

LEGISLATIVE BRANCH APPROPRIATIONS FOR 2004

HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES ONE HUNDRED EIGHTH CONGRESS FIRST SESSION

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NOTE: Under Committee Rules, Mr. Young, as Chairman of the Full Committee, and Mr. Obey, as Ranking Minority Member of the Full Committee, are authorized to sit as Members of all Subcommittees.

ELIZABETH C. DAWSON, *Staff Assistant*

PART 1

FISCAL YEAR 2004 LEGISLATIVE BRANCH APPROPRIATIONS REQUESTS AND JUSTIFICATION OF THE BUDGET ESTIMATES



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LEGISLATIVE BRANCH APPROPRIATIONS FOR 2004

WEDNESDAY, APRIL 9, 2003.

HOUSE OF REPRESENTATIVES

WITNESSES

HON. JAY EAGEN, CHIEF ADMINISTRATIVE OFFICER, OFFICE OF THE
CHIEF ADMINISTRATIVE OFFICER
HON. JEFF TRANDAHL, CLERK, OFFICE OF THE CLERK
HON. WILSON S. LIVINGOOD, SERGEANT AT ARMS, OFFICE OF THE
SERGEANT AT ARMS
STEVEN McNAMARA, INSPECTOR GENERAL, OFFICE OF THE INSPEC-
TOR GENERAL
GERALDINE GENNET, OFFICE OF THE GENERAL COUNSEL
JOHN R. MILLER, OFFICE OF THE LAW REVISION COUNSEL
M. POPE BARROW, OFFICE OF THE LEGISLATIVE COUNSEL
DR. JOHN EISOLD, OFFICE OF THE ATTENDING PHYSICIAN

OPENING STATEMENT—FISCAL YEAR 2004 BUDGET

Mr. KINGSTON. I would like to welcome everybody and ask the subcommittee to come to order, I apologize for being a little bit late. I had a group of school kids, and you know, God bless them, they are so much fun when they come to town, but they have to figure out how to work each other's camera, and everybody has a different camera.

Today we begin our hearings on the budget requests of the various agencies of the Legislative Branch for Fiscal Year 2004. It is my intention to complete the hearings, the subcommittee markup, the full committee markup and floor action by the July 4 recess. The total appropriations request that will be considered by the subcommittee is almost \$3 billion, to be specific, \$2,989,531,000. The amount is about \$30 million less than the amount reflected in the President's budget request resulting from budget amendments submitted by some of our agencies. Nonetheless, the amount is \$380.1 million, or 14.6 percent above the fiscal year 2003 enacted level.

In accordance with comity between the two Houses, we will not consider the budget of the other body. The Senate will consider its own request. If the Senate items are included in the total legislative branch, the request comes to \$3.7 billion.

As I mentioned, the budget increases requested by the agencies is about 14.6 percent above the fiscal year 2003 enacted level. As we are aware, the House adopted our budget on March 21, 2003, House Continuing Resolution 95, "the concurrent resolution of the budget—fiscal year 2004." The resolution calls for a 1 percent re-

duction below fiscal year 2003 for the areas that are not in homeland security or defense. For the agencies under the jurisdiction of this subcommittee, this would mean that not only will we not be able to fund the increases requested, but also, in fact, we will need to reduce current operating levels by an additional \$26 million. So everyone needs to understand as we move forward in the appropriation process this year, that the increases requested are likely to be unattainable.

With that in mind, I welcome Mr. Clyburn of South Carolina and yield the floor to you if you would like to make a statement.

Mr. CLYBURN. I understand Mr. Moran, who is our Ranking Member, is on the way, and I would rather reserve the time for him when he arrives.

Mr. KINGSTON. I appreciate that, and I want to welcome you to the committee. I would also like to recognize and welcome back Mr. LaHood, from Illinois who distinguished himself last year and is the only Member returning to the subcommittee from our side. Would you like to say anything Mr. LaHood?

Mr. LAHOOD. No, sir.

Mr. KINGSTON. I will introduce the other committee members when they arrive. And, of course, if Mr. Young and Mr. Obey come in, we will pause and introduce them at that time.

HOUSE OF REPRESENTATIVES

We will begin our hearings with the budget request for the House of Representatives. The Chief Administrative Officer, assisted by the Office of Finance, submits the House budget each year to the Office of Management and Budget. That material is then included in the President's budget. The House budget request totals a little over \$1 billion, which is \$89.8 million, or a 9.5 percent increase, over the fiscal year 2003 enacted level. This request provides funding for the operations of Member offices, committees, the leadership, and the administrative operations of the House.

OPENING STATEMENTS

We want to welcome the officers of the House who are with us today: The Honorable Jeff Trandahl, Clerk of the House; and The Honorable Wilson S. "Bill" Livingood, Sergeant at Arms; and The Honorable Jay Eagen, Chief Administrative Officer. We also have with us today: Geraldine Gennet, the House General Counsel; John Miller, the House Law Revision Counsel; Pope Barrow, Jr., the House Legislative Counsel; Steven McNamara, the House Inspector General; and Dr. John Eisold, the Attending Physician.

Jay, you are the de facto "Budget Officer" of the House, and you are capable in all areas. However, I understand that Ms. Bernice Brosious, the Associate Administrator for the Office of Finance, is your right arm and is here today also. We have all the prepared statements, which have been given to the subcommittee Members, and we will insert them into the record at this point. Jeff, Jay or Bill, if you would like to make any additional remarks, I want to give you that opportunity at this time.

Mr. TRANDAHL. I think we will just go forward and submit our statements for the record, and then basically be prepared to summarize for you or answer any questions.

[The statements submitted for the record follow.]

STATEMENT OF
JAY EAGEN
CHIEF ADMINISTRATIVE OFFICER
U.S. HOUSE OF REPRESENTATIVES

to the

Subcommittee on Legislative Appropriations of the House Committee on
Appropriations on the Fiscal Year 2004 (FY 2004) Budget estimates for the
U.S. House of Representatives and certain "Joint Items."

OPENING STATEMENT

Chairman Kingston and Members of the Subcommittee, it is a pleasure to be appearing before this Subcommittee to testify on the Fiscal Year 2004 budget request for the House of Representatives and certain joint items.

As established at the beginning of the 104th Congress, the CAO is the chief budget official of the U.S. House of Representatives and is responsible for the presentation of the House budget before your Subcommittee.

Later in this hearing I will further outline the Fiscal Year 2004 budget request for the Office of the Chief Administrative Officer. I am joined here today with Jeff Trandahl and Bill Livingood. We stand ready to assist the Subcommittee in any way as you work to compile the Fiscal Year 2004 Legislative Branch Appropriations Bill.

FISCAL YEAR 2004

The Fiscal Year 2004 estimates are detailed in your Subcommittee Print.

This statement and the Subcommittee Print may be used jointly to obtain a complete picture of the budget request. At the beginning of each budget item herein, you will find a reference to a related page on the Subcommittee Print where further detail is provided.

The Fiscal Year 2004 request for the House of Representatives totals \$1,039,638,000. This amount is based on statutory entitlements, full funding of authorizations, actual spending history and consultation with the administrative offices.

This testimony follows the same format of the legislative branch appropriation bill. I will go through each individual line item in the bill and mention the request. I invite any questions you may have, and if I am unable to respond today I will certainly provide the answer for the record in an expeditious manner.

I submit for the record a chart which itemizes the Fiscal Year 2002 enacted, appropriated funds for Fiscal Year 2003 and requested funds for Fiscal Year 2004.

	<u>FY'02 Enacted</u>	<u>FY'03 Enacted</u>	<u>FY'04 Request</u>
<u>HOUSE OF REPRESENTATIVES</u>			
GRATUITIES, DECEASED MEMBERS	\$145,100	\$150,000	
SALARIES AND EXPENSES			
HOUSE LEADERSHIP OFFICES	\$15,910,000	\$16,530,000	\$17,094,000
MEMBERS' REPRESENTATIONAL ALLOWANCES	\$475,422,000 ¹	\$476,536,000	\$523,454,000
STANDING COMMITTEES, SPECIAL AND SELECT	\$106,114,000 ²	\$103,421,000	\$107,558,000
COMMITTEE ON APPROPRIATIONS	\$23,002,000	\$24,200,000	\$24,926,000
SALARIES, OFFICERS AND EMPLOYEES	\$143,478,000 ³	\$152,027,000	\$171,291,000
ALLOWANCES AND EXPENSES	<u>\$157,436,000</u>	<u>\$177,157,441⁴</u>	<u>\$195,315,000</u>
TOTAL SALARIES AND EXPENSES	\$921,362,000	\$949,871,441	\$1,039,638,000
TOTAL HOUSE OF REPRESENTATIVES	\$921,507,100	\$950,021,441	\$1,039,638,000
 <u>JOINT ITEMS</u>			
JOINT COMMITTEE ON TAXATION	\$6,733,000	\$7,593,320 ⁵	\$8,137,000
OFFICE OF THE ATTENDING PHYSICIAN	\$1,865,000	\$2,980,500 ⁶	\$2,236,000
STATEMENT OF APPROPRIATIONS	\$30,000	\$29,902 ⁷	\$30,000
TOTAL JOINT ITEMS			
TOTAL HOUSE AND JOINT ITEMS			

¹ Includes unspecified reduction of \$4,050,000 pursuant to Pub. L. 107-68.

² Includes supplemental appropriation of \$1,600,000 pursuant to Pub. L. 107-206.

³ Includes transfer of \$41,712,000 pursuant to Pub. L. 107-117.

⁴ Includes reduction of \$6,214,559 pursuant to Pub. L. 108-7.

⁵ Includes reduction of \$49,680 pursuant to Pub. L. 108-7.

⁶ Includes reduction of \$19,500 pursuant to Pub. L. 108-7.

⁷ Includes reduction of \$98 to the House portion only pursuant to Pub. L. 108-7.

HOUSE LEADERSHIP OFFICES

(See Pages 14-43 Subcommittee Print)

For salaries and expenses of the House Leadership Offices, \$17,094,000. Each Leadership office may be entitled to a statutory allowance, lump sum allowance and/or official expense allowance pursuant to existing statute.

The Statutory Allowance authorizes each Leadership Office certain positions and compensation rates specifically established by law.

A lump sum allowance is authorized to all Leadership Offices except the Speaker's Office for Legislative Floor Activities and Nine Minority Employees. The lump sum allowance provides funding for all other positions and non-personnel expenditures.

An annual official expense allowance is authorized to the Speaker, the Majority and Minority Leaders and the Whips.

The fiscal year 2004 budget request represents full funding of all authorizations for each leadership office.

A parity has been maintained between the Majority and Minority Offices, excluding the Speaker, and two-thirds of the nine minority employees. I will now present each Leadership Office funding request.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$15,910,000	\$16,530,000	\$17,094,000

OFFICE OF THE SPEAKER

(See Pages 16-17 Subcommittee Print)

For the Office of the Speaker, \$2,048,000. This request includes full funding for six statutory positions, a lump sum allowance and \$25,000 for the Speaker's official expense allowance.

The lump sum allowance is an amount established by law and increased each year by the annual cost of living adjustment pursuant to existing law. This allowance is used for personnel and non-personnel expenses for this office.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$1,866,000	\$1,979,000	\$2,048,000

OFFICE OF THE MAJORITY FLOOR LEADER

(See Pages 18-20 Subcommittee Print)

For the Office of the Majority Floor Leader, \$1,965,000. This request includes full funding for six statutory positions, a lump sum allowance and \$10,000 for the Leader's official expense allowance.

The lump sum allowance is an amount established by law and increased each year by the annual cost of living adjustment pursuant to existing law. This allowance is used for personnel and non-personnel expenses for this office.

Comparative Statement of Enacted/Requested Appropriations

FY 2002	FY 2003	FY 2004
<u>Enacted</u>	<u>Enacted</u>	<u>Request</u>
\$1,830,000	\$1,899,000	\$1,965,000

OFFICE OF THE MINORITY FLOOR LEADER

(See Pages 21-22 Subcommittee Print)

For the Office of the Minority Floor Leader, \$2,390,000. This request includes full funding for seven statutory positions, a lump sum allowance and \$10,000 for the Leader's official expense allowance.

The lump sum allowance is an amount established by law and increased each year by the annual cost of living adjustment pursuant to existing law. This allowance is used for personnel and non-personnel expenses for this office.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$2,224,000	\$2,309,000	\$2,390,000

OFFICE OF THE MAJORITY WHIP

(See Pages 23-24 Subcommittee Print)

For the Office of the Majority Whip, including the Chief Deputy Majority Whip, \$1,684,000. This request includes full funding for three statutory positions, a lump sum allowance for both the Majority Whip and Chief Deputy, and \$5,000 for the Majority Whip's official expenses allowance.

The lump sum allowance is an amount established by law and increased each year by the annual cost of living adjustment pursuant to existing law. This allowance is used for personnel and non-personnel expenses for this office.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$1,562,000	\$1,624,000	\$1,684,000

OFFICE OF THE MINORITY WHIP

(See Pages 25-26 Subcommittee Print)

For the Office of the Minority Whip, including the Chief Deputy Minority Whip, \$1,259,000. This request includes full funding for two statutory positions, a lump sum allowance for both the Minority Whip and Chief Deputy and \$5,000 for the Minority Whip's official expenses allowance.

The lump sum allowance is an amount established by law and increased each year by the annual cost of living adjustment pursuant to existing law. This allowance is used for personnel and non-personnel expenses for this office.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$1,168,000	\$1,214,000	\$1,259,000

**SPEAKER'S OFFICE FOR LEGISLATIVE FLOOR
ACTIVITIES**

(See Page 27-28 Subcommittee Print)

For the Speaker's Office for Legislative Floor Activities, \$460,000. This request includes full funding for three statutory positions.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$431,000	\$446,000	\$460,000

REPUBLICAN STEERING COMMITTEE

(See Pages 29-30 Subcommittee Print)

For the Republican Steering Committee, \$862,000. This request includes full funding for five statutory positions and a lump sum allowance.

