has made it a slow recovery overall.

The dramatic cuts in government spending, local government and State government spending, is actually a significant contributor, as well. There are a few other factors, but——

Senator JOHNSON. Are you saying the Federal Government has cut spending?

Secretary DONOVAN. There were reductions in State and local government that were very unusual.

Senator JOHNSON. OK, but you are working for the Federal Government. We have not cut spending in the Federal Government, correct? We have not increased it as much as people wanted, but it has actually been flat for a couple years. We have not cut anything, right?

Secretary DONOVAN. As a share of our economy, which is the traditional way that budget experts look at this, we have reduced discretionary spending significantly relative to the expectations we——

Senator JOHNSON. But, as a percent share of our economy, last year, we spent 20.8 percent, and for 50 years, the average is about 20.2 percent, so as a percent share of our economy, we are spending a little bit more than average. And, that has actually come down from a high of close to 25 percent early in the Administration, correct?

Secretary DONOVAN. In terms of overall outlays, you are talking about, Senator——

Senator JOHNSON. Yes, the Federal Government.

Secretary DONOVAN. Again, our estimates are that we have reduced overall the deficit, and this is on a bipartisan basis, about $3 trillion. Most of that has come from reductions in spending relative to what our expectations were.

Senator JOHNSON. You talked about investing in our economy. Can you give me your opinion, who is the better allocator of capital, the private sector or government?

Secretary DONOVAN. I would answer, the private sector.

Senator JOHNSON. OK. All things being equal, is it good to have low-cost energy if you want to manufacture, if you want to get your economy going, or high-cost energy?

Secretary DONOVAN. Low-cost energy, and, in fact, one of the bright spots in our recovery has been that we have significantly increased our production of energy domestically. I think, as you know, as we talked about the other day, we are now actually producing more here in this country than we are importing from overseas at this point. We have seen a doubling of our renewable generation, and particularly for manufacturers, an area you know very well, the production of natural gas has been a huge boost——

Senator JOHNSON. As a candidate, President Obama did say that because of his cap and trade proposal, electricity rates would necessarily skyrocket, and now we are trying to, through regulatory agencies, enact those cap and trade proposals or something similar to that. Do you think that is a good thing or a bad thing?

Secretary DONOVAN. Senator, I am not an expert. I assume you are referring to the new rule——

Senator JOHNSON. Right.

Secretary DONOVAN [continuing]. That has been issued. I am not an expert in talking great detail about that——

Senator JOHNSON. But, in general, if government regulations or policy drives up the cost of energy, that is not good for economic growth, is it?

Secretary DONOVAN. Generally, low energy costs are good. As I said, the policies under this Administration have actually led to a significant expansion of domestic energy production, a doubling of renewables which is one of the strengths in the economy that I hear out there as I talk to the private sector.

Senator JOHNSON. Let us talk about it. Let us talk about allocation of capital and government investing, because I hear this word "investing" all the time, and generally, it means spending. But, President Obama in his acceptance speech said he would invest $150 billion over the next 10 years, the next decade, in affordable renewable sources of energy, wind power, solar power, and the next generation of biofuels, an investment that will lead to new industries and five million new jobs that pay well.

There have been a number of reports, the most recent one from the Institute for Energy Research, that says that we have spent about $26 billion, and 17.5 percent of that $150 billion investment. They calculate we have produced about 2,300 jobs, about 0.046 percent of the five million jobs.

You mentioned you have to measure your goals. Do you think that was an achievable goal? Do you think it was a wise goal? Do you think that was a wise investment? And, do you think it worked?

Secretary DONOVAN. Senator, to be honest, I am not familiar with the report that you are quoting from. I would be happy to look at it and tell you my assessment. Should I be confirmed, I would love to spend more time talking to you about it, but I cannot give you an answer about the report——

Senator JOHNSON. The point I am making is we have spent about $26 billion on green energy jobs, created about 2,300 jobs at a cost of about $11.5 million per job. And, from my standpoint, if you real-

ly want to take a look at what is happening in terms of this economy and why it is not growing as rapidly as it really should be is the onerous nature of the size of government, a regulatory environment that, according to the Competitive Enterprise Institute, cost $1.8 trillion per year to comply with, and OMB is right at the center of trying to rein in that regulatory burden. I wish you all the best luck in trying to do just that. Thank you.

Secretary DONOVAN. Thank you.

Chairman CARPER. Senator Johnson, thanks for those questions.

Senator Begich, you are next, then Senator Landrieu and Senator Tester.

OPENING STATEMENT OF SENATOR BEGICH

Senator BEGICH. Thank you very much, and thank you for being here and appreciate you being here.

I am going to actually have some questions, but I am going to wrap back around at the end, if I have time, on the energy issue——

Secretary DONOVAN. Yes.

Senator BEGICH [continuing]. Because I come from a State that understands energy, not only from an oil and gas perspective, but we also will be 50 percent renewable energy for State consumption by 2025. No other State will meet us in that kind of percentage. We are a leader in this area. So, I am going to hold that for a second, but I want to be specific on some Alaska issues.

As we talked about, one was the Transportation Security Administration (TSA) and the current recent proposal to eliminate the definition of round-trip in assessing Passenger Security Fees. This, in my view, exceeds the Congressional intention which was laid out in the Budget Control Act. And, what this means for Alaska, as you know, you have been there. You know it is not one flight and you land. It is multiple flights. And, because of that, it adds additional burden, especially in our rural areas, on the cost.

And, I would hope and ask if you would be willing to take a look at this, because I think the intent of Congress is not what I think now the regulation is attempting to do, which is basically grab every dime they can from every time you stop. And, in Alaska, in a rural State, and, I can tell you, I am sure from Senator Tester's State, Montana has the same situation, that I think this would be a concern, and would you be willing to kind of reexamine this and work with us to make sure this does not do damage to rural travel and the ability for people to afford to move from one place to the other.

Secretary DONOVAN. Senator, as you mentioned, I have spent time with you, many others on the Committee, seeing the needs in rural communities, in Native American communities, and should I be confirmed, I would be happy to sit down with you, talk more about this, and see if there is a resolution we could reach.

Senator BEGICH. Fantastic, and especially, 80 percent of our communities are not accessible by road, so the air is the road for us, so it is important.

Secretary DONOVAN. Hooper Bay, good example.

Senator BEGICH. Hooper Bay is a great example. Thank you for, again, coming up.

Another one which you talked about was the Department of Labor's (DOL) recent proposed change to the Employment Retirement Security Act, or their view of what they have the role and responsibility there, which would have a direct impact to 401(k)'s and the Individual Retirement Accounts (IRAs) and how they are managed and how average, everyday Americans utilize their broker or their individual manager of those accounts. And, it seems they are chasing a problem that does not exist. This is now under the Securities and Exchange Commission (SEC) and they manage it well. I am not getting a lot of complaints about the people they are working with, but for some reason, the Department of Labor sees this as an opportunity, which I do not know what that means. It just seems to me another layer of bureaucracy that would impact smaller investors who invest in an IRA or 401(k).

And, again, we talked about this, and again, I just want to put on the record, are you willing to take a look at that and see if there is an opportunity to understand and see if maybe there is an overreach by the Department of Labor here.

Secretary DONOVAN. If I am confirmed, Senator, I would look forward to sitting down to talk to you more about it.

Senator BEGICH. Fantastic. The other one, and we have been doing a lot of work in my Subcommittee on Emergency Management, Intergovernmental Relations, and the District of Columbia here on getting agencies to look at how monies can be utilized, and there was some discussion here about post-Sandy and some of the review we have done through my Subcommittee here on trying to make sure agencies have flexibility on using their funds, not just for response, but mitigation, which seems to be the better use long-term. I know there is a short-term always, disaster, we have to deal with it——

Secretary DONOVAN. Yes.

Senator BEGICH [continuing]. But, really, the front end is the more important, mitigation. And, OMB has a huge role here by policy guidance in how agencies can be more flexible.

Based on your experience on Hurricane Sandy and your work that you have now, is this an area that you will look at and try to help us understand what we can do to make a better use of our Federal resource here?

Secretary DONOVAN. Senator, I think you put your finger on something that is enormously critical. And, just to sort of boil it all down, we now have very good evidence that for every dollar we spend on mitigation, on making communities safer, we save four dollars the next time a storm comes. So, this not only saves lives, it saves taxpayer dollars, and I think there are a range of things, not only that we can do, that we are doing, much of it coming out of the work that we did on the Sandy Recovery Task Force, starting with how do we get families and communities the best information about what risks are.

I think the Federal Government is in a unique position to have the best science available for communities, and we have done that in transparent ways, creating websites that a family can go and click and figure out what the risk is on their street, to their home, 50, 100 years into the future, but also, frankly, working to figure out where the government can get out of the way on this. At times,

we found that many of the Federal agencies had different standards about how we should rebuild, and so we created for Hurricane Sandy a single, consistent standard that cut across all the rebuilding programs, as much as we could under existing laws, and that just makes life a lot easier as a family is rebuilding, not have to understand what four different agencies require, but actually that there is a single, simple standard.

Senator BEGICH. Very good. We will work with you in that arena, because I think it is an important opportunity.

The other last thing that I will do—if I have seconds left, I will say something about the energy—but, I do want to have a conversation at some point with you in regards to revenue sharing on the Outer Continental Shelf. The Gulf States receive it. Alaska does not. We have legislation pending. OMB is always concerned, because they always want the money, but we also know the impact on Outer Continental Shelf development of oil and gas is felt by communities that are attached to it. And, so, we will work with you on that. I just more want to put it on your radar screen. I did not have time the last time when we talked. I forgot to kind of put that on the list. I think it is pretty important not only for Alaska, but other Coastal States that are dealing with Outer Continental Shelf oil and gas development.

Let me, if I can—and I just will make a general comment. You do not necessarily need to respond. I understand my colleague's concern about investment, but, when you think about the military who invested in the Internet, I am sure it was not a moneymaker back then. They probably were investing because they had to because of communication capacity and new technology. Well, today, it spawned enormous amounts of business.

Renewable and alternative energy, as I said, for Alaska, we are an oil and gas State, but we also are going to be a 50 percent renewable energy by 2025. The State of Alaska has put, literally, hundreds of millions of dollars in this investment because we know it is the right thing, because the more you get off of energy from foreign countries that hate us means we get more money staying in our economy here, no matter what the mix of energy profile is.

And, so, when I hear these arguments that it is almost, like, a waste of investment, it is not a waste of investment if we are turning around, not spending money with people who hate us, running two trillion-dollar wars trying to defend oil and gas issues overseas. It makes sense long-term. So, I would love to have—I am using you as a conduit here, but I would love to have that debate, because we spend a lot of money, a lot of lives, protecting oil and gas and energy sources around the world when the more we diversify our base here, the better off it is. And, it does produce jobs. It produces opportunity and new innovation.

So, I thank you for your time. Thank you for allowing me to rant there for a minute. Thank you, Mr. Chairman.

Secretary DONOVAN. Thank you, Senator.

Chairman CARPER. Thank you for serving as a conduit for Senator Begich and others.

All right. Senator Landrieu is next. She has stepped out. Senator Tester, and then Senator Baldwin.

OPENING STATEMENT OF SENATOR TESTER

Senator TESTER. Thank you, Mr. Chairman.

Chairman CARPER. Senator Tester.

Senator TESTER. Thank you, Mr. Chairman, and I want to thank you for being here today, Shaun, and it is great to see your family.

Secretary DONOVAN. Thank you.

Senator TESTER. I just want to echo what some have said today, and that is I appreciate your service, but I really appreciate your family sharing you with us. You are one of the smart guys around here, and I do not mean that in the negative sense. I mean it in a positive sense. [Laughter.]

And, I think you have vision and I think we are blessed to have you as a part of the Administration, so thank you very much.

Secretary DONOVAN. Senator, thank you. I appreciate it.

Senator TESTER. I want to talk about duplication for a second because I think it is one of those things that frustrates all of us, but sometimes we are the ones that create it. Now, let me give you an example, and these are all programs I love.

You are the Secretary of HUD that deals with housing. We have a housing program in the U.S. Department of Agriculture (USDA). We have a housing program in VA. From my perspective, I am a rural guy, so USDA is a good thing, and I love veterans, and so the VA is a good thing. But, the truth is, if we want true accountability, it ought to be consolidated under one lid.

How do we do that, and how do you encourage—or, you can pick another one, too. There are more egregious ones out there than housing. But, how do you, as OMB Director, how do you get us to a point where you can impact the duplication and impact Congress to reducing duplication?

Secretary DONOVAN. Well, Senator, let me take an example that we have, and I mentioned earlier 13 different rental assistance programs at HUD. We have actually worked with our Appropriations Committee and have started to make real progress.

Another example is on homelessness. We actually worked with GAO. They came to us with a report that looked at homelessness programs across the Federal Government, and we agreed. We have an Interagency Council on Homelessness, 19 different agencies represented. We have very clear metrics and goals for what we are trying to achieve, and because of that, this is where I think OMB can be very helpful in leading measuring success and being able to say not just there are too many programs, but which are the programs that are actually achieving success.

What they found was that at HUD, the homelessness programs were actually more integrated, and working with Congress, we actually got some streamlining through the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of our homeless programs. But, there was a food program at the Federal Emergency Management Agency (FEMA), an emergency food program, that was basically going to shelters. It was not just being used for food, but that was the primary, and their recommendation was it is not as effective, in their view. Could we basically consolidate it with the Continuum of Care—that is what we call our programs at HUD. We liked what they said in their report. We thought it made sense. We have actually proposed in our budget

this year to take that program from FEMA and consolidate it into the work that we are doing at HUD.

So, I think that is exactly the way it should work. You have to measure it, find out what is successful, and OMB can help drive that coordination because it has a unique perch to look across Federal agencies rather than being in a particular silo.

To be frank, the challenge, we have talked about this—that you find is, every program has its supporters.

Senator TESTER. That is correct.

Secretary DONOVAN. Sometimes, there are different Committees——

Senator TESTER. Yes.

Secretary DONOVAN [continuing]. As in this case, where you have—and, I think there is no substitute for the leadership of OMB and the agencies rolling up their sleeves, sitting down with Congress, and working those issues hard. But, I also think—and I would love to get your advice—we have to find ways to build more Democratic and Republican support, bipartisan support, for those kind of changes. And, I think what we can do on our side in the Administration is make sure that we are publicizing, making it very apparent what is working and what is not.

Senator TESTER. Yes.

Secretary DONOVAN. That is why I am a big believer in the transparency this Committee has worked on. But, the political obstacles are real and, your advice on how we overcome those would be helpful, too.

Senator TESTER. Well, I wish that I had all the answers. I can tell you that I think that you can make a difference. I appreciate what you have just said. I think that recommendations from OMB on possible ways that we can make government more efficient, more effective——

Secretary DONOVAN. Yes.

Senator TESTER [continuing]. And get more of the dollars we spend to the ground, I think, is critically important for us.

In another area, yesterday, Senator Portman and I chaired a Committee meeting on information technology (IT) investments. We spend a lot of dough—Senator Baldwin was there, too—we spend a lot of money on IT, some of it with success, a lot of it without much success. The coordination is getting better, but it certainly is not where I believe it needs to be between agencies. Such things as the Dashboard at OMB——

Secretary DONOVAN. Yes.

Senator TESTER [continuing]. The IT Council, all those things are good. I mean, how do you envision, as OMB Director, assuming you get confirmed, how do you envision your position between the agencies, empowering them to coordinate better?

Secretary DONOVAN. So, this is an area—and I appreciate your work on it, Senator, your focus on it—our IT investments are some of the largest and most important investments that we make, and through my own experience, not just at HUD but in other leadership positions in the private sector, as well, they are also some of the places where it is easiest to go wrong.

And, to give you the example I had, I came in. We were in the middle of a major reinvention of our financial systems at HUD. It

was behind schedule. It was over budget. We had spent about $100 million, close to that, already, and, frankly, it did not look likely it was going to get us the results that we had wanted, and this had started almost 10 years before I had arrived.

And, so, what was incredibly helpful is through the PortfolioStat process, OMB brought us ideas, and the shared services model in particular. We are now, to use the technical term, the poster child at HUD for shared services. We are in the process of migrating our entire financial systems over to Treasury. Starting by the first of the fiscal year, we will have the first piece of that system moved over. And, it is not a model—I would not have known that the Bureau of Fiscal Services at Treasury was really good at this, but they have credit reform programs. They do a lot of the things that we do at HUD, so it is a similar sort of financial system. And, we are going to get a better product, faster, at lower cost, than if we continued pursuing our own reinvention of our system.

So, I am a big believer that OMB can play a very important role because I have lived it. I have seen it. And, we are now in the process of pursuing this shared services venture.

Senator TESTER. I appreciate that work and appreciate the—I was going to ask another question about security clearances. My time is up, but we will get to that——

Chairman CARPER. Go ahead. Just make it brief, if you would. Go ahead.

Senator TESTER. Really? OK. Well, I am somebody who thinks we have too many people with security clearances, and I am also somebody that thinks that the kind of due diligence that is necessary to give those security clearances is somewhat lacking. We contract a lot of the work out, not a lot of oversight, from my perspective. And, I could be wrong on that. Actually, I hope I am wrong, but I do not think the record bears that out.

As OMB Director, what role do you see yourself playing in the security clearance platform, if that is what you want to call it, and what role do you see us—what role can you play——

Secretary DONOVAN. Yes.

Senator TESTER [continuing]. Allowing us to make the necessary reforms?

Secretary DONOVAN. Well, first of all, Senator, I think you are already playing a very constructive role. I know you have a number of pieces of legislation in this area that you put together, and I, should I be confirmed, I look forward to working with you specifically on those.

Where I am encouraged by this is the 120-day review that the President ordered that was completed in March, I think, is a very good sort of analysis of the problem and starting point. I know that OMB is working with agencies to get detailed action plans as part of the priority goal setting process. And, in fact, the fact that this is one of our 15 priority goals across the whole government, I think, is an indication that it is really important to us.

The thing that I think, of the many things that we are working on, the thing that seems most important in the work that I have done to sort of get up to speed on this over the last few weeks is that we have to have a process that does continuous evaluation, right. We have this big backlog in our security clearances, right.

But, even if we could catch up on that, the idea that you are only checking once every year, once every 5 years, given the technology that we have today, just does not make sense.

And, so, how we move to a continuous evaluation process, where you have an automated way to check information, combined with working with State and local actors who may have—there may be a problem that an employee runs into with an arrest or something like that. If you do not have those access to those records——

Senator TESTER. That is correct.

Secretary DONOVAN [continuing]. In real time, you are just not going to find stuff. So, that combination of automated data systems to do continuous evaluation with better data sharing, I think those, from what I have learned so far—you are more of an expert than I am on this—feel to me like critical things that we can do to move forward on this.

Senator TESTER. Just really quickly—thank you, Mr. Chairman—I wish you the best in the confirmation. I wish you the best in this job. As you know, you have a standing invitation to come to Montana. You can bring your family, too. We would actually rather have them come than you. [Laughter.]

But, because we will put your kids to work. [Laughter.]

But, the truth is, you have a lot of work to do here in Washington, D.C., but I hope you have the opportunity to get around the country to be able to continue seeing the challenges that are out there, because I think it is important. So, thank you. Thank you very much.

Secretary DONOVAN. Well, I appreciate it. I will just say with my sons here that it is an important way they will earn their allowance. [Laughter.]

But, I have been waiting—now that Milo has turned 15 and he has passed me in height, I think he will be a much more productive worker on the ranch than he would have been a few years ago. [Laughter.]

Senator TESTER. He can pick bales. That is good. [Laughter.]

Chairman CARPER. All right. Senator Baldwin.

OPENING STATEMENT OF SENATOR BALDWIN

Senator BALDWIN. Thank you, Mr. Chairman.

I want to thank you for also meeting with me, and I know you did with many Members of the Committee, prior to this hearing.

Secretary DONOVAN. My pleasure.

Senator BALDWIN. We had a chance to talk quite specifically about three issues that concern me a lot. But, I want to say that the thing that I took away from our meeting was a phrase that you shared with us in your opening statement today, that you do not necessarily like your job every day, but you love it every day. And, I tend to be a pretty hopeful and optimistic person myself, but when we ended up talking about the very specific things that I brought to your attention, those are the things that, that I do not like.

And, so, I do want to actually talk through the same three topics, but perhaps in a sort of broader sense, because you have not been confirmed yet, so you are not necessarily getting around to the details of working on these issues, but I want to know what you can

do when you are confirmed, should you be confirmed, and what OMB can do and what sort of tools you can bring to these issues.

And, the first one relates to a land transfer issue in the State of Wisconsin, one that has been pending for nearly 17 years. And, I had a chance to work on it during my 14 years in the House, and, of course, I am continuing to work on it now. But, it, unfortunately, has been slowed by a difference between the Department of Defense and the Department of the Interior relating to a land transfer to a third party, a Tribe in the State of Wisconsin.

I have engaged extensively with both Departments and it just does not seem like any are willing to take their heels out of the—they have dug their heels in. What can OMB do, as Office of Management and Budget, to prod, push, bring to resolution—because this is not the only such issue that has been pending for many years beyond what is rationale and should be expected.

Secretary DONOVAN. Senator, as you mentioned, we talked briefly about this, and should I be confirmed, I, as I said to you the other day, look forward to talking to you more and trying to figure out how this might be resolved. It is hard for me to comment specifically——

Senator BALDWIN. Yes——

Secretary DONOVAN. But more broadly, to go to your question, my experience, issues like this come up at HUD where different parts of HUD might be in disagreement, and my general experience has been—and I think if you talk to my team, they would tell you, I can be pretty impatient about this stuff—that what you have to do is get everybody in the same room and figure out that everybody is communicating.

What I often find is that these problems come down to an issue of, the interpretation—it is like a game of telephone—is not necessarily the same. Get everybody in the same room and push to see if there are creative ways. I often find that if you are just in a view of, this is the way we have always done it, or, this is the way we have done it before, but looking for possible ways creatively to solve problems, you can often come up with a solution that—it may not be perfect, but it works.

And the other thing, to be frank, is that what I often find sometimes is that agencies do not want to deliver disappointing news. If we really cannot do something, if there really is a statutory restriction against doing something, we owe it to you, to every Member of Congress, to come back and say, here is where the situation is, right. And, I have no idea on this issue——

Senator BALDWIN. Right we have not gotten into that level of detail——

Secretary DONOVAN [continuing]. But, that communication and cooperation and being able to get back quickly, whatever the news is, to communicate it, I feel like, is something that I would want to prioritize at OMB, if I am confirmed.

Senator BALDWIN. Well, I appreciate your commitment to give attention to this. It is enormously frustrating, and it is one of those things that, I think, gives government, in general, a bad reputation. Seventeen years is unacceptable to all involved, and we really have not heard satisfactory answers, and I do not think it is a mat-

ter of giving somebody hard news or bad news. It is intractability that, in this case, is just unacceptable.

I wanted to talk about the U.S. Forest Service budget and the issue of fire borrowing. Right now, as we have seen a lengthening of the fire season in the United States, as we have seen more extreme fire events, we have seen the movement of the Forest Service budget from the things that they anticipate doing on an annual basis to respond to the emergencies that seem to come up with much greater regularity. And, it is, in fact, making it much more difficult to do the very things that the Forest Service might do to prevent forest fires in the future, to manage and maintain healthy forests. It is certainly something that we are seeing have significant events in Wisconsin. I know in the Western States, this is very significant.

Well, I know that we many of us on this Committee, actually, have sponsored a bill that would allow for the most extreme fire events to be funded through disaster spending rather than the Forest Service account. The President's budget for 2015 incorporates that proposal. So, I guess I would ask you, if confirmed, what can OMB do to see this through, and what impact does fire borrowing have, in your observation, on the Forest Service's ability to do what it is supposed to do?

Secretary DONOVAN. Yes. I am glad you raised this, Senator, because I think it is an important issue and it is one where I am hopeful that there can be bipartisan progress on it. I know that it is important to many other Members of the Committee, as well, and thank you for your leadership on it.

The cap adjustment proposal that you referenced, I think, makes a lot of sense in a number of ways. First, it would expand the ability of the cap adjustment to cover the kinds of forest fire fighting, particularly the most extreme fires. One percent of the fires account, typically, for about 30 percent of the costs, and those are the kind of extreme examples that we really ought to be creating some flexibility around. But, it would do so by offsetting the cap for others. So, it does not increase overall the cap adjustment, and I think that is a fiscally responsible thing to do.

But, as you well know—we talked about this, and we just talked about it with Senator Begich—often, we force ourselves into shortsighted decisions. In this case, we are reducing the kinds of smart things that would actually limit forest fires going forward, clearing out kind of low-lying vegetation in forests that can help spark these fires, a whole range of things. If we are not doing that kind of regular maintenance we create greater risk of forest fires going forward. And, so, by making this cap adjustment, we are actually going to ensure that we are doing the kind of smart things in the short term that are going to limit these costs going forward. It is exactly the kind of mitigation, smart mitigation measures that we talked about before with Senator Begich.

So, I am very encouraged by your focus on this and I appreciate it.

Senator BEGICH. Thank you.

Chairman CARPER. Senator Baldwin, thanks very much for joining us today.

Senator Pryor is not here. Senator McCain had to leave. Senator Portman, you would be next. I do not know if you were here in the room when, in answer to a question about the DATA Act from Dr. Coburn—I know you and Senator Warner spent a lot of time on the DATA Act. You just need to know, the Secretary trashed it pretty badly—— [Laughter.]

And, now it is your time to ask questions. Go ahead.

OPENING STATEMENT OF SENATOR PORTMAN

Senator PORTMAN. What a set-up. It just gives me another question, number 25 now, not just 24. [Laughter.]

Well, first of all, thanks for coming before us and being willing to go through confirmation again. We had a nice opportunity to talk about this job that I once held and that is, as I told you, the worst job in government, but also the best job in government. It can be both, but it is a very important job, I think, some times over.

In Administration, as we saw in the last and this Administration, people change back and forth, but the continuity is the management people there and the budget people there who are career professionals who do an amazing job, and I was honored to lead them, and a lot of them are still there. I know that will be the best part of your job.