The lump sum allowance is an amount established by law and increased each year by the annual cost of living adjustment pursuant to existing law. This allowance is used for personnel and non-personnel expenses for this office.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$806,000	\$834,000	\$862,000

REPUBLICAN CONFERENCE

(See Pages 31-32 Subcommittee Print)

For the Republican Conference, \$1,448,000. This request includes full funding for two statutory positions and a lump sum allowance.

The lump sum allowance is an amount established by law and increased each year by the annual cost of living adjustment pursuant to existing law. This allowance is used for personnel and non-personnel expenses for this office.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$1,342,000	\$1,397,000	\$1,448,000

DEMOCRATIC STEERING AND POLICY COMMITTEE

(See Pages 33-34 Subcommittee Print)

For the Democratic Steering and Policy Committee, \$1,542,000. This request includes full funding for five statutory positions and a lump sum allowance.

The lump sum allowance is an amount established by law and increased each year by the annual cost of living adjustment pursuant to existing law. This allowance is used for personnel and non-personnel expenses for this office.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$1,435,000	\$1,490,000	\$1,542,000

DEMOCRATIC CAUCUS
(See Pages 35-37 Subcommittee Print)

For the Democratic Caucus, \$768,000. This request includes full funding for two statutory positions and a lump sum allowance.

The lump sum allowance is an amount established by law and increased each year by the annual cost of living adjustment pursuant to existing law. This allowance is used for personnel and non-personnel expenses for this office.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$713,000	\$741,000	\$768,000

NINE MINORITY EMPLOYEES

(See Pages 38-39 Subcommittee Print)

For Nine Minority Employees, \$1,380,000. This request includes full funding for nine statutory positions.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$1,293,000	\$1,337,000	\$1,380,000

**TRAINING AND PROGRAM DEVELOPMENT-
MAJORITY**

(See Page 40 Subcommittee Print)

For Training and Program Development for the Majority, \$290,000.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$290,000	\$290,000	\$290,000

**TRAINING AND PROGRAM DEVELOPMENT-
MINORITY**

(See Page 41 Subcommittee Print)

For Training and Program Development for the Minority, \$290,000.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$290,000	\$290,000	\$290,000

CLOAKROOM PERSONNEL- MAJORITY
(See Page 42 Subcommittee Print)

For Cloakroom personnel for the Majority, \$354,000.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$330,000	\$340,000	\$354,000

CLOAKROOM PERSONNEL- MINORITY

(See Page 43 Subcommittee Print)

For Cloakroom personnel for the Minority, \$354,000.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$330,000	\$340,000	\$354,000

MEMBERS' REPRESENTATIONAL ALLOWANCES

(See Pages 44-54 Subcommittee Print)

For Members' Representational Allowances (MRA), including Members' personnel, official expenses, and official mail, \$523,545,000.

This request is based on the recent authorization Members received from the Committee on House Administration for the 108th Congress. The funds in the request would begin for the fiscal year starting October 1, 2003, and support three months or 1/3 of the legislative year 2003 authorization.

Included in the request is a cost of living adjustment. Additionally, this request includes increases associated with inflation and assumptions for increased spending in technology and an estimate for Official Mail.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$475,422,000	\$476,536,000	\$523,454,000

Note: The FY 2002 enacted amount includes a reduction of \$4,050,000 pursuant to Public Law 107-68.

STANDING COMMITTEES, SPECIAL AND SELECT

(See Pages 55-57 of Subcommittee Print)

For salaries and expenses of Standing Committees, Special and Select, authorized by House resolutions, \$107,558,000.

In the first session of each Congress, the Committee on House Administration passes a two-year primary expense resolution to fund the Committees for each session of a Congress.

The following summary of the Primary Expense Resolution issued by the Committee on House Administration gives an illustration of the amounts available to Committees in the 107th Congress.

PRIMARY EXPENSE RESOLUTION SUMMARY

<u>LEGISLATIVE YEAR</u>	<u>AUTHORIZATION</u>
2001 1 st Session 107 th Congress	\$ 99,667,359
2002 2 nd Session 107 th Congress	\$103,839,345

Comparative Statement of Enacted/Requested Appropriations

FY 2002	FY 2003	FY 2004
<u>Enacted</u>	<u>Enacted</u>	<u>Request</u>
\$106,114,000	\$103,421,000	\$107,558,000

Note: The FY 2002 enacted amount includes \$1,600,000 for supplemental purposes pursuant to Public Law 107-206.

COMMITTEE ON APPROPRIATIONS

(See Pages 60-61 Subcommittee Print)

For salaries and expenses of the Committee on Appropriations, including studies and examinations of executive agencies and temporary personal services for such Committee, \$24,200,000.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$23,002,000	\$24,200,000	\$24,926,000

SALARIES, OFFICERS AND EMPLOYEES

(See Pages 63-100 Subcommittee Print)

For salaries and expenses of officers and employees, as authorized by law, \$171,291,000. Included in this amount is \$82,790,000 (48.3%) for personnel and \$88,501,000 (51.7%) for non-personnel items.

The offices funded under this heading include the following:

- Office of the Clerk
- Office of the Sergeant at Arms
- Office of the Chief Administrative Officer
- Office of the Inspector General
- Office of Emergency Planning, Preparedness and Operations
- Office of General Counsel
- Office of the Chaplain
- Office of the Parliamentarian
- Office of the Law Revision Counsel of the House
- Office of the Legislative Counsel of the House
- Corrections Calendar Office
- Other Authorized Employees

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$143,478,000	\$152,027,000	\$171,291,000

Note: The FY 2002 enacted amount includes \$41,712,000 pursuant to Public Law 107-117.

OFFICE OF THE CLERK
(See Pages 66-67 Subcommittee Print)

For salaries and expenses for the Office of the Clerk, \$19,387,000. Included in this request is \$15,076,000 (77.8%) for personnel and \$4,311,000 (22.2%) for non-personnel related expenses.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$15,408,000	\$20,032,000	\$19,387,000

OFFICE OF THE SERGEANT AT ARMS

(See Pages 68-69 Subcommittee Print)

For salaries and expenses for the Sergeant at Arms, \$6,471,000. Included in this request is \$4,721,000 (73%) for personnel and \$1,750,000 (27%) for non-personnel related expenses.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$4,139,000	\$5,097,000	\$6,471,000

OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER

(See Page 70-72 Subcommittee Print)

Chairman Kingston, Members of the Subcommittee, I am pleased to appear before this Subcommittee to discuss the operations of the Chief Administrative Officer (CAO) and to outline the Fiscal Year 2004 budget request for the CAO. I would like to take this opportunity to acknowledge Mr. Kingston as the new Chairman and Mr. Culberson, Mr. Clyburn, Mr. Kirk, Mr. Price, and Mr. Tiahrt as new Subcommittee Members. I look forward to working with the Chairman and the Subcommittee in the 108th Congress.

The CAO consists of six divisions overseeing 32 offices, more than 670 House personnel and managing more than 85 contracts. The six divisions include the CAO Immediate Office, the Office of Finance, Human Resources, House Information Resources, House Support Services, and the Office of Procurement.

The CAO provides the House community a wide variety of services. Some examples of service responsibilities include:

- Implementing the Student Loan Repayment Program for more than 360 House offices.
- Leasing the off-site facility to support emergency operations for the House support staff.
- Ensuring 24x7 technical support for the House campus.
- Serving food to an average of 13,100 people every day.
- Scheduling over 6,800 special events per year, more than half of which are handled through the new self-scheduling function.
- Handling of more than 1.3 million pieces of mail per month.
- Processing a monthly payroll for over 11,000 employees (near 100% through electronic transfer)

- Thwarting more than 300,000 attempts to gain unauthorized access to the House network in the last six months.
- Training 2,000 staff each year on various software packages.
- Managing one of the largest private telephone systems worldwide—approximately 18,464 DC Campus Telephone lines & 6,291 District Telephone lines.
- Managing an E-mail system, which processes an average of 19 million messages monthly.
- Process an average of 276,000 outbound fax pages monthly
- Host over 2,800 BlackBerry Enterprise Server users.
- Managing House intranet/internet including 508 Web sites (Internet/Intranet) with over 49.4 million visitors per month.
- Manage the First Call customer service office with over 48,700 calls last year, and an average of 633 walk-in customers per month last year.

The Fiscal Year 2004 budget request for salaries and expenses of the Chief Administrative Officer is \$123,053,000. Included in this request is \$47,833,000 (39%) for personnel and \$75,220,000 (61%) for non-personnel.

Strategic Planning and Budgeting

The CAO Mission:

“Provide excellent and efficient administrative, technical, and support services to the U.S. House of Representatives.”

CAO Vision:

“To be the premier organization that represents and serves House of Representatives with pride, energy and creativity.”

We continue to increase our focus on identifying and better understanding our customer’s changing needs. As such, we are continually improving our internal business processes and service delivery channels to more effectively meet our customer’s needs. We have improved how we plan, strategically and operationally, for our future. This year, we revised our budget process to include a CAO-wide strategic plan and business unit strategic plans. Under each, mission and vision statements are created and activities defined to meet stated objectives and priorities. What is dramatically different this year is the methodology employed to ascertain whether or not we have succeeded in meeting those objectives and priorities – a balanced scorecard.

Our balanced scorecard has five dimensions:

1. Customer
2. Learning & Growth
3. Internal Business Process
4. Financial
5. Emergency Preparedness

The CAO Strategic Plan uses these dimensions as goals and has identified 12 objectives and corresponding initiatives to meet those goals. The level of success at meeting these goals and objectives can be measured by a set of performance measures

tracked in the Scorecard. Business Strategic Plans have stated priorities directing operational and strategic activities, which are also measured and tracked by the Scorecard dimensions. The Scorecard results will then be used in the budget process to assess continued funding of activities by highlighting deficiencies and successes in the future.

Budget Summary

Of the \$123,053,000 request for Fiscal Year 2004, \$15.2 million is for enhanced and expanded services, \$13.8 million is related to Business Continuity/Disaster Recovery (BC/DR), and \$94.1 million is for current services. Each of these items is discussed in the detail below.

Expanded or Enhanced Services \$15.2 million

Various enhancements and expansions to current programs are being proposed. Examples of initiatives and improvements include:

Activity	Amount (millions)
<i>Modular Furniture:</i> Provides increased funding for a campus-wide, multi-year implementation of modular furniture.	\$5.0
<i>Strategic Initiative Programs:</i> Initiatives range from developing customer service standards, improving customer service, linking the balanced scorecard to performance reviews, improving business processes, to cost management and resource allocation.	\$2.5
<i>District Office Wellness Service Program:</i> House Information Resources initiative to visit all district offices to ensure that computer systems are operating efficiently and that all information security patches are current.	\$2.2
<i>Campus Data Network Improvements:</i> Increase redundancy and Gig-E service expansion.	\$1.4
<i>Wide Area Network Improvements:</i> Expanded access to the internet with the addition of a third leased data line (T3).	\$0.6
<i>Network Security:</i> Hardware and software to support expanded internet access and to improve information security through the implementation of additional intrusion detection systems.	\$0.3
<i>House Audio System:</i> CAO is assuming responsibility for the audio system from the Architect of the Capitol.	\$0.3

Business Continuity / Disaster Recovery \$13.8 million

These are the annual recurring costs necessary to ensure continued House operations in the event of an emergency, including.

Activity	Amount (millions)
Alternate Computing Facility	\$8.5
Campus Voice Network Enhancement	\$2.4
Mobile Communications	\$0.9
Campus Data Network Enhancement	\$0.6
Alternate House Office Site	\$0.5
Project Management	\$0.3
Process & Procedures	\$0.3
Member Paging	\$0.2
Child Care Center, Member Briefing Center, Alternate Chamber, Emergency Response Center, Ford DC Enhancement	\$0.1

Operational Budget \$94.1 million

The operational budget for the CAO can be categorized into two primary areas:

- Personnel \$47.8m
- Non-Personnel \$46.3m

Personnel: The CAO personnel budget request of \$47.8m includes funding for 689 FTE. This request assumes 15 additional positions to address improvements to Committee Room Broadcasting and the student loan program implementation.

The major drivers of the personnel budget include the annualization of the Fiscal Year 2003 COLA, the prorated Fiscal Year 2004 COLA as well as adjustments for anticipated longevities and merits; and continued funding for overtime and temporary positions.

Non-Personnel: This part of the budget was developed as part of our business unit planning process, whereby each CAO business unit identified service delivery areas,

performance measures and budget priorities for maintaining or improving services. Examples of key services that are covered in this component of the budget are listed in the table below.

Unit/Service	Amount (Millions)
House Support Services	
Mail Processing and Delivery Service	\$8.9
Committee Room Broadcast Renovation Project (\$4.5m requested as no-year funding)	\$4.9
Inventory and Warehouse Management	\$1.7
Capitol and Committee Room Furniture and Furnishings	\$1.2
Carpet Services	\$1.0
Member Dining Room Service Upgrade	\$0.5
House Information Resources	
Wide Area Network	\$5.7
Messaging	\$1.7
Voice Telecom	\$1.7
Campus Data Network	\$1.4
Data Center, Mainframe and Storage Area Network Support	\$1.1
Security Infrastructure	\$1.0
Web Services	\$1.0
Human Resources	
Payroll System Replacement	\$0.4
Educational Development Training Curriculum	\$0.2
Finance	
Financial System Replacement (requested as no-year funding)	\$2.4
Support of Federal Financial System	\$1.0
Procurement	
Electronic Procurement Services	\$0.8

CLOSING REMARKS

This is a brief overview of operations and the Fiscal Year 2004 funding request. I appreciate the time given by the Subcommittee today and stand ready to answer any questions you may have.

OFFICE OF THE INSPECTOR GENERAL

(See Pages 73-74 Subcommittee Print)

For salaries and expenses for the Office of the Inspector General, \$4,147,000. Included in this request is \$2,393,000 (58%) for personnel and \$1,754,000 (42%) for non-personnel related expenses.