The worst part will be having to work with us, probably. But, there are lots of things that I would like to talk to you about today. I do not have time for all of them. I guess a big one is just understanding that you are now in a cabinet agency. Your job is going to be very different, and I know you acknowledge that and understand it. Let me give you an example.

During your tenure at HUD, the paperwork burden has more than doubled on the American economy. In 2008, HUD regulations produced 27 million hours of paperwork. Today, that number is 58 million hours of paperwork. At the end of 2013, HUD's paperwork burden imposed a $1.7 billion cost on the economy. I think a lot of that is Dodd-Frank, probably about half of it.

Now, at OMB, you are going to be the primary enforcer of the Paperwork Reduction Act, so I hope you are prepared to change your focus a little bit. It is always said that the OMB job is the "Dr. No" job. That certainly was my experience. But, since I assume you have committed today to put the "M" back in OMB, which is what every new OMB Director says, I hope you also focus on this issue of Management: paperwork and regulations.

In particular, there is a great opportunity with the DATA Act, since the Chairman mentioned it, to move quickly on making the data that is available to the public and to you, as a manager, more uniform. Standardize it. Ensure that you have the kind of transparency and visibility. What you do not know, you cannot manage. I know, earlier, there was a comment made that it is very difficult to manage something that you cannot measure. Well, the DATA Act is all about that. It is about measuring things accurately and uniformly across government.

We do think it is a really important bill. Senator Warner and I worked on this for a few years and came up with what we thought was a very realistic and practical timeline for implementation. I

have to say, what I have heard from OMB since the DATA Act passed the Senate and the House about a month ago has not been encouraging. Instead of committing to meet the deadlines in the law, OMB has committed to, and I quote, "implementing its requirements based on current funding and timeframes that permits." Not very encouraging.

So, we left 3 years for implementation for parts of it. The uniform Federal financial data would not be made available to the public until May 2017. And, I tell you what, if you are not committed at OMB to that timeframe, it will never happen. You have to drive that.

So, I am looking for a commitment from you today that you will drive it and America and you, as a manager will finally be able to see in detail how the government spends our hard-earned tax dollars.

I did this when I was Director because I had to implement what was called the Federal Funding Accounting and Transparency Act (FFATA), a great acronym—— [Laughter.]

Federal Funding Accountability and Transparency Act. It was actually Tom Coburn and Barack Obama who introduced that legislation, and it put all grants and contracts online over a certain threshold, and the DATA Act really is building on that to be able to track and report on Federal financial information more accurately.

And, so I understand that it is a challenge, because I went through this, and the only way to have it work is if you drive it from the top. And, it has to be a huge priority of yours personally and of the agency. So, I guess I would—I know you are going to say to me, appropriated funds might not be there. They were not for me, either, but there are appropriated funds for Federal management, Federal financial management, in particular, and I just believe that a sustained leadership focus is going to be required.

Will this be a priority of yours, implementing the DATA Act under your leadership, and do you think you can meet the DATA Act implementation day one priority that is critical to the timely implementation?

Secretary DONOVAN. Senator, I commit to you, it will be a priority of mine. For me, the whole question of knowing what success looks like, measuring it, you cannot do that without good data. You talked about personal leadership—I, personally, attended every single HUDStat meeting that we have had over the last 5½ years. We created HUDStat and I attended every one of those meetings because I believe strongly in what you said, that it is about personal leadership and you need to take that kind of personal role to demonstrate the importance and to create work across the agencies.

I also will make sure that I am not giving you answers without knowing the facts, and this is a significant undertaking and I do want to make sure, if I am confirmed, that I dig into this quickly and be able to come back and talk to you about implementation, what it looks like and what we can do on that, because I take it—this will be one of my highest priorities, is not just the implementation of the Act itself, but also, more broadly speaking, how do we make government more evidence-based, more focused on data, and I want to do that.

I do want to take a moment, at some risk, to disagree with you on two things. One is that I am not going to promise to put the "M" back in OMB because I think Secretary Burwell has done that, and——

Senator PORTMAN. Did you say that? [Laughter.]

I think I said it. I am going to put the "M" back in OMB. So——

Secretary DONOVAN. I think it is going to be continuing the focus.

Senator PORTMAN. Yes.

Secretary DONOVAN. I think, not only Sylvia, but also Beth, has done a good job working with all of you. And, I am going to disagree that dealing with this Committee is going to be the toughest part of the job. I do not think that is true, and I particularly look forward to getting your advice and guidance, given your personal experience.

Senator PORTMAN. Two other quick ones on the regulatory front. We do not have time to go into it in detail, but one is independent agencies. As you know, about 25 percent of the new rules are coming from independent agencies. There is legislation that is bipartisan here on the Hill that says, let us apply the cost-benefit analysis in an appropriate way to independent agencies. Senator Warner and I have been working on that for some time. Senator Pryor and I have worked on that——

Secretary DONOVAN. Yes.

Senator PORTMAN [continuing]. In the larger Regulatory Accountability Act, really important. I just met with a bunch of manufacturers and they were talking about some of these agencies that have these acronyms like SEC and Federal Energy Regulatory Commission (FERC) and others. And, so, we want to work with you on that.

And then on permitting, America just keeps falling behind in terms of permitting. Again, I just met with some folks that volunteered to me just moments ago, it is tougher to get investment here because investors are looking around the globe, and they look at America and they say, gosh, it is going to take 4 or 5 years to get this energy project up and going. It might be a wind farm, it might be oil and gas development, it might be just a commercial shopping center. And, so, they look elsewhere because of these permits and the problems with permitting. Sometimes, there are 34 Federal permits, sometimes seriatim. You have to get through one, then the other, on some of these energy projects, for instance. So, we hope you will work with us on that, too. That is a bill that Senator McCaskill and I have that is a common sense bill that would get at this permitting issue.

And then, finally, thank you for your help with the City Gospel Mission. As you know, this is a great organization in Cincinnati. There is also one in Cleveland that has a similar issue. And, it is a distressing issue because this homeless shelter is not able to move forward right now with certainty because of a HUD deed restriction that has posed an obstacle to, really, an innovative and expanded way to deal with the homeless in our area of Cincinnati, Ohio. So, I know we are getting close to resolving this issue. I would ask for your sustained focus on that as we try to get across the finish line.

Secretary DONOVAN. You will have it.

Senator PORTMAN. Thank you. Thank you, Mr. Chairman.

Chairman CARPER. Thank you, Senator Portman.

Last, but not least, Senator Levin.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Thank you. Let me have 10 seconds.

[Pause.]

First, let me welcome you and your family, and I think your two boys deserve some kind of a special award this weekend——

[Laughter.]

For not only staying awake, but looking interested. [Laughter.]

Secretary DONOVAN. They love data, too. [Laughter.]

Senator LEVIN. I think they probably love baseball a heck of a lot more. [Laughter.]

At any rate, thanks for your ongoing service to the country.

I also, by the way, have an interest in the independent agencies and the cost-benefit analysis as it applies to them and whether they should be bound by the exact same cost-benefit analyses that all the other agencies are bound by and I would appreciate your thoughts about the independence of those agencies, whether or not they need a measure of independence from the President and, frankly, from political pressure.

Secretary DONOVAN. Senator, this is an area where, obviously, given, in particular, the challenges we had in the housing market and its connection to the broader financial system, I have spent a lot of time with not just the Federal Housing Finance Agency (FHFA) that oversees Fannie and Freddie, the Federal Deposit Insurance Corporation (FDIC), SEC, a range of other independent agencies, now the Consumer Financial Protection Board (CFPB). So, I have gained a healthy respect for the importance of the independence of those agencies.

I do think there are roles that OMB can play in creating best practices, in sharing information and technical assistance. But, I do have a healthy respect for the independence of those agencies and the importance of respecting that independence.

Senator LEVIN. Well, I hope that you are confirmed and confirmed promptly, and shortly after you are confirmed, because there is a bill which I believe is pending on this subject, I think it would be important for us to have your views after you are confirmed on this. Can you commit to give us that quick review of that bill? You know the bill number, I think—do you? Or you can——

Secretary DONOVAN. I have it in my notes——

Senator LEVIN. You know the bill I am referring to?

Secretary DONOVAN. I do——

Senator LEVIN. If you could give us that, to the Committee, after you are confirmed, after you have had a chance to look at that bill, but promptly, because I think it is on the calendar. Could you do that?

Secretary DONOVAN. Should I be confirmed, I look forward to spending time with OMB staff quickly and getting up to speed on this, yes.

Senator LEVIN. All right. And, then letting the Committee know what your views are?

Secretary DONOVAN. Yes, sir.

Senator LEVIN. In terms of, by the way, the discretionary spending in this country, I was trying to get a quick bunch of numbers here, since we are all numbers people today. On this question of discretionary spending, you and Senator Johnson had a conversation about it, and the way it looks to me is that in terms of even nominal dollars, at least in the last 5 years, we are spending fewer nominal dollars than we did 5 years ago, and less than any years since then. And, in terms of percentage of GDP, which you were also talking about, it is a smaller percentage of GDP since 2007. Does that sound about right to you?

Secretary DONOVAN. Yes. And, in fact, if you look out through the President's budget proposal, we would end up in 2024 with the lowest discretionary spending as a percentage of our economy in more than 50 years. So, this is not just a recent trend, it is a historical trend, as well.

Senator LEVIN. And it is something which, I think, is creating all kinds of problems in terms of economic growth, as you point out. But, that kind of leads me to the subject which you and I have spent some time talking about, which is the question of tax avoidance, tax loopholes, corporate revenue, particularly, going down as a result of the use of a number of tax avoidance gimmicks, mechanisms, schemes, loopholes, inversions, you name it.

I think that this Committee has really led the way in a number of ways at looking at wasteful spending, and it should be high up on the radar and I am all for it, because when we can identify it, we ought to get rid of it.

But, there are also tax loopholes, which are wasteful, as well, which do not serve any economic purpose except tax avoidance. We have mechanisms which the most profitable corporations in the world use to avoid paying taxes. Inversion is one of the mechanisms. We have a way in which companies can transfer their income to themselves in tax havens and avoid paying taxes. We have mechanisms by which profitable companies transfer their intellectual property to themselves in tax havens and avoid paying taxes. We have a tax loophole called carried interest where the folks that run hedge funds pay a lower tax rate than people who work for them.

There is a lot of debate over deductions and credits which serve purposes, and I understand that. But, I think we ought to distinguish between those kind of tax credits and those kind of deductions and the loopholes which do not have any economic purpose except to avoid paying taxes.

And, the question is, when it comes to trying to fill some of the gaps in our economy—we are going to run out of highway funds in a couple of months, I mean, we are going to stop highway projects right in the middle of the project unless we do something about it, so we have a great debate going on as to how do we fill that gap. We have a big problem with trying to do the right thing for our veterans. We have a need for some additional funds. At least, in the Senate bill, we sure do. The House bill does not have any additional funds.

So, we have a need for additional revenues. I think it is clear, both in terms of the number on Gross Domestic Product, the discretionary spending as a percentage of our economy, and the reduction

in defense spending, as well, by the way, which is very troubling for me as Chairman of the Armed Services Committee, impact on our security.

And, so, my question of you is whether or not you see the closing of at least some of the tax loopholes as a way of raising revenue, or should we look at closing even those kind of loopholes, the ones that serve no economic purpose except tax avoidance, as exclusively a way, if we do close them, of reducing rates?

Secretary DONOVAN. So, Senator, the President is committed to comprehensive business tax reform. We think that is an important goal and that there should be a continued focus on a bipartisan basis on achieving that. At the same time, the President has proposed in his budget that we use one-time revenues from reform of our business tax code to invest in infrastructure, to go precisely to your point about making critical investments.

And, should I be confirmed, I would certainly be open to working with you and others in the Senate on ways that we can eliminate wasteful spending in our tax code in shorter-term ways that would not necessarily be part of a comprehensive business tax reform. So, we would be open to those conversations.

Senator LEVIN. Thank you. Good luck to you and we thank your family for their contribution that they make to your contribution.

Secretary DONOVAN. And thank you for your service, Senator.

Chairman CARPER. Secretary Donovan, I have just a couple of more questions to ask, and I am going to ask you just to respond to them very briefly. I am supposed to be somewhere else right now. You probably are, too.

Secretary DONOVAN. I appreciate your staying.

Chairman CARPER. The 800-pound gorilla in the room on deficit reduction, I believe, is entitlement programs. A big piece of that is health care, a big, major driver. And, I am going to submit some questions for the record, but I would just ask that you be especially mindful, that I am sure you are, the one piece of that is improper payments.

And, if you look at the improper payments—for those who do not know what improper payments are, that is not necessarily fraud, but it is just mistaken payments, overpayments, mistakes, and so forth. And, I think we saw improper payments peak out at about $120 billion 4 years ago. They have dropped steadily to about $106, $108 billion today. But, we saw the number for Medicare actually rise over the last several years, and I am not sure—maybe my staff can tell me what it is, but it seems like it is around $45 billion. It has gone up, not down.

I would just ask that you be especially mindful—and, we had an ongoing discussion, dialogue with Sylvia Mathews Burwell on this and Dr. Coburn and I have been all over this issue for the last decade, and he and I will continue it this year, but we really want to focus on that with you and your folks, assuming you are confirmed. After this hearing, you just never know, though, so we will see. [Laughter.]

The other thing I want to mention, Dan Tangherlini and Beth Cobert sat right here with us 2 months ago. We had a wonderful hearing on the President's management agenda. And, one of the items we talked a lot about was strategic sourcing and how—my

recollection is that some of the major companies in the world and in this country, private sector companies, I think they manage as much as 80, 90 percent of their contract spending through strategic sourcing and they save money. In the Federal Government, I am told that major Federal agencies examined by GAO only managed about 5 percent of their contract spending through strategic sourcing. That is dramatic. It may be unrealistic that we could get to 80 or 90, but we could sure do better than five, and we are going to be counting on you to do that and to work with Mr. Tangherlini and others, with Beth and your own shop, to get us there.

There will be some other questions that my colleagues and I will have.

[Pause.]

My staff had given me a script here to use as the closing statement. [Laughter.]

I just look to your sons back there. You guys, you have been here for the whole thing and you can give your Dad, like, one thumb up, or maybe two if you think he has really been exceptional. What do you think?

I see two—OK, I see a couple. That is good. [Laughter.]

OK. All right.

Secretary DONOVAN. The check is in the mail, boys. [Laughter.]

Chairman CARPER. Well, I want to thank you all for showing up. I think one of my favorite sayings in life, showing up is about 80 percent of it. So, thank you for showing up and lending your support.

You have a beautiful family, and I know you are very proud of them and I suspect they are fairly proud of you, as well. Dr. Coburn admonished you that there are priorities, as well, and I am sure that you are mindful of that. It is hard to find that balance. People ask me, what is the hardest thing in my life, in my work here and as Governor and so forth, and it is always finding the right balance between family and all the responsibilities there and trying to be a good public servant.

I appreciate you going through this process. We are grateful to your family for their willingness to share you a bit longer with the people of our country.

And, with that, I will say that the nominee, I am told, has filed responses to biographical and financial questionnaires, answered prehearing questions submitted by the Committee, and had his financial statements reviewed by the Office of Government Ethics. Without objection, this information will be made a part of the hearing record,[1] with the exception of the financial data, which are on file and available for public inspection in the Committee offices.

The hearing record will remain open, until noon tomorrow, for the submission of statements and questions for the record (QFRs).

Dr. Coburn had mentioned to me his belief that before we vote here in the Committee, that the QFRs should be completed so, I just ask that you try to do that and we will look forward to, hopefully, having a business meeting soon and being able to work with you in this new capacity.

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[1] The biographical and financial questionnaire for Mr. Donovan can be found in the Appendix on page 49.

With that, I bid you all a good day and this Committee is adjourned. Thank you.

Secretary DONOVAN. Thank you, Senator.

[Whereupon, at 12:05 p.m., the Committee was adjourned.]

APPENDIX

Opening Statement of Chairman Thomas R. Carper
"Nomination of Hon. Shaun L. S. Donovan to be Director,
Office of Management and Budget"
June 11, 2014

Prepared for delivery:

We convene today to consider the nomination of Shaun Donovan to be the Director of the Office of Management and Budget (OMB).

Our previous OMB director, Sylvia Matthews Burwell, has been confirmed as Secretary of Health and Human Services. In the past, this might have left us with a vacancy at the top of OMB for months or even years. Fortunately, in this case, the President moved promptly to nominate a replacement for Secretary Burwell.

Our Committee has, in turn, moved forward with a similar sense of urgency. I want to thank Dr. Coburn and his staff for working with us on a bipartisan basis to move quickly but with due diligence. Our nation's fiscal crisis may have receded from the headlines in recent months, but in fact we're still dealing with the same challenges we've faced for years now.

As I've stated before, our country needs a comprehensive, long-term budget plan that includes three essential elements. It must address both spending and revenues in a balanced approach. It must rein in the cost of entitlement programs in a way that does not harm the poor or the elderly. And it must demand that, through better management of government programs, we deliver better services to the American people at a lower cost.

The Director of the Office of Management and Budget is a critical player in making progress in each of these areas and in putting our nation on a responsible long-term fiscal path. We need a leader in this role who will be a strong voice for fiscal responsibility and for effective government management. We had that in Sylvia Mathews Burwell, who played an integral part in achieving the bipartisan budget deal reached late last year.

I believe we have that same kind of leader in Shaun Donovan as well. To those of us in Congress, and to many other Americans, Secretary Donovan is a familiar face, having served as the Secretary for Housing and Urban Development since 2009.

From his work there, we know that he can take on and solve tough problems. During his time at the Department, he has guided federal housing programs through the economic crisis and helped millions of Americans modify their mortgages and avoid foreclosure.

He has also demonstrated an ability to cut through red tape and find ways for agencies to work together more effectively. He did this when President Obama asked him to chair the Hurricane Sandy Rebuilding Task Force. And he has done so on a number of other issues, including transportation, energy efficiency, and veterans homelessness.

Secretary Donovan's tenure at the Department of Housing and Urban Development gives him a strong foundation when it comes to understanding how agencies tick. He also knows how the federal budget process works. But just as importantly, he has also worked in local government, and in the private and non-profit sectors. He knows from those experiences how decisions at the federal level can impact communities, businesses, and individual citizens.

In each job he has held, Secretary Donovan has earned a reputation as someone who uses data and evidence to get better results, and to save money for taxpayers. He's someone who wants to find out what's working and do more of that, and to find out what isn't working and do less of that. Secretary Donovan is also someone who values strong public-private partnerships. He has consistently championed ideas that further the public good while also spurring economic development.

This Committee works in close partnership with the Office of Management and Budget in all areas, but especially as we try to identify areas where we can achieve results throughout the federal government while spending fewer taxpayer dollars. Based on his previous experience and our past conversations, I know Secretary Donovan is committed to continuing these efforts at OMB.

Everything I know about Secretary Donovan's accomplishments and commitment to public service tells me that he is going to be a strong and effective leader at the Office of Management and Budget, and a good partner with this Committee. His predecessor at OMB is an exceptional leader, and she left big shoes to fill at the agency. But Secretary Donovan is ready to hit the ground running.

I expect Secretary Donovan to work just as hard, and to continue the same bipartisan approach. I look forward to his testimony today, and I hope that the full Senate can consider his nomination as soon as possible.

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SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS
HEARING ON THE "NOMINATION OF HONORABLE SHAUN L. S. DONOVAN TO BE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET"

SENATOR SUSAN COLLINS
June 11, 2014
★ ★ ★

Thank you, Chairman Carper, Ranking Member Coburn, and members of the Committee. I come before you this morning to introduce Shaun Donovan, who has been nominated to be the Director of the Office of Management and Budget.

In many ways, my appearance here today is a homecoming given my 16 years on this Committee. Introducing Secretary Donovan to you is bitter-sweet. I have enjoyed the opportunity to work closely with Secretary Donovan since becoming Ranking Member of the Appropriations Subcommittee for Transportation and Housing and Urban Development in 2011.

During his tenure as HUD Secretary, Secretary Donovan has been widely recognized as an effective and knowledgeable leader, and not just in terms of HUD's programs. As this Committee is aware, he has been centrally involved in the future of the government's role in housing finance in addition to leading the recovery efforts following Hurricane Sandy.

Having served on this Committee for 16 years, I know this Committee has often been frustrated by the OMB's Director ignoring the "M" in OMB. Effective management of federal procurement policy, analysis of proposed federal regulations, and the reduction of unnecessary government paperwork are all core functions of OMB.

So perhaps of considerable interest to this Committee is the data-driven approach Secretary Donovan brings to improving the effectiveness and efficiency of federal programs. At HUD, Secretary Donovan instituted quarterly reviews, known as HUDStat, to improve the Department's performance and ensure that HUD programs are meeting their goals. Central to these reviews has been the use of data to develop plans to overcome challenges and strengthen the effectiveness of programs. I have no doubt that the federal government will benefit from the broader application of these efforts by having him lead the OMB.

Secretary Donovan has demonstrated the ability to achieve meaningful results. Perhaps nowhere is this more evident than in the goal of reducing homelessness. Since 2010, due in large measure to data driven solutions, leading to more effective programs, chronic homelessness has been reduced by 16 percent and veterans' homelessness by 24 percent.

Not only is Secretary Donovan knowledgeable and data driven, but he has also demonstrated his responsiveness to Congress. I would like to briefly cite just one example. When reports surfaced of poor conditions in HUD–subsidized housing in my home state of Maine, I requested assistance from Secretary Donovan, who understood the importance of resolving these issues as quickly as possible. He worked with HUD's Inspector General to have HUD and OIG staffs inspect the properties, identify underlying oversight deficiencies, and formulate a correction plan. The board of the Maine State Housing Authority used these findings and recommendations to implement reforms, including leadership changes, to prevent these unacceptable problems from happening again.

With the confirmation of Secretary Shaun Donovan as Director of OMB, the American people will have a person of integrity and intelligence in a critical job. I thank him for his service at HUD and urge this Committee to give him your support. Thank you.

Introduction of Secretary Donovan

By Senator Mary Landrieu

June 11, 2014

Chairman Carper, Ranking Member Coburn, I appreciate the opportunity to appear before you today to introduce Secretary Shaun Donovan as the President's nominee to be the next Director of the Office of Management and Budget (OMB).

Born in New York, he earned undergraduate and graduate degrees from Harvard University, including a Master of Public Administration and a Master of Architecture.

During the Clinton and Bush administrations, Secretary Donovan served as Deputy Assistant Secretary for Multifamily Housing at HUD and acting Commissioner of the Federal Housing Administration.

In 2004, he became Commissioner of the New York City Housing Preservation and Development with a $500 million annual budget and demonstrated a unique ability to work with community leaders and elected officials.

During his tenure as Secretary of Housing and Urban Development, Mr. Donovan oversaw the allocation of 75% of HUD's share of the American Recovery and Reinvestment Act ($13.61 billion) within one week of the bill's passage. In other words, he got over $10 billion out the door and on the ground in 7 days.

He has also proven to be exceptional leader in the wake of major, unprecedented natural disasters like Hurricane Katrina in 2005 and Hurricane Sandy just two years ago.

His first trip as Secretary of HUD was down to New Orleans and along the Gulf Coast with the Secretary of Homeland Security Janet Napolitano to assess the ongoing, unmet recovery challenges still hanging over the region almost four years after Hurricane Katrina made landfall.

The model of interagency partnerships and collaboration that Secretary Donovan embraced proved to be an essential component of effective disaster recovery, and it became the foundation for the Disaster Recovery Framework that now guides our national response to major disasters.

Because of his unique expertise, President Obama tapped him to lead the Hurricane Sandy Recovery Task Force, and he has worked with local and state partners to give them the tools and the flexibility they need to meet the dynamic and evolving recovery challenges they face.

Katrina and Sandy taught us that rebuilding stronger and smarter saves lives and taxpayer money in the long run, but it requires hard conversations and difficult decisions.

Shaun has been an effective leader because he takes the time to meet with divergent and disparate stakeholders, he doesn't run from the difficult questions, and he is committed to doing the job right the first time.

If confirmed by the Senate, Secretary Donovan will assume the unenviable job of setting the federal budget in a very tight budgetary climate, and I believe his experience will benefit all of us involved in that process.

The Army Corps of Engineers budget, for example, often sees dramatic reductions including this year's proposal of a mere $4.6 million that is the smallest percentage of the federal budget in the 200+ year history of the agency.

Secretary Donovan, to his credit, has agreed to come to Louisiana to meet with port officials and navigation experts to better understand the importance of investing in our nation's waterways.

I joke with my father, who also served as Secretary of HUD, that he is only my second favorite Secretary, and I worry that he might be starting to get an inferiority complex now that my brother is telling him the same thing.

It has been an honor and privilege to get to know Shaun and his wife Liza over the past few years, and I look forward to having them over when his son's band makes it onto the main stage at Jazzfest in the not-too-distant future.

With that, I would like to introduce him to the committee with my highest endorsement.

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STATEMENT OF SHAUN DONOVAN

Nominee to Serve As
Director of the Office of Management and Budget

UNITED STATES SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
June 11, 2014

Thank you Chairman Carper, Doctor Coburn, and Members of the Committee for welcoming me today. It is a privilege to be considered by this Committee as the President's nominee to be Director of the Office of Management and Budget.

I want to begin by thanking Senator Landrieu and Senator Collins for their kind words. I've had the pleasure of working with these distinguished public servants on a number of issues over the years. Senator Landrieu and I have collaborated to improve the way our Nation responds and rebuilds after natural disasters strike. Senator Collins and I have worked together to make HUD operate better and help Veterans experiencing homelessness find housing. They have been great partners and I am deeply grateful for their leadership and friendship.

I would also like to thank my wife, Liza, and my two sons, Milo and Lucas. In public service, the biggest burdens and sacrifices often fall on our families. So I deeply appreciate their continued support as I seek to take on this new challenge.

I am also grateful to President Obama for nominating me. I continue to be honored and humbled by the confidence he has shown in me.

Finally, I want to thank the Members of the Committee and their staffs for meeting with me over the last few weeks and for sharing your insights. If I am confirmed, I very much look forward to continuing our conversations.

I recognize that Secretary Burwell set a high bar for OMB Directors going forward - both with her strong leadership and her efforts to maintain solid relationships with Congress. If confirmed, I would look forward to picking up where Secretary Burwell left off by engaging with you and your colleagues to achieve common goals, to meet deadlines, and to work with Congress to restore regular order.

During my time as the Secretary of the Department of Housing and Urban Development, I worked tirelessly to ensure that the Federal Government is doing its part to help the American people secure access to safe and affordable housing. Homes are the center of every person's life. They play a key role in shaping safe neighborhoods, good schools, solid businesses, and ultimately a strong economy.

For the past five-and-a-half years, HUD has been creative in helping families obtain this key part of the American Dream and, during these tough fiscal times, have done so in a fiscally

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responsible fashion. Working with colleagues across the Administration, we have helped millions of families fight off foreclosure, reduced the number of veterans experiencing homelessness by 24 percent in three years, revitalized distressed neighborhoods, and helped communities hit by natural disaster rebuild stronger than before. Through all this work, I have seen first-hand how critical the Federal budget process is and how it makes an impact on the people we serve. The Federal budget is not just numbers on a page. It is a reflection of our values and it is important to our future.

I believe the President's Budget shows a responsible path forward for the Nation. It creates jobs and lays a foundation for growth by investing in infrastructure, research, and manufacturing. It expands opportunity by ensuring health care is affordable and reliable, expanding access to housing, investing in job training and preschool, and providing pro-work tax cuts. And it ensures our long-term fiscal strength by fixing our broken immigration system and addressing the primary drivers of long-term debt and deficits, health care cost growth and inadequate revenues to meet the needs of our aging population.

Over the last five years, the deficit has been cut in half as a share of the economy, the largest sustained period of deficit reduction since World War II. Our Nation can continue this progress while focusing on the critical goals of accelerating economic growth, creating jobs, and expanding opportunity for all Americans.

I would like to briefly outline my priorities, if I am confirmed as Director:

First, if confirmed, I look forward to working with Congress to continue the important progress made on the Budget over the past year. The Bipartisan Budget Act and Consolidated Appropriations Act for FY2014 were good first steps in moving beyond the manufactured crises of the past few years and providing some measure of relief from the damaging cuts caused by sequestration. But there is more that we must do to invest in our economy, create jobs, and promote national security, while continuing to promote fiscal stability by addressing the key drivers of our long-term debt and deficits.

Second, I want to acknowledge the critical management-side of OMB's responsibilities. I would work to advance the President's Management Agenda, which is focused on making the Federal Government more efficient, effective, and supportive of economic growth. Under the President's leadership, the Administration is working to improve key citizen- and business-facing transactions with Federal agencies. It is working to increase the quality and value in core Government operations and enhance productivity to achieve cost savings for the American taxpayer. It is working to open Federal Government assets to the public, including data from Federally-funded research, to create a platform for innovation and job creation. And it is working to unlock the potential of the Federal workforce and build the workforce we need for tomorrow by investing in training and ensuring agencies can hire the best talent from all segments of society.

Third, it is critical that OMB's Office of Information and Regulatory Affairs continue the Administration's regulatory focus on maintaining a balance between protecting the health, welfare, and safety of Americans and promoting economic growth, job creation,

competitiveness, and innovation. And I would seek to continue the President's successful regulatory retrospective review, or regulatory "lookback," where the Administration is streamlining, modifying, or repealing regulations to reduce unnecessary burdens and costs.

Finally, I want to note what a particular honor it would be for me to serve as the head of OMB. OMB plays a unique and critical role in the functioning of the Federal Government. As HUD Secretary, I have worked closely with OMB's leadership, including Deputy Directors Brian Deese and Beth Cobert, and I have seen the outstanding contributions made by the talented men and women who work throughout the institution.

To give just one example, in my role as the Chair of the Hurricane Sandy Rebuilding Task Force, I saw the tireless efforts made by OMB staff, many of them long-serving career employees, as they worked literally night and day for weeks and even months to ensure that disaster relief was delivered swiftly, fairly, and responsibly. It was OMB employees who had the expertise, knowledge, and Government-wide perspective to help coordinate the effort and make sure it was done right.

Again, I want to thank the President for giving me this opportunity and the Committee for considering my nomination. I look forward to answering any questions you may have.

REDACTED

HSGAC BIOGRAPHICAL QUESTIONS FOR EXECUTIVE NOMINEES

1. Basic Biographical Information

Please provide the following information.

Position to Which You Have Been Nominated	
Name of Position	**Date of Nomination**
Director, Office of Management and Budget	Expected June 2, 2014

Current Legal Name			
First Name	**Middle Name**	**Last Name**	**Suffix**
Shaun	Lawrence Sarda	Donovan	

Addresses					
Residential Address (do not include street address)			**Office Address** (include street address)		
[redacted]			**Street:** 451 7th St. SW		
City: Washington	**State:** DC	**Zip:** 20016	**City:** Washington	**State:** DC	**Zip:** 20410

Other Names Used						
First Name	**Middle Name**	**Last Name**	**Suffix**	**Check if Maiden Name**	**Name Used From** (Month/Year) (Check box if estimate)	**Name Used To** (Month/Year) (Check box if estimate)
N/A					Est ☐	Est ☐

Birth Year and Place	
Year of Birth (Do not include month and day.)	**Place of Birth**
1966	New York, NY

Marital Status					
Check All That Describe Your Current Situation:					
Never Married	**Married**	**Separated**	**Annulled**	**Divorced**	**Widowed**
☐	**X**	☐	☐	☐	☐

Spouse's Name (current spouse only)			
Spouse's First Name	**Spouse's Middle Name**	**Spouse's Last Name**	**Spouse's Suffix**
Elizabeth "Liza"	Eastman	Gilbert	

Spouse's Other Names Used (current spouse only)						
First Name	**Middle Name**	**Last Name**	**Suffix**	**Check if Maiden Name**	**Name Used From** (Month/Year) (Check box if estimate)	**Name Used To** (Month/Year) (Check box if estimate)
N/A					Est ☐	Est ☐

Children's Names (if over 18)			
First Name	**Middle Name**	**Last Name**	**Suffix**
N/A			

2. Education

List all post-secondary schools attended.

Name of School	Type of School (vocational/technical/trade school, college/ university/military college, correspondence/distance/ extension/online school)	Date Began School (month/year) (check box if estimate)	Date Ended School (month/year) (check box if estimate) (check "present" box if still in school)	Degree	Date Awarded
Harvard College	University	09/1983 Est ☐	06/1987 Est ☐ **Present** ☐	Bachelor's	06/1987
Harvard Graduate School of Design	University	09/1990 Est ☐	01/1995 Est ☐ **Present** ☐	Master's	01/1995
Harvard Kennedy School of Government	University	09/1992 Est ☐	01/1995 Est ☐ **Present** ☐	Master's	01/1995

3. Employment

(A) List all of your employment activities, including unemployment and self-employment. If the employment activity was military duty, list separate employment activity periods to show each change of military duty station. Do not list employment before your 18th birthday unless to provide a minimum of two years of employment history.

Type of Employment (Active Military Duty Station, National Guard/Reserve, USPHS Commissioned Corps, Other Federal employment, State Government (Non-Federal Employment), Self-employment, Unemployment, Federal Contractor, Non-Government Employment (excluding self-employment), Other	Name of Your Employer/ Assigned Duty Station	Most Recent Position Title/Rank	Location (City and State only)	Date Employment Began (month/year) (check box if estimate)	Date Employment Ended (month/year) (check box if estimate) (check "present" box if still employed)
Other - Internship	Revlon Inc.	Intern	Edison, NJ	06/1984 Est ☐	08/1984 Est ☐
Unemployment				09/1984 Est ☐	06/1986 Est ☐
Other - Internship	Chrysler Corporation	Intern	Detroit, MI	06/1986 Est ☐	08/1986 Est ☐
Non-Government Employment	Harvard University	Research Assistant	Cambridge, MA	09/1986 Est ☐	06/1987 Est ☐

Unemployment				06/1987	Est ☐	09/1987	Est ☐
Other - Internship	Office of Senator Patrick Moynihan	Volunteer Intern	Washington, DC	09/1987	Est ☐	11/1987	Est ☐
Other - Internship	National Coalition for the Homeless	Volunteer Intern	Washington, DC	09/1987	Est ☐	11/1987	Est ☐
Non-Government Employment	Strategic Planning Associates	Research Analyst	Washington, DC	11/1987	Est ☐	12/1988	Est ☐
Unemployment				01/1989	Est ☐	06/1989	Est ☐
Other - Internship	Toraldo Associates	Architectural Assistant	Florence, Italy	06/1989	Est ☐	06/1990	Est ☐
Unemployment				06/1990	Est ☐	01/1992	Est ☐
Non-Government Employment	Harvard University Joint Center for Housing Studies	Research Analyst	Cambridge, MA	01/1992	Est ☐	08/1995	Est ☐
Unemployment				08/1995	Est ☐	12/1995	Est ☐
Non-Government Employment	Community Preservation Corporation/CPC Resources	Special Assistant/ Assistant Director of Development	New York, NY	12/1995	Est ☐	10/1998	Est ☐
Federal Employment	US Department of Housing and Urban Development	Special Assistant/ Deputy Assistant Secretary/ Acting FHA Commissioner	Washington, DC	10/1998	Est ☐	03/2001	Est ☐
Unemployment				03/2001	Est ☐	06/2001	Est ☐
Self-Employment		Independent Housing Consultant	New York, NY	06/2001	Est ☐	07/2002	Est ☐
Non-Government Employment	Prudential Huntoon Paige Associates	Managing Director, Prudential Mortgage Capitol Company	Newark, NJ	07/2002	Est ☐	03/2004	Est ☐

City Government	New York City Department of Housing Preservation and Development	Commissioner	New York, NY	03/2004	Est ☐	01/2009	Est ☐
Federal employment	US Department of Housing and Urban Development	Secretary	Washington, DC	01/2009	Est ☐	Present	Est ☐

(B) List any advisory, consultative, honorary or other part-time service or positions with federal, state, or local governments, not listed elsewhere.

Independent Consultant to Millennial Housing Commission, New York City, June 2001 to July 2002

4. Potential Conflict of Interest

(A) 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 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 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.

(B) 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.

As Commissioner of the New York City Department of Housing Preservation and Development, from time to time, I would provide my views regarding federal legislation through Congressional testimony, meetings with Members of Congress, and letters to members of Congress and the Department of Housing and Urban Development.

During meetings with Congressional staff, I advocated for adequate funding levels for HUD programs and Section 8 reform and preservation legislation. I advocated for a change to a HUD rule that resulted in the FHA pricing assets at above their fair market value, and for neighborhood stabilization program funding. I also worked with members of the New York

delegation on legislation to preserve affordability at the Starrett City development and for increased volume cap for the creation of multi-family rental housing.

5. Honors and Awards

List all scholarships, fellowships, honorary degrees, civilian service citations, military medals, academic or professional honors, honorary society memberships and any other special recognition for outstanding service or achievement.

- Call of Service Award from the Phillips Brooks House
- New York Housing Conference Public Service Award
- Innovations in American Government Winner – NYC Acquisition Fund
- Honorary AIA
- AIA Henry Adams Medal
- National Merit Scholar

6. Memberships

List all memberships that you have held in professional, social, business, fraternal, scholarly, civic, or charitable organizations in the last 10 years.

Unless relevant to your nomination, you do NOT need to include memberships in charitable organizations available to the public as a result of a tax deductible donation of $1,000 or less, Parent-Teacher Associations or other organizations connected to schools attended by your children, athletic clubs or teams, automobile support organizations (such as AAA), discounts clubs (such as Groupon or Sam's Club), or affinity memberships/consumer clubs (such as frequent flyer memberships).

Name of Organization	Dates of Your Membership (You may approximate.)	Position(s) Held
Joint Center for Housing Studies, Harvard University	2003 to 2004	Policy Advisory Board
National Housing Conference	2003 to 2009	Board of Trustees
National Housing Trust	2004 to 2009	Board of Directors
Fannie Mae National Housing Advisory Council	2006 to 2007	Member
The Campaign for Affordable Housing	2004 to 2007	Board of Directors

The Dalton School	2008 to 2009	Board of Trustees
Shaun Donovan 2006 Trust	2006 to 2009	Trustee
Donovan 2004 Family Trust	2004 to 2006	Beneficiary
Mortgage Bankers Association	2002 to 2004	Multifamily Steering Committee
New York Housing Conference	2002 to 2004	Board of Trustees

7. Political Activity

(A) Have you ever been a candidate for or been elected or appointed to a political office?

Name of Office	Elected/Appointed/ Candidate Only	Year(s) Election Held or Appointment Made	Term of Service (if applicable)
Secretary of the Department of Housing and Urban Development	Presidential Appointment and Senate Confirmed	2009	2009 until Present
Commissioner of the New York City Department of Housing Preservation and Development	Mayoral appointment	2004	2004 to 2009

(B) List any offices held in or services rendered to a political party or election committee during the last ten years that you have not listed elsewhere.

Name of Party/Election Committee	Office/Services Rendered	Responsibilities	Dates of Service
Obama Campaign	Volunteer	Surrogate	10/20/2008-11/4/2008
Obama for America	Fundraiser	Surrogate/Guest Speaker	06/28/2012
Charlotte in 2012	Speaker Series	Guest Speaker	06/27/2012

DNC	Fundraiser	Surrogate/Guest Speaker	10/8/2012
Friends of Sherrod Brown	Fundraiser	Surrogate/Guest Speaker	7/29/2012
People for Patty Murray	Fundraiser	Surrogate/Guest Speaker	01/21/2014
Friends of Mary Landrieu	Fundraiser	Surrogate/Guest Speaker	4/21/2014
DSCC	Fundraiser	Surrogate/Guest Speaker	05/14/2014

(C) Itemize all individual political contributions of $200 or more that you have made in the past five years to any individual, campaign organization, political party, political action committee, or similar entity. Please list each individual contribution and not the total amount contributed to the person or entity during the year.

Name of Recipient	Amount	Year of Contribution
Barack Obama	$2,300.00	2008

8. Publications and Speeches

(A) List the titles, publishers and dates of books, articles, reports or other published materials that you have written, including articles published on the Internet. Please provide the Committee with copies of all listed publications. In lieu of hard copies, electronic copies can be provided via e-mail or other digital format.

I have done my best to identify all books, articles, reports, speeches, testimony and other materials including a thorough review of my personal files and searches of publicly available electronic databases. In my role as Secretary, I have authored blog posts and penned op-eds for placement in regional papers across the country regarding information and activities of the Department of Housing and Urban Development. The blog posts are available at http://blog.hud.gov/index.php/author/secretary-shaun-donovan/. In addition to these blog posts, I identified the following op-eds. There may be other materials that I was unable to identify, find or recall.

Title	Publisher	Date(s) of Publication
Home for the Holidays	Politico	12/23/2013
Homelessness Is a Public Health Issue	American Journal of Public Health	12/2013
Mortgage Settlement Helping Homeowners and Exceeding Expectations	The Huffington Post	03/08/2013
Holding the Banks' Feet to the Fire	The Huffington Post	08/10/12
A Path Forward For Nevada On Housing	The Las Vegas Review-Journal	05/30/12
Why The Mortgage Settlement Is A Fair Deal	CNN	02/24/12
A New Era In Homeownership	Philadelphia Inquirer	02/22/12
Holding Banks Accountable (With Eric Holder)	The Las Vegas Sun	02/15/12
Discrimination Lawsuit Holds Subprime Lenders Accountable (With Eric Holder)	The Huffington Post	01/16/12
Ending Homelessness in Our Time: Why Smart Government Is Key	The Public Manager	12/14/2011
The future starts at home in Iberville: Shaun Donovan	New Orleans Times-Picayune	09/01/2011
The HOME program I know	The Washington Post	06/11/2011
Greener Homes Means a Stronger Economy	The Huffington Post	06/03/2011
A Strategic Investment: Getting Americans to Their Jobs (with Ray LaHood)	The Huffington Post	05/12/2011
Next Steps for Reviving W. Baltimore	The Baltimore Sun	03/25/2011
Choice Neighborhoods give children hope	Memphis Commercial Appeal,	03/24/2011

Partnership aims to revitalize decaying U.S. neighborhoods (with Arne Duncan)	Atlanta Journal-Constitution	03/23/2011
HUD Perspective	Journal of Affordable Housing & Community Development Law	Winter 2011
Grant to help build a sustainable future	Knoxville News Sentinel	10/24/2010
How We Can Really Help Families	The Huffington Post	10/17/2010
Sustainable communities are economic game-changers	Buffalo News	10/10/2010
The American Dream is still alive	St. Louis Post-Dispatch	10/10/2010
On the Road from Recovery to Revitalization	The Huffington Post	08/25/2010
Help for the Central Valley	Fresno Bee	08/11/2010
Making Public Housing Work for Families	The Huffington Post	05/26/2010
Opposing view on foreclosures: Helping everyone	USA Today	04/1/2010
Charting a More Sustainable Future	The Huffington Post	03/22/2010
Meeting our Metropolitan Challenge	The Huffington Post	10/05/2009
Giving Families a Choice	The Huffington Post	07/22/2009
Crackdowns promised on home defrauders	McClatchy	04/11/2009
Building the Future for New York and a Million More New Yorkers	City Hall Newspaper	7/2008
Queens' Record Housing Numbers Help to Make City Affordable	Queens Courier	3/6/2008
Mas Vivienda Asequible Para Alto Manhattan	El Diario	1/2007

Construyendo Vecindarios Asequibles	El Diario	10/2006
Letter to the Editor: New Housing Construction Strong; Permits Issuance Continues Apace	Crain's New York Business	9/11/2006
In Praise of Condemnation	New York Daily News	6/22/2006
Policy Option Paper on Small Multifamily Properties	Millennial Housing Commission	2001
Policy Option Paper on Construction and Development Financing	Millennial Housing Commission	2001
Background Paper on Market Rate Multifamily Rental Housing	Millennial Housing Commission	2001
Affordable Homeownership in New York City: Nehemiah Plan Homes and the New York City Housing Partnership	John F. Kennedy School of Government Case Program	1/1/1994
Beyond Housing: The Comprehensive Community Revitalization Program in the South Bronx	John F. Kennedy School of Government	1999
Learning the Low-Income Housing Tax Credit	John F. Kennedy School of Government	1994

(B) List any formal speeches you have delivered during the last five years and provide the Committee with copies of those speeches relevant to the position for which you have been nominated. Include any testimony to Congress or any other legislative or administrative body. These items can be provided electronically via e-mail or other digital format.

In my role as Secretary, I have given speeches all over the country and have offered additional testimony before authorizing committees regarding information and activities of the Department of Housing and Urban Development. The speeches and testimonies are available at http://portal.hud.gov/hudportal/HUD?src=/press/speeches_remarks_statements.

(C) List all speeches and testimony you have delivered in the past ten years, except for those the text of which you are providing to the Committee.

In my role as Commissioner of the New York City Department of Housing Preservation and Development, I made public statements and gave testimony regarding information and activities of the Department. I do not have a comprehensive list of those remarks.

9. Criminal History

Since (and including) your 18th birthday, has any of the following happened?

- Have you been issued a summons, citation, or ticket to appear in court in a criminal proceeding against you? (Exclude citations involving traffic infractions where the fine was less than $300 and did not include alcohol or drugs.) No
- Have you been arrested by any police officer, sheriff, marshal or any other type of law enforcement official? No
- Have you been charged, convicted, or sentenced of a crime in any court? No
- Have you been or are you currently on probation or parole? No
- Are you currently on trial or awaiting a trial on criminal charges? No
- To your knowledge, have you ever been the subject or target of a federal, state or local criminal investigation? No

If the answer to any of the questions above is yes, please answer the questions below for each criminal event (citation, arrest, investigation, etc.). If the event was an investigation, where the question below asks for information about the offense, please offer information about the offense under investigation (if known).

A) Date of offense:

   a. Is this an estimate (Yes/No):

B) Description of the specific nature of the offense:

C) Did the offense involve any of the following?
   1) Domestic violence or a crime of violence (such as battery or assault) against your child, dependent, cohabitant, spouse, former spouse, or someone with whom you share a child in common: **Yes / No**
   2) Firearms or explosives: **Yes / No**
   3) Alcohol or drugs: **Yes / No**

D) Location where the offense occurred (city, county, state, zip code, country):

E) Were you arrested, summoned, cited or did you receive a ticket to appear as a result of this offense by any police officer, sheriff, marshal or any other type of law enforcement official: **Yes / No**

   1) Name of the law enforcement agency that arrested/cited/summoned you:

   2) Location of the law enforcement agency (city, county, state, zip code, country):

F) As a result of this offense were you charged, convicted, currently awaiting trial, and/or ordered to appear in court in a criminal proceeding against you: **Yes / No**

1) If yes, provide the name of the court and the location of the court (city, county, state, zip code, country):

2) If yes, provide all the charges brought against you for this offense, and the outcome of each charged offense (such as found guilty, found not-guilty, charge dropped or "nolle pros," etc). If you were found guilty of or pleaded guilty to a lesser offense, list separately both the original charge and the lesser offense:

3) If no, provide explanation:

G) Were you sentenced as a result of this offense: **Yes / No**

H) Provide a description of the sentence:

I) Were you sentenced to imprisonment for a term exceeding one year: **Yes / No**

J) Were you incarcerated as a result of that sentence for not less than one year: **Yes / No**

K) If the conviction resulted in imprisonment, provide the dates that you actually were incarcerated:

L) If conviction resulted in probation or parole, provide the dates of probation or parole:

M) Are you currently on trial, awaiting a trial, or awaiting sentencing on criminal charges for this offense: **Yes / No**

N) Provide explanation:

10. Civil Litigation and Administrative or Legislative Proceedings

(A) Since (and including) your 18th birthday, have you been a party to any public record civil court action or administrative or legislative proceeding of any kind that resulted in (1) a finding of wrongdoing against you, or (2) a settlement agreement for you, or some other person or entity, to make a payment to settle allegations against you, or for you to take, or refrain from taking, some action.

I have been named as a defendant in various lawsuits in my official capacity as Commissioner, New York City Department of Housing Preservation and Development, and as Secretary, U.S. Department of Housing and Urban Development. None have resulted in a finding of wrongdoing by me personally and I am not aware of any settlements involving allegations against me personally.

Date Claim/Suit Was Filed or Legislative Proceedings Began	Court Name	Name(s) of Principal Parties Involved in Action/Proceeding	Nature of Action/Proceeding	Results of Action/Proceeding

(B) In addition to those listed above, have you or any business of which you were an officer, director or owner ever been involved as a party of interest in any administrative agency proceeding or civil litigation? 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.

I have held positions on the boards of several organizations and am a shareholder of Donovan Data Systems, a privately-held company. I am not aware of any proceeding or civil litigation involving any of these organizations.

Date Claim/Suit Was Filed	Court Name	Name(s) of Principal Parties Involved in Action/Proceeding	Nature of Action/Proceeding	Results of Action/Proceeding

(C) For responses to the previous question, 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.

11. Breach of Professional Ethics

(A) 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? Exclude cases and proceedings already listed. No

Name of Agency/Association/ Committee/Group	Date Citation/Disciplinary Action/Complaint Issued/Initiated	Describe Citation/Disciplinary Action/Complaint	Results of Disciplinary Action/Complaint

(B) Have you ever been fired from a job, quit a job after being told you would be fired, left a job by mutual agreement following charges or allegations of misconduct, left a job by mutual agreement following notice of unsatisfactory performance, or received a written warning, been officially reprimanded, suspended, or disciplined for misconduct in the workplace, such as violation of a security policy? No

12. Tax Compliance

(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.)

REDACTED

REDACTED

13. Lobbying

In the past ten years, have you registered as a lobbyist? If so, please indicate the state, federal, or local bodies with which you have registered (e.g., House, Senate, California Secretary of State). No

14. Outside Positions

X See OGE Form 278. (If, for your nomination, you have completed an OGE Form 278 Executive Branch Personnel Public Financial Disclosure Report, you may check the box here to complete this section and then proceed to the next section.)

For the preceding ten calendar years and the current calendar year, report any positions held, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. Exclude positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

Name of Organization	Address of Organization	Type of Organization (corporation, firm, partnership, other business enterprise, other non-profit organization, educational institution)	Position Held	Position Held From (month/year)	Position Held To (month/year)

15. Agreements or Arrangements

X See OGE Form 278. (If, for your nomination, you have completed an OGE Form 278 Executive Branch Personnel Public Financial Disclosure Report, you may check the box here to complete this section and then proceed to the next section.)

As of the date of filing your OGE Form 278, report your agreements or arrangements for: (1) continuing participation in an employee benefit plan (e.g. pension, 401k, deferred compensation); (2) continuation of payment by a former employer (including severance payments); (3) leaves of absence; and (4) future employment.

Provide information regarding any agreements or arrangements you have concerning (1) future employment; (2) a leave of absence during your period of Government service; (3) continuation of payments by a former employer other than the United States Government; and (4) continuing participation in an employee welfare or benefit plan maintained by a former employer other than United States Government retirement benefits.

Status and Terms of Any Agreement or Arrangement	Parties	Date (month/year)

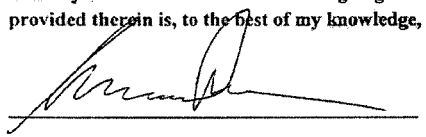
16. Additional Financial Data

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

REDACTED

SIGNATURE AND DATE

I hereby state that I have read the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of my knowledge, current, accurate, and complete.



This 30 day of May, 2014

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

JUN - 3 2014

The Honorable Thomas R. Carper
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 Shaun L.S. Donovan, who has been nominated by President Obama for the position of Director, Office of Management and Budget.

We have reviewed the report and have 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,

David J. Apol
General Counsel

Enclosures **REDACTED**

June 3, 2014

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

Re: Ethics Agreement

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 Director, 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). 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.