Comparative Statement of Enacted/Requested Appropriations

FY 2002	FY 2003	FY 2004
<u>Enacted</u>	<u>Enacted</u>	<u>Request</u>
\$3,756,000	\$3,947,000	\$4,147,000

**OFFICE OF EMERGENCY PLANNING, PREPAREDNESS
AND OPERATIONS**

(See Page 75 Subcommittee Print)

For salaries and expenses for the Office of Emergency Planning, Preparedness and Operations, \$6,000,000. Included in this request is \$1,557,000 (26%) for personnel and \$4,443,000 (74%) for non-personnel related expenses.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$835,000	\$6,000,000	\$6,000,000

Note: This office was established in Section 905 of the FY 2002 Department of Defense Appropriations Bill, Public Law 107-117.

OFFICE OF THE GENERAL COUNSEL

(See Pages 76-77 Subcommittee Print)

For salaries and expenses for the Office of the General Counsel, \$926,000. Included in this request is \$816,000 (88%) for personnel and \$110,000 (12%) for non-personnel related expenses.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$894,000	\$894,000	\$926,000

OFFICE OF THE CHAPLAIN
(See Pages 78-79 Subcommittee Print)

For the Office of the Chaplain, \$153,000 is requested.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$144,000	\$149,000	\$153,000

OFFICE OF THE PARLIAMENTARIAN
(See Pages 80-84 Subcommittee Print)

For salaries and expenses for the Office of the Parliamentarian, including the Parliamentarian, Compilation of the Precedents and \$2,000 for preparing the Digest of Rules, \$1,560,000. Included in this request is \$1,411,000 (90%) for personnel and \$149,000 (10%) for non-personnel related items.

Mr. Chairman, for your information, separate statements as well as a combined statement are provided showing a comparison of enacted appropriations as well as requested Fiscal Year 2004 appropriations for Parliamentarian and Compilation of Precedents.

Comparative Statement of Enacted/Requested Appropriations

	FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
Parliamentarian	\$1,168,000	\$1,279,000	\$1,363,000
Compilation of Precedents	<u>\$176,000</u>	<u>\$185,000</u>	<u>\$197,000</u>
Total	\$1,344,000	\$1,464,000	\$1,560,000

OFFICE OF THE LAW REVISION COUNSEL

(See Pages 85-86 Subcommittee Print)

For salaries and expenses for the Office of the Law Revision Counsel, \$2,263,000. Included in this request is \$2,000,000 (88%) for personnel and \$263,000 (12%) for non-personnel related expenses.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$2,107,000	\$2,168,000	\$2,263,000

OFFICE OF THE LEGISLATIVE COUNSEL

(See Pages 87-88 Subcommittee Print)

For salaries and expenses for the Office of the Legislative Counsel, \$6,233,000. Included in this request is \$5,733,000 (92%) for personnel and \$500,000 (8%) for non-personnel related items.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$5,456,000	\$5,852,000	\$6,233,000

CORRECTIONS CALENDAR OFFICE

(See Page 89 Subcommittee Print)

For salaries and expenses for the Corrections Calendar Office, \$948,000. This office, created and approved at the beginning of the 105th Congress, has the responsibility of assisting the Speaker in the management of the Corrections Calendar under the Rules of the House.

Mr. Chairman, the funding requirement for this office is in support of statutory positions and a lump sum allowance to pay for salaries and expenses for the office.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$883,000	\$915,000	\$948,000

OTHER AUTHORIZED EMPLOYEES

(See Pages 90-93 Subcommittee Print)

For salaries of Other Authorized Employees, \$150,000. This request is to fund the salaries for the one technical assistant in the Office of the Attending Physician.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$140,000	\$146,000	\$150,000

ALLOWANCES AND EXPENSES

(See Pages 101-108 Subcommittee Print)

For allowances and expenses as authorized by House resolution or law, \$195,315,000, for the following sub accounts which will be individually presented and discussed.

- * Supplies, Materials, Administrative Costs and Federal Tort Claims
- * Official Mail (non Member)
- * Government Contributions
- * Miscellaneous Items

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$157,436,000	\$177,157,441	\$195,315,000

Note: The FY 2003 enacted amount was adjusted by a mandatory .65% rescission of \$6,214,559.

**SUPPLIES, MATERIALS, ADMINISTRATIVE COSTS AND
FEDERAL TORT CLAIMS**

(See Page 104 Subcommittee Print)

For Supplies, Materials, Administrative Costs and Federal Tort Claims, \$3,975,000. This account is used for general administrative items for the operations of the House in addition to equipment, supplies and telephone service.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$3,379,000	\$3,384,000	\$3,975,000

OFFICIAL MAIL COSTS (NON MEMBERS)

(See Page 105 Subcommittee Print)

For official mail for committees, leadership offices, and administrative offices of the House, \$410,000.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$410,000	\$410,000	\$410,000

GOVERNMENT CONTRIBUTIONS

(See Page 107 Subcommittee Print)

For Government Contributions, \$190,240,000. These funds are requested to pay the agency (House) share of contributions to the following funds:

- * Life insurance fund
- * Retirement funds
- * Social Security fund
- * Medicare fund
- * Health benefits fund
- * Workers' and unemployment compensation
- * Student loan repayment program

The request for this account assumes that for every dollar paid to an employee under the current retirement systems, the House will pay 30.4 cents for benefits. As of September 30, 2000, 1028 House employees were participating in CSRS as compared to 904 for the same month one-year later. As of September 30, 2001, more than 90% of all House employees were enrolled in the FERS program.

The maximum taxable wage base for Social Security and Medicare effective January 1, 2003, is \$87,000.

There is \$1,299,724 requested to reimburse the Department of Labor for total benefits and payments from the employees' compensation fund for Workers' Compensation for the twelve-month period ending June 30, 2002.

Comparative Statement of Enacted/Requested Appropriations

FY 2002	FY 2003	FY 2004
<u>Enacted</u>	<u>Enacted</u>	<u>Request</u>
\$152,957,000	\$172,673,441	\$190,240,000

Note: The FY 2003 enacted amount was adjusted by a mandatory .65% rescission of \$6,214,559.

MISCELLANEOUS ITEMS

(See Page 108 Subcommittee Print)

For Miscellaneous Items, \$690,000. This amount includes funds for gratuities paid to the widow, widower or heirs-at-law of deceased employees of the House, for which \$470,000 is requested. Also requested are funds of \$140,000 for expenditures not limited to the purchase, exchange, maintenance, repair and operation of House motor vehicles. Additionally, \$80,000 is included for Interparliamentary Receptions as authorized by law.

Comparative Statement of Enacted/Requested Appropriations

	FY 2002	FY 2003	FY 2004
	<u>Enacted</u>	<u>Enacted</u>	<u>Request</u>
Gratuities	\$470,000	\$470,000	\$470,000
House Autos	\$140,000	\$140,000	\$140,000
Interparliamentary Receptions	<u>\$80,000</u>	<u>\$80,000</u>	<u>\$80,000</u>
Total	\$690,000	\$690,000	\$690,000

CHILD CARE CENTER
(See Page 109 Subcommittee Print)

Mr. Chairman, I will insert in the record, at this time, a table reflecting the breakdown of the House Child Care Center Fiscal Year 2004 budget estimate. This request is for salaries and expenses in the amount of \$687,000. The income for the operation of the center is derived from tuition and fees. These funds are deposited in an account established by Sec. 312 (d) (1) of the Legislative Branch Appropriations Act, 1993, and are subject to appropriation. The table follows:

FISCAL YEAR 2004	
<u>ESTIMATED EXPENSES</u>	
SALARIES	\$618,000
PERSONNEL BENEFITS	\$ 17,000
RCU	\$ 11,000
OTHER SERVICES	\$ 5,000
SUPPLIES	\$ 34,000
SUPPLIES	<u>\$ 2,000</u>
TOTAL	<u>\$687,000</u>

The prior to FY 2003 House appropriated funds for the Child Care Center benefits only. Starting in FY 2003 the Office of the Chief Administrative Officer will cover the cost of the salary of the Director of the Child Care Center and training expenses. In Fiscal 2004 the estimated benefit costs are \$198,000.

JOINT COMMITTEE ON TAXATION

(See Pages 113-114 Subcommittee Print)

For salaries, expenses for the Joint Committee on Taxation, \$8,137,000. This request includes personnel funding of \$7,314,000 and non-personnel funding of \$823,000.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$6,733,000	\$7,593,320	\$8,137,000

Note: The FY 2003 enacted amount was adjusted by a mandatory .65% rescission of \$49,680.

OFFICE OF THE ATTENDING PHYSICIAN

(See Pages 115-116 Subcommittee Print)

For the Office of the Attending Physician, \$2,236,000. This request is a decrease of \$744,500 under the fiscal year 2003 enacted amount. Included is \$1,566,000 for reimbursement to the Department of the Navy for military personnel and equipment assigned to the Office of the Attending Physician.

Comparative Statement of Enacted/Requested Appropriations

FY 2002 <u>Enacted</u>	FY 2003 <u>Enacted</u>	FY 2004 <u>Request</u>
\$1,865,000	\$2,980,500	\$2,236,000

Note: The FY 2003 enacted amount was adjusted by a mandatory .65% rescission of \$19,500.

STATEMENTS OF APPROPRIATIONS

(See Page 120 Subcommittee Print)

For Statements of Appropriations, \$30,000. These funds are requested for the preparation, under the direction of the Committee on Appropriations of the Senate and the House of Representatives, of the statements for the first session of the One Hundred Seventh Congress, showing appropriations made, indefinite appropriations, and contracts authorized, together with a chronological history of the regular appropriation bills as required by law. These funds will be used to pay the persons designated by the chairman of such committees to supervise the work.

Comparative Statement of Enacted/Requested Appropriations

FY 2002	FY 2003	FY 2004
<u>Enacted</u>	<u>Enacted</u>	<u>Request</u>
\$30,000	\$29,902	\$30,000

Note: The FY 2003 enacted amount was adjusted by a mandatory .65% rescission of \$98.

CLOSING STATEMENT

Mr. Chairman, this concludes my presentation on the House of Representatives fiscal year 2004 budget and certain Joint Items disbursed by the Chief Administrative Officer. I have appreciated the opportunity to speak before you today. Any assistance that can be provided during the Fiscal Year 2004 budget deliberations will be delivered in an expeditious manner. I welcome any further requests for information and will provide answers at this time or as promptly as possible.

Thank you.

**The Honorable Jeff Trandahl
Clerk of the House**

**Statement Before the House Appropriations Subcommittee
on the Legislative Branch**

Chairman Kingston, Mr. Moran and other distinguished members of the subcommittee, I appreciate having this opportunity to provide the following testimony related to the operation and FY2004 funding request for the Office of the Clerk.

Congratulations to you Mr. Chairman on your new leadership responsibilities with the subcommittee, to those of you for your new assignments to this subcommittee and to Mr. Moran and Mr. LaHood on your return engagements. My office has been able to serve the House effectively due in large part to the support and guidance of this subcommittee.

My office oversees the operation of the House floor and the support functions to carry out the legislative processes - duties that we and our predecessors have discharged faithfully and competently for over two hundred years.

Turning to the Office of the Clerk's submission for FY2004, as adjusted to conform with the cost-of-living adjustments (COLA) computations, we are requesting for the next fiscal year \$19,387,000 a net decrease of 3% from the amount provided in FY2003. This request includes

\$15,076,000 for personnel expenses, \$4,311,000 for non-personnel related expenses and a 251 FTE level request - an increase of ten FTE's from the current level.

The FY2004 funding request provides for an increase of personnel expenses of \$1,730,000 or 13% when compared to the FY2003 appropriation level. The personnel increase includes annualization of the FY2003 cost of living adjustments, prorated FY2004 cost of living adjustment, FY2004 overtime costs, temporary positions, longevity and meritorious increases. In addition, non-personnel expenses are decreased by \$2,375,000 or 35% when compared to FY2003.

Non-personnel expenses include:

- \$2,000,000 towards funding for the LIMS project design/implementation phase;
- \$556,000 to pay for private supplemental stenographic contracting for hearings, under contracts awarded in calendar year 2000, for which the second option period commences in calendar year 2003;
- \$275,000 for the further development of the House-wide Document Management System related to electronic document creation, use, and distribution;

Significant projects that are underway in the Office of the Clerk that deserve mention here include:

Information Technology Projects and Additional FTE's

Last year I was pleased to report on significant progress achieved on two major information technology initiatives this subcommittee has supported: the Document Management System Initiative (DMS) and the Legislative Information Management System (LIMS) Replacement Project. The DMS Initiative represents an enterprise-wide approach to the creation, distribution and maintenance of legislative information, endeavoring to make improvements in the cost, accuracy, timeliness, efficiency of the process, and establishment of common data standards for the exchange of legislative information. Following the earlier adoption by the House and Senate of XML as the preferred data standard for the exchange of legislative documents, the Clerk's DMS project team has advanced the project toward realizing full-scale use of XML in all official legislative documents. These advances include:

- House Legislative Counsel is now preparing in XML between 30-40% of introduced measures;
- most all 106th and 107th Congress bills have been converted to XML and made available to the Legislative Counsel; next focus is on conversion of 106th and 107th Congress appropriations bills;
- have completed the document type definitions for Committee Reports, Hearings and Transcripts and the authoring application for committees;
- implemented XML application from LIMS data to streamline workflow of bill clerks processing of daily introduced legislation;

The progress of the DMS project has brought us closer to achieving a centerpiece goal of the project - the ability of the House to assume responsibility for the completeness and accuracy of published legislative text. We are now at a stage whereby Clerk staff could begin transmitting complete files of introduced bills to GPO without requiring GPO to proof and edit the electronic file to comport with the hard copy submission. The same principle would apply for additional categories of Congressional Record text sent to GPO by our Official Reporters. The additional FTE's that I am requesting would be deployed to Legislative Operations and the Official Reporters for this purpose of transferring complete data files to GPO for printing. With these and other advances, key components of the overall initiative will be largely completed or integrated into other components.