I understand that as an appointee I must continue to abide by the Ethics Pledge (Exec. Order No. 13490) that I previously signed and that I will be bound by the requirements and restrictions therein in addition to the commitments I have made in this and any other ethics agreement.

I have been advised that this ethics agreement will be posted publicly, consistent with 5 U.S.C. § 552, on the website of the U.S. Office of Government Ethics with other ethics agreements of Presidential nominees who file public financial disclosure reports.

Sincerely,

Shaun L. S. Donovan

U.S. Senate Committee on Homeland Security and Governmental Affairs
Pre-hearing questionnaire for the nomination of
Shaun Donovan to be
Director, Office of Management and Budget

I. Nomination Process and Conflicts of Interest

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

   I believe that President nominated me for this position because of my track record as a fiscally responsible leader; the work I have done to make the Department of Housing and Urban Development (HUD) more effective and efficient; and, how I have used data and evidence to solve problems and save taxpayer dollars. Also, I believe he nominated me because of my experience in collaborating with the private sector to unlock investment to further public goals.

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 Director?

   First, I bring more than ten years of experience leading Federal and local government agencies, complemented by other senior public, private, and non-profit sector management experience. In particular, through work at HUD and in the Bloomberg administration in New York City, I have used data and evidence-based management to drive results in ways that would help further the management agenda at the Office of Management and Budget (OMB).

   Second, I have worked closely with OMB at the Federal and local levels to balance large and complex budgets in difficult fiscal circumstances. At the Federal level, I guided the Federal Housing Administration—one of the largest credit reform programs in the Federal budget—through the recent economic crisis to make the highest quality loans in its history that produce billions in new revenues each year and achieve substantial cost savings through staffing and office consolidation.

   Third, I led significant efforts and worked closely with Congress to advance priorities that cut across multiple agencies and involve issues beyond housing. These include disaster recovery, transportation and other infrastructure, energy, health, financial enforcement, veteran homelessness, and others.

Fourth, through personal experience in the private sector and working in close collaboration with the public sector in government, I have become a leader in unlocking private investment to further public goals. Examples include improving energy efficiency and health in housing, expanding financial education and counseling, and leveraging development value for infrastructure and affordable housing construction.

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

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.

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

II. Background of the Nominee

6. What have been your most significant accomplishments as Secretary of HUD, and how have those experiences prepared you to be Director of OMB?

First and foremost, I am proud of the work that HUD accomplished to help guide our Nation through an historic economic crisis that began in the housing market. When the President took office in 2009, home prices experienced the largest one year drop ever measured, new and existing home sales were near all-time lows and roughly three million borrowers were seriously delinquent. Recognizing the urgency of the crisis, HUD worked with Congress and partners across the Administration to stabilize the market and help communities. HUD assisted millions of Americans in modifying their mortgages and fighting off foreclosure. Through the Neighborhood Stabilization Program, HUD addressed foreclosed and abandoned homes, and strengthened neighborhoods in all 50 states. HUD-approved housing counselors helped roughly 9.5 million families get through these tough times and secure better futures.

As a result of all this and more, there is significant progress. One example: since the beginning of 2012, homeowners restored roughly $3.7 trillion in equity. Other important trends—from sales to starts—are also moving in the right direction. I am proud of the

role HUD played in the housing market turnaround, helping fuel the overall economic recovery that resulted in more than 9 million new private sector jobs.

Two other notable accomplishments include HUD's work on the President's plan to end homelessness and increase access to credit. Since 2010, we have seen a 24 percent decline in veterans experiencing homelessness and a 16 percent drop in chronic homelessness. We have also provided access to credit for responsible families, with 4.3 million Americans purchasing homes through FHA-insured mortgages in the last five years. Through all our work, we have provided help and hope to communities when they needed it most.

We have also helped communities across the country not only recover after natural disasters, but also build stronger and smarter for the future. For example, as part of the Hurricane Sandy Task Force, in addition to providing assistance to families in need, we worked with regional partners to develop a long term focus on resilience. It's obviously the right thing to do, and it also makes economic sense. Every dollar we spend on resilience saves us four dollars in avoided costs when the next storm hits.

7. What have been the biggest management challenges that you have faced in administering the programs and workforce of HUD?

One of the biggest challenges that I faced as Secretary was helping low-income families and individuals as their needs grew in a constrained budget environment. To address this issue, HUD strengthened the use of evidence-based approaches. An example is our work to end homelessness among veterans. In 2009, the HUD-VASH program wasn't fulfilling its potential; help wasn't getting to the neediest veterans fast enough. I started HUDStat in 2010 to allow us to take a data-driven approach that identified where the greatest needs are, where the federal government can make a difference, what is working and what is not. This allows us to get the most out of taxpayer dollars. This has been key to the 24 percent drop in homeless veterans.

We are also working across sectors and across Federal agencies to drive change. For instance, our Choice Neighborhoods initiative is a competitive program that gives local leaders the flexibility to transform their neighborhoods in their own unique ways. This includes leaders from the private and non-profit sectors. It also expands the activities that resources can be targeted towards—to include not just all forms of housing, but also neighborhood amenities. At a time of tough budget choices, partners are investing eight dollars for every dollar HUD brings.

We are also tackling other management challenges. For example, strengthening human capital is fundamental to strengthening any organization. After reviewing options with OMB, we chose to partner with a Federal shared services provider, the Bureau of Fiscal Service, to handle our daily transactions. They handle the work necessary to keep HUD's basic human capital functions moving more effectively, while the staff who know the

Department best are able to work on the strategic issues necessary to develop our workforce.

To complement this work and modernize our operations, HUD's New Core initiative is transitioning core financial and key administrative systems and services to the Department of Treasury's Administrative Resource Center (ARC). We will be using ARC's IT for the shared service solution. This will allow us to save money and focus even more on our mission and the vulnerable communities we serve.

8. You also have experience in government at the local level. What perspective does this experience give you that will inform your approach to the duties of the Director of OMB?

One of the lasting lessons from my time as an official in New York City government is that there are no one-size-fits-all solutions to problems. The needs of Manhattan are different than the needs of the Bronx. And in the larger picture, the needs of cities vary. Unfortunately, too often in the past, the federal government would approach local challenges by operating as if it knew best. It would come in and plan for communities rather than with them. In many cases, this meant addressing problems in isolation, whether it was building isolated housing developments or constructing highways that cut through neighborhoods.

I saw firsthand at the local level that is not an effective way to approach development. For housing to thrive, it needs to be surrounded by good schools, safe streets, transportation options and other assets. It also should be driven by local leaders who know their communities better than anyone.

Through efforts like Choice Neighborhoods, Strong Cities Strong Communities, the Partnership for Sustainable Communities and Promise Zones, HUD is proud to work with federal agencies, across the board, to support local, comprehensive visions for community development. This kind of collaboration generates progress across the country.

This is the same approach I will take if I am confirmed as Director of OMB. There are so many aspects of the budget that are connected, and I won't address different agencies and issues in isolation. Rather I will encourage collaboration, flexibility and partnerships to advance shared interests and achieve common goals.

9. How much knowledge and experience do you have with continuous process improvement management techniques?

I am familiar with this management approach and, in many cases, have applied it to my work here at HUD. This is a large organization and I have looked for innovative ways to achieve lasting improvements within the current system. One example is HUD's unprecedented use of data. I created HUDStat which allows us to measure performance data and find ways to improve results. In in our work to end veteran homelessness, data

allows us to determine, at a national and local level, where the greatest needs are, what efforts are working and what needs improvement. This has helped us reduce veteran homelessness by 24 percent from 2010 to 2013. We are using this evidence-based approach across the agency and this has led to continual improvement in our work. Additionally, when I came to HUD, I established the Office of Strategic Planning and Management (OSPM), which, in addition to instituting the HUDSTAT process to evaluate and improve performance on our priority goals, also included an essential focus on business process transformation. The Transformation Division in OSPM has employed small teams as internal consultants to target improvement of HUD's business processes, from grants management and acquisitions to human capital and information technology through the use of lean six sigma and other CPI industry best practices.

Under my leadership, these practices have also begun to take hold throughout the Department. One example is the Office of Multifamily Housing's implementation of two major initiatives to optimize processes, minimize redundancies, standardize work, and strengthen risk management. As a result of the Breaking Ground and Sustaining our Investments initiatives, HUD has seen a 70 percent reduction in application backlogs, a 50 percent reduction in cycle times for 223(a)(7) and 223(f) loans, and an unprecedented visibility into the health of the multi-family housing portfolio.

10. In your current role as Secretary of the Department of Housing and Urban Development you were responsible, in part, for distributing billions in both stimulus funds and Hurricane Sandy appropriations. Undertaking the role of OMB Director during a time of fiscal challenges will require restraint and priority setting as the government seeks to help those in need. Please describe how you plan to approach making difficult decisions relating to funding priorities and ending low-priority spending.

I believe it is critical to make difficult, but necessary cuts and reforms to make room for investments in priority areas that will grow the economy, create jobs, and strengthen the middle class. The FY 2015 Budget made such choices to provide funding for research, clean energy, and early learning. My approach as OMB Director would be to build on the data and evidence-based approach pursued at HUD. For example, we made difficult decisions in order to fund programs to end homelessness which had shown strong outcomes. Specifically, we cut CDBG and HOME in the FY2015 budget to ensure that we could keep every tenant in housing and end chronic and veteran homelessness, even though we greatly value and acknowledge the importance of these programs.

The FY 2015 Budget proposes tight discretionary levels that will require the Administration and Congress to continue to look for ways to reduce or eliminate ineffective and lower priority programs in order to better target resources towards investments that will increase growth and opportunity. For example, the FY 2015 Budget includes more than 130 cuts, consolidations, and savings proposals, which are projected to save nearly $17 billion in 2015. At the same time, we need to put an end to short-sighted cuts to Government operations that compromise efficiency and effectiveness and cost money over the long run. If confirmed, I look forward to working with the Congress

to make the necessary cuts and reforms in order to make investments in the programs that will ensure the Nation is achieving its full potential.

11. Please cite specific examples of ways in which you made the Department of Housing and Urban Development a more fiscally responsible and efficient agency.

One of the great challenges of my time as Secretary is how to use limited resources to address the growing needs of families resulting from the Great Recession. That's why we've taken a number of actions to be more efficient and effective for the people we serve.

We have initiated a small office transformation. When HUD's current field office structure was developed in the 1970's, HUD had roughly 18,000 employees. Now we have fewer than 9,000. Sustaining an old model in the current environment simply doesn't make business sense. We closed 16 offices that did not manage programs, and where there are one or more larger field offices remaining elsewhere in those affected states. Therefore, program delivery to our local stakeholders will continue without interruption.

With our HUDStat initiative, we are using data to measure our performance with issues like addressing veteran homelessness, to ensure our resources are being used to address the greatest needs most effectively and efficiently

Rental assistance reform has included aligning multifamily housing and public housing asset management practices, developing a consolidated rental housing risk model to be used by both public housing and multifamily housing programs, and initiating a pilot program to streamline housing inspection protocols across federal agencies. HUD is also restructuring the Office of Multifamily Housing to better serve clients and create administrative efficiencies.

A key initiative to streamline HUD programs is the Rental Assistance Demonstration (RAD). Launched in late 2012, RAD is a powerful new tool to preserve public and assisted housing by converting existing subsidies to the Section 8 project-based rental assistance or project-based vouchers platform. The program provides Public Housing Authorities and private and nonprofit owners a proven model with which to leverage Section 8 assistance to draw outside private, state, and local financing to make much needed capital repairs. But the program is also consolidating four older, antiquated programs into the Section 8 program as well. These are just a few examples. Across the board, we are making improvements to HUD so that the Department can better serve America's families

III. Role of the Director of OMB

12. What do you anticipate will be your greatest challenges as OMB Director, and what will be your top priorities?

One of the greatest challenges facing the next OMB Director is maintaining the balance between two goals critical to our nation: reducing the deficit while investing in critical programs that support our economy and help the most vulnerable. While this will require me to make tough decisions, if confirmed, the good news is that these two goals are not mutually exclusive. In fact, they are critical for both the common good and bottom line. As HUD Secretary, I remember visiting a veteran we helped find housing. He told me that when he entered his new apartment for the first time, he felt he could finally live like a human being. Our work made a difference in his life. It also made a difference for taxpayers because it saves the tens of thousands of dollars a year it costs to support a homeless person with emergency health care, institutions like shelters, and other costs.

If confirmed, my first priority as OMB Director would be to work with Congress to see how we can continue the progress made in enacting the Bipartisan Budget Act and the Consolidated Appropriations Act for fiscal year 2014. These bills were good first steps in moving past the budget crises of the past few years and providing some measure of relief from the damaging cuts caused by sequestration.

Another priority would be advancing the President's efforts to make Federal agencies more efficient, effective, and supportive of economic growth. Under the President's leadership, the Administration is working to increase the quality and value in core government operations and enhance productivity to achieve cost savings for the American taxpayer. I have dedicated myself to this work at HUD, and if confirmed, would look forward to the opportunities to take on the same challenge across the Federal Government.

13. How do you intend to allocate and delegate responsibility among the OMB Deputy Director, the Deputy Director for Management, and yourself? Do you anticipate the current roles and responsibilities will change?

If confirmed, I will work with the Deputy Director and the Deputy Director for Management as a team. I see us working with Congress in order to develop a responsible budget that provides deficit reduction while making investments that will support economic growth, innovation, and national security. As a team, I would expect the three of us to build on the President's management agenda and continue efforts to have the federal government operate efficiently and effectively.

Director Burwell has led OMB in a good direction and built a strong leadership team; therefore, at this time, I do not anticipate changing roles and responsibilities.

IV. Policy Questions

General Management

14. What do you see as the most important management challenges facing the federal government, and, if confirmed as OMB Director, what would you do to address those challenges?

There are a number of critical priorities in the management area that I am committed to, and, if confirmed, will work with Congress and other stakeholders to continue improvements. There are three major areas where I will look forward to focusing my efforts.

First, if confirmed, I will continue to work on implementation of the GPRA Modernization Act. I will continue efforts to enhance economic growth by enabling public access to Government-generated assets, including data and the fruits of federally-funded research and development. I will also focus on using data and research to drive better decision making inside Government to improve effectiveness and efficiency of our programs. Second, I will work to continue to make progress on smarter IT delivery, ensuring that agencies have the best talent working inside Government, the best companies working with Government, and the best processes in place to ensure accountability for delivering results. Third, I will ensure that we continue to focus on the Federal workforce, and work to capitalize on the tremendous talent that we currently have in Government, and recruit new talent into Government. If confirmed, I look forward to working with Congress in all of these areas.

15. One of OMB's principal goals is to improve the effectiveness and efficiency of government programs. What OMB initiatives can make the greatest difference in governmental efficiency and effectiveness? How can those efforts be integrated with the budget process and with the work of congressional authorizing and appropriating committees?

Government is at its best when it maximizes its return on every taxpayer dollar spent. This means cutting waste and red tape to ensure it can react quickly to address the opportunities and challenges facing families on the ground. The President's Management Agenda has made effectiveness and efficiency guiding principles of its work. Progress is happening throughout the Administration, from providing better customer service for those interacting with the Federal Government to working to change the way the Federal Government procures services.

I am proud to have driven this kind of change at HUD. I instituted HUDStat, which helps us identify goals, monitor performance, hold ourselves accountable and, ultimately, enhance HUD's programs. I also created an Office of Strategic Planning and Management to track work on our most critical programs, oversee significant change management efforts in those programs and ensure they are performing at a high standard.

I know that OMB is working to drive Federal Government-wide efficiency and effectiveness, in part, through its work on the eight management-related cross-agency goals established a few months ago. In particular, the goal that relates to benchmarking will take data that is being collected from agencies on administrative functions that are common throughout Federal Government—among this real property, acquisition, and IT—to develop a baseline that will ensure agencies are spending taxpayer dollars as efficiently as possible. I am deeply committed to using data to identify issues, problems, or inefficiencies in the way the Federal Government operates. The benchmarking goal will help us to use data and evidence to improve programs. I look forward to identifying other ways that data can help us meet our goals of a more efficient and effective Federal Government.

If confirmed, I also look forward to using these data benchmarking efforts to work with Congress to improve the accuracy and consistency of costs used in the budget process. I have seen this work effectively at HUD, where, for example, we have used data on real property from other agencies to better manage our needs for workspace. Implementing the resulting cost-savings measures, including closing and streamlining offices, required extensive work with our committees in Congress, a process that is critical if we are to make progress on reducing waste, overlap, and duplication in Federal programs and operations.

16. Are there any programs within OMB that you believe should be eliminated because they are ineffective, duplicative, and unnecessary or have outlived their purpose? If so, please list those programs.

I am currently not aware of any programs that would fit this description within OMB, but if confirmed, I am committed to looking at programs across the Government to see where there may be programs that are ineffective, duplicative or no longer useful and find ways to streamline or eliminate them.

17. President-elect Obama promised to conduct "an immediate and periodic public inventory of administrative offices and functions and require agency leaders to work together to root out redundancy." As Secretary of HUD, did you perform that inventory? If so, please provide its findings.

HUD's Federal Program Inventory report is at:
http://portal.hud.gov/hudportal/documents/huddoc?id=HUD-FPI-May2013.pdf

Cross agency collaboration is something we've taken very seriously to root out redundancy. For example, HUD is working with the Department of Treasury, the IRS, and the USDA to eliminate duplicative physical inspections and reduce inefficiencies and costs associated with the operation of multiple inspection protocols. This initiative is in its third year and has grown from 6 states to 26 states, covering approximately 800 properties that serve some of our nation's most vulnerable populations.

HUD is leading the Federal and State partnership to align these inspection standards to cut unnecessary red tape, which may require statutory and regulatory changes to make the effort sustainable in the long run. The HUD Real Estate Assessment Center protocol—the Uniform Physical Condition Standards—is the industry standard for physical inspections of affordable housing. The technology and methodology for applying that protocol will reduce administrative burden associated with operating federal programs and give a comprehensive, common framework for understanding the quality of the housing.

18. In light of the serious budgetary challenges facing the government, what are the most important steps that OMB can take to enable the federal government to perform its essential functions at less cost?

There are cross-Government initiatives underway to make sure that agencies are eliminating wasteful practices and maximizing the impact of their budget dollars. The President's Management Agenda prioritizes efficiency within the Federal Government, and the Administration has utilized several strategies to achieve cost savings.

One of the many initiatives OMB and HUD have worked together closely on is shared services, which is one way that the Administration is seeking to reduce duplication across the Federal Government. HUD is in the early stages of transferring the management of our financial systems over to Treasury, who are able to use their expertise and proven success in this area to manage HUD's financial system. This allows us to focus more of our resources on efforts critical to achieving and advancing our mission. HUD is the largest agency to move to this shared service, and is paving the way for other agencies who are interested in maximizing efficiency in the more transactional work of the Federal Government, such as financial management and human resources. By allowing one agency, Treasury, to provide these services to multiple clients, HUD is freeing up staff and resources to put to better use on mission-critical activities.

19. Last July, President Obama tasked OMB Director Burwell with leading a management agenda for the President's second term. The President's Fiscal Year 2015 budget proposal lays out a number of management initiatives, with four basic pillars of effectiveness, efficiency, economic growth, and people and cultures.

What do you anticipate will be your role in shaping and implementing the management agenda? What metrics will you use to review progress in implementing the President's proposed initiatives?

If confirmed, I will work closely with Federal agencies to implement the Management Agenda and track and review progress of the President's initiatives. This includes continuing to work closely with agencies through the cross-agency priority goals that implement the Agenda. I understand that detailed action plans for these goals will be posted later this month on Performance.gov. The Administration is also developing

specific metrics to measure performance for each cross-agency priority goal that will be posted. In this way, the public will be able to follow and track progress to see where we are having success and how we adapt if we are not making progress as rapidly as we would like.

20. The Administration has announced that in 2015, HUD will transition its financial management functions to the Department of Treasury in the largest financial management shared service arrangement established to date. Did you play a role in deciding whether this transition should occur, and if so, what were the major factors that drove the decision? If confirmed as Director of OMB, what process would you establish for identifying other opportunities across the government for shared services in functions such as financial management, human resource management, and information technology?

If confirmed, I will work with agencies and shared service providers across Government to expand and build capacity in this area. I did play a role in deciding to pursue the transition at HUD, and will use lessons learned from my experience at HUD to push this forward more broadly across the Federal Government. For example, HUD's New Core initiative is transitioning core financial and key administrative systems and services to the Department of the Treasury's Administrative Resource Center (ARC). The ARC will be HUD's Federal Shared Services Provider, in compliance with Government-wide guidance from OMB (Circular M13-8, Improving Financial Systems through Shared Services).

New Core implementation will:

- strengthen HUD's system of internal controls and funds management by reducing redundancies;
- enable HUD to focus critical resources on mission delivery;
- enhance financial transparency, analytical capabilities, and efficiency; and,
- address IG, GAO and other compliance issues and audit findings.

Treasury is already managing HUD's recruiting and some other human resources operations, which were transitioned in early 2013. The Department's travel system will transition to Treasury in October, 2014, and time and attendance will follow in early 2015. Following these releases, responsibility for HUD's core financial systems will also transition to Treasury.

HUD's migration to a federal shared service provider under the New Core initiative will improve the stability and efficiency of its financial management operations, reduce risks posed by legacy systems that are no longer supported by the vendor, and address material audit weaknesses cited by HUD's OIG and the GAO.

I know that expanding shared service providers reduces duplication and costs, and increases the quality of services by letting agencies with expertise take the lead.

21. In 2012, President Obama appointed you as the Chair of the Hurricane Sandy Rebuilding Task Force.

a. What lessons did you learn from this experience about inter-agency cooperation that you will apply in your tenure at OMB if confirmed? What do you think are the biggest obstacles to effective inter-agency cooperation, and how can those obstacles best be overcome?

The biggest challenge I have encountered is that different agencies go about their business in their own unique ways. Many of these practices are stuck in their respective habits and histories and rules, and this can cause confusion and inefficiency. There are a number of steps I pursued to overcome these challenges. First, we created an interagency team based in Washington, D.C., made up of detailees from a range of critical agencies that built trust between agencies staff that typically did not know or work with each other. This team complimented the locally based team set up under the National Disaster Recovery framework. Second, we engaged local governments, businesses, and citizens to understand the most pressing issues as they were experienced on the ground. Third, we created a project management office focused on establishing common data and measures of success. When different parties can rely on the same data, and come to the same conclusion, then common actions and goals can be created.

b. From your experience as Chair of the Task Force, what lessons did you learn about the effectiveness and importance of coastal flood protection and storm damage reduction projects in preventing damage to businesses and homes and in saving lives in coastal communities, especially compared to the costs of emergency response and recovery measures? What importance do you place on mitigation? Do you have any thoughts on any changes that should be made to practices and policies at OMB about mitigation?

The evidence is clear: extreme weather is a real and growing threat to our communities. The Nation must take the proper steps to keep families out of harm's way. Obviously, this is the morally right thing to do because it will save lives. It also makes economic sense. Research has shown that every dollar we spend today on hazard mitigation saves us at least four dollars in avoided costs when the next disaster strikes. It also enhances competitiveness because businesses want to know that their operations are safe from future storms, and this has direct effects on insurance and other costs. There are numerous changes to practices and policies that grew out of the task force work, including the need to provide better data to communities about current and future flood risk, alignment of Federal standards on minimum mitigation measures such as elevation of homes and businesses or protection of infrastructure, incorporating the latest evidence on "soft" infrastructure into our cost-benefit models, and the need for technical assistance and completion to attract world class ideas for resilience.

22. GAO annually publishes a report describing areas where it has found evidence of duplication, overlap, or fragmentation among government programs and describing

opportunities to reduce the cost of government operations or to enhance revenue collection. These reports also identify actions taken by Congress and the Executive Branch to address the specific recommendations outlined in the previous year's report. In your view, what actions should OMB take to appropriately address GAO's recommendations to the Administration that are contained in these reports? Please provide any specific areas you plan to begin addressing as OMB Director. In addition, what do you believe OMB should do to help Congress review and take action on the recommendations provided directly to Congress by GAO?

I appreciate the work GAO is doing to identify areas of duplication, fragmentation, and overlap, and opportunities for cost savings. When appropriate, the Administration should continue leveraging GAO's analysis to guide our efforts to achieve cost efficiencies and improve program outcomes. For example, in 2011 GAO had identified an area of fragmentation related to the U.S. Interagency Council on Homelessness (ICH). The council is now fully addressing the GAO recommendations related to improving interagency collaboration. ICH has provided strong leadership on cross-cutting homeless issues, and has forged substantive links between agencies to improve coordination and targeting, obtain better data and improve outreach efforts. These and other ICH collaborative efforts are essential to achieving the goals outlined in the Federal Strategic Plan to Prevent and End Homelessness. In addition, the President's FY 2015 Budget proposes to transfer funding for the FEMA Emergency Food and Shelter (EFS) program to the Department of Housing and Urban Development (HUD). By allowing HUD to administer this program, the Administration is aligning its dedicated homeless assistance resources, avoiding duplication between programs, and ensuring that the funding appropriated for EFS assists in meeting the goals of the Federal Strategic Plan.

To make further progress, I believe the Administration should continue to identify cuts consolidations, and savings proposals in each of the President's Budgets. For example, the President's FY 2015 Budget included more than 130 cuts, consolidations, and savings proposals, which are projected to save nearly $17 billion in 2015. If confirmed, I would like to work with Congress to see these reforms enacted. Further, in some of the issue areas identified by GAO, the Cross-Agency Priority Goals and Agency Priority Goals can be leveraged to improve coordination across agencies and programs.

Management for Performance and Results

23. The Government Performance and Results Act (GPRA), as updated in 2010 by the GPRA Modernization Act (GPRAMA) (P.L.111-352), provides a government-wide framework for managing performance. What is your opinion of the current government-wide performance-management program, and how do you believe it could be improved? As HUD Secretary, how did you use GPRAMA as a management tool? How will your experience in implementing GPRAMA at HUD help you in continuing to implement it across all agencies?