The LIMS Replacement Project - a project approved in 2000 by the Committee on House Administration for the purpose of analyzing the current LIMS system for either platform migration, replacement, or modification - is entering its final stages. Through the work done in the initial stages of the project, we have been able to determine that the most feasible alternative for the continuity of the LIMS system is porting LIMS to an alternative platform and maintaining the current database and programming language. Within the month we will be proceeding with the contracting necessary to analyze two porting options, creating a detailed porting plan of the selected alternative, implementing the porting plan, and identifying options to modernize LIMS once it has been migrated to the alternate platform. This will bring us closer to our goal of removing LIMS from the House mainframe before the mainframe is sunsetted.

In my last appearance before the subcommittee, I mentioned our work toward a new operating platform for the Electronic Voting System and our efforts to migrate off the mainframe-connected FileNet system for public disclosures. I am pleased to report we are continuing to target the beginning of the second session of the current Congress for migration to the new voting system Unix-based operating platform. As to the FileNet conversion, we migrated off the old system last spring and have been successfully using the new disclosure system. In a related development, I am taking this opportunity to update the subcommittee on our efforts to find the appropriate technology to facilitate electronic filing of lobbying disclosure forms. We are currently evaluating proposals received in response to a statement of work for a feasibility study to determine alternative methods for the authentication of electronic submissions by lobbying disclosure forms, the objective of which is to determine alternatives, authenticity, strength, costs, risks and pros and cons of electronic submissions.

Historical Services

Thanks to the subcommittee's support last year in approving two additional FTE's for our new Office of History and Preservation, we have made tremendous progress in fulfilling our archival and curatorial support requirements to the House. Work continues apace toward the publication later this year of the new edition of *Women in Congress*, to be followed by the other publications provided for by concurrent resolutions of the Congress: *Asian and Pacific Islander Americans in Congress*; *Black Americans in Congress*; and *Hispanic Americans in Congress*. With a professional curatorial staff now on board, we are now able to fully support the House Fine Arts Board and allow the House, for the first time, to take responsibility for the accounting

and care of House art and artifacts. Our curatorial team is actively engaged in administering the movement of House and loaned objects, assessing items for repair or restoration, and assisting the Fine Arts Board with the administration of accepting committee chairman portraits to the House collection. As well, the Office has been engaged in efforts related to exhibitry in the new Capitol Visitor Center in coordination with the Architect of the Capitol. The Office of History and Preservation will be critical in the Clerk's responsibilities relative to the recently appropriated funds for the Statuary Hall restoration project.

Emergency Preparedness

With the creation last year of the Office of Emergency Planning, Preparedness and Operations, the House now has a first-rate institutional emergency preparedness resource of its own. I appreciate having been given the opportunity to help in the original concept leading to its creation. We are working closely with O.E.P.P.O. in addressing the many emergency preparedness issues that impact our responsibilities to the continuity of operations for the House and the safety of our employees.

Vacant Congressional Offices

By the end of the 107th Congress, the House had experienced ten vacancies, owing to death, resignation, or expulsion of the Member, in addition to a vacancy that carried forward from the previous Congress. We began the new Congress with a vacancy in the First District of Hawaii that was filled by opening day. The administration of these offices is a statutory

responsibility of the Clerk, requiring time and resources of the Office of the Clerk to ensure the appropriate operation and management consistent with law and the Rules of the House.

In closing, I am setting forth for the subcommittee's information a brief sketch of the departments of the Clerk:

Immediate Office of the Clerk: responsible for day-to-day management of the Offices of the Clerk, including all personnel, budget, and operational issues. Also includes administrative management of the House Page Program; management of vacant congressional offices pursuant to Rule II of the Rules of the House; oversight of duties required of the Clerk for the organization of new Congresses; administrative support for the Office of the Chaplain; and other administrative and informational tasks required by regulation and law.

Office of Official Reporters: provides reporting and transcribing of House Floor Proceedings and hearings of the Committees of the House.

Office of Legislative Operations: a combined department consisting of the Bill and Enrolling Clerks, the Journal Clerks, the Tally Clerks, the Reading Clerks, the Daily Digests, and the Floor Action Reporting Service.

Office of Legislative Computer Systems: management of the Electronic Voting System and all other information systems relevant to Clerk operations; management of the Chamber

sound system; and project management of Document Management System related projects and LIMS Replacement Project.

Office of Publication Services: processing through GPO printing of official stationery and franked envelopes; coordination and production of various official lists and publications; and management of the Clerk's website.

Office of History and Preservation: established as a new department of the Clerk by action of the Committee on House Administration in late June. Formerly a division of Historical Services within the Legislative Resource Center, the Office collects, preserves, and interprets the heritage of the House through historical, curatorial, and archival services to the House. Historical publications include maintaining the House entries of the Biographical Directory of the United States Congress along with other publications mandated by the House. OHP curates the House Collection, activities which include acquisition and care of collection objects, processing of artifact loans, and services to members and staff. This office also processes the records of the House, oversees their eventual safe transfer to the National Archives, and provides advice to Committee staff and Member office staff on records management.

House Page Program: administrative management under the direction of the House Page Board of the three components of the Program: the House Page School, the Page Residence Hall, and the work program.

Legislative Resource Center: the umbrella department for the following divisions: Records and Registration, Library Services, and Public Information. It is the Clerk's hub for statutory registrations and filings, public information and legislative documents, and library services. It manages a library in excess of 125,000 volumes of official congressional publications. The LRC annually responds to approximately 100,000 inquiries, processes over 30,000 official filings, and distributes congressional documents.

The Service Group: includes administrative support of the Members and Family Room, the Lindy Claiborne Boggs Congressional Women's Reading Room and the House Prayer Room and attendant services for Floor operations.

Office of the House Employment Counsel: provides counsel, support and representation to employing authorities of the House.

I appreciate having the opportunity to appear today. I am ready to assist you in any way throughout the development of the FY2004 spending bill for the House and will be delighted to answer any questions you may have.

**THE STATEMENT OF THE HONORABLE WILSON LIVINGOOD
SERGEANT AT ARMS,
U.S. HOUSE OF REPRESENTATIVES
BEFORE THE
SUBCOMMITTEE ON LEGISLATIVE APPROPRIATIONS
FOR THE FISCAL YEAR 2004 BUDGET SUBMISSION
OF THE OFFICE OF THE SERGEANT AT ARMS**

Good morning Mr. Chairman, Mr. Moran, and members of the Committee, I am grateful for this opportunity to appear before you to discuss the Office of the Sergeant at Arms budget request for Fiscal Year 2004. Please allow me to express my sincere appreciation to members of this Committee for their support throughout the past year. Your assistance has significantly contributed to our effort in providing a safe and secure environment for all Members of Congress, their staff, visiting world leaders, and the general public.

As the Sergeant at Arms I review and implement all security matters relating to the House of Representatives and oversee the physical protection of the Capitol and all House Office Buildings. As a member of both the United States Capitol Police Board and the United States Capitol Guide Board, I actively participate in establishing the policies and guidelines developed to safeguard the Capitol complex. Providing the maximum degree of security within the complex while allowing the Capitol and House Office Buildings to remain open and accessible to the public presents us with one of our greatest challenges.

While our nation is now actively involved in a conflict in Iraq, the security and safety of the entire Congressional community is ever present on my mind. My goal is to ensure that every effort that *can* be made to provide an additional measure of safety and security, *is* made. I am confident that we have made much progress since my last appearance before this committee. We have made great strides concerning emergency and evacuation planning. We have enhanced and finalized the concept of the Member Briefing Center. We have continued work on securing the perimeter around the Capitol and the Office Buildings. The Office of the Sergeant at Arms will continue to explore ways to ensure the safety and security of Members, staff and visitors in a fiscally-responsible fashion.

As an overview, the Sergeant at Arms office consists of the following divisions: Administration, Police Services and Special Events, Chamber Security, Identification Services, and House Garages and Parking Security. Through these divisions I am able to administer the distribution of Member pins, Member Congressional plates, and staff identification badges. I oversee security on the House Floor and Galleries and administer all ticketed events taking place in the House Chamber. Additionally, I oversee security in the House Garages and administer the distribution of parking permits at the beginning of each new Congress. Working in conjunction with the United States Capitol Police, my office coordinates logistics for all major events involving Members of Congress.

In FY 04, the total budget requested for the Office of the Sergeant at Arms is \$6,471,000. This is an increase of \$1,374,000 or 27% over the amount provided

in FY 03. Please note that you can attribute *most* of this increase - approximately 73% - to the life cycle replacement costs for Quick Escape Hoods.

The Office of the Sergeant at Arms is authorized 90 FTE's. For this, personnel funding requested for FY 04 is \$4,721,000. This increase of \$263,000 can be attributed to the annualization of the FY 03 cost of living adjustment, prorated FY 04 cost of living adjustment, and FY 04 longevity and meritorious increases. Included in this request is \$8,000 for transit benefits.

Non-personnel funding requested for FY 04 is \$1,750,000. This is an increase of \$1,111,000 from FY 03. Again, the bulk of this increase can be attributed to the need to purchase the 10,000 replacement Quick Escape Hoods totaling \$1,000,000. In addition, this increase can be attributed to the cyclical nature of our budget in which we request funding for supplies and materials needed for each new Congress in even number fiscal years only.

The FY 04 budget request includes funding for expenses such as travel; rent, communications, and utilities; supplies and materials; equipment; and other services. Travel plans include the advance and support of Congressional committee field hearings, political issues conferences, training seminars and conferences, and official special events and funerals. Plans also include the purchase of Member and spouse pins and license plates, supplies and materials for Identification Services, parking stickers, and cyclical uniform replacement. I am also requesting funds for other services to include continued training in the areas of chem/bio, crisis management, emergency evacuation/emergency management,

and counterterrorism/threat reduction/force protection.

Mr. Chairman, Mr. Moran and members of the Committee, thank you for this opportunity to appear before the Committee. Let me assure you of my personal longstanding commitment to provide the highest quality support services for the House of Representatives in the most safe and secure environment possible. It is my goal to remain vigilant and security-conscious, while continuing to maintain the fiscal responsibility expected by the House of Representatives. I will continue to keep the Committee informed of my activities and am happy to answer any questions you may have.

**Statement of Steven A. McNamara, Inspector General
Office of Inspector General
U.S. House of Representatives**

**Before the Subcommittee on Legislative Appropriations
House Committee on Appropriations**

Chairman Kingston and Members of the Subcommittee, I am both pleased and honored to appear before you today in my capacity as the Inspector General of the House.

I would like to begin by briefly discussing the accomplishments of the Office of Inspector General (OIG) during the 2nd Session of the 107th Congress as well as the initiatives currently underway pursuant to our proposed 2003 Annual Audit Plan (AAP). I will then discuss the resources required to provide quality audit and management advisory services to the House in Fiscal Year (FY) 2004.

Accomplishments During the Second Session of the 107th Congress

During the second session of the 107th Congress, we continued to identify areas needing administrative and financial improvement. In Calendar Year (CY) 2002, we issued 9 reports and made 24 recommendations for actions to correct material, internal control weaknesses. At the end of CY 2002, we had 9 audits in various stages of completion. We currently have 14 audits in progress.

In CY 2002, we issued two confidential audit reports. The audit report--*Security And Funding Issues Related To House Messaging Servers*--addressed the need for general controls over the House Messaging servers. In the second confidential report--*Controls Over The Parking Office Permit System (POPS)*--general and application controls over the POPS were addressed. These reports, which included discussions of overall issues and recommendations, are confidential and have not been released to the general public. Management concurred with our findings and started implementing our recommendations before we issued either report.

Our audit staff also continues to provide management advisory services related to the House's efforts in procuring and developing new systems using the House's System Development Life Cycle (SDLC) procedures. In CY 2002, we issued *Management Advisory Report On Implementation Of The Fixed Assets Module Of The Fixed Assets Inventory Management System (FAIMS)*. In this audit, we found that the Fixed Assets module was ready to proceed into production, since it met its goals for information integrity, confidentiality, and availability. The FAIMS team generally followed the House SDLC Policy for systems development and implementation projects. We also concluded that the project team needs a dedicated, ongoing effort supported by the users to solve the design, testing, and implementation challenges ahead in the completion of the Inventory Management module of FAIMS.

Our audit staff also continues to provide management advisory services on three projects related to the House's efforts in procuring and developing new systems in accordance with the House's SDLC procedures. For these efforts, we have provided oversight, counsel, and recommendations to define both the project goals and objectives, and the management tools needed to ensure project success. During the course of CY 2002, we continued to work with management in defining the needs, requirements, and acquisition strategy to procure the Financial System Replacement Project. We also continued working with management during the acquisition process for a new Staff Payroll system, and continued to provide management advisory assistance during the implementation phase of this critical House system. Additionally, we began working with project management in defining requirements and deployment strategies in the implementation of the HouseNet Intranet portal.

During CY 2002, we also participated in the revision of House SDLC Policy for use within the CAO. We continue to assist the CAO in development of SDLC practices and procedures to assist project managers in the successful facilitation of information technology projects. Utilizing industry best practices, the OIG identified and incorporated critical success factors and key result areas, to ensure that proper controls are established for SDLC projects to be completed on time and within budget. We also assisted in the planning of the House's revised strategic planning policies and procedures, and assisted in establishing a coordinated House-wide strategic technology plan. In addition to our audit efforts, we assisted the House Officers by participating on task forces and councils such as the Technology Coordination Task Force and the Information Resources Management Advisory Council. Although we do not vote on the actions of those bodies, we provide advice and counsel on current and future information technology issues and projects in the House.

The House continued to make progress in improving its financial management and operational performance in CY 2002. For the year ending December 31, 2001, our financial audit validated that since last year's financial audit the House implemented or initiated corrective actions to address four prior audit recommendations. However, the audit disclosed that additional improvements are needed in the controls over property and financial systems. Ten additional recommendations were made to correct the identified deficiencies. Based on the effort of the staffs of both the CAO and OIG, the Certified Public Accountants were able to express an "unqualified opinion" on the House's financial statements. The *Audit Of The Financial Statements For The Year Ended December 31, 2001*, was issued on October 10, 2002. In addition, the *Report Of Independent Accountants On Compliance With Laws And Regulations*, included in the financial audit report, identified no instances of noncompliance.

Performance audits during CY 2002 dealt with improvements needed in fire protection systems of the Library of Congress (LOC) buildings, controls over identification cards, and contract administration within the Architect of the Capitol (AOC). The first audit--*Fire Protection Improvements Needed Within The Library Of Congress Buildings*--disclosed that the LOC took appropriate actions to correct those deficiencies that were within their capabilities and resources; additional attention was needed for other

deficiencies. This report identified the lack of a maintenance, inspection, and testing plan to test the existing fire protection systems contained in the Capitol Complex buildings. Additional attention to identified deficiencies in fire suppression systems, building egress, and fire alarms and detection was required. In the audit report--*Identification Card Recovery Procedures Need To Be Improved*--we made a specific recommendation for improvements. This report, which included a discussion of overall issues and recommendations, is confidential. The audit report--*Contract Administration Within The Architect Of The Capitol Needs Improvement*--showed that the AOC had adequate controls over procurement actions during the pre-award phase of contracts awarded for the House Superintendent. However, improvements were needed in contract administration during the post-award phase of contracting with respect to the organization, policies and procedures, and process to control oversight of contractor performance.

To continue our Committee on House Administration mandated oversight role for fire protection, our auditors worked closely with the Superintendent, House Office Buildings, Architect of the Capitol (AOC), to ensure timely and effective implementation of our audit recommendations related to the 1998 audit--*Fire Protection Systems Do Not Adequately Protect The House*. As part of this effort, we attended bi-weekly meetings where the implementation and status of the House's fire protection plan were discussed. On May 1, 2000, we issued the report--*Advisory Report On The Fire Protection Systems In The House Complex*--that updated the status of the recommendations contained in our original report on fire systems in the House Office Buildings. This report showed improvements to the fire systems, but that the AOC still had not developed a comprehensive fire protection plan for the House Complex or a comprehensive testing plan. On February 7, 2002, we issued a subsequent report--*Advisory Report On The Fire Protection Systems In The House Complex*--updating the status of recommendations contained in our original report. This subsequent report showed continued improvements to the fire systems and development of a comprehensive fire protection plan for the House Complex. One area still needing AOC immediate corrective action was the development of a comprehensive maintenance, inspection, and testing plan.

2003 Planned Audits **July 2003 – June 2004**

As provided in our proposed 2003 Annual Audit Plan (AAP), audits and management advisory services will stress health, safety, and security; House operations; information assurance; emerging technologies; and System Development Life Cycle activities. We will continue to place emphasis on ensuring that the House and joint entities have sound internal controls to promote efficiency and effectiveness, reduce risks of asset loss, and help ensure the reliability and integrity of these operations, as well as compliance with laws and regulations. Our primary objective for all of our efforts is to work with management to help ensure a system of sound internal controls. Specifically, our proposed 2003 AAP provides for the initiation of 18 audits and management advisory reviews--12 financial and performance audits and 6 information systems reviews on information assurance, emerging technology, and system development issues. When

contractor assistance is required, we will accomplish audits and management advisories by using both in-house and contractor audit staff together as a team. We estimate that we will need a total effort level of approximately 4,225 staff days--2,250 OIG staff days and 1,975 contractor staff days--to accomplish these audits and management advisories.

FY 2004 Budget Request

The OIG's FY 2004 budget request calls for total funding of \$4.147 million--an increase of \$200,000 over our FY 2003 appropriation. This request is attributable to mandatory and program changes needed to ensure that the OIG continues to provide quality service to the House.

Of the \$200,000 requested increase, \$132,000 is needed to meet the mandatory personnel compensation increases, which are not under the control of the OIG. The remaining requested increase of \$68,000 in non-personnel items is due mainly to the 3.1% inflation rate for FY 2004. The following is a detailed explanation of the increases.

Relative to personnel compensation, I am requesting \$2.393 million in FY 2004. This request represents an increase of \$132,000 over the FY 2003 enacted level. These personnel compensation increases are requested to fund mandatory increases associated with the current staff for (i) annualized FY 2003 cost of living adjustment, (ii) anticipated FY 2004 cost of living adjustment, (iii) anticipated FY 2004 longevity and career ladder promotions, and (iv) anticipated FY 2004 merit increases.

In addition, I am requesting \$1.754 million for FY 2004 for non-personnel items. This amount does not reflect an increase in FTEs. Of the \$1.754 million requested, \$1.639 million is needed to effectively perform 10 contracted audits and ensure that all risks are addressed in accordance with best business practices. The \$1.639 million represents a \$49,000 increase in the cost of contract audit services from our FY 2003 enacted level of \$1.590 million. The increase is attributed to inflation costs, and not an increase in services. The remaining \$19,000 requested increase in non-personnel funding is spread across various OIG programs.

Mr. Chairman, I wish to thank you and the Members of the Subcommittee for this opportunity to present my FY 2004 budget. At this time, I would be happy to answer any questions that you may have.

**Statement of Geraldine R. Gennet, General Counsel
Office of the General Counsel
U.S. House of Representatives
Before the Subcommittee on Legislative Appropriations
Committee on Appropriations
Regarding Fiscal Year 2004 Budget Request**

Mr. Chairman and Members of the Subcommittee: Thank you for the opportunity to present and explain the fiscal year 2004 budget request of the House's Office of General Counsel ("OGC"). For fiscal year 2004, the OGC requests \$926,000, which represents an increase of \$32,000 over the fiscal year 2003 appropriation of \$894,000. The increase represents a \$38,000 increase in personnel costs and a \$6,000 reduction in equipment costs. The justification for the requested increase appears below.

Functions of the Office

Pursuant to Rule II(8) of the Rules of the House (108th Cong.) and 2 U.S.C. § 130(f), the OGC provides legal advice and assistance to Members, Committees, officers and employees of the House, without regard to political affiliation, on matters related to their official duties. The office is an independent entity in the House which reports, on policy matters and matters of institutional interest to the House, to the Speaker and the Bipartisan Legal Advisory Group (consisting of the majority and minority leaders, and the majority and minority whips). While it is impossible to provide an exhaustive list of the types of advice and representation the OGC provides, the office addresses the following areas with some frequency:

- **Judicial Proceedings:** The OGC represents Members, Committees, officers and employees, both as parties and witnesses, in litigation arising from or relating to the performance of their official duties and responsibilities, both at the trial and appellate level. Among other things, the office defends civil actions; moves to quash subpoenas; applies to the District Court for immunity orders; and files amicus curiae briefs on behalf of the House and/or one or more of its constituent entities. By way of example, OGC is presently representing the Clerk of the House in an apportionment-related dispute pending before a three-judge District Court in Connecticut, and the Bipartisan Legal Advisory Group as amicus curiae in a redistricting suit pending in the Central District of California.
- **Committee Subpoenas:** The OGC provides advice and assistance to House Committees and Subcommittees in connection with the preparation, service and validity of Committee and Subcommittee subpoenas, including advice and assistance in dealing with recalcitrant witnesses.
- **Requests for Information:** The OGC provides advice and representation in connection with responses to informal and formal requests for information (grand jury, trial and deposition subpoenas) from governmental agencies (including the

Department of Justice, the FBI and, in the past, various Offices of Independent Counsel), as well as private parties.

- **Privileges:** The OGC reviews, evaluates and provides advice regarding the applicability and waiver of various privileges, such as executive, Fifth Amendment, attorney-client, attorney work product, deliberative process and, most particularly, the Speech or Debate Clause privilege (U.S. Const. art. I, § 6, cl. 1).
- **Tort Claims:** The OGC reviews and evaluates tort claims for administrative resolution and, where appropriate, refers such claims to the Department of Justice for defense under the Federal Tort Claims Act.
- **Tax Exemption Matters:** The OGC advises House offices and vendors of applicable tax exemptions for official purchases.
- **Constituent Information:** The OGC provides advice and assistance to Members and their staffs regarding the maintenance of the confidentiality of constituent communications and information.
- **Contract Disputes:** The OGC assists in resolving major contract disputes involving House entities and outside vendors.
- **Internal Policy Development:** In consultation with the Speaker's office and other leadership offices, the OGC assists in creating and amending internal House policies and regulations.
- **Formal Legal Opinions:** From time to time, the OGC issues formal legal opinions on matters of interest to Members, Committees and/or officers.
- **Parliamentary Matters:** Normally in consultation with the Parliamentarian of the House, the OGC provides advice to Committees and Subcommittees on parliamentary issues and other issues involving the interpretation of the Rules of the House.

Justification for Requested Increase

At present, the OGC consists of six lawyers, one paralegal and one support staff. The projected increase of \$38,000 in the personnel component of the budget is based on (a) anticipated merit increases, and (b) the hiring of another paralegal. The duties of the paralegal will include preparation of legal briefs and opening and maintaining all office case files. The paralegal will also assist in handling several ongoing office projects, including the archiving of closed OGC files (from the first 20 years of the OGC's existence) using a computerized database program, and the reorganizing and maintenance of the office's subject matter files.

The reduction of \$6,000 in the 2003 equipment component of the budget reflects the fact that OGC will have fewer equipment needs in 2004. In 2003, we replaced the office computers and revamped the office's IT area to improve efficiency and to allow creation of an additional work station.

I will be happy to respond to any questions the Subcommittee might have.

STATEMENT OF
JOHN R. MILLER
LAW REVISION COUNSEL OF THE U.S. HOUSE OF REPRESENTATIVES
to the
Subcommittee on Legislative Appropriations
of the House Committee on Appropriations

Mr. Chairman and members of the Subcommittee, it is a pleasure to appear before you to present the budget request of the Office of the Law Revision Counsel for fiscal year 2004.

I am requesting \$2,263,000 for the Office for fiscal year 2004. This is an increase of \$95,000 over funding for fiscal year 2003. This increase represents an increase in personnel expenses of \$92,000 for cost of living adjustments and meritorious pay increases and an increase of \$3,000 for non-personnel expenses.

The Office continues to make progress in developing new procedures and integrating new computer technology to streamline the production of the United States Code. These innovations are being phased in incrementally, over a period of years, to allow for a smooth transition and adequate testing to ensure that the highest degree of accuracy in the Code is maintained. This year, another major set of improvements is being implemented and used to produce several titles of the Code for Supplement I. These latest improvements will further increase the efficiency of Code production and will provide the ability to update titles of the Code on the Internet more frequently than once a year. They also will reduce the dependence of the Office on hard copy, thereby facilitating the preservation of certain work product and greatly improving the ability of the Office to continue its work in the event of a disaster.

The Office has taken an initial look at the use of XML in publishing the Code and is monitoring the progress of other offices in converting to the XML format. However, because the tools currently available for working in XML do not seem to have yet reached the level of sophistication required for the tasks of the Office, I have temporarily shifted the personnel working on the XML conversion to other pressing projects.

During the last year, the Office completed work on the 2000 main edition of the Code, which is available from the Government Printing Office in 35 volumes and will be available on CD-ROM. The Office is currently working on three supplements to the 2000 edition of the Code. Much of the copy for the first supplement has been completed

and is available on the Internet. The remaining copy for the first supplement is undergoing final review and should be ready for printing and distribution by GPO during the next several months. In the meantime, work is also progressing on the second and third supplements. All of the laws enacted during the second session of the 107th Congress and the first session of the 108th Congress have been reviewed and classified to the Code and are currently in various stages of the Code preparation process.

On August 21, 2002, H.R. 2068, which was prepared by the Office, became Public Law 107-217 and enacted Title 40, Public Buildings, Property, and Works, as a positive law title of the Code. Subsequently, the Office drafted a bill to incorporate into the new Title 40 relevant laws that were enacted after March 31, 2002, the cutoff date for H.R. 2068, and to make necessary technical changes. The draft was transmitted to the Committee on the Judiciary and was introduced as H.R. 1437 on March 25, 2003.

The Office is now working on two codification projects. The first is a bill to enact Title 41, Public Contracts, into positive law. The second involves preparing a bill to enact the provisions contained in the Appendix to Title 46, Shipping, into positive law as part of Title 46. In the past, the Office and the Department of Transportation have worked on drafting a bill to codify the Appendix, and recently, the Department transmitted its version of such a bill to Congress. At the request of the Committee on the Judiciary, the Office is assisting the Committee in reviewing the Department's bill and preparing the report that will accompany it.

This completes my prepared statement. I will be pleased to respond to any questions that you may have.

Office of the Legislative Counsel
U.S. House of Representatives
Statement of M. Pope Barrow, Legislative Counsel

Mr. Chairman and members of the subcommittee, thank you for the opportunity to appear before you to present the fiscal year 2004 appropriation request for the Office of the Legislative Counsel.

For fiscal year 2004, I am requesting \$6,233,000. This is an increase of \$381,000 over our fiscal year 2003 appropriation of \$5,852,000. Personnel funding increases of \$333,000 are attributable to: \$55,000 to annualize the FY03 cost-of-living increases, \$151,000 for FY04 cost-of-living increases, and \$127,000 for FY04 merit increases for junior and mid-level employees.

Nonpersonnel funding increases of \$48,000 are attributable to an increase in transit benefit authority, additional cell phones, and to the completion of a project started in FY03 to provide a systematic office-wide means to track legislative drafting projects from the time they come into the office until the time they are finally delivered to the client. This includes software purchases and contract services associated with the installation and integration of that software.