Building on the foundation established by the GPRA Modernization Act, the Administration is implementing a performance management framework that delivers tangible performance improvements across Federal agencies. It is built on a straightforward approach that I have seen work both at the local level in New York City and across various Federal agencies, with leaders setting clear goals, regularly reviewing progress using data, and establishing clear accountability. Effective implementation of this performance framework is an important step in delivering a high-performance government for the American people.

At HUD, I made the agency priority goals a core component of how I created priorities, oversaw progress, and established accountability. For instance, I worked closely with the Deputy Secretary of the Department of Veterans Affairs to address our joint priority goal of ending veterans' homelessness. Our regular reviews of progress with staff from both agencies helped us harness data to identify and address challenges with significant results in reducing the number of homeless veterans. At HUD, working closely with Treasury and other agencies, we also established an agency priority goal focused on preventing homeowners at risk of foreclosure from losing their homes. We initiated a number of measures to improve agency operations and help borrowers at the very early stages of delinquency and increased the number of households assisted with early interventions by 31 percent between 2010 and 2013. We also reduced six month re-default rates from 17 percent in 2011 to eight percent in 2013 among those who were helped by the agency's loss mitigation programs.

I think my experience of using this priority goal approach to work with multiple agencies to solve problems help prepare me for the opportunities that OMB provides. I have seen first-hand the improvements that are possible when different programs come together to solve shared problems. To that end, if confirmed, I look forward to using the cross-agency priority goals as tools to further these important objectives.

24. Earlier this year, the Administration unveiled fifteen new cross-agency priority goals. In your view, what is the role of the OMB Director in ensuring that appropriate programs and agencies are contributing towards each goal? What is the role of the OMB Director in ensuring that the Federal government is making progress towards these goals?

The priority goal approach has shown promise as a structure within which leaders can set goals, use data to assess progress, and hold senior leaders accountable. I am interested in building on this approach through the cross-agency goal process to address areas that require coordinated implementation across multiple agencies to achieve the desired impact. If confirmed, I intend to use my role to strengthen this cross-agency approach to promote greater interagency coordination and strengthen accountability for results.

OMB works closely with leaders from across the Executive Office of the President and agencies to select the goals, identify goal leaders, and make sure each goal team has developed a strong action plan that is transparent to the public. OMB also has a role in making sure that goal leaders review progress on a quarterly basis and take corrective

actions as needed. OMB also leads the interagency Performance Improvement Council which provides key support and analysis for performance improvement. This year, I have been pleased to see that agency leaders have been established for each of the goals to work in partnership with members from the Executive Office of the President.

If confirmed as OMB Director, I will also ensure OMB reviews progress on these goals each quarter and provides regular updates on performance.gov to keep Congress and other stakeholders informed of progress.

25. At the beginning of each Congress, the Government Accountability Office (GAO) publishes a "High Risk" report identifying government operations that are particularly vulnerable to fraud, waste, abuse, and mismanagement or that need transformation to address particular management challenges. What do you believe OMB should do to appropriately address GAO's recommendations in this report?

If confirmed, I look forward to working with GAO and agencies on these critical issues. I appreciate the role GAO plays in designating areas as high risk, to focus organizations on need for reforms. For example, I worked closely with other agencies on a GAO high risk area related to the financial regulatory system and the Federal role in housing finance. Working with other agencies and colleagues at GAO, we have been able to put corrective actions in place to make progress on this important area.

I believe OMB plays an important role in ensuring agency leaders come together to address these problems, establish corrective action plans, and monitor progress. I understand that OMB's Deputy Director for Management, Beth Cobert, meets regularly with Gene Dodaro, GAO's Comptroller General to review progress on the GAO high risk areas. If confirmed, I will continue to support strong accountability for progress in these areas and identify areas where my engagement can further progress.

Financial Management

26. The federal government has made great strides in improving financial management by federal agencies. However, more work still needs to be accomplished by federal departments and agencies in order to ensure accurate and complete financial reporting and effective financial management. Notably, the Department of Defense has yet to pass and complete a full financial audit, representing an audit of more than half of the discretionary federal budget, and there are serious concerns as to whether the Department will be able to conduct and pass a full financial audit by its statutory deadline of 2017.

a. What additional steps do you think OMB and agencies should take to further improve the government's financial management systems?
Properly functioning financial systems are a key building block for agencies to produce auditable financial reports, respond to data-calls and inquiries from Congress, and create and track the financial data that agencies need to manage their programs. In my own experience at HUD, I have seen how the Federal Government

has struggled in the past to implement agency-specific solutions that are customized to meet existing business practices.

In my view, an important way to address these challenges and focus our limited resources on our mission is to encourage the use of shared services for financial systems. The Administration endorsed this approach and I am proud that HUD is one of the first Cabinet-level agencies to begin working with a Federal shared service provider—Treasury in our case—to leverage the investments the Government has already made and bring HUD to an existing proven solution.

If confirmed, I would continue to work with agencies and shared service providers through the President's Management agenda to build the capacity of the shared service providers and share lessons learned from HUD's experience.

b. Regarding the Department of Defense in particular, what steps should OMB take to ensure that it will meet its goals and requirements for conducting a financial audit and ultimately obtaining a "clean" audit?

My understanding is that the Department of Defense (DOD) is committed to obtaining an audit opinion, though it still faces several challenges due to its size and complexity. DOD established a comprehensive corrective action plan, and my understanding is that GAO provided positive feedback on the Department's current audit readiness plans. I understand that OMB staff meets quarterly with the Deputy Chief Financial Officer to discuss progress on auditability and financial systems, which have helped DOD focus its efforts. If confirmed as OMB Director, I will work closely with DOD to continue to build on the progress that has been made.

Progress at DOD is an important continuation of the improvements that have been achieved in financial reporting under the CFO Act. The changes to financial reporting made under the CFO Act have significantly improved the quality of financial management information and prompted stakeholders to expect a higher level of financial stewardship and accountability. The financial community has largely met the goals of the original CFO Act, with twenty-three of twenty-four Federal agencies receiving auditable opinions. However, in the 24 years since the CFO Act was passed, new challenges have emerged and new approaches to financial reporting need to be adopted. Taking the discipline that producing auditable financial reports requires and applying it to providing data that is more useful for program managers and elected, appointed, and career officials in both the legislative and executive branches; the public; and other entities is the next challenge. If confirmed, I will determine options for improving our reporting model to better link program performance information with program spending information.

Improper Payments

27. Congress passed The Improper Payments Elimination and Recovery Improvement Act of 2012 (P.L. 112-248) during the last Congress. This new law follows passage of the Improper Payments Elimination and Recovery Act of 2010 (P.L. 111-204). Both laws seek to identify, prevent, and recover the more than $100 billion dollars in improper payments made by federal agencies each year.

a. To date, not all agencies have fulfilled the requirements of the various improper payments laws. How will OMB work with agencies under your leadership to more fully implement improper payments requirements?

I know that significant progress has already been made in this area, and that the improper payment rate has steadily dropped over the past several years. If confirmed, I am committed to continuing these efforts. This would build on work that I've already done. HUD has one program that currently reports an improper payment rate, the Rental Housing Assistance program, which represents about 1 percent of the Federal Government-wide improper payment rate estimate.

If confirmed as OMB Director, I will work closely with agencies and Congress to continue the progress that has been made to date. For example, OMB is in the process of developing a complete inventory of programs that have failed to report an improper payment estimate—and the reasons why—in order to improve improper payment testing of all high-risk programs across the Federal Government. With this important analysis, OMB can help accelerate and reinvigorate options agencies can take to fulfill requirements in the future.

b. What role do you anticipate for OMB in continuing to press agencies to identify, prevent, and recover improper payments? Do you see opportunities for new initiatives and approaches across the federal government to curb improper payments? If so, please describe these initiatives and approaches.

OMB can play three important roles. First, it can build on recent progress and focus on agencies where the improper payment rate may be disproportionately high or places where agencies are not in compliance with statutory requirements. We can work in these targeted areas to reduce improper payments and facilitate lessons learned and cross-agency collaboration.

Second, OMB can be an even more active partner in supporting Congressional and administrative efforts to reduce improper payments. For example, the most recent President's Budget includes a number of program integrity proposals that aim to reduce improper payments and improve Federal Government efficiency. I know that OMB also looks forward to working with Congress to see where more

progress can be made. For instance, gaining access to the full death master file would help us further reduce improper payments.

Third, OMB can ensure agencies are partnering with the private sector and state and local governments to reduce improper payments. From my experience in both those sectors, I have seen how tools the Federal Government makes available can significantly lower improper payments in programs such as Section 8 housing where federal benefits are provided by the private sector or state and local governments. By enhancing the range of data available through these tools and simplifying and streamlining them, I have no doubt we can continue to make progress on improper payments.

28. Many solutions for reducing federal improper payments involve collaboration and coordination among federal agencies, inspectors general, and State governments. For example, many inspectors general and agencies have asked for improved methods for sharing data and information proven useful for detecting fraudulent payments. However, sharing of data between agencies can still be a time-consuming process, even for sharing basic information such as death records. What role, if any, should OMB play in ensuring agency collaboration and greater sharing of data helpful for curbing waste and fraud? If confirmed, how do you plan to carry out this role?

I believe OMB should play a leadership role with agencies to ensure protection of privacy and sharing of best practices. Sharing data more broadly helps the Federal Government serve the public in a more efficient, accountable, and harmonized manner. It is also crucial for Federal agencies to share data in a manner that will fully protect individual privacy and it is my understanding that OMB has focused on these types of issues for the last few years, as demonstrated by the efforts to improve the "Do Not Pay" initiative. I understand that OMB recently issued a memorandum allowing the Department of the Treasury to improve the way that they use certain Federal databases and begin matching recognizable data to prevent improper payments in a way that safeguards privacy.

In addition, OMB has sought ways to increase access to additional databases to assist in preventing improper payments, strengthen the accuracy and completeness of data, and position Do Not Pay to support matching across databases to provide more robust and actionable information. If confirmed, I will ensure OMB continues a leadership role to promote agency collaboration and sharing of data to prevent waste, fraud, and abuse.

Real Property Management

29. The federal government is the largest owner of real property in the United States, and weaknesses in the government's management of real property have been a challenge for many years. GAO has identified problems related to excess and underutilized properties, vacant and deteriorating facilities, unreliable data, and over-reliance on costly leasing. What do you believe are the principal obstacles that the federal government faces in the management of and, where appropriate, disposition of federal real property?

Improving the management of real estate is an important opportunity to eliminate a longstanding area of waste and inefficiency in the Federal Government. There are several obstacles in this area, including the fact that some agencies do not have an incentive to dispose of unneeded real estate since they do not receive the proceeds from real estate sales. There are procedural barriers that delay actual disposal once the decision has been made, such as competing stakeholder interests that have traditionally slowed or halted disposal actions. A lack of adequate funding for maintenance and capital programs also can make it hard to sustain the quality of Federal space and invest in consolidations.

30. What measures do you believe should be taken by OMB, the General Services Administration ("GSA"), the Federal Real Property Council, and others in the federal government to overcome the obstacles to effective real property management that have been identified over the years? If confirmed, how would you seek to address the challenges faced by federal agencies in real property management?

I am committed to ensuring that the Federal Government is managing real property in the most efficient way possible. I will apply my firsthand experience from leading this type of consolidation at HUD. When I took over as Secretary, the Department's field structure was still following a model that was created decades ago. So we initiated an effort to ensure that our resources—both employees and budget dollars—were allocated so we could get the most value. We closed 16 small offices across the country. We've also initiated a transformation of our multifamily office that will reduce the number of offices from 54 to 12. These changes are allowing HUD to give up leased space and better utilize technology to get our important work done more effectively and at a lower cost.

Our work at HUD compliments the larger goals of the Administration. In 2012, OMB, working with agencies, implemented a new Federal Government-wide policy to restrict real estate growth while also instituting a long-term planning process. Under this policy, the Administration is keeping track of the total square footage that Federal property takes up and working to ensure that we do not increase this total—and work to reduce the total where we can. Agencies have been working hard to implement this policy, known as "Freeze the Footprint."

The Administration is committed to holding ourselves accountable by publishing our progress on performance.gov, which I understand will begin soon. If confirmed, I look forward to working with agencies to see what more we can do to utilize property in the most efficient way possible and to reduce our footprint by getting rid of property that we don't need or aren't using efficiently.

Procurement Policy

31. What do you see as priorities for the Office of Federal Procurement Policy (OFPP)?

Ensuring that taxpayer dollars are spent wisely is central to the mission of the Office of Federal Procurement Policy (OFPP), and this is even more critical when agency budgets are constrained. To maximize the value of our procurement dollars, OFPP could build on its efforts to buy smarter, support small business participation, and promote innovation—especially in the acquisition and management of information technology. Leveraging the Federal Government's vast buying power through strategic sourcing can lower prices and reduce contract duplication, which allows agencies to meet their mission needs more efficiently. Small businesses deliver effective and creative solutions that make the Federal Government work and support the economy, so we must continue to increase their participation in Federal contracting. Finally, by adopting more innovative and streamlined ways of buying and managing IT, we can deliver better solutions faster.

Successful implementation of these top priorities depends on having a strong and well-trained acquisition workforce. We must continue to invest in the development of our acquisition professionals and ensure they are integrated with key decision makers across the agency. We must also do business with high-performing companies with solid records of corporate integrity. I understand that the GAO recently commended a number of executive branch agencies for their good work in strengthening contractor suspension and debarment practices—an important step in ensuring we only do business with the best. If confirmed, I look forward to working with OFPP to focus on these priorities to ensure that we are maximizing value to taxpayers.

32. Weaknesses in agencies' contacting decisions – *e.g.*, over-reliance on noncompetitive contracts, or inappropriate use of "cost-plus" contracts – often have unnecessarily inflated contract costs. But wasteful spending also often results from poor planning that occurs before the contract is signed, or weak oversight of the contractor after the contract is signed. Do you think OFPP needs to expand its focus beyond "procurement" to a broader concept of "acquisition" involving the entire life cycle of the good or service being purchased?

OFPP's policies should support the entire acquisition process, which includes developing the Federal Government's requirements through award and contract administration. My understanding is that OFPP is strengthening contract management practices throughout the lifecycle of products and services. Additionally, focusing on more agile and innovative ways of buying information technology, restructuring resources and processes to manage categories of goods and services, and leveraging our buying power through strategic sourcing can further help support the life cycle of our acquisitions. If confirmed, I look forward to working with OFPP to strengthen these policies.

33. What considerations should agencies take into account when deciding whether to use a contractor or the federal workforce to perform a particular function?

There are certain functions that should only be completed by Federal employees, given the inherently governmental nature of those functions. For instance, though background investigations for Federal employees and government contractors may be completed by contractors, it is the responsibility of Federal employees within agencies to examine the findings and determine whether or not an employee or contractor is granted a security clearance.

In instances where there are shifting demands in workload or a need for flexibility, it may be appropriate to use contractors rather than Federal Government employees to perform this work. I have also seen in my work at HUD that partnering with state and local governments can be an effective way to benefit from local knowledge while maintaining public sector oversight. In each case, whether the work is performed by a Federal employee, state or local government employee, or private sector contractor, it is important that proper oversight is conducted and quality checks are performed to ensure that the work meets high standards. If confirmed, I look forward to learning more about this issue across the Federal Government and working with OFPP to ensure that functions are performed appropriately.

34. Across the government, agencies struggle with developing accurate cost projections for the lifecycle of their major acquisitions. What actions should OMB take to help agencies develop better cost estimating capabilities?

Considering the size and complexity of the Federal Government's major acquisition programs, developing accurate cost estimates can be very challenging. However, I believe tools and techniques are available that could substantially improve the process. For example, I understand that OFPP continues to work with agencies to improve communication between the Federal Government and the vendor community during the requirements development and acquisition planning phases. This helps give the Federal Government a better understanding of the market dynamics and related cost drivers. Also, I understand that OFPP and the Office of E-Government and Information Technology are promoting a more agile approach to technology development so that large and complex projects can be broken into smaller, more discrete deliverables, which improves cost estimating and program management.

35. In 2012, GAO reported that leading private sector companies manage 90 percent of their spending through strategic sourcing, compared to only 5 percent at four major federal agencies examined by GAO. GAO also reported that in Fiscal Year 2011 only $339 million out of a total of $537 billion in federal contract spending had gone through the Federal Strategic Sourcing Initiative.

a. What was your experience with strategic sourcing at HUD? Why do you think agencies have been slow to take advantage of strategic sourcing, and what can OMB do to encourage greater savings through strategic sourcing?

At HUD, about 90 percent of our spending on delivery services was done through the Government-wide strategic sourcing vehicle, which saved the agency about $1.8 million per year. I think agencies are slow to take advantage of strategic sourcing because cultural change is needed to overcome an agency's preference for awarding its own new, agency-specific contracts, which then contributes to duplication across the Federal Government.

b. GAO has also found that private companies have focused strategic sourcing efforts on the categories of goods and services on which they spend the most. By contrast, the Federal Strategic Sourcing Initiative, while successful in achieving cost savings in some areas, has not yet targeted the categories on which federal agencies spend the most, such as professional management support services. What actions would you recommend OMB take to address higher spending categories through strategic sourcing, and what actions will you take to improve strategic sourcing of services?

Leveraging the Federal Government's vast buying power through strategic sourcing is critical to helping agencies meet their mission goals more effectively. I understand that the Administration has governance for strategic sourcing already in place with the Strategic Sourcing Leadership Council. Through that governance, we will continue to build on our early successes and utilize strategic sourcing for the higher spend categories. Also, I understand we are starting to do strategic sourcing for services in the form of human resources services and training. If confirmed, I will take lessons learned from this effort and apply it to strategic sourcing of other services where appropriate.

c. What other steps do you plan to take to strengthen the administration's efforts on strategic sourcing?

If confirmed, I will support strong management of common categories, continued introduction of new Government-wide solutions, measuring agency progress on adopting these solutions, ensuring that critical pricing and performance information is available to our workforce, and supporting increased participation by small businesses in our strategic sourcing solutions.

36. What do you see as the appropriate relationship between OFPP and the acquisition policy functions of the General Services Administration ("GSA")? What are the specific ways in which OMB can strengthen its partnership with GSA that help deliver procurement solutions for federal agencies that save taxpayer dollars?

As an office within OMB, I believe OFPP is uniquely positioned to lead the Federal Government's acquisition policy function. To be successful, this must be done in

collaboration with many Federal agencies, including GSA, who is an important partner in the Administration's management initiatives. OMB continues to take steps to collaborate more effectively with GSA. For example, GSA helps OMB to manage the training and development of the civilian agency acquisition workforce, the Government-wide strategic sourcing program, its regulatory agenda, and has helped with President's Management Agenda initiatives. If confirmed as the Director of OMB, I will continue to work closely with OFPP and GSA to strengthen this partnership and to focus efforts on increasing strategic sourcing to further the President's Management Agenda.

37. Agencies have struggled to meet requirements passed by Congress mandating complete inventories of service contracts. If done properly and consistently across the government, these inventories would provide senior agency leadership and Congress valuable information on the scope of functions performed by contractors and the number and cost of contractor employees supporting government contracts. What steps should OMB take to ensure that these inventories are a useful gathering of data?

While I am not familiar with how the data is currently being used, I believe having a more complete picture of the work performed by contractors would be beneficial. Improving our understanding of how contractors are being used in the agencies should help us determine the appropriate mix of Federal employees and contract personnel. Sharing best practices in an interagency forum may also be useful. If confirmed, I will work with OFPP and the Chief Acquisition Officers Council to determine next steps for strengthening the inventories.

38. In the coming years, the federal government faces a retirement wave in the acquisition workforce. What should OMB's role be in developing and implementing a strategy to recruit, train, and retain new talent into the federal acquisition workforce?

OMB plays an important role in ensuring that the acquisition workforce is trained and developed to ensure that taxpayer dollars are spent wisely. These professionals develop requirements, negotiate contracts, and ensure that the Federal Government gets what it paid for, which is even more critical in a budget constrained environment. I understand that OFPP has strengthened all of its certification programs for program managers, contracting officers, and contracting officer representatives—all of whom play critical roles in the process—and, if confirmed, I look forward to working with OFPP to redouble our efforts to strengthen and support our acquisition workforce.

39. In what ways do you plan to strengthen existing initiatives, or begin new ones, to ensure that federal agencies' use of high-risk contracting types continues to decrease?

If confirmed, I will work with the Office of Federal Procurement Policy to take steps to reduce the use of high-risk contracting types and improve acquisition practices, in general. OFPP's recent emphasis on workforce development will accelerate these efforts. Strengthening OFPP's certification programs will provide civilian agency contracting

professionals and program managers with the strategies and tools to thoughtfully consider the use of high-risk contracts and understand when it is appropriate to use them.

40. What do you see as the appropriate relationship between OFPP and the acquisition policy functions of the General Services Administration ("GSA")?

As an office within OMB, I believe OFPP is uniquely positioned to lead the Federal Government's acquisition policy function. To be successful, this must be done in collaboration with many Federal agencies, including GSA, who is an important partner in the Administration's management initiatives. If I am confirmed, I will ensure that OMB continues to take steps to collaborate more effectively with GSA to ensure the best program outcomes and to leverage the collective spending of the Federal Government.

41. This year GAO removed interagency contracting from its High Risk list. GAO noted that Congress, OMB, and agencies have created new policies to govern the creation and use of inter-agency contracts and have increased management controls over these contract vehicles. However, GAO also cautioned that removal of interagency contracting from the High Risk list does not mean that use of these contracts is without challenges, and continued management attention is needed. What steps do you intend for OFPP to take to ensure that agencies address the risks associated with interagency contracts, and to ensure that interagency contracts are used appropriately to streamline the procurement process and leverage the buying power of the Federal Government?

I see the benefits of interagency contracting in the form of leveraging the Federal Government's buying power and reducing duplicative contracts through the use of the strategic sourcing initiative. That said, I understand that we must continue to ensure that appropriate policies and procedures are in place to optimize the results obtained from using these contracts. If I am confirmed, I will work with OFPP to ensure that the workforce understands and utilizes the appropriate strategies to make interagency contracting an effective tool to help agencies deliver mission.

42. What are the factors that OMB and OFPP should consider when reviewing federal agencies' business cares for awarding new government-wide acquisition contracts?

I understand that OFPP's current guidance on developing business cases for certain acquisitions has helped to improve the visibility of acquisition planning and reduce duplication of contracts. To optimize the use of business cases and to ensure we get the benefit of the business case process, it seems reasonable that OFPP would look at the benefits of proposed new contracts, their costs, their use of small businesses and how they will contribute to the larger strategic sourcing strategies that OMB is pursuing. If confirmed, I look forward to working with OFPP to ensure the guidance and outcomes for the business case process are most effective. Utilizing this process will improve acquisition outcomes as we get more timely information on opportunities to further leverage Federal contract spending through the Strategic Sourcing Leadership Council and strategic sourcing program.

U.S. Postal Service

43. Declining mail volumes continue to threaten the Postal Service's long-term viability. The President's Budget for Fiscal Year 2015 states that the Administration recognizes the enormous value of the Postal Service and the need for reform, and offers that the Administration will work with the Congress and stakeholders to gain the necessary reforms. (FY 2015 Budget of the U.S Government, Appendix page 1362.) What role do you believe OMB can and should play in achieving legislative or other solutions to help the Postal Service achieve long-term financial stability? Which particular offices or officials, within OMB or elsewhere in the Administration, do you believe should take the lead in working with Congress and stakeholders to secure the necessary reforms? If confirmed, what role would you expect to take in this effort?

Action to address the current financial challenges facing the Postal Service is critical to maintain its vital role in supporting the Nation's economy. While the Postal Service is an independent branch of the Federal Government, OMB and other agencies such as OPM and Treasury have stakes in its financial condition. Within OMB, the General Government Programs Resource Management Office is the primary lead. If confirmed, I look forward to working directly with members of Congress to enact bipartisan reform that will strengthen the Postal Service over the long-term and ensure it can continue providing the American people with trusted, reliable, and affordable service.

44. The Fiscal Year 2015 Budget includes a specific proposal that the surplus amounts that Postal Service has paid into its OPM account for its share of Federal Employee Retirement System costs should be returned to the Postal Service, and that OPM should calculate these costs using factors specific to the demographics of the Postal Service workforce. (FY 2015 Budget of the U.S. Government, Appendix page 1232 and 1362) Do you agree with this proposal, and, if so, would you explain why you believe it is appropriate that these funds, now in an OPM account, should be made available to the Postal Service?

The Administration's goal is to strengthen the Postal Service through balanced reforms that provide it with the operational flexibility to undertake structural changes that will help put it on a sustainable trajectory.

As part of the President's FY 2015 Budget reform proposal, the Administration proposes to provide near-term relief by returning to the Postal Service an OPM-calculated FERS surplus from its previous payments, using "Postal-specific" demographic factors, rather than the Government-wide calculation that is currently used. The Administration believes this alternative methodology is appropriate given the size of the Postal workforce (approximately 500,000 employees) and demographic characteristics of Postal annuitants relative to those among the broader Federal employee population. Taken together with the other components included in the 2015 Budget, the Administration's proposal provides the necessary reforms to sufficiently mitigate the $20 billion financial

gap that the Postal Service projects over the next few years. This near-term financial relief is a core component of the Administration's proposal and the use of Postal-specific factors for calculating the Postal Service's FERS liability is mirrored in bipartisan bills in the House and Senate.

45. The Budget also proposes that postal reform legislation should be scored in terms of the unified budget to better reflect the impact of the legislation on overall deficits and debt (FY 2015 Budget of the U.S. Government, Analytical Perspectives page 134). Do you agree with this proposal, and, if so, would you explain why you believe such a change in scoring rules would better reflect the impact on deficits and debt?

The President's FY 2015 Budget proposes to amend PAYGO to include the 'off-budget' Postal transactions. Without this change, current PAYGO rules would show one side of a transaction, such as the proposed refund of surplus FERS funds from OPM to Postal, without showing the other side of Postal receiving the intra-governmental payment, and distorts the view of the transactions on the deficit.

Grants Management

46. What are your views about the current processes for managing federal grant programs and how such management processes might be improved? How do you believe OMB can best apply its government-wide perspective and authority to achieve the greatest results for the least amount of money?

The Federal Government has a fundamental responsibility to be effective stewards of the taxpayers' money. This requires Federal agencies to implement rigorous financial management discipline to ensure that Federal funds are appropriately accounted for and wisely spent in accordance with laws and regulation. OMB, working with Federal grant-making agencies and non-Federal stakeholders, establishes policies and guidelines through OMB's grant management circulars and OMB Government-wide administrative common rules. These polices and guidelines provide the agencies with a solid framework to ensure that: relevant program requirements are being met; strong internal controls for reducing waste, fraud, and error are in place; and that grantees are meeting their responsibility for performance and accountability for the grant awards.

OMB, working with Federal agencies, grantees, the audit communities, GAO, and Congress, published in December 2013 a Uniform Guidance that provide consistent policies for administrative requirements, cost principles, and audit requirements for Federal grants. This new guidance reduces administrative burden and risk of waste, fraud, and abuse by streamlining all Federal guidance into one place with clear requirements for strong internal controls and a focus on performance over compliance for accountability.

If confirmed, I will work with the Federal agencies and the non-Federal stakeholders for a successful implementation of the new guidance that will ensure greater accountability while reducing the administrative burden for Federal awards.

47. As HUD Secretary, what impressions did you gain and what lessons did you learn that may be helpful to you as OMB Director in finding ways to improve grant-making across the government?

I know that OMB has already done a tremendous amount to improve grants management across the Federal Government, and if confirmed, I will ensure we are continuing progress in this area. I have taken several lessons away from my time leading this effort at HUD, including the importance of timely reporting of grant financial data, implementing policies to identify and mitigate risk of fraud, waste, and abuse while streamlining administrative burden, and programmatic results. This will also allow us to make strides in our efforts to improve the transparency of Federal spending and to use this data to inform our grants oversight and management, as we did with Hurricane Sandy. In addition, I have learned how critical both administrative resources and grants workforce training are to ensuring proper oversight of our Federal grants dollars. Finally, I believe that it is also essential to maintain strong partnerships with our grantees to ensure that our grants management policies provide the most effective framework to administer manage, oversee, and maximize the impact of our Federal grant dollars. If confirmed, I will continue to work with stakeholders going forward, through the Council on Financial Assistance Reform and other appropriate stakeholder forums.

E-Government and Information Technology

48. Since the start of this Administration, OMB's Federal Chief Information Officer has launched several significant information technology (IT) initiatives, including the 25 Point IT Reform Plan, PortfolioStats, the Data Center Consolidation Initiative, and the Open Data Policy. These initiatives have the potential to save billions of dollars and improve the performance of federal agencies. While agencies and OMB have made progress in improving the management of IT projects, it is unclear whether the full potential savings and efficiencies from these reforms will be realized. If confirmed, how will you ensure that agencies continue to give a high priority to implementing these initiatives?

If confirmed, I plan to continue the progress achieved through initiatives such as TechStat, PortfolioStat, and Federal Data Center Consolidation. PortfolioStat was very helpful to us at HUD, and OMB continues to help HUD prioritize its IT systems, identifying legacy systems that can and will be consolidated as well as helping HUD plan for necessary upgrades in the near future. I know that this year's PortfolioStat process includes a focus on making sure that the IT investments of agencies advance their respective missions as well as a focus on making sure that they are incorporating best practices. IT investments can be the largest and most important investments that agencies make, and we should be able to learn from the places in Government where IT

acquisition is done well. If confirmed, I will be personally engaged, just as I was in the HUDStat process at HUD, to make sure agencies are spending money wisely in this area.

I know that OMB is continuing their effort to improve how agencies deliver services to citizens. This includes a focus on the digital components of customer service—how citizens engage with the Federal Government online. To help deliver in this area, the Administration is working on the ability to recruit and hire talented IT professionals. Along with this, as I described above, OMB is continuing to use the PortfolioStat process and other engagements with agencies to identify best practices where they exist and make sure that other agencies are using what works in this area. There is also a focus on making sure that innovative companies can more easily identify and pursue opportunities to work with the Federal Government. The Administration recently ran an open dialogue to get ideas from the procurement community on how we can make it easier for small and innovative businesses to work with us. If confirmed, I look forward to continuing this initiative within a broader focus on better IT delivery across the Federal Government. I will work to make this agenda a reality in order to enable the Federal Government to provide world-class and cost-effective IT services for its citizens.

49. In March 2012, the Administration launched the "PortfolioStat" process, which required agency Chief Operating Officers (or their designee), to lead a department-wide review of the IT systems operating within an organization to identify and eliminate areas of duplication and waste, examine investments that do not appear to be well aligned to agency missions, and other key considerations regarding a agency's IT portfolio. What was your experience with the PortfolioStat process during your time as HUD Secretary? Going forward, what should be the role of Portfoliostat reviews across the government?

HUD was represented in its 2012 and 2013 PortfolioStat sessions by our Deputy Secretary, who organized the other leadership in attendance (including the CIO and Deputy Chief Procurement Officer). We worked with OMB through the PortfolioStat process to identify opportunities for improving the modularity of IT projects, meaning delivering functionality in shorter increments, and we committed to evaluating more opportunities to adopt cloud solutions. We found the process to be useful as it helped to clarify our conversation with OMB and focus our organization's leadership on key IT management issues.

If confirmed, I plan to continue the PortfolioStat process and build upon its success in driving efficiency and strengthening IT portfolio management, while ensuring that IT investments meet customer needs.

50. OMB has stated that the PortfolioStat process will result in an estimated $2.5 billion in savings. However, based on work that the GAO has done for this Committee, GAO has found an estimated $5.8 billion in savings.

a. What steps would you take to improve the accuracy of reporting on potential savings through these IT initiatives?

b. What incentives do you believe are needed to encourage federal agencies to achieve cost savings through initiatives such as these?

If confirmed as Director, I will work to ensure that potential savings from IT initiatives are realized in order to drive efficiency across the Federal Government. It is my understanding that within the Fiscal Year 2012 PortfolioStat $2.5 billion was identified as spending reductions that could be achieved from FY 2013 through FY 2015. Since then, OMB has worked with agencies to identify and account for savings that have been realized on a quarterly basis through the Information Technology Oversight and Reform (formerly IEEUIT) Report.

In order to improve the accuracy of the reporting and make sure that agencies account for progress, OMB created the Integrated Data Collection as part of FY 2013 PortfolioStat. This initiative has improved the ease of data submission by consolidating various agency reporting channels and led to improved data quality, allowing for more accurate agency reporting on saving reductions.

If confirmed, I will ensure that federal agencies realize all potential savings across their IT portfolio. One way to encourage this is to offer agencies tools to help them identify and address areas to cut duplicative spending. For example, I understand that this year's PortfolioStat sessions will include an overview of the most impactful IT investments in each agency. This will provide a forum for agency leadership to have increased visibility into the performance of key programs and identify areas for improvement. In addition, PortfolioStat sessions and quarterly follow-up reviews employing qualitative and quantitative data to benchmark agencies against their peers in the most common IT commodities and policy areas, showcasing each agency's potential to save and improve portfolio management.

Government Transparency

51. What specific ideas do you have on how the federal government should improve the transparency of government data, with goals of both improving the effectiveness of government service and providing more information to taxpayers on how their money is spent?

The Administration is committed to Federal spending transparency, and to giving citizens access to this data through Government-wide websites to track financial assistance and procurement award dollars. As an Administration, we need to work to ensure data quality in terms of timeliness, accuracy, and completeness of information, and I am committed to doing this. Moving forward, it is my understanding that OMB and Treasury will work together to leverage the existing Government-wide framework for authoritative financial information and to improve the public display of Federal spending data.

52. The Digital Accountability and Transparency Act (DATA Act), which was recently signed into law by President Obama, mandates that the OMB Director and the Secretary of the Treasury Department establish Government-wide financial data standards. The first step in the process of establishing such standards is for OMB and Treasury to issue guidance to all federal agencies by May 2015. If confirmed, what steps will you take to ensure that the Administration meets this May 2015 deadline?

The Administration supports the objectives of the DATA Act, which would establish Government-wide data standards for financial data and assist in making Government-wide spending more accessible. In FY 2014, OMB transitioned USAspending.gov to the Department of Treasury to take advantage of its core functions on agency financial reporting and ongoing work with other initiatives related to transparency in Federal spending. If confirmed, I will work with Department of Treasury and Federal agencies to chart a path forward for implementation, leveraging existing processes and systems and available resources.

53. The program inventory for the Department of Housing and Urban Development released in May 2013 contained 65 discreet programs in eight categories. Do you think these 65 programs represent a full, detailed picture of the activities of the Department of Housing and Urban Development?

The Department of Housing and Urban Development used the Catalog of Federal Domestic Assistance (CFDA) as the basis for its Federal Program Inventory (FPI). This represents a widely recognizable view of HUD programs useful for understanding Department operations at the headquarters level.

54. The Department of Housing and Urban Development included funding information for each program, which is required under the law, yet very few agencies were able to include that information. What will you do to ensure that funding information is included for every program at every agency?

The Department of Housing and Urban Development primarily identifies its programs largely as grants, which have long been tracked through the Catalog of Federal Domestic Assistance (CFDA). I understand other agencies view their programs differently, and that OMB is working to implement these and new requirements under the DATA Act. If confirmed, I look forward to working with you to understand how to make the Federal Program Inventory more useful.

55. The Homeland Security and Governmental Affairs Committee recently passed the Taxpayers Right to Know Act, a bill aimed at improving the quality of the information reported under the program inventories. If you are confirmed, will OMB support the enactment of this bill?

I know that the Administration, through the implementation of the Federal Funding Accountability and Transparency Act (FFATA), the American Recovery and Reinvestment Act of 2009, and the GPRA Modernization Act of 2010, has made notable progress in making financial information publicly available by initiating web-enabled and user-friendly tools for tracking who receives Federal awards and how they are used. Following the enactment of the DATA Act, the Administration is moving forward with a number of additional efforts that are enhancing the reliability and quality of Federal spending data. If confirmed, I will work with Congress to understand and implement the existing efforts underway and ensure the information provided is useful, cost-effective, and supports decision making.

Inspector General Community

56. Federal Inspectors General face unique obstacles as they do their work, including budget challenges and disputes with agency heads over access to information. Yet the role of the IGs in promoting efficiency and integrity would seem to make them natural allies of OMB. How do you view OMB's relationship to the statutory Inspectors General, and if confirmed what efforts would you make to engage with this community and support their work?

The IG community plays an integral role in enhancing financial stewardship and accountability across the Federal Government. Through audits, investigations, evaluations, and inspections, the IG community provides critical analysis and oversight that strengthens program integrity, helps to eliminate waste, and holds our Federal projects and programs accountable to the public. In this era of fiscal constraints, the role of the IG is more important than ever in helping agency leadership identify and address management challenges and maximize the impact of our limited Federal resources. My understanding is that the OMB Deputy Director for Management serves as the Executive Chairperson of the Council of Inspectors General on Integrity and Efficiency (CIGIE) and is focused on facilitating the exchange of information between CIGIE and the agencies represented on it. However, this role is properly limited, given the importance of preserving the independence of IGs and the CIGIE. The indispensable work of IGs in safeguarding and overseeing taxpayer funds is consistent with a core commitment of this Administration to make the Federal Government more transparent and accountable to the American people than ever before. If confirmed, I look forward to working with the IG community and seek their input how we can best support each other.

57. What actions did you take at HUD to ensure that recommendations made by the Inspector General were addressed in a timely fashion? What actions would you take, if confirmed, to ensure that agencies address recommendations made by Inspectors General in a timely fashion, in particular those that involve cost savings or financial recoveries?

Based on my experience at HUD, OIGs play a critical role in identifying and mitigating fraud, error, waste, and other improprieties in Federal programs. Also, by their mission, OIGs are uniquely positioned to: determine emerging and ongoing risks of agency

mismanagement; investigate the scope of problem areas, root causes, and responsible individuals; shine a light on agency activities in a way that facilitates transparency and accountability; and recommend effective reforms and improvement actions.

I meet directly with my Inspector General monthly and I assigned the responsibility of being the Departments' Office of Inspector General (OIG) Audit Resolution Official to the Deputy Secretary. Within the Chief Financial Officer's Office of Financial Management, the Department also has an Audit Liaison Division. This division, works closely with the OIG, maintains an OIG recommendation tracking module that is shared with the OIG and used Department-wide, issues guidance to the Program Offices, conducts quality control reviews over recommendation closure, and elevates unresolved issues to upper management's attention.

The Department has a well-established working relationship with the OIG to address open OIG recommendations at any given time. To track our progress, the Department has an automated system that provides regular and detailed reports that are distributed to Principal Staff members and other HUD managers to ensure timely and appropriate actions. More specifically, when an audit is issued at HUD that contains recommendations, the affected office must use our automated system to propose management decisions to the OIG. The OIG reviews and then either accepts or rejects the proposed management decisions. If the proposal is rejected, the program area works with the OIG to propose a new management decision. Once accepted, the management decision becomes the action plan. The action plan becomes the road map, with deliverables and deadlines, until the recommendation is closed.

To help ensure that all recommendations have an action plans in place before the 180-day statutory deadline, there is an established referral process. This process elevates the recommendation to higher levels of management at specific intervals until a management decision is agreed upon. The final referral step is with the Deputy Secretary, who has the final decision making authority for the Department regarding what actions will be taken. For the last several years, HUD has reached timely management decisions for over 95 percent of the recommendations issued by the OIG.

All of these steps and the OIG audit tracking system help to ensure that the Department has a good process in place to resolve OIG recommendations in a timely manner.
My understanding is the OMB Deputy Director for Management serves as the Executive Chairperson of the Council of Inspectors General on Integrity and Efficiency. If confirmed, I will leverage their findings to complement the Administration's commitment to make the Government more accountable, efficient, and effective. More specifically, if confirmed, I will work with the OMB DDM and the IG community to focus on high-risk activities common across the Federal Government such as cost savings in IT operations, recoveries of improper payments, and procurement efficiencies.

Regulatory Affairs

58. In what respects do you believe the current process for proposing, adopting, and reviewing federal regulations should be improved, and what steps do you believe OMB or others in the government should take to make those improvements?

I believe that the Federal rulemaking process has a strong foundation in transparency, public involvement, and rigorous analysis. I also believe we should always look for ways to make improvements, which is one of the reasons the President has issued several Executive Orders regarding the regulatory process. If confirmed, I will look forward to learning more about OMB's efforts to continue to improve the regulatory process and welcome ideas from this Committee and others.

59. Some have criticized the length of time it has taken the Office of Information and Regulatory Affairs (OIRA) to review certain proposed rules and the extent of the backlog of regulations awaiting OIRA review. We also understand that, over the past year or so, progress has been made to address these issues. What role would you play, if confirmed, in helping OIRA meet goals of timeliness, as well as quality, in its review of regulations?

I believe that the timely review of regulations is important and that technically complex regulations must be analyzed appropriately. I know that addressing the timely review of regulations has been a priority for Director Burwell and Administrator Shelanski, and I understand that significant progress has been made in reducing the number of rules that have been under review for many months. If confirmed, I would look forward to working with Administrator Shelanski to further reduce the number of rules under review for extended periods of time.

60. Those seeking to build large industrial or infrastructure projects sometimes face difficulties in obtaining prompt and consistent decisions from the several federal, state, and local agencies that may have responsibility for reviewing the project and determining what conditions must be met for the project to proceed. What do you believe OMB and other federal agencies can do to better coordinate and expedite the process by which federal, state, and local decisions are made regarding proposed large industrial or infrastructure projects?

Based on my experience with the Hurricane Sandy recovery, I saw the value of early and regular coordination across all potential partners to, in part, avoid duplicative analysis. By working closely with Congress as the Sandy Supplemental was drafted, we were able to eliminate duplicative requirements such as the need for CDBG environmental reviews when FEMA had already performed one. But, we also saw that there is much the Administration can do without legislation through better coordination between Federal, state, and local governments such as the regional coordination process we put in place for significant Sandy infrastructure projects.

In May, the Administration published its plan aimed at institutionalizing best practices for permitting. If confirmed, I look forward to working with Congress and the Council on Environmental Quality to implement this plan, and will continue to identify ways to improve the Federal permitting process.

Personnel Management

61. Since 2001, GAO has identified strategic human capital management as a government-wide high-risk area, explaining that agencies must do a better job of addressing mission-critical skill gaps that threaten the government's ability to handle significant national issues. Especially during this period of substantial pressure on the federal budget, what do you believe are the biggest challenges in addressing these skill gaps, and what do you believe OMB can and should do to help?

Based on my experience, making sure you have the right talent in place is one of the most important factors in determining an organization's success. OMB can play an important role in defining mission critical occupations or competencies where gaps could jeopardize the ability of the Federal Government or specific agencies to accomplish its mission. The biggest challenges in addressing these skill gaps include developing effective recruiting, hiring, training, and retention practices that build on best practices and can be scaled across agencies. OMB can play a key role in bringing agencies together to spread effective practices from one agency to another.

My understanding is that OMB is working with the OPM and the Chief Human Capital Officers (CHCO) Council to identify, measure, and close high risk skills gaps. If confirmed, I will ensure there are effective strategies to close skills gap within the key occupations already identified and continue work to identify emerging areas.

62. The President's budget proposal for Fiscal Year 2015 contains a substantial discussion of trends regarding the federal workforce, and presents the Administration's plans in this area. (FY 2015 Budget of the U.S. Government, Analytical Perspectives, chapter 8.) What do you believe are the most important parts of this discussion and what role would you play, if confirmed, in its execution?

It is important to recognize the talents of the current workforce while making sure we are preparing for the workforce we will need for the future. This chapter points out key characteristics of our workforce, many of which are not widely known. For example, the size of the workforce has not grown for several decades and looks much different today than fifty years ago.

Overall, one of the most important aspects of this Administration's approach to the Federal workforce and personnel management is the use of data to inform decision-making. For example, the data collected from the Employee Viewpoint Survey can be used to inform leaders, managers, and supervisors in their decision-making and organizational improvement efforts. This effort should remain a top priority, as it is

crucial that these leaders have the best tools available to them to do their job and to drive organizational change. As the private sector and other leading organizations have demonstrated, employee engagement and other data is an important analytical tool used in personnel management decision-making by leaders, managers, and supervisors at all levels. If confirmed, I intend to continue working with agency leadership to promote data-driven personnel management practices. And, in this process, we have to be sure we hold leaders accountable for the performance and results of their workforce.

63. How do you believe your tenure as HUD Secretary informs your perspective on how to address these workforce challenges?

While at HUD, I dedicated significant time to workforce issues by calling regular all-hands town hall meetings, establishing an interactive website called HUD Ideas in Action for employees to submit ideas about how to improve the agency, holding monthly coffees with staff to hear firsthand about challenges, and discussing with my senior team how to respond to results from the Employee Viewpoint Survey and a quarterly pulse survey we developed to monitor our progress more frequently. My experience at HUD demonstrated to me that cultural improvements take time and sustained leadership engagement. However, a relentless focus on the mission and -- whether it was homelessness, foreclosure, or energy efficient housing -- the ability to bring different program offices together to solve problems was an important way to revitalize the workforce. Often, the solutions came from career staff who had worked on these issues for years but had not had the opportunity to pursue their ideas for reforms. I also believe that data, like the Employee Viewpoint Survey, can be a very effective report card to hold leadership accountable on workforce challenges.

Suitability and Security-Clearance Processes

64. OMB plays an important role in establishing and implementing policies related to background checks. Under Executive Order 13467, the Deputy Director of Management at OMB chairs the inter-agency Performance Accountability Council (PAC) and is responsible for driving reforms to align and improve reviews for determining suitability for federal employment and contractor fitness, eligibility for logical and physical access, eligibility to hold sensitive positions, and eligibility for access to classified information. Also, following the Navy Yard shooting last September, the President directed OMB to carry out a 120-day review of these determinations and of security clearance procedures, and the review work was carried out by the PAC. Following the 120-day review, OMB released a report that established new priorities for reform while accelerating efforts already underway and that was approved by the President in March of this year. One finding of the 120-day review was that the PAC, over the past six years, had been instrumental in driving a number of reforms, but that recently PAC activity had decreased; and one recommendation was that the PAC be recomposed to actively manage and oversee enterprise issues. What role will you play if confirmed in ensuring that the PAC actively fulfills the role envisioned by Executive Order 13467, and that OMB ensures that the recommendations of the 120-day review are implemented?

I am committed to taking the steps needed to reform our suitability and security clearance system to ensure the safety of Federal workers and further protect our Nation's most sensitive information. The 120-Day Review's recommendations reflect both new priorities driven by recent security incidents, as well as the need to accelerate progress on existing reform efforts.

If confirmed, I will engage the PAC Chair, OMB's Deputy Director for Management, to provide regular reports on progress and funding issues, highlighting emerging needs and recommendations for further action, including proposals for possible executive action. Furthermore, since this is one of the 15 cross agency priority goals, there are mechanisms built in to ensure consistent attention from senior leadership across the Federal Government as well as data-driven reviews of progress against metrics and milestones. In my role as the Director of OMB, if confirmed, I will work with the PAC Principals to achieve our common goals of a safe workplace while protecting our Nation's most sensitive information.

Budget and Economic Policy

65. In your view, what actions should Congress and the Administration take to address our long-term structural budgetary imbalances? By what amount do you believe our deficit should be reduced in order to stabilize our finances, and by how much in the short term and by how much in the long term? What level of publicly held debt as a percentage of GDP do you believe would be appropriate to achieve by the end of 2023?

The President's 2015 Budget shows we have already achieved nearly $4 trillion in deficit reduction through legislation such as the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012. Recognizing the importance of these actions, I believe more is required to address our long-term budgetary imbalances. These imbalances are driven largely by two factors: the aging of the population and the rate of growth in health care spending. One action we can take to address the effects of population aging is to enact comprehensive immigration reform, which will bring new workers into our labor force, boost economic growth, and increase revenues. In the area of health care costs, the Affordable Care Act includes provisions to reduce excess health care costs and the President's 2015 Budget has an additional $400 billion in health savings to reduce those costs even further.

In terms of the size of deficit reduction and target levels for debt, I believe that deficit reduction plans should be sufficient to bring the publicly-held debt onto a declining path, as in the President's 2015 Budget. If confirmed, I look forward to working with the Congress to address these budget challenges.

66. Do you believe that 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 should be the relative amounts of spending cuts and revenue increases?

I believe that restoring balance to the Nation's finances will require contributions from all areas of the budget: defense spending, nondefense discretionary spending, health programs, and other mandatory programs, as well as from the revenue side of the ledger. The President's FY 2015 Budget offers one plan for reducing the deficit and putting the debt on a declining path, including revenue increases that bring receipts as a share of the economy into the same range as the last time the budget was balanced.

It is also important to note that comparing revenues and spending to historical averages may not be the most useful way to think about setting those levels going forward. An aging population means that that the commitments for our largest entitlement programs will inevitably be greater than they were in earlier periods.

67. Do you have recommendations on how the policy-making process should be reformed to more effectively address our long-term fiscal challenges? For example, do you believe that budget process reforms should be considered in order to provide an important tool for the President to cut wasteful spending and ensure that tax-payer dollars are being spent wisely and effectively? Please list any specific process reforms you would endorse or recommend.

The last few years have seen major changes in the budget process and budget enforcement, including the reinstatement of statutory pay-as-you-go rules, the reinstatement of discretionary caps, and the sequestration associated with the failed Joint Committee process. My belief is that budget process reforms are most successful when they are widely agreed-upon by the key decision-makers in the process - Executive and Legislative Branches, appropriators and authorizers, and members of both parties. I think there are potential advantages to biennial budgeting and other process changes that would focus more attention on the consequences of current decisions on the long-range fiscal outlook. However, we should make sure that process changes advance the goal of restoring regular order to the budget process and don't lead to unintended consequences. I would want to consult broadly with stakeholders before making any specific proposals in this area.

68. In recent testimony before this Committee, General Services Administration (GSA) Administrator Dan Tangherlini noted that GSA is working to adopt "zero-based budgeting" for its information technology investments, a practice whereby the budget is developed by starting at zero and justifying the need for new expenses each year, rather than basing the budget on the prior year's level and adjusting it for growth or inflation. Do you believe this approach to budgeting can, and should, be employed more widely across the government? If so, what steps would you take if confirmed to encourage this practice?

The core principle behind zero-based budgeting -- examining base programs rather than making decisions in an incremental fashion -- is important, especially with the current tight constraints on annual appropriations, and the Administration's budget guidance to agencies promotes this scrutiny. This Administration has used a variety of tools to look

at base spending, including identifying low-priority programs, creating the SAVE Award to solicit ideas from Federal employees on how to save taxpayer dollars, pursuing strategic sourcing of shared administrative functions, and launching a Campaign to Cut Waste to identify areas of waste and excess across Government and take immediate steps to address them. Agencies have also been encouraged to promote the use of evidence and evaluation to support major proposed policies and produce better results, save money, and enhance efficiency. The President's FY 2015 Budget includes specific proposals to reduce spending in mandatory and discretionary programs, including more than 130 cuts, consolidations, and savings that would reduce spending by nearly $17 billion in FY 2015 alone. If confirmed, I would seek to build on these efforts to enhance the scrutiny that we apply to base spending as part of the budget process.

69. Every year the President's budget submission to Congress includes an extensive list of government programs proposed by the President to be terminated, consolidated, or reformed, in order to achieve significant budgetary savings. Congress continues to fund nearly all of these programs. What steps will you take to work with Congress to ensure the President's recommendations for budgetary savings are achieved?

The Administration proposes reducing or eliminating ineffective and lower priority programs in order to better target resources to investments and services that will increase growth and opportunity. The President's FY 2015 Budget included more than 130 cuts, consolidations, and savings proposals, which are projected to save nearly $17 billion in 2015. The Budget also includes proposals to continue efforts to reorganize and consolidate Federal programs to reduce duplication and improve efficiency, including again asking the Congress to revive an authority that would give the President the ability to submit proposals to reorganize the Executive Branch via a fast-track procedure.