Functions of the Office

Under our statutory charter, the purpose of the Office of the Legislative Counsel is to advise and assist the House, its committees, and Members in the achievement of a "clear, faithful, and coherent expression of legislative policies".¹ We strive to prepare drafts that accurately reflect the legislative objectives of the Member or committee concerned, that are legally sufficient to carry out that policy, and that are as clear and well organized as possible under the circumstances.

The office is neutral as to issues of legislative policy. Since our inception, we have assisted proponents of all political viewpoints while maintaining confidentiality with each client.

Poorly drafted legislation can be costly. It can result in unnecessary confusion and delays, allocation of funds in ways not intended by the Congress, and litigation. The highly trained and experienced counsel in our office can provide invaluable assistance to the Congress in improving the quality of the legislative product, avoiding drafting errors, and preventing litigation. During the past year, the Office of the Legislative Counsel provided drafting assistance in connection with most of the major legislation under consideration by the House and its various committees.

¹ 2 U.S.C. 281a

Recruiting a Highly Qualified Staff

In order to be able to perform the functions described above, we select the most highly qualified young lawyers we can find, usually directly out of law school, give them an extensive apprenticeship in the basics of drafting, and begin teaching them several substantive areas of Federal law.

Starting salaries in law firms and in other areas of private legal practice continue to grow at much faster rates than has been the case in our office. This trend began in 1995, driven by the dot.com bubble and accelerated quite dramatically in 2000 when major law firms in San Francisco, Los Angeles, Chicago, and New York raised first-year associate pay by as much as 50 percent to a range between \$145,000 and \$160,000, with Washington, DC firms moving up to \$125,000. According to a February article in *Federal Times*, the median starting salary for new hires by private law firms has moved up to \$90,000.

Since 1997, the salary differential between working in private practice and working anywhere in government dramatically widened on a nationwide basis. This trend has dramatically reduced the percentage of law graduates willing to take government jobs, judicial clerkships, and public interest jobs.

At the same time, the burden of law school and college loans weighs heavily on the decisions of young attorneys emerging from law school. Ninety-seven (97) percent of law students borrow money to pay tuition. Half of law school graduates have more than \$75,000 in school loan debt, one in five have more than \$100,000. It is not uncommon for law school graduates to emerge with as much as \$150,000 in student loans. This makes it increasingly difficult to recruit and retain attorneys of the high caliber to which we have been accustomed. According to a recent *Washington Post* survey, two-thirds of law students would not consider a job in government because of their law school debts. It is not a good situation to have two-thirds of the talent pool eliminated by debt.

We expect that the commencement this year of a loan repayment program for the House of Representatives will prove to be a great benefit to our office in our recruitment and retention efforts. The loan repayment is taxable income to the employee, however, and this factor will reduce to some extent the attractiveness of the program.

We appreciate the committee's longstanding willingness to provide us with the financial resources to address this problem to the extent that it is possible to do so in a government environment.

Staff Expertise and Experience are Essential

The complexity and volume of legislation in many areas of Federal law (e.g. tax, immigration, health care, pensions, welfare, housing, and environmental law) require that attorneys in our office specialize. We seek to maintain a staff of attorneys with extensive experience in virtually every area of Federal law so that we are able to provide drafting assistance, often on short notice, in the most complex subject areas. Although we would prefer to have more than one attorney available with at least some expertise in each area of Federal law, with our limited staff, this is not feasible. Consequently, a resignation or retirement of an experienced senior attorney can present our office with a serious problem in responding to requests for speedy assistance, especially in an intricate area of Federal law.

We then do our best to retain our experienced attorneys for as long as possible so that we do not lose the benefit of their training and knowledge. The office has traditionally been career-oriented with a low turnover among the staff. Up to this point we have been successful in retaining many of our experienced attorneys. Forty-six percent of our attorneys have been with the office for 20 years or more, 71 percent have been with the office for at least 15 years, and 80 percent have been with the office for at least 10 years. The knowledge and experience that these people bring to the process of drafting legislation is invaluable to the House and to the Nation.

Higher Staff Turnover Expected in 2003 and 2004

Our office is facing a serious challenge in fiscal year 2004 and thereafter with staff turnover. Eleven (11) of our attorneys have been at work here for more than 25 years. Our normal attorney staff is 38. At this time, we have 35 attorneys on staff. Two will be retiring in 2003. A large number of others will follow in FY 2004.

In FY 2004, we will have 5 fewer trained attorneys than the minimum that we need unless we can recruit replacements soon. We have hired three new attorneys who will be arriving this summer. We continue to search for additional qualified applicants, but even if we succeed, each of these individuals will require 18 months of training before being competent to handle anything other than very simple bills. In the case of tax legislation and health care legislation, the period before the attorney is fully conversant with the substantive law takes much longer.

Due to pending retirements and the difficulty mentioned above in recruiting replacements and training them in time to replace those who are retiring, it seems likely that we will be trying to handle an ever-growing workload with a reduced staff of attorneys.

Under these circumstances, some bottlenecks will develop in meeting the demands of committees and Members of Congress next fiscal year. We will do our best to manage the problems that will inevitably develop. We are making every effort we can to find and hire

additional qualified attorneys; however, as mentioned above, this time-consuming process is becoming more difficult each year.

Occasionally, we have been able to address the problem of bottlenecks by bringing a retired employee with years of experience back in the office briefly on contract to help with a special problem. We may be able to continue to address the problem to some extent in this manner in the future, depending on our budget and the willingness of retired attorneys to assist.

Office Computer Systems and Software

In order to provide a quick and efficient response to drafting requests, our office relies heavily on up-to-date information technology. We rely on instant access to electronic versions of bills, amendments, conference reports, committee reports, and compilations of existing law from the current session and from earlier sessions of Congress. Our computer files are compatible with those of the Clerk of the House, the Senate Legislative Counsel, and with legislative documents prepared by the GPO. We also maintain our own up-to-date electronic files of almost all Federal laws so that we do not have to rely on external sources for those essential materials. This greatly enhances the efficiency of our operations and allows us to meet very tight deadlines without having to retype drafts or parts of drafts of legislation from earlier sessions of Congress or from Senate bills.

Project Tracking

The biggest problem we currently have is keeping track of work requests as they come in, are assigned to an attorney, and are then sent back out. We have no uniform project tracking or inventory system for the whole office. This causes confusion and delays, especially when an attorney is out of the office and others have to work on a project that is in progress.

Software systems are available to solve this problem, but the options are many and varied. In addition, the software and software integration necessary to adapt to those solutions to our unique kind of work are expensive. We are currently completing a needs assessment and identifying potential solutions. I am asking for funding for FY 2004 to contract with experts to assist us in purchasing the necessary software and in testing and installing a system that will be fully integrated with our existing computer software systems. This will also require that we build significant in-house software expertise.

New XML Document Composition System Still in Progress

Over the past several years a critical element of our computer system, text composition and editing, has begun to deteriorate. Our word processing system, adopted many years ago for total compatibility between the House, the Senate, and the GPO is based on a DOS program (XyWrite) that is no longer reliable. While this system allowed for a rapid and efficient exchange of documents without loss of formatting throughout the entire Congressional legislative process,

it is no longer supported by any vendor and is increasingly incompatible with Windows-based PCs. With increasing frequency, this has caused us to lose significant portions of electronic files, often at a critical point, such as the preparation of conference reports. This is unacceptable.

We can move away from XyWrite only when another suitable text composition program is available and in place in the House, the Senate, and the GPO. The Clerk of the House has been working for several years on a new system for composing and editing legislative documents based on XML (extended markup language). We are working with the Clerk to develop a customized version of an XML text composition program for the preparation of legislative documents. However, the difficulty of customizing the software to work with legislative documents continues to delay development of the new program. Although we have been using the new program for all simple bills and resolutions, we do not yet know when the program will be functional at a level that will allow it to replace XyWrite.

Convertibility between documents in XyWrite and XML is a major stumbling block. We cannot begin fully using the new system until we are able to exchange those documents with the GPO and the Senate Legislative Counsel and until we can convert our archival data into the new system.

Until these hurdles can be overcome, our ability to produce legislative documents quickly and accurately will be at risk due to the increasing instability of the XyWrite program.

Continuity of Operations

After the evacuation of the Cannon Building in 2001 due to the possibility of anthrax contamination, we developed a continuity of operations plan to restore our ability to produce legislative drafts for the House as quickly as possible following an emergency.

A key element of our plan is the use of laptop computers that can connect with the office server and e-mail system from any off-site location with a phone or Internet connection. Each employee now has a laptop computer and can connect to the office through HIR Smart Cards, or a VPN (Virtual Private Network). We have also purchased a number of cell phones and established an emergency voice message number on the House phone system. We have installed remote backup servers at HIR to which our files are backed up daily.

We believe that this plan will be adequate to insure a reasonable level of continuity of operation for our office in an emergency situation, even one requiring prolonged evacuation.

Conclusion

Finally, I would like to express my appreciation for the support this subcommittee has given our office. This support has enabled us to develop and maintain the ability to provide quick, efficient, and expert drafting assistance to the Members and committees of the House. We are continuing our efforts to improve our services wherever possible.

DESCRIPTION OF CLERK ORGANIZATION

Mr. KINGSTON. The first question that I submit to the officers of the House will be for each of you to explain to the subcommittee the mission and responsibilities of the organizations under your jurisdictions for clarification purposes.

Mr. TRANDAHL. The Office of the Clerk actually dates back to 1789, and when it was created, its sole or primary focus was to support the legislative process with the central focus in terms of assisting on the floor Members and staff in terms of creating the official documentation, history and publications of the House. Many of the Office's purposes still remain the same since the 1st Congress, such as creating and certifying and maintaining the official records, history and actions in the institution. With the growth and evolution of the House, several functions have been added to our Office, such as the Page program, which came in 1995; the House Employment Counsel, which came into existence in 1996; and the expansion of the historical, curatorial and archiving activities, which happened in 2001. As well, the Office is responsible for many, many public documents, and much of the electronic information in terms of the status of legislation, votes, debate and other related actions of the House.

We employ roughly 250 people. We are organized into 10 departments. In addition, the Office has responsibilities associated with the House Page Board; the U.S. Capitol Preservation Commission, which right now is involved with the Capitol Visitors Center; the House Fine Arts Board; and the Advisory Committee on the Records of Congress.

DESCRIPTION OF SERGEANT AT ARMS ORGANIZATION

Mr. LIVINGOOD. The Office of the Sergeant at Arms is responsible for ensuring the safety and security of the Members of Congress, congressional staff, visitors and property within the Capitol complex to include the House Office Buildings, and supports and coordinates constituent and protocol services. The Office of Sergeant at Arms is by statute responsible for enforcing all privileges of the House Chamber and maintaining order and decorum during meetings of the House of Representatives. In addition, we review and implement all security items relating to the Congressional Leadership, all Members of Congress, and the physical security of the Capitol and the House Office Buildings.

Ensuring effective balance between a secure facility and an open environment remains one of our greatest obstacles. My duties include overseeing the House Floor access, the Gallery decorum, the House Appointments Desk, the House garages and parking lots, as well as administering all Members' and spouse pins and license plates and staff identification cards.

Along with the Senate Sergeant at Arms and the Architect of the Capitol, I serve as a member of the United States Capitol Police Board, which serves as a liaison with the Capitol Police and oversees the policies and procedures set forth by the U.S. Capitol Police Department. I am also a member of the United States Capitol Guide Board that oversees the Capitol Guide Service and the Member Congressional Special Services Office.

Mr. KINGSTON. Do you want to go on record now as being in favor of the DeLay ban on BlackBerrys on the House floor?

Mr. LIVINGOOD. I think I will pass on that.

Mr. KINGSTON. We have been joined by Mr. Todd Tiahrt of Kansas, a new Subcommittee Member.

Do you have an opening statement?

Mr. TIAHRT. No. I will take this opportunity to keep my mouth shut.

Mr. KINGSTON. No objections.

DESCRIPTION OF CAO ORGANIZATION

Mr. EAGEN. CAO is the Chief Administrative Officer. We are only 8¼ years old; about 650 professionals.

You asked in your question what our mission is. We have a vision and a mission, and our mission is to provide excellent and efficient administrative and technical service to the House Members and staff. We track accomplishment of that vision and mission through a balanced scorecard. The traditional four elements of a balanced scorecard are customer; learning and growth, meaning development of our personnel; finances; and internal business processes in the sense of improving those processes to provide better services to the House community. We have a fifth unique goal that we track, and that is emergency preparedness driven by the events of 9/11 and anthrax a year and a half ago. We thought we needed a specialized goal to track our progress in those areas. We have objectives that stretch out from those goals. We attempt to measure our progress in terms of outcomes and results.

Functionally, we are divided into five divisions. The Finance Office provides counseling services to Members' offices and tracks the budgets. We prepare the House's Budget that comes to this Committee, prepare the House's Financial Statements that are then audited by the Inspector General, and we run a financial system that is the accounting system for the House of Representatives.

The second unit is Human Resources, much of what it sounds like. We prepare the payroll for 10,000 employees and handle all the benefits, which include health care, retirement, unemployment compensation and training.

We have a very small procurement office consisting of about 16 individuals. They handle competitive contracting on behalf of the House, for example, food service contracts and mail service contracts. Those RFPs (requests for proposals) are put out for public bidding, and procurement helps evaluate and make recommendations.

Fourth, House Information Resources is the information technology division for the House. It is our largest business unit in terms of personnel. We run the House's e-mail system and the Web system. We provide customer support through our Technical Support Representatives. We run the House's phone system. And we also provide computer and technical training for House employees.

Finally, our last division is House Support Services. These are the folks that run the contracted services like food and mail operations as well as in-house services, such as the recording studio, and the broadcast from the House floor that goes to C-SPAN, the photography studio, and the office supply store. We provide equip-

ment and furniture. So again, we have a total of 650 people providing services to the House.

MISSION OF THE GENERAL COUNSEL

Mr. KINGSTON. We have other House witnesses, and I am going to ask them to stand where they are and give their mission statement.

Geraldine, let me start with you.