It is important to recognize that many of the Administration's previous cuts, consolidations, and savings proposals have been implemented and, as part of the President's Management Agenda, the Administration will continue to build upon successful efforts to maximize the value of every taxpayer dollar while increasing productivity and the quality of services. If confirmed, I look forward to working with Congress to continue to make progress in spending federal dollars more efficiently.

70. Do you have any recommendations on specific mandatory reforms, discretionary spending reductions, or tax expenditure eliminations and reforms that could help address our long-term fiscal challenges?

Addressing our long-term fiscal challenges will require action on all of these fronts – reductions in discretionary spending, mandatory reforms, and cutting back on wasteful spending through the tax code.

With the current tight discretionary caps, it is vital that we scrutinize every dollar of discretionary funding. The President's 2015 Budget includes 94 specific cuts, consolidations, and savings in discretionary programs. If confirmed, I would look

forward to advocating for these proposals in the 2015 appropriations process, as well as identifying additional proposals during development of the 2016 Budget this fall. Identifying ways to slow the growth of mandatory spending is critical as well. The President's Budget proposes numerous reforms in mandatory spending, including $400 billion in savings in health programs. If confirmed, I hope to work with the Congress to reach consensus on reforms that will slow the growth of mandatory spending, which now accounts for two-thirds of program spending and is projected to grow to an even larger share in future decades.

Finally, we need to examine tax expenditures and eliminate those that are inefficient or distort economic incentives. CBO recently estimated that the revenue lost through tax expenditures equals roughly half of the revenues projected this year. I support the President's call for tax reform that would maintain or improve improving progressivity, make the tax system simpler and more pro-growth, and reduce the deficit.

V. 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.

VI. Assistance

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

I consulted with staff from the Administration and from OMB in developing my responses to the Committee's questions; however, the answers are my own.

I, Sharon Donovan, hereby state that I have read the foregoing Pre-hearing Questions and that the information provided therein is, to the best of my knowledge, current, accurate, and complete.

(Signature)

This 6 day of June, 2014

Senator Tom Coburn, M.D.
U.S. Senate Committee on Homeland Security and Governmental Affairs
Pre-hearing Questionnaire for the
Nomination of Shaun Donovan to be
Director of the Office of Management and Budget

I. Background of the Nominee

1. Federal regulators have recently increased the usage of "disparate impact" enforcement actions, which hold regulated entities liable for actions that have a discriminatory effect, even without discriminatory motive, evidence, or intent. Do you believe it is appropriate for the federal government to bring enforcement actions without direct evidence or discriminatory motives? Should a federal agency be required to share the methodology or other economic analysis utilized to justify disparate impact enforcement actions? If not, then how should these analyses be verified?

   Many civil rights statutes permit a standard that allows for proof of discrimination without evidence of discriminatory intent. In all such cases, evidence of the impact of the challenged action is required, and the defendant has the opportunity to prove that the challenged practice was nonetheless justified.

   Regulations under Equal Credit Opportunity Act (ECOA) adopt a disparate impact standard, and, in 2013, HUD published a regulation under the Fair Housing Act that is consistent with the standard under ECOA. HUD's rule requires that evidence of the impact and any justification for the challenged practice must be based on evidence, and cannot be speculative or hypothetical. The Rule did not identify any particular methodology for showing a discriminatory impact, noting that cases examined under the standard vary considerably in their facts, thus making it impossible to identify the many varied methodologies that might be appropriate in each circumstance.

   In the context of any enforcement actions by HUD under the Fair Housing Act, the Department explains the bases for its findings in a formal determination of reasonable cause (or no reasonable cause). This is so in all cases, including those relying on a disparate impact standard. Also, where an enforcement action is taken based upon a disparate impact theory, the specific methodology used to establish a disparate impact would be the subject of discovery and would also be subject to careful scrutiny by the presiding judge to assess its validity.

2. The Department of Housing and Urban Development approved waivers for New York and New Jersey to utilize disaster aid monies for tourism campaigns. Specifically, New York has begun to use around $40 million, which New Jersey will use $25 million to promote damaged areas of the Jersey Shore. According to correspondence from HUD, "beyond the monitoring of monthly expenditure reviews that HUD conducts on Community Development Block Grants – Disaster Recovery Assistance recipients in the ordinary course, HUD has not conducted any separate study or assessment on the impacts

of television ads specifically on tourism and business in the Gulf Coast," which were previously granted waivers after Hurricane Katrina.

a. Explain why HUD decided to grant these waivers for $65 million in television ads while many residents in the Northeast continue to struggle with rebuilding after Hurricane Sandy?

The Disaster Relief Appropriations Act of 2013, appropriated funds for Hurricane Sandy recovery, and directs the Department to provide funds for "disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization." In a damaged regional economy that depends on tourism for many of its jobs and tax revenues, such support can be a useful recovery tool, and has been employed for past CDBG-DR disaster recovery efforts. Congress specifically included $10 million in CDBG-DR funding "to aid the travel and tourism industry in New York City" as part of the response to the attacks of September 11, 2001 (see PL 107-117, January 10, 2002). The Department followed the same path following Hurricane Katrina when HUD authorized the use of CDBG-DR funds for tourism promotion in Louisiana and Mississippi.

HUD approved New Jersey and New York's requests for tourism promotion as part of broader efforts to achieve economic revitalization following Hurricane Sandy and consistent with the language of the supplemental appropriation to fund activities that will contribute to economic revitalization. With regard to the State of New York, HUD approved the State's request that $30 million of its current total CDBG-DR allocation of $4.4 billion be used for tourism promotion. With regard to New Jersey, HUD approved $25 million from a total allocation of nearly $4.1 billion. The Department has a pending waiver request from New Jersey to expend an additional $5 million for this purpose. HUD granted waivers to permit advertising to support economic development for good cause shown. The grantees' requests demonstrated good cause by demonstrating dependence on tourism for the local economy.

b. Please explain whether you support granting waivers to use disaster funds for tourism campaigns.

It is necessary to ensure that the economic engines in certain communities are restarted in conjunction with housing recovery and the language of most supplemental CDBG-DR appropriations makes economic revitalization a stated purpose of the funds. Economic revitalization can take many forms and, in some instances, it may be appropriate for limited funds to be made available if impacted communities have tourism-dependent economies. In fact, if effective, these campaigns can lead to lower costs for taxpayers by ensuring faster recovery that limits the need for further Federal funding.

c. HUD stated no separate study or assessment was conducted after granting disaster aid to Gulf Coast states in 2005. Does HUD plan to review whether the tourism

campaigns, including television advertisements, were beneficial to the states of New York and New Jersey?

The Department focuses its reviews on compliance with program requirements and is committed to conducting on-site monitoring of each of the major Sandy grantees twice each year. The Department's Office of the Inspector General is currently engaged in an audit of the procurement practices related to New Jersey's contracting of CDBG-DR funds for tourism promotion. The results of that audit will inform consideration of any additional tourism related requests from the State of New Jersey. The Department inquired with the State on the impacts of the tourism marketing campaign, and will continue to investigate the value of this investment. The State conducted an assessment of the tourism campaign using publicly available third party data that includes beach passes, transit ridership, hotel tax and occupancy rates, and employment data within the four primary Shore counties. The analysis finds that the season was among the strongest tourism season in recent years.

d. Will the federal government continue to allow disaster funds to be used for tourism campaigns, including, but not limited to television advertisements?

Congress historically appropriated supplemental disaster recovery assistance to the Department within the framework of the CDBG program. CDBG, as a block grant program, enables grantees to fund eligible activities that promote long-term recovery from disasters. These supplemental appropriations historically provided the Secretary with authority to provide regulatory waivers and establish alternative requirements to respond to the specific recovery needs of impacted communities. To the extent that communities can present a compelling case that the revival of the tourism sector of their economy is essential to putting them on the path to long term recovery, the Department will continue to evaluate those requests on a case-by-case basis.

Government Transparency

3. On May 29, 2014, OMB issued a Controller Alert regarding the passage of the DATA Act. The alert stated "[t]he bill requires agencies to report information by 'program activity,' which is not a data element in agency systems. To avoid public reporting of information that is incomplete or potentially inaccurate, OMB and Treasury have committed to produce reports that link to spending data in agency financial systems." What specific steps would you take to ensure agencies are reporting by program activity in compliance with the timeline set out in the DATA Act.

The Administration supports the objectives of the Digital Accountability and Transparency Act of 2014 (DATA Act) which would establish Government-wide data standards for financial data and assist in making Government-wide spending more accessible. If confirmed, I will work across the Federal agencies and with key stakeholders to determine how to best report program activity in light of the statutory requirements.

4. The Controller Alert also referred several times to OMB's collaboration with the Department of Treasury, the key agency tasked with implementing the majority of the DATA Act; however, the Department of Treasury was not consulted regarding the Controller Alert or notified in advance that it would be released. Will you commit to working with Treasury more closely to ensure that they have input on all matters related to the implementation of the DATA Act?

   As I understand it, Controller Alerts are designed to highlight or focus the federal financial community's attention on emerging financial management issues that may require agency attention or action. These Alerts are intended to ensure awareness among the Chief Financial Officer community of key issues where OMB believes further action may be warranted, but do not constitute official guidance or require specific tasks for agencies beyond consideration of appropriate steps to address the issue. If confirmed, I will ensure that OMB works with Treasury, OMB's key partner in the Act's implementation.

5. The Controller Alert mentioned OMB's approach to DATA Act implementation will be to "ensur[e] our approach considers the realities of the funding environment." However, given the generous extension of time to comply with the requirements of the DATA Act, a good manager with a smart plan should have no difficulty implementing the act fully over the four year period. What will you do to ensure that full implementation of the DATA Act is a priority at the Office of Management and Budget and at the relevant agencies?, regardless of the funding available?

   I understand that working across the Federal agencies and across the Federal communities – budget, finance, acquisition, and financial assistance – is critical to ensure full implementation of the Act. Agencies will need to identify and implement process and technological changes, adopt new data standards, and review future budgetary requests aligned with the Act's requirements. The Act does not provide funds to OMB, Treasury, or any agency to develop and implement new data standards under the timeframes prescribed, and therefore, OMB will need to work with federal agencies to determine the best implementation path forward in light of current funding.

6. The GPRA Modernization Act required OMB to establish a list of all federal programs. The resulting list, which was published last year, was not a useful product, in large part because OMB did not require agencies to identify their programs in a uniform manner using a uniform definition of a program. How would you go about getting agencies to identify their programs in a consistent and detailed manner?

   At HUD, we have several bureaus with differing missions, so I understand both the challenges and importance of capturing that diversity in a meaningful way. At the same time, there is value in some level of Government-wide consistency in data reporting. If confirmed, I look forward to better understanding how the current inventory works across agencies and working with you to understand how to make this more useful.

Budget and Economic Policy

7. Every year the President's budget submission to Congress includes an extensive list of government programs proposed by the President to be terminated, consolidated, or reformed, in order to achieve significant budgetary savings. Congress continues to fund nearly all of these programs. What steps will you take to work with Congress to ensure the President's recommendations for budgetary savings are achieved?

   The Administration proposes reducing or eliminating ineffective and lower priority programs in order to better target resources to investments and services that will increase growth and opportunity. The President's FY 2015 Budget included more than 130 cuts, consolidations, and savings proposals, which are projected to save nearly $17 billion. The Budget also includes proposals to continue efforts to reorganize and consolidate Federal programs to reduce duplication and improve efficiency, including again asking the Congress to revive an authority that would give the President the ability to submit proposals to reorganize the Executive Branch via a fast-track procedure.

   It is important to recognize that many of the Administration's previous cuts, consolidations, and savings proposals have been implemented and, as part of the President's Management Agenda, the Administration will continue to build upon successful efforts to maximize the value of every taxpayer dollar while increasing productivity and the quality of services. If confirmed, I look forward to working with Congress to continue to make progress in spending federal dollars more efficiently.

8. Do you have any recommendations on specific mandatory reforms, discretionary spending reductions, or tax expenditure eliminations and reforms that could help address our long-term fiscal challenges?

   Addressing our long-term fiscal challenges will require action on all of these fronts – reductions in discretionary spending, mandatory reforms, and cutting back on wasteful spending through the tax code.

   With the current tight discretionary caps, it is vital that we scrutinize every dollar of discretionary funding. The President's 2015 Budget includes 94 specific cuts, consolidations, and savings in discretionary programs. If confirmed, I would look forward to advocating for these proposals in the 2015 appropriations process, as well as identifying additional proposals during development of the 2016 Budget this fall. Identifying ways to slow the growth of mandatory spending is critical as well. The President's Budget proposes numerous reforms in mandatory spending, including $400 billion in savings in health programs. If confirmed, I hope to work with the Congress to reach consensus on reforms that will slow the growth of mandatory spending, which now accounts for two-thirds of program spending and is projected to grow to an even larger share in future decades.

   Finally, we need to examine tax expenditures and eliminate those that are inefficient or distort economic incentives. CBO recently estimated that the revenue lost through tax expenditures equals roughly half of the revenues projected this year. I support the

President's call for tax reform that would maintain or improve improving progressivity, make the tax system simpler and more pro-growth, and reduce the deficit.

Questions for the Congressional Record

U.S. Senate Committee on Homeland Security and Government Affairs

For the Nomination hearing of

The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget

Wednesday, June 11, 2014

Questions for the Congressional Record
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Senator Carper

Federal agencies continue to make improper payments, with the level for Fiscal Year 2013 at $106 billion. While this figure is lower than the level of about $121 billion for Fiscal Year 2010, I believe that the agencies, the Administration, and Congress can do more to reduce improper payments. What role do you anticipate for Office of Management and Budget (OMB) in continuing to press agencies to identify, prevent and recover improper payments, especially in healthcare programs such as Medicare?

OMB will continue to work closely with agencies to reduce their improper payments and to facilitate lessons learned and cross-agency collaboration, particularly agencies with unacceptably high improper payment rates and agencies that are not in compliance with statutory requirements. OMB will also continue to build on Congressional and Administration action to reduce improper payments. For example, the President's FY 2015 Budget includes a number of program integrity proposals that aim to reduce improper payments and improve government efficiency. Specifically, the FY 2015 budget strengthens Medicare, Medicaid, Children's Health Insurance Program, and the Health Insurance Marketplace by providing tools and funding to fight fraud, waste, and abuse. The Budget proposes $378 million in additional Health Care Fraud and Abuse Control (HCFAC) investments in FY 2015 to stay ahead of the fraud curve. Starting in FY 2016, the Budget proposes that all new HCFAC investments be mandatory and consistent with the levels for discretionary spending on HCFAC set forth in the Budget Control Act. The Budget also includes other program improvements aimed at improving efficiency and effectiveness as states expand Medicaid.

Agencies must follow a number of statutory requirements for improper payments, including risk assessments and, when applicable, reporting an improper payment rate and implementing corrective actions. In addition, agencies are responsible for establishing internal controls to provide assurance for effective program operations, reliable financial reporting, and compliance with laws and regulations. If confirmed, I will continue OMB's efforts to provide guidance and work closely with agencies to help them prevent, reduce, and recover improper payments.

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Senator Carper

The Committee staff is working with OMB to work out the final details and see enactment of the Improper Payments Agency Cooperation Enhancement Act, which would allow and require federal agencies to take important steps to curb improper payments. If confirmed, would this continue to be a priority for the Administration?

Reducing improper payments is one of the Administration's top priorities, and we are committed to improving program integrity across programs and agencies. The Improper Payments Agency Cooperation Enhancement (IPACE) Act includes many of the Administration priorities on sharing death data to prevent improper payments. For example, the President's FY 2014 and 2015 Budgets included proposals that would give all agencies access to the Social Security Administration Death Master File through the Department of the Treasury's Do Not Pay portal for program integrity and other purposes. If confirmed, I plan to continue working with Congress and Federal agencies to find additional ways to reduce improper payments.

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Strategic sourcing helps an organization leverage its buying power across the whole organization to get lower prices. The Government Accountability Office (GAO) has reported to our Committee that the leading private sector companies that GAO has looked at manage 90 percent of their contract spending through strategic sourcing. But the major federal agencies examined by GAO managed only 5 percent of their contract spending through strategic sourcing. Collectively, agencies are missing out on billions of dollars of savings each year by not using strategic sourcing. Why do you think agencies have been so slow to embrace strategic sourcing? And what will you do as OMB Director to pick up the pace of this effort?

Strategic sourcing allows the government to operate more efficiently by leveraging the government's buying power and reducing duplication. I understand that many agencies are hesitant to address the change management issues associated with moving to common, government-wide vehicles and often prefer to award new actions that don't consider other agencies' needs. The Federal Government spends over $450 billion annually in procurement and, while not all of that is appropriate for leveraged spending, there are many areas on which to focus. I understand current efforts under the Strategic Sourcing Leadership Council (SSLC) include workstations, cleaning supplies, building maintenance, furniture, and other common areas. If confirmed, I will look at ways to use the President's Management Council and cross-agency priority goals to increase adoption of strategic sourcing. I will also work closely with the SSLC to identify ways to address challenges agencies face in adopting strategic sourcing and get that information into the hands of the Federal workforce.

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Senator Coburn

The national debt is currently more than $17.5 trillion and we are spending at unsustainable levels.

a. **How do you plan to use your influence as Director of OMB, if confirmed, to find savings and deficit reduction options?**
b. **How much more work do you believe Washington has to do to return our debt and deficits to a sustainable level?**
c. **In terms of trillions of dollars, how much more deficit reduction is needed?**

More can and should be done to reduce our debt and deficits, while still investing in areas that will grow the economy, create jobs, and expand opportunity. Under the President's leadership, and working with Congress, the deficit has been cut in half as a share of the economy, the largest four-year deficit reduction following World War II. The President's FY 2015 Budget would continue to build on this progress by reducing deficits as a share of the economy to below two percent, stabilizing debt as a share of the economy and putting it on a declining path.

Building on the more than $3 trillion in deficit reduction achieved on a bipartisan basis since the start of 2011, the President's FY 2015 Budget includes more than $1 trillion in additional deficit reduction while making fiscally-responsible investments that will create jobs, grow the economy, and expand opportunity for all Americans. The Budget focuses on the primary drivers of long-term deficits, including measures that build on progress made to date, by proposing further health and tax reforms, along with immigration reform that will further reduce the deficit by hundreds of millions of dollars over the next 20 years.

The Administration also proposes reducing or eliminating ineffective and lower priority programs in order to better target resources to investments and services that will increase growth and opportunity. The President's FY 2015 Budget included more than 130 cuts, consolidations, and savings proposals, projected to save nearly $17 billion. The Budget includes proposals to continue efforts to reorganize and consolidate Federal programs to reduce duplication and improve efficiency, and requests Congress restore an authority that would give the President the ability to submit proposals to reorganize the Executive Branch.

If confirmed, I will continue to work through the budget process to identify further cuts, consolidations, and savings to reduce the deficit, and I will work with Congress to enact proposals to expand on the bipartisan progress made on deficit reduction.

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Senator Coburn

Despite attempts at brokering deals to reduce the deficit, Congress and the White House have been unable to agree on a comprehensive and bipartisan approach to deficit reduction.

a. **Do you support any of the recommendations for deficit reduction included in the Bowles/Simpson proposal?**
b. **If so, what specific policies from the report do you support? If not, what other policies would you support?**

The President supported the Bowles-Simpson proposal's goal of reducing deficits and putting debt on a declining path as a share of GDP, and I share his commitment to achieving that goal. In addition, the President supports the Bowles-Simpson approach of obtaining deficit reduction from all areas of the Budget, including through discretionary spending caps, reforms to mandatory programs, and tax reform.

Many of the proposals in the President's FY 2015 Budget are consistent with policies in Bowles-Simpson, particularly those calling for additional health savings and reductions to high-income tax breaks. For example, Bowles-Simpson called for increased efforts to fight fraud and abuse in the Medicare program and for extending Medicaid drug rebates to Medicare Part D, proposals that the President's FY 2015 Budget includes and I strongly support. In addition, a number of the reforms to other mandatory programs proposed in Bowles-Simpson, such as selling excess Federal real estate and providing premium-setting authority to the PBGC Board, are included in the President's FY 2015 Budget. The Budget also lays out a number of other specific ideas for reducing our deficits, including comprehensive immigration reform. I strongly support these reforms, and if confirmed, look forward to working with Congress to see them enacted.

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The Director of OMB is generally tasked with implementing the President's budget-related agenda.

a. **What are your top priorities for specific federal programs that need to be addressed?**
b. **What lessons have you learned at HUD that you believe would be valuable in holding the agencies accountable for the lack of ability to achieve measurable results?**

My top priority in constructing and implementing the President's Budget is to promote policies that will drive economic growth and create jobs. Part of this effort is to ensure that we are investing in the right areas. That is why I strongly support proposals included in the President's FY 2015 Budget that would invest in priorities such as infrastructure, education and research—areas that we know are central to economic growth.

If confirmed, I will also continue to work closely with Congress and agencies to reduce improper payments in Federal programs. For example, the President's FY 2015 Budget includes a number of program integrity proposals that aim to reduce improper payments and improve government efficiency. Specifically, the Budget strengthens Medicare, Medicaid, Children's Health Insurance Program, and the Health Insurance Marketplace by providing tools and funding to fight fraud, waste, and abuse. The Budget proposes $378 million in additional Health Care Fraud and Abuse Control (HCFAC) investments in FY 2015. Starting in FY 2016, the Budget proposes that all new HCFAC investments be mandatory and consistent with the levels for discretionary spending on HCFAC set forth in the Budget Control Act. The Budget also includes other program improvements aimed at improving efficiency and effectiveness as states expand Medicaid.

It is critical that we ensure the effective implementation of these investments, using evidence and evaluation to assess Federal programs and determine whether they are having their intended effects. I am a strong believer in the power of setting clear, measurable, outcome-based goals and using them to drive management action and to hold leaders accountable. At HUD, I established a process called HUDStat, where I met regularly with leaders from across the agency to review progress on our priority goals and to use the data to solve problems. The priority goals discussed in HUDStat were also included in performance plans for agency managers. I believe that our regular, high-level focus on goals and accountability for measurable results was a key factor in our ability to make progress on our goals, including reducing veterans' homelessness by 24 percent, assisting over a million families facing foreclosure, and providing affordable rental housing to 5.5 million families.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

If confirmed, I will be responsible for overseeing the implementation of the Government Performance and Results Act Modernization Act of 2010 (GPRAMA), which requires agencies to identify priority goals with measurable outcomes, to regularly assess progress, and to publicly share their results on Performance.gov. GPRAMA provides a strong framework for goal-setting and accountability, and I believe OMB's role is essential to ensuring that agencies set meaningful goals and use data to drive decision-making.

Holding agencies and programs accountable for performance is one of the key roles of OMB. If confirmed, I look forward to furthering the progress made in recent years in this area.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Coburn

For the past decade, OMB has been required by law to ensure federal computers and networks are secure. Yet dangerous gaps remain. What are your plans to make sure OMB starts living up to the mandate Congress imposed upon it with the Federal Information Security Management Act (FISMA)?

The Federal Information Security Management Act (FISMA) of 2002 gives OMB responsibility for: (1) issuing Federal information security policies and guidelines; (2) assessing agencies' information security programs at least annually; and, (3) reporting to Congress annually on the state of Federal information security. The Administration takes its cybersecurity responsibilities very seriously, and I understand that OMB is executing its FISMA duties, to include assessing agencies' implementation of information security policies and guidelines, tracking agency FISMA and cross-agency priority goal performance quarterly, and coordinating with the National Security Council and Department of Homeland Security to regularly conduct CyberStat and PortfolioStat sessions with agencies where FISMA and incident data is reviewed with agency officials. Finally, as part of the annual FISMA report to Congress process, I understand that OMB reviews individual agency report submissions and addresses issues raised by those reports with agencies. The report provides Congress with a status update on government-wide cybersecurity initiatives, and also highlights agency-specific issues that warrant Congressional attention, as required by FISMA. If confirmed, I will work with OMB and agency staff to continue these efforts.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Coburn

Will you assist this Committee in any effort it makes to improve federal cybersecurity – including overseeing federal IT security efforts, investigating breaches, and reforming laws and policies governing federal cybersecurity?

If confirmed, I will work with the Committee to improve Federal cybersecurity. I look forward to working with the Committee on updating laws and policies, consistent with the Administration's overall strategy for cybersecurity, to improve the Federal Government's ability to investigate data breaches and strengthen overall Federal cybersecurity efforts.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Coburn

In 2010, OMB delegated responsibility for certain tasks to the Department of Homeland Security.

a. **Are you familiar with their efforts?**
b. **Do you believe DHS cybersecurity efforts undertaken on OMB's behalf are well-managed, suitably designed, and being implemented on time and under budget?**

As HUD Secretary, I have not been directly engaged in partnership with OMB and the Department of Homeland Security (DHS) on these efforts but I understand that in 2010, OMB issued Memorandum M-10-28, which clarified that DHS has primary responsibility for the operational aspects of Federal agency cybersecurity for Federal information systems that fall within FISMA, while OMB is responsible 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 policy issues. Cybersecurity is a whole of government effort, and requires diligence on the part of Federal agencies. I am not currently in a position to evaluate if DHS efforts are well-managed, suitably designed, and being implemented on time and under budget. If confirmed, I will work with OMB staff, the Cybersecurity Coordinator, and DHS on cybersecurity and protecting the Federal Government from cyber threats.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Coburn

Do you have any concerns about DHS's work fulfilling Congress' mandate to secure federal technology?

While I have not been directly involved in the Department of Homeland Security's (DHS) efforts to fulfill Congress' mandate to secure Federal technology, I understand that DHS has primary responsibility for securing the .gov network. DHS accomplishes this mission through its EINSTEIN and Continuous Diagnostics and Mitigation programs and through technical assistance provided to civilian agencies in response to cyber threats. Additionally, while DHS leads our efforts in securing Federal networks, agency Chief Information Officers continue to play a vital role in securing their own networks. Because of its complexity and constant evolution, cybersecurity will continue to be a shared responsibility in which all agencies have a role. If confirmed, I look forward to working with DHS to fulfill its mandate to secure federal technology.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Coburn

If you or your staff has any concerns about DHS's work in this area, will you bring them to the Committee in a timely manner, to ensure we can fulfill our obligations to oversee the department and federal cybersecurity?