Ms. GENNET. I am Geraldine Gennet. I am the General Counsel for the House. In case it is not common knowledge, there has been a General Counsel's Office since 1978. Originally, the General Counsel was Counsel to the Clerk and evolved into General Counsel for the House. We are established by Rule 2, Section 8, and we now also have a statute that governs some of our activities.

The Office of General Counsel provides legal advice and assistance to Members, Committees, Officers, and employees of the House without regard to political affiliation on matters relating to the official duties. The Office is an independent entity in the House, which reports on policy matters and matters of institutional interest to the Speaker and what is known as the Bipartisan Legal Advisory Group, which is made up of the Majority and Minority Leadership Offices.

I won't give you an exhaustive list of all the things we do, but to give you some idea of our activities, we do handle judicial proceedings when Members or other people in the House are sued on matters relating to the performance of their official duties and responsibilities, both at the trial and appellate levels. We defend civil actions. We handle subpoenas that come in for testimony or documents from House Offices, Member Offices and so on. We also handle Committee subpoenas and give the committees advice on their investigations—how to handle their investigations and draft their subpoenas. We answer any questions that arise, and there are often those in the course of the investigations or hearings.

We get many requests for information and respond both on an informal and formal basis, particularly on matters involving other governmental agencies, the Department of Justice, the FBI, the Office of Independent Counsel. We evaluate and provide advice regarding the applicability and waiver of privileges, such as executive privilege, Fifth amendment, attorney/client, attorney work product, deliberative process, and most importantly—the Speech or Debate privilege established by the Constitution.

We handle tort claims on the administrative level; tax exemption matters; when Members have questions about providing constituent information to other entities or how to deal with constituents; contract disputes—we even have a landlord-tenant subspecialty because of some of the older leases that Members have.

We do a lot of work on internal policy development. We provide, as I said, formal legal opinions on issues, but most of it is a great deal of informal advice. And we consult with the Parliamentarian.

That is the list of what we do, and I will answer your questions.

MISSION OF THE INSPECTOR GENERAL

Mr. KINGSTON. Next is Steven McNamara, the Inspector General.

Mr. MCNAMARA. The Inspector General was established about 9 years ago. Our responsibilities are set forth under Rule II, and basically we are responsible for performing audits of the financial and administrative functions of the House and Joint entities, making any recommendations for improvement and reporting results to the House Leadership, the Chairman and Ranking Minority Member for the Committee on House Administration and the House Officers. We are also charged under Rule II to report to the CHA and the Committee on Standards of Official Conduct any information involving possible violations by a Member, delegate or employee of the House of any law applicable to the performance of their official duties and responsibilities.

We have a staff of 21 people and a budget of a little less than \$4 million. Most of our folks are either Certified Public Accountants, Certified Information Systems Auditors, or some other professional certification dealing with auditing, accounting or computer technology.

MISSION OF THE LAW REVISION COUNSEL

Mr. KINGSTON. John Miller, the Law Revision Counsel.

Mr. MILLER. I am John Miller, Law Revision Counsel. The Office was established in 1975, and the mission of the Office is to prepare and publish the Official United States Code, which is a consolidation and codification by subject of the general and permanent laws of the United States. We review every act of Congress to determine if and where it should be classified to the Code. Then we update the United States Code on an annual basis by including the new laws in the Code, which is then available in printed version and CD-ROM version and on the Internet. The Office is also responsible for improving the Code by preparing legislation that would restate a title without any substantive change and enact it into positive law.

The Code as adopted in 1926, establishes prima facie the general permanent laws of the United States. Since that time the Office and its predecessors, of course, have engaged in an effort to enact the entire Code into positive law on a title-by-title basis. That is a brief sketch of our mission.

Mr. KINGSTON. Thank you.

We have been joined by Mr. Mark Kirk from Illinois. Do you have any statements at this point?

Mr. KIRK. Just a couple of questions later.

MISSION OF THE LEGISLATIVE COUNSEL

Mr. KINGSTON. Mr. Pope Barrow, Office of Legislative Counsel.

Mr. BARROW. I am Pope Barrow, Legislative Counsel.

The mission of our Office is set forth in title 2 of the United States Code, section 281a. Under that charter, our purpose is to assist and advise the House and Committees and Members in the achievement of clear, faithful, and coherent expression of legislative policies. We strive to prepare drafts that accurately reflect the legislative objectives of a Member or Committee concerned that are legally sufficient to carry out that policy and that are as clear and as well organized as possible under the circumstances.

Our Office is neutral as to the legislative policy. Since our inception in 1919, we have assisted proponents of all political viewpoints while maintaining the confidentiality with all clients.

Mr. KINGSTON. You may be the only office in this town that is politically neutral.

MISSION OF THE ATTENDING PHYSICIAN

Dr. EISOLD. The Office of the Attending Physician, or OAP, was established in 1928. In a sentence, the Office of the Attending Physician's mission is to provide primary care and emergency, environmental and occupational health services in direct support of the United States Capitol, visiting dignitaries, pages, staff and tourists.

Fundamentally, the OAP is the focal point for all health-related activities on Capitol Hill. We will either do it ourselves or know how to get it done working with others.

Philosophically, we are about wellness and health promotion. In accomplishing our mission, we have ongoing relationships with health care entities, providers and agencies locally, nationally and internationally. Such relationships also include the Federal Government, including HHS, CDC, DOD, Department of State, et cetera. We work closely with the health promotion activities of the House and Senate, the officials, the United States Capitol Police and the House and Senate gyms. Anybody on Capitol Hill, Member, official, staff, contractor, visitor, and so on may fall under our umbrella at any time.

In regard to direct health care delivery, we are a combination of a health department, primary care clinic and 911 emergency service. As first responders to emergency calls, we work closely with the U.S. Capitol Police, the D.C. EMS and the surrounding hospital network. Nonemergent care is provided through six health units staffed by highly trained nurses. Usually, they can provide definitive care or, if necessary, triage a patient through our emergency service, a primary care physician or a specialist. In cases that are uncertain, one of our doctors will assist in the management.

The services offered are comprehensive, from lactation rooms to beds for rest. Primary care and continuity of care services are available to Members, officials and pages. Health maintenance is encouraged through regular follow-up and routine physicals. Preventive care, including immunizations and recommended screening tests are stressed, and healthy lifestyles are promoted. A variety of services are offered, including lab, X-ray, EKG, physical therapy and specialty referral.

The OAP manages overseas travel, counseling, immunization and post-travel follow-up as necessary. In addition, as appropriate, one of our physicians or a physician approved by us is assigned to most CODELS.

Environmental health and occupational health services are provided through two assigned specialists in concert with two nurses. Allergy services are available to everyone with a proper referral from an allergist. The OAP will give allergy shots and monitor the patients.

The OAP participates in a variety of teaching activities, including AED training, CPR training and health fairs. We are a clearinghouse for medically related questions which can be answered di-

rectly or with literature. The Internet has provided the opportunity for all patients to be experts. More questions can be asked than we can think of. Clarification and good science are important, and we want to clarify issues for people.

Off-site medical support is provided by the OAP when a significant number of Members are at retreats, funerals, dedications, memorials, et cetera. The OAP arranges for augmentation of its staff during major on-site events, such as the Inaugural, Joint Sessions, State of the Union, et cetera.

The OAP oversees health issues at the day-care centers providing care, if necessary. The OAP performs recruit physicals for the United States Capitol Police and oversees certain ongoing screens for the force. Other OAP outreach may include, but is not limited to, letters, e-mails, the CAO newsletter, meetings and conference calls, et cetera. The OAP is intimately involved with COOP and COG activities and has mobile medical capabilities should our primary clinic become unusable or the Congress moves off-site to conduct business.

Finally, we are very much involved in contingency planning and response. This might involve direct management as with the anthrax attack or our smallpox immunization program, or could include working closely with the United States Capitol Police and many local and Federal health agencies to manage the spectrum of WMD disasters.

The OAP covers a wide range. It can hold your hand or start your heart. In short, we would like to say we can do everything except brain surgery, but in a pinch we would give it a try.

And if anyone in labor gets to the hospital before delivery, that is okay. But, we take our mission very seriously and are proud to serve. Furthermore, we are honored to participate with the other people at this table and in this room in ensuring that the business of the U.S. Congress is conducted successfully. Thank you.

Mr. KINGSTON. Thank you, John.

We have been joined by our Ranking Member Mr. Moran from Virginia. I am going to yield the floor to Mr. Moran in a second after I recognize the former Chairman Mr. Charles Taylor.

Do you have anything to say?

Mr. TAYLOR. No, thank you, Mr. Chairman.

LEGISLATIVE ISSUES

Mr. KINGSTON. Mr. Moran.

Mr. MORAN. Thank you, Mr. Chairman. I see that Charles and, I guess, Ray LaHood and I are going to be the only ones returning to this Subcommittee.

I appreciate you having two days of hearings, Jack. I do think that we are blessed with having professionals who serve us well day in and day out and are always willing and ready to be held accountable. I know there has been a substantial disruption and stress caused by the heightened security, and we want to take that into account.

I do think that we ought to ensure that the legislative branch employees get compensated at least as well as executive branch employees. We need to be able to attract and retain the very highest quality personnel that we can possibly avail ourselves of.

We have some major issues with the Visitors Center, and we are going to focus on that, but we also have an aging workforce and retention challenges, and I think that is pretty much the case throughout the legislative branch workforce.

Lots of advances in technology that we want to avail ourselves of, and we are going to talk about those. And we want you to volunteer where you think we can do that.

I came in on the tail end of the physician's statement. That was very well done, some great stuff. If I had written fast enough, I wanted to get that down. But what was it? We can start your heart and stop your—

Dr. EISOLD. We can hold your hand or start your heart.

Mr. MORAN. The fact that John is as defining as anyone of the professionalism that we are blessed with every day. You couldn't find a better physician to run a health organization. And so I came in to at least hear his presentation.

I am crazy about our Sergeant at Arms, and I am very much impressed by your service. You are going to find me as an advocate. And with that, let me conclude because—I don't know how much we can get in. We have a long series of votes. I think there is like five or six.

Mr. TIAHRT [presiding]. Mr. Price.

Mr. PRICE. I will pass now.

MAIL PROCESSING

Mr. TIAHRT. Mr. Kingston asked me to inquire about a major area of concern for Congress being the delay in the processing of mail as a result of the events of October 15. In this year's budget you are requesting an additional \$8.9 million for mail processing. Jay, will you bring us up to date on the status of mail operations and the need for the additional \$8.9 million?

Mr. EAGEN. I brought some handouts to help. I think so many of the Members are new, it would be useful to go backwards and put it in context where we started and where we are today. This outline attempts to do that.

Going back to October 15, the date the Daschle letter was found, and October 17, when the House evacuated its facilities. At that point, the House had just begun a new process starting to sample mail to look for substances like anthrax. It was a low-level undertaking, and we also had begun to quarantine mail.

We then had that period of time where we lost big chunks of our capacity to process mail. In those days, the sorting center for the House was located in the basement of the Ford Building and an X-ray facility at P Street, a couple blocks down from the Capitol. Both of those facilities were contaminated with anthrax. A determination was made it was no longer prudent to have a mail sorting facility in an office building where 1,000 people work and a day care center is located. The P street facility was the last facility to come back online, in June 2002.

OFFSITE MAIL FACILITY

That led us to create a new Legislative Branch mail facility off campus in the suburbs of Maryland in an industrial park. It is

shared by the House and Senate, and the Library of Congress and General Accounting Office have started to participate in it as well.

In addition to having to rebuild the new facility, we had to build a facility that had the capability to do modern analysis of the content of the mail, and I don't mean in terms of what is written in the letter, but what may be coming with it. So within this facility there are environmental pods, the theory being that if there is another exposure of the kind we experienced or something different, that the pod will be able to encapsulate that exposure, and the rest of the facility will not be affected.

USE OF NEW TECHNOLOGY

Mr. TIAHRT. Before I yield back to Mr. Kingston, I would like to note that there are technologies that can detect toxins, viruses, and a wide spectrum of other contaminants. Are there any plans in your expenditure to use this new technology to detect identifiable foreign substances?

Mr. EAGEN. That is basically what we are doing. And in addition, the Postal Service has two initiatives. One is already in effect. The mail is being shot with E-beams at a facility in New Jersey. All the government mail is trucked from Washington, D.C., to this facility in New Jersey, and it is irradiated with E-beam technology and shipped back and sorted amongst the various government agencies. It is not the House and Senate alone, but also the White House. It basically includes zip codes 202 to 205. At our end, we do a confirmation testing to make sure there is nothing in there.

So what does that result in today? In first class mail, the Postal Service is now to a point where the time frame from when the envelope is dropped in the mailbox and gets a postage mark to arrival at the House ranges from 3 to 7 days. On our end of it, it takes about another 2½ days. That 2½ days is driven by the testing protocol. The lab results take that long to get a positive or negative indication on whether there is any kind of threat in the mail.

Mr. TIAHRT. Some of this new technology has immediate recognition. Whenever a molecular structure is indentified, we can know about it almost instantaneously.

Mr. EAGEN. The Postal Service is pursuing that. That is a national initiative to have the distributed capability of that nature at its processing centers around the country. Right now the irradiation solution is limited to government mail in the Washington metropolitan area, and the initiative that they have been researching is to expand that kind of solution across the country.

Mr. KINGSTON [presiding]. Mr. Price.

Mr. PRICE. I have no statement at this point, and I will leave to vote now.

WASTE FRAUD AND ABUSE

Mr. KINGSTON. I want to ask a question that we are going to be asking all the agencies, and it has to do with waste, fraud and abuse. One of the great hopes the Budget Committee and Appropriations Committee signed off on rather than having to cut, cut, cut, was to find programs that we can do better, and examine areas and programs for waste and abuse.

Consequently, this question isn't rhetorical. It is going to be asked of every single witness before the Appropriations Subcommittee this year, but, Jay, as the Chief Administrative Officer, can you enlighten us on policies, procedures, audits or any other tools you have to detect and evaluate fraud, waste, and abuse and ferret it out in any way?