If confirmed I will work with the Committee to improve Federal cybersecurity efforts and will raise concerns with the Committee in a timely manner.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Coburn

One of your largest tasks as HUD Secretary was leading the federal government's response to Hurricane Sandy and overseeing the $47 billion aid package for the region. It is now over a year and a half since the storm hit, how would you grade the federal government's recovery efforts?

Recovery efforts can never be fast enough for families who are out of their homes or businesses suffering from damage and decreased revenues. Compared to other large-scale recovery efforts, the response to Hurricane Sandy has generally been timely and effective. After Hurricane Sandy we pulled the Federal Government together to work with state and local officials, tribal leaders, and private and philanthropic organizations to help lead a recovery that didn't just build back what was there, but that rebuilds for the future. Enhanced coordination of Federal agency resources to better connect with state and local needs is not only making the recovery better, it is making it faster as well, cutting red tape and expediting decision-making. Further, through our partnership with the Recovery Accountability and Transparency Board, we're providing a new level of transparency into the use of these dollars—on a monthly basis we publish detailed data on the progress and location of spending so the public is clear about where the money is going.

This was also the first time that the National Disaster Recovery Framework was activated on a large scale, which, together with the Hurricane Sandy Rebuilding Task Force, provided an organized structure for local, state, and Federal governments to work in unison on long-term recovery efforts. The Task Force produced the Hurricane Sandy Rebuilding Strategy, identifying 69 recommendations to improve and expedite the recovery across a broad spectrum of issue areas. Implementation plans were developed for each recommendation identifying milestones, timelines, and responsible entities for completion. Accountability in performing these efforts is further strengthened by quarterly meetings of Cabinet-level officials among departments and agencies engaged in Sandy recovery and public facing reporting on spending and implementation of the recommendations.

Much work remains to be done—and we will continue publicly tracking our expenditures and accomplishments along the way to ensure we are getting the job done.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Coburn

Countless news articles and hearings have detailed the struggles with the recovery from Hurricane Sandy and the process to receive federal aid.

a. **Can you explain why the government thought the recovery was effective, but the people on the ground who lost their homes and businesses didn't?**
b. **Other senators, notably from the Northeast region affected, have worried about the sluggishness of the recovery dollars, why has federal aid been so slow to the people who need help?**

It is important to stress that the recovery is not over—and while hundreds of thousands of households and thousands of businesses have been helped to date, there are still many that need assistance. I am very aware that for many, recovery is not complete following a disaster of this magnitude. HUD is intensely focused on making real-time improvements to policies and programs in order to make this an effective recovery for everyone as quickly as possible and on ensuring that Sandy grantees have adequate resources to address remaining unmet needs. For example, HUD is working with grantees, such as New York City and the State of New Jersey, as they re-configure their housing programs to speed the delivery of assistance.

There is a sequence in terms of the order in which Federal aid gets to people. The first wave of aid is authorized immediately following a disaster and gets to people very quickly—this primarily consists of FEMA individual and public assistance grants, SBA loans, and insurance claims backed by the National Flood Insurance Program (NFIP). Collectively, in response to Sandy, the Administration has already provided individual assistance to nearly 270,000 people and households, helped more than 24,000 businesses, and paid 99 percent of NFIP claims. This aid has been delivered to individuals straight from FEMA, SBA, or an insurance company administering flood insurance policies. The funds that Congress provided to HUD supplement this aid. HUD Community Development Block Grant (CDBG) funds provide assistance to state and local governments, and they in turn use these funds to design and operate programs that assist individuals and small business owners. By law, these programs are available to fill gaps not met by other public and private funds. HUD assistance is subject to rigorous "duplication of benefits" and other tests to ensure it is being used to meet the intended purposes. These tests, and the fact that implementation of assistance programs is operated by state and local governments, add time to the recovery process.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Coburn

I understand another round of aid funding was recently announced. Specifically, New York City will receive $944 million, New Jersey $882 million, and New York state $606 million, for a total of around $2.5 billion. It has been reported this round of funding will be used by the recipients "as they see fit."

a. **Was this not the case for the other rounds of funding?**
b. **How quickly do you believe this aid will get to the people who need it?**

The previous rounds of Community Development Block Grant Disaster Recovery (CDBG-DR) funding were also programmed by grantees according to their needs and priorities. While HUD requires that grantees allocate resources relative to unmet need and identifies the most impacted and distressed areas, it does not specifically dictate how grantees should go about meeting that need. This allows the people who best understand the community and its needs to program the funding within the requirements of the law.

HUD worked very closely with the grantees to determine the amounts necessary to meet the needs of those on their housing program waiting lists. Given that a significant portion of these funds will go to those that already applied to these established programs, it is anticipated that the aid will reach people relatively quickly. Funds targeted for infrastructure will take longer to be fully expended. Actual timing depends on program execution by the grantees, but HUD is working with them continuously to address any obstacles or barriers.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Coburn

I've sent a number of letters to you regarding the millions of aid dollars spent for television advertisements. I understand HUD granted waivers to New Jersey and New York, despite many individuals in the region still struggling to recover.

a. **Do you believe it is prudent to spend millions in aid money for television ads while many continue to struggle?**
b. **At the time these waivers were being reviewed, did you have any input on whether these waivers should be granted? If not, why not?**

Congress historically appropriated supplemental disaster recovery assistance to HUD within the framework of the Community Development Block Grant (CDBG) program. CDBG, as a block grant program, enables grantees to fund eligible activities that promote long-term recovery from disasters. These supplemental appropriations historically provided the Secretary with authority to provide regulatory waivers and establish alternative requirements to respond to the specific recovery needs of communities. To the extent that communities can present a compelling case that the revival of the tourism sector of their economy is essential to putting them on the path to long-term recovery, HUD will evaluate those requests on a case-by-case basis. Tourism is a significant contributor to local economies in coastal communities throughout the United States, and as a result, the quick recovery of this sector becomes an important one to the economic recovery of the community. Educating the public that the coastal areas are "open for business" and promoting amenities has long been a core economic development tool in support of tourism activity. Small businesses drive the economy and fiscal health of the smaller beach communities, and without a robust summer season these communities might not survive.

I approved granting the waivers after finding good cause to do so based on requests from the Governors, experience from previous disasters, and the recommendation of HUD program staff. The funds for this purpose represent a small fraction of the total CDBG awards and can actually lessen the cost to taxpayers by reducing the need for further aid as businesses and helping the local tax base recover more quickly.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Coburn

In preparation for this nomination, my staff spoke with the Inspector General for HUD. We understand you worked with him and were receptive to his office's recommendations.

a. **Can you explain your view of the oversight function of the IG?**
b. **Were there any areas that you disagreed with the IG office?**
c. **If so, how did you work through those disagreements?**

I strongly believe that IGs serve a critical function for government agencies in preventing waste, fraud, and abuse. As Secretary, I have worked closely with HUD's inspector general, David Montoya, and his predecessor to ensure that their reviews and findings were used to strengthen the Department's controls and to address substantive problems. I also believe that IGs can play a valuable prospective role as programs are being established so that they are designed to minimize waste, fraud, and abuse. HUD's work with our IG on the Recovery Act and Hurricane Sandy are two good examples.

During my tenure as Secretary, there have certainly been occasions when I disagreed with particular analyses or conclusions reached by the IG's office. I have always discussed these disagreements with the IG and have developed a strong working relationship with the IG that allows us to disagree without straining our ability to work together to improve the functioning of the Department. My personal engagement with the IG through a regular monthly meeting supplemented by additional meetings and phone calls as needed significantly contributed to that relationship.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Coburn

The HUD IG has raised issues about paying for the services of outside Senior Advisors at HUD. Specifically, the IG reported last month HUD incorrectly used more than $620,000 in personnel compensation funds for a Senior Advisor to you, which was more than the agreement he was hired under allowed.

a. **Were you aware of this occurring?**
b. **Were you involved in any way in the hiring of the Senior Advisor who was the subject of the report?**
c. **Did you know the Senior Advisor who was the subject of the report prior to his hiring?**
d. **Please explain how one of your Senior Advisors was paid for out of the wrong bucket of money.**

Based on a complaint, the Office of Inspector General for HUD (OIG) conducted an investigation and raised questions as to whether an individual working at HUD on an Intergovernmental Personnel Agreement (IPA) was a special advisor to the Secretary who should have been paid by the Office of the Secretary (instead of two other HUD offices), and who was paid by HUD more than the Agreement allowed and without an agreement in place. As a result of this investigation, the OIG had three recommendations and HUD agreed with each of them.

First, HUD's Office of the Chief Financial Officer (OCFO) agreed to investigate whether Antideficiency Act (ADA) violations of as much as $622,369 occurred, and if so, to report the violations in accordance with OMB Circular A-11 and HUD Handbook 1830.2, REV-5. HUD has commenced this investigation and is coordinating with OIG so that the ADA investigation can be done as effectively and efficiently as possible. Whether the individual was paid from the right or wrong account and whether the ADA was violated will be thoroughly reviewed and determined under the ADA investigation.

Second, HUD agreed that if it is determined that the ADA violation occurred appropriate actions would be taken with respect to any employees responsible for causing the ADA violations. Whether such actions are appropriate and necessary will be determined once the investigation is complete.

Third, HUD agreed that the Department would develop and implement procedures to ensure that all people under an IPA have an effective agreement and that payments do not exceed the amounts authorized and are paid from the appropriate account. HUD is currently in the process of developing these procedures and expects to put them in place shortly, subject to any changes that would be necessitated by the findings arising from the investigation.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

I was aware the individual was being hired, but did not know him prior to his hiring and I did not know the specifics about how he would be paid. I take the OIG's review and recommendations very seriously and HUD is taking steps to make sure that any ADA violations that may have occurred are addressed as expeditiously as possible.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Coburn

I understand the House Appropriations Committee changed the funding structure at HUD in 2008 because there were concerns about how HUD was paying for senior level advisors.

a. **How can this type of mix-up still be happening six years after the funding structure changed?**
b. **Did you take any action to remedy these concerns when you took over at HUD?**

As discussed in the response to the previous question, whether the individual was paid from the appropriate account will be thoroughly reviewed and determined. Throughout my tenure at HUD, I have been fully supportive of Office of the Chief Financial Officer and efforts to improve and strengthen funds control plans and procedures throughout the Department. Strong funds controls are critical to effective financial management and preventing ADA violations. Education of HUD staff every year by GAO about appropriations law issues and preventing ADA violations has been a continuous priority. Although there is always more work to be done, HUD has made good progress with respect to funds controls and in educating staff throughout the Department about the need for and benefits of such controls. Further, a new core financial system has been and will continue to be a top priority of the Department. Such a system, along with many other critical benefits, will greatly improve the Department's financial management and controls.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Coburn

Last year, the HUD OIG completed an investigation into potential anti-lobbying violations committed by HUD officials. Specifically, a July 2013 e-mail sent by the HUD Deputy Secretary encouraged more than 1,000 recipients to contact specific U.S. Senators to vote in favor of procedural motions to advance Senate consideration of the THUD Appropriations bill. The report also explained how a HUD official attempted to obstruct HUD-OIG's investigation.

a. **Were you aware of this e-mail being sent?**
b. **What actions did you take to resolve this situation?**

I was not aware of the email when it was sent. The Department takes the role of the Inspector General (IG) and the anti-lobbying laws very seriously. HUD leadership has kept the IG apprised of its efforts to rectify these matters and ensure that they are not repeated. As requested in the IG report, relevant HUD managers took appropriate administrative action with respect to the individuals identified as having participated in the underlying conduct and reported those actions to the IG. Additional anti-lobbying ethics training was specifically provided to the Deputy Secretary and his staff and then to all political appointees in the fall of 2013.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Levin

Three important Treasury rulemakings are likely to be presented to OMB this year, to set new standards for 501(c)(4) organizations that engage in campaign activities, require U.S. financial institutions to exercise due diligence when opening and administering accounts, and repeal an exemption that, for more than a decade, has enabled real estate and escrow agents to avoid a statutory requirement to institute anti-money laundering programs. If confirmed, will you commit to ensuring prompt reviews by OMB of those rulemakings so that they can proceed without inordinate delays?

I believe that the timely and through review of regulations is important, and if confirmed, I will work with the Office of Information and Regulatory Affairs (OIRA) on the timely review of regulations. I understand that at least one of these regulations would be issued by the IRS, and that, because of a longstanding agreement between the Department of the Treasury and OMB dating back to the Reagan Administration, OIRA does not typically review IRS rules.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Levin

While the President's budget request for FY2015 was stronger for the Great Lakes Navigation System (Army Corps of Engineers) than in past years, the funding for dredging has been essentially flat. Will you work to propose a budget which includes adequate funds for the Great Lakes Navigation System to address its backlog of projects, including for dredging?

I understand that for its navigation program, the Army Corps of Engineers (Corps) places emphasis on the operation and maintenance of major coastal harbors and their channels and on the inland waterways with the most commercial use, and the Corps uses economic data and other objective performance measures to inform its decisions on the best way to allocate these funds.

If confirmed, I can assure you that OMB will consider navigation projects presented by the Corps for funding based on this data and analysis.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Levin

I am concerned about a May 22, 2014 *Federal Register* notice seeking comment on a proposal to update the classification of firms that outsources their manufacturing. At issue is a proposal to classify outsourcing establishments or "units that control the entire process but subcontract out all manufacturing transformational activities" as manufacturing entities. The *Federal Register* notice states that OMB has accepted a recommendation that "factoryless goods producers (FGPs) be classified in manufacturing," "even if the actual transformation is 100 percent outsourced." Such a reclassification to allow a company that outsources all of its production to be counted in federal statistics as a manufacturing entity would have wide-ranging and negative implications. As a result, I urge OMB to work with me and other interested parties to ensure that U.S. manufacturing data does not misrepresent actual U.S. manufacturing activity.

What would be the result of the proposed change on U.S. manufacturing employment numbers? Would U.S. manufacturing employment appear to increase without any additional manufacturing jobs having been created?

How would a firm like Apple, whose production is done by contract manufacturing in China, be treated under the proposal? Would it be classified as a manufacturing firm? If so, would it be eligible for benefits under the federal tax code and elsewhere that currently go to domestic manufacturers? How would Apple's contract employees in China be classified?

Would the proposed change encourage further outsourcing?

I have not been engaged in this issue as HUD Secretary; however, if confirmed, I look forward to learning more about the issues you raise about the notice. The Administration is a champion of U.S. manufacturing and our manufacturing communities. It has pursued increased research and development into advanced manufacturing processes, such as the creation of manufacturing institutes that draw in private and public capital to focus on particular manufacturing challenges and opportunities and more aggressive technology transfer from Federal labs. The Administration has particularly targeted assistance to small manufacturers. The President has also proposed tax credits for U.S. companies that bring production jobs back from foreign countries to the United States and would end tax deductions for U.S. companies that outsource jobs abroad, further incentivizing their continuing investment in American manufacturing.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator McCaskill

The purpose of a bonus is to reward strong performance and improve performance year after year. At the management level, bonuses should reflect continuously improving agency outcomes and a happy and motivated workforce. Sadly, this has not happened.

Some other countries have taken different approaches, and I think we would be wise to look at some different models. One idea, which Canada has adopted, bases part of each executive's bonus on the department-wide fiscal savings and efficiencies. In other words, when the department succeeds, we all succeed.

1) **Will you commit to studying the effectiveness of the current SES bonus system, and come back to this committee with recommendations to better align incentives and agency performance?**

2) **How, if at all, do you think senior managers would benefit from gaining the perspective of working at other organizations, either within the Federal bureaucracy or outside of it?**

3) **Should we consider de-emphasizing money as a motivator for improved performance, and consider offering better training and support for the SES to improve management performance?**

I believe high-performing SES leadership is essential for the Federal Government's ability to deliver results. It is important that our SES performance awards system is used to improve mission performance and support a motivated workforce. This has been a key focus of mine at HUD. I found that while the current OPM policy requires SES performance plans to be tied to performance results, there are still opportunities to improve the system.

Supporting the ongoing development and capabilities of our SES leaders is a key component of the People and Culture pillar of the President's Management Agenda. I believe we can strengthen our talented senior leaders by encouraging and supporting rotations at other organizations. The SES was originally envisioned as a corps of executives that agencies could assign to lead programs outside of narrow areas of expertise. I also believe in rewarding excellence with additional pay; at the same time, a poorly structured pay-for-performance system can discourage rather than motivate. In addition, better training and support for SES can help improve management performance.

If confirmed, I look forward to working with the President's Management Council, the Performance Improvement Council, the Chief Human Capital Officers Council, and OPM to better align the Government Performance and Results Act Modernization Act of 2010 performance management work with our SES performance systems. Bringing this work into

better alignment will help us ensure that all SES remain focused on meaningful outcomes and receive the training and support needed to improve management and performance.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator McCaskill

There continues to be a presumption at federal agencies that contracting is inherently cheaper than in-sourcing. Yet there is never any analysis to back up this presumption, and in fact, in cases where any analysis has been done, that presumption has often proven to be false.

In 2012, the Subcommittee on Contracting Oversight held a hearing on the total cost to the federal government of contractors. During the hearing, Debra Tomchek, Executive Director, Balance Workforce Program Management Office, Department of Homeland Security testified that DHS had saved $28 million by converting 2,600 jobs from contractors to federal civilian positions.

The Office of Management and Budget (OMB) has been briefed on DHS's efforts, and similar efforts within the Army. In fact, as far back as 2009, OMB issued a memo requiring agencies to begin strategically planning for and managing the multi-sector workforce. The memo stated that OMB was "analyzing ways in which agencies can track more detailed information on contracted work that could be used by federal officials to better manage the multi-sector workforce."[1] OMB also directed agencies to perform a cost analysis when the function is commercial in nature and appropriate for contracting to determine whether contractors or federal employees are more cost-effective.

Yet, to date, OMB has provided no additional guidance to agencies regarding when and how to perform cost analyses despite stating, in writing, that it expected to issue guidance in these areas by mid-July 2012.[2] OMB has also failed to provide guidance to agencies on contract data collection.

In fact, in response to questions that I submitted to OMB following a March 12, 2014 HSGAC hearing, Beth Cobert, Deputy Director for Management at OMB, implied that OMB may not issue additional guidance at all.[3]

Will you commit to issuing the additional guidance that agencies need to carry out their strategic planning and analyze the costs and benefits of contracting versus in-sourcing, and come back to this committee with a timeline for that guidance?

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[1] Memorandum from Peter Orszag, Director, Office of Management and Budget to The Heads of Departments and Agencies, Managing the Multi-Sector Workforce (July 29, 2009)

[2] Office of Management and Budget, Response to Questions for the Record, Subcommittee on Contracting Oversight, *Contractors: How Much are they Costing the Government?*, 112th Cong. (March 29, 2012).

[3] Office of Management and Budget, Response to Questions for the Record, Homeland Security and Government Affairs Committee, *Management matters: Creating a 21st Century Government*, 113th Cong. (March 12, 2014).

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

If confirmed, I will carefully review this matter with senior OMB leadership and get back to you promptly. I am committed to ensuring agencies are making fiscally responsible decisions.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator McCaskill

Every year, GAO publishes a report identifying areas of fragmentation, overlap and duplication in federal programs and activities. In addition, Senator Coburn also puts together an annual report that he calls his "Wastebook" of federal programs that are, arguably, and in some cases obviously, a waste of federal resources. Both of these publications too often include repeat offenders – programs that we just cannot seem to end and entities that we cannot seem to close, even if they have long outlived their usefulness.

Will you commit to follow-up with this committee with your thoughts on the most recent duplication GAO report[4] once you have a chance to review it in your new position, assuming you are confirmed?

I appreciate the work GAO is doing to identify areas of duplication, fragmentation, and overlap, and opportunities for cost savings. If confirmed, I will follow up with the Committee and welcome working with the Committee to ensure appropriate reforms are enacted.

I believe the Administration should continue leveraging GAO's analysis as a critical input into our efforts to achieve cost efficiencies and improve program outcomes. At HUD, I have been committed to ensuring programs were aligned with our mission and consolidated where possible. For example, the President's FY 2015 Budget proposes to transfer funding for the FEMA Emergency Food and Shelter (EFS) program to HUD. By allowing HUD to administer this program, the Administration is aligning its dedicated homeless assistance resources, avoiding duplication between programs, and ensuring that the funding appropriated for EFS helps meet the goals of the Federal Strategic Plan.

[4] Government Accountability Office, 2014 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits (GAO14-343SP) (Apr. 2014).

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
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Wednesday, June 11, 2014

Senator McCaskill

One of Senator Coburn's repeat offenders is the National Technical Information Service (NTIS). Its original mission was to collect and disseminate scientific, technical and engineering information, but the Internet has rendered this function obsolete. NTIS continues to charge fees to distribute these technical documents, but the vast majority of these publications can be found for free online. Former Commerce Secretaries and GAO have agreed that the agency is obsolete.[5]

Will you commit to work with us to close the NTIS?

If confirmed as OMB Director, I will work with the Committee to ensure that agencies such as NTIS are focused on critical government functions and that all government programs and agencies are working as efficiently as possible.

[5] Department of Commerce, Commerce Secretary William M. Daley Announces Intention to Close the National Technical Information Service (Aug. 12, 1999); Government Accountability Office, Information Management: National Technical Information Service's Dissemination of Technical Reports Needs Congressional Attention (GAO-13-99) (Nov. 2012)

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OMB has a "policy" not to allow senior executives in the agency, including those who may be filling the role of Director or Deputy Director, to testify before Congress. This policy has created challenges for Congress in conducting its legitimate oversight.

Will you commit to reviewing this policy?

If confirmed, I will review this policy.

Questions for the Congressional Record
U.S. Senate Committee on Homeland Security and Government Affairs
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Wednesday, June 11, 2014

Senator McCaskill

During your confirmation hearing, you discussed the administration's efforts to streamline and improve the permitting process for infrastructure projects. Senator Portman and I have introduced legislation to codify and expand many of these efforts, the Federal Permitting Improvement Act (S. 1397).

Will you commit to working with us to codify the administration's efforts and provide technical assistance and feedback on the legislation?

If confirmed, I look forward to learning more about the legislation and discussing the Administration's efforts to improve the effectiveness and efficiency of Federal permitting and review of infrastructure projects. From my experience with the recovery after Hurricane Sandy, significant efficiencies can be gained through improved management such as early coordination across all involved parties. Central to improving the permitting process is the establishment of an Interagency Infrastructure Permitting Improvement Center that focuses on improving the system across agencies.

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For the Nomination hearing of
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Wednesday, June 11, 2014

Senator McCaskill

As Director of OMB, you will have responsibility for monitoring and reporting on the improper payment rate for various government programs, including the Earned Income Tax Credit (EITC), which has been identified as a high-risk program within the Department of the Treasury. The Treasury's most recent estimate from tracking and monitoring EITC improper payments ranges from $13.3 billion to $15.6 billion. However, this estimate is based on a review of only 2,400 tax returns that claimed the EITC for 2009.

If confirmed, will you commit to conducting a review of whether there are better ways to get more timely information on improper payments in the EITC program and provide additional levels of detail, including the percentage of improper payments tied to self-prepared returns, as well as those improper payments attributable to unintentional errors versus intentional fraud?

I am committed to enhancing program integrity across the Federal Government and continuing progress to drive down improper payments. Through the Administration's concerted efforts, and working with Congress, the Federal Government-wide improper payment rate dropped for four consecutive years, from 5.4 percent in 2009 to 3.5 percent in 2013. One challenge to tackling improper payments is related to the way in which agencies develop a sampling methodology to estimate improper payment rates for their programs. Another challenge is interpreting improper payment estimates. For example, as your question suggests, a large fraction of EITC errors likely reflect mistakes, in particular related to the EITC's complicated qualifying child and residency rules, rather than fraud. If confirmed, I will work closely with the Department of the Treasury to explore ways to obtain more timely and granular information on improper payments in EITC.

Questions for the Congressional Record
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Wednesday, June 11, 2014

Senator Portman

It is my understanding that OMB has taken an active roll over the past two years around interpreting how energy savings performance contracting (ESPC) can be used by the federal government. Under your leadership, can we expect the OMB to support agency positions and projects and the use of the ESPC tool?

If confirmed, OMB will continue to support agencies in their effective use of energy savings performance contracting (ESPC). ESPC is an important tool that Federal agencies can use for investments in energy efficiency and renewable energy. In fact, HUD uses ESPC extensively with its partners and its own operations.

Questions for the Congressional Record
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Senator Ron Johnson

Attached you will find two letters dated May 6, 2014 and May 30, 2014 that respective Budget Committee Chairs Murray and Ryan sent to TSA Administrator Pistole and then OMB Director Burwell regarding the proposed elimination of the aviation security fee cap currently in place for all round trip flights. The Bipartisan Budget Act (P.L. 113-67) was designed to simplify the administration of air transportation fees without changing the overall cap for the fees. It is my understanding that TSA, through guidance, intends to change the definition of a roundtrip, which runs counter to Congressional direction. In particular, the letter to Director Burwell specifically indicates it was not Congressional intent to use the BBA as a basis for changes to the definition of a roundtrip. If confirmed, as OMB director will you make sure the intent of Congress is followed and the roundtrip fee cap is kept in place?

I believe it is important that regulations be developed in accordance with the law and with the President's regulatory Executive Orders. It is my understanding that the Aviation Security Fee rulemaking is currently under review by the Office of Information and Regulatory Affairs (OIRA) under Executive Order 12866 and that it is longstanding Executive Branch practice for OMB officials to not discuss the specifics of a rule while it is under OIRA review. As HUD Secretary, I am not familiar with the specifics of this rule, however, if confirmed I look forward to learning more about the issues you raise. OMB staff is available to meet with you or your staff if you would like to share views on the proposed rule.

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