Mr. EAGEN. I do have some answers to that question, and I would like to invite the Inspector General to join in.

I think there is a myriad of policies, procedures and processes in the House that speak to that aspect of the operations, and some are at the macro level, and some are at the micro level. For the House of Representatives' fairly unique undertaking, every dollar and every penny that is spent is disclosed to the public. The statement of disbursements that is published by the House from my organization on a quarterly basis, includes this committee, your office, Jeff and Bill's offices. Every dime that is spent is published and put out to the sunshine and the public eye.

Second, more at the middle level—

Mr. KINGSTON. Since they don't want to read it in the press, they would be happy to do it on their own behalf.

Mr. EAGEN. Exactly.

The House does have automated modern financial systems and procurement systems, and in those are built-in budget controls that ensure that spending cannot occur that has not been set up in the system. So, for example, within our organization, if someone were trying to place a purchase order, it automatically checks the financial system to see if that has been permitted or not. And then there are graduations or controls as to who is allowed to approve what level of spending.

INTERNAL CONTROLS

Similarly, on the internal control side, segregation of responsibilities has been set up so no one individual can attempt to buy an item, obligate it and then receive it. There are segregations of functions along those lines, and one of the Inspector General audits is to determine if those separations are appropriate and consistent. And so far in the financial statements they have found no problems with those controls. I think in a macro sense the appropriations process is one of those where you are asking us to justify our budget requests and examine whether they are appropriate.

ADMINISTRATIVE CONTROLS

Similarly, the Committee on House Administration authorizes administrative controls. For the Chief Administrative Officer, we are not permitted to obligate purchase orders above \$250,000 without explicit Committee on House Administration approval. In those instances, I submit an official request with an abstract and justification to the Committee, and after they formally consider it, they sign off on it. Similarly, any obligation that commits the House to a period longer than one year must go to the Committee on House Administration for approval.

I mentioned the CAO has a strategic plan. One of the things we are doing with that is very similar to a Government Performance and Results Act, GPRA-type process where we are establishing ac-

countability to that budget, and then we have hired a full-time person to measure outcomes so we can develop a performance-based budget.

We also established an Internal Business Process Improvement Team. I mentioned that we have five business units. Within each of those units we have one person who is dedicated to work within that business unit, and that is the team looking at the organization overall to look at how we process the things that we do to find out if there are ways we can be more efficient and save money.

And lastly, the House Inspector General—and I will turn it over to Steve—in the time CAO has existed for 8½ years, they have provided over 600 recommendations for improvement in CAO operations. Only 26 of those have not been accomplished, and we have plans in place through this year and basically through 6 months of next year to implement the rest of those.

With that, I turn it over to Steve.

ASSESSMENTS OF HOUSE OPERATIONS

Mr. McNAMARA. The Office of Inspector General works very closely with Committee on House Administration and the House Officers to help them ensure the effectiveness of the control environment in the House, and that business processes, systems and operations are functioning as intended. Using a risk-based approach, we conduct a comprehensive program of audits and other reviews to assess the financial and other administrative operations of the House and offer recommendations for improvement where warranted.

The foundation of all of our work to prevent and detect fraud, waste, and abuse is the annual audit of the House financial statements, which Jay mentioned. This audit includes an evaluation across the board of the House internal controls, including specific steps set forth to identify fraud that would be material to the financial statements. It also includes tests of individual transactions to make sure they were authorized, accurate and complete; and it also includes an evaluation of the compliance with laws and regulations.

Beyond this foundation, we conduct more in-depth internal audits of the major systems, accounting cycles and business processes in the House, which includes specific steps to identify the pattern or existence of fraud, waste, and abuse. Examples of these include our audits of the procurement desktop systems, the House payment process, and the House's contract procurement and administration.

Going farther upstream, we review new financial systems while they are still under development to help assure that effective controls are designed into the system as they are being built to avoid costly expense later. Two such systems are the replacement of the staff payroll system and the replacement of the financial management system.

And finally, we conduct reviews in the area of emerging technologies to provide input to the Committee on House Administration and the Chief Administrative Officer and make suggestions for ways that they might employ emerging technologies to more efficiently do the business of the House and more effectively control the expenditure of funds.

Mr. KINGSTON. I will yield to our Ranking Member, Mr. Moran, if you want to follow up or ask anything.

Mr. MORAN. I don't need to ask about waste, fraud and abuse because I used to be in the Executive Branch in the Budget Office and on the Senate Appropriations where we first came up with the concept, and I think it is something of a sham, Mr. Chairman, because although we use it as a fudge factor whenever we need it, we hardly ever follow up. And I have never seen real savings come from that initiative because I think that if there is significant waste, fraud and abuse, it eventually rears its ugly head in other ways. And at this point there has been so much applied to the Legislative Branch that I doubt that there is much there, so it is not something that I am going to lose sleep over.

Mr. KINGSTON. Because there are probably some excesses that occur within the Legislative Branch.

Mr. MORAN. There are excesses. I wouldn't disagree.

IMPLEMENTING RECOMMENDATIONS

Mr. KINGSTON. Except the 26 House Inspector General's recommendations that have not been implemented out of 600, has there been a dollar savings resulting from the implementation of those changes?

Mr. EAGEN. In terms of the Inspector General's recommendations, in some cases it has.

Mr. KINGSTON. Is that difficult to put a financial figure on?

Mr. EAGEN. In some cases the IG's recommendations have provided a dollar association with them, yes.

Mr. KINGSTON. If that is possible, it would be something that would be important for the record to show some of the examples of things that led to dollar savings, such as better procurement, or a better way of hiring.

Mr. MCNAMARA. We can do that, Mr. Chairman.

In a lot of cases, it might be looking at, for example, the security of our computer systems. We conduct audits of intrusion and prevention and detection, keeping hackers from being able to hack in. We can't put a dollar value on that, but in other cases if we suggested a more efficient way to operate some operation, such as the supply operation or a store, we could and we will look into that.

[The information requested for the record follows.]

As I mentioned earlier, under House Rule II, we are charged with auditing the administrative and financial operations of the House and of the joint entities. Working closely with the Committee on House Administration and the House Officers, our focus has been to help improve the House's business processes and control environment in order to assure the efficiency and effectiveness of operations. Furthermore, to ensure that House operations are conducted safely and securely and in accordance with best business practices. Although every dollar expended by the House is subject to audit during the annual financial statement audit, we do not conduct any additional audits of funds expended by Members, Committees, or the Leadership. Our detailed audit work is primarily focused on House Officers' programs, activities and functions; systems they maintain to support House-wide operations; and Architect of the Capitol programs, activities and operations that are specific to the House.

We get involved early in the development phase for new financial and administrative systems to assure that controls are designed in and that systems will function effectively when deployed. Over the past nine years, our work has helped the House to steadily enhance its business processes, systems of internal control, and policies and procedures, all of which ultimately culminated in enabling the House to receive

and maintain a clean audit opinion on its financial statements for the past four years. We believe that by trying to employ best business practices during system development, controls to help prevent fraud and waste, and foster cost savings can be designed in at the outset.

Our principal focus has always been on helping the House improve its infrastructure. However, during the early years of our operation, and before many of the subsequent systems improvements had been achieved; we did conduct audits that estimated significant cost savings could be achieved through operational and systems improvements. From 1995 to 1997, ten of the audit reports we issued estimated savings of over \$13 million could be achieved through improved operating practices. Several examples of such reports included:

- Changes in Operating Practices Could Save Publications & Distribution \$5.5 Million Annually
- Changes in Operating Practices Could Save Media Services \$1.7 Million Annually
- Split Responsibility For Equipment Leasing and Maintenance Cost the House Almost \$2.0 Million Annually In Payments for Outdated Equipment
- Opportunities Exist For the House to Save Over \$1 Million Annually Through Better Telecommunications Cost Management

Management agreed with the recommendations contained in these reports and took action to implement the necessary improvements, but no formal mechanisms were set up to track the actual amount of savings ultimately achieved.

Our work continues to focus on issues of strategic importance to the House and its ability to efficiently and effectively conduct its operations safely and securely and in accordance with best business practices. Our goal is to help the House achieve the best use of all the dollars it spends and, in doing so, hopefully never have a repeat of audit findings like the four examples above. In addition, much of our work is aimed at assuring the effectiveness and security of House investments in information technology, and to provide for the health, safety and security of Members, staff, and visitors. But by focusing on issues of critical importance like effective strategic planning for information technology, dollar savings result when the funds expended are put to the most effective use.

It would be difficult, if not impossible, to quantify cost savings attributable to many such audits. For example, it would be virtually impossible to objectively quantify savings from preventing hackers from penetrating House computer systems; assuring the viability of business continuity plans and procedures; ensuring the House evacuation plans are well designed; or that necessary fire-safety improvements are made in the Capitol Complex. Nevertheless, Mr. Chairman, I assure you that we will remain alert to any and all opportunities to make recommendations to achieve cost savings in every audit we conduct.

MODULAR FURNITURE PROGRAM

Mr. KINGSTON. Mr. Price.

Mr. PRICE. I would like to ask Mr. Eagen, if I may, about the modular furniture program. I ask about this program because my office has been fortunate to participate in the demonstration program. What kind of feedback have you received back from participating offices and what costs do you anticipate to implement the program House-wide?

Mr. EAGEN. Thank you, and thanks for participating in the pilot. The pilot has set up nine Member offices to test two different versions: systems furniture, which was in the back office area, and modular case goods, which is a hybrid between the furniture we have today that looks more congressional, but also has the advantages of modular furniture which can be configured.

The feedback we got in the surveys of the offices that participated and surveys of the visitors that were allowed to come and see the furniture was very positive. About 88 percent of the people that have it in their offices rated it as exceptionally better for their operation than the traditional furniture we have today.

What has driven us to want to recommend to the committee and look at replacing furniture stock is simply the age we are starting

to face. We haven't invested a lot of money in recent years in replacing furniture. We have a shop in the Capitol that basically restores furniture and puts it back in stock. Most of the desks are in the neighborhood of 25 to 30 years old. The second factor is that when the House bought those desks, they were intended for a whole different technology environment. They were made for typewriters. The old desks had the right or left hand ells and were configured so the typewriter was the right height. Keyboards don't work, so people are having problems which create medical challenges.

You asked about the process. We are now working on a solicitation that will be put out to the public to bid on House-wide replacement costs. We are talking about 6- to 8,000 desktops. We are talking to the Pentagon. Their costs have been about \$6,000 per desktop.

Complementary to what we found from the pilot was Not to try to inconvenience Member offices. We need to create swing space so that when a replacement is scheduled, we have one or two preset offices where we can pick up the office and move in with desks and computers, and they can continue to function, and we can set them back up. So those kind of costs would be on top of the acquisition.

Mr. KINGSTON. Mr. Taylor.

Mr. TAYLOR. No questions, Mr. Chairman.

ALTERNATE COMPUTER FACILITY

Mr. KINGSTON. I want to ask Jay about the alternate computer facility. You have requested \$8.5 million in addition to the \$35 million that has been provided for this project. Bring us up to date on this project and explain the need for the additional funding.

Mr. EAGEN. Eight and a half million requested. It is helpful for me to explain because it is a new undertaking for the institution. It doesn't exist quite yet, but will exist this summer. Basically, the lesson learned from the anthrax situation was that the House's computer and data systems were highly vulnerable as a single-point of failure, and we needed redundancy much like Wall Street had that allowed most of their operations to continue to operate after 9/11. The House, the Senate, the Library of Congress, Capitol Police, and the Architect of the Capitol have gone together in the facility out in the suburbs that is being leased by the Architect of the Capitol to create that level of redundancy.

We are not simply trying to create a backup, and I draw that difference because it is key. We are not trying to create simply a second copy of the information all across the House campus. If we lose operations within a designated period of time, hopefully within a couple of hours, we will be able to shift to that facility and have House campus operations continue to operate.

Mr. KINGSTON. Is that similar to the data of the Greenbrier in terms of continuation of government?

Mr. EAGEN. I am not intimately familiar with how that facility was set up, so I really couldn't answer that question.

Mr. KINGSTON. Because I understand they had duplicate copies of a lot of what we did in the event that it was necessary.

Mr. TRANDAHL. They are drawing a difference between running a dual system—if you lose one, the system still operates—to a sys-

tem that was the traditional system of just creating backup copies and storing them off site.

The Greenbrier that we were referring to is sort of the 1950s, 1960s and 1970s. At that point, it was creating backup copies.

Mr. KINGSTON. That is my question. Is this a high-tech version of that?

Mr. TRANDAHL. Yes.

FUNDING THE ALTERNATE COMPUTER FACILITY

Mr. KINGSTON. And how much money is it going to take to finish up? Is the \$8.5 million the complete amount you need?

Mr. EAGEN. The emergency supplemental that was passed by the House included \$25 million for setup. The \$8.5 million that is in our budget is basically the sustained cost. That will become the fixed costs going into the future.

Mr. KINGSTON. Jeff, I am sorry.

Mr. TRANDAHL. It is okay.

Mr. KINGSTON. Mr. Moran.

INFORMATION REDUNDANCY

Mr. MORAN. Thank you, Mr. Chairman.

I want to follow up on that a bit just so I understand. If we had an attack and our main computer terminals were knocked out, this is the redundancy that you are talking about. We would have access to a separate computer terminal, but the information would be available. Now, we would do it through what? Laptops? Blackberries? What?

Mr. EAGEN. It would depend on the scenario that we are facing. For example, on the Member side we have 10 freshman offices that agreed to have their servers hosted in the Ford Building.

Mr. MORAN. Hosted in the Ford Building.

Mr. EAGEN. Yes. The traditional business model is that their computer server, the core, the guts of your technology system is physically located in your office in Rayburn or Cannon or Longworth. The Freshmen who agreed to that are now hosting their server with all their data, their addresses and their information on it. They are using what is called a Storage Area Network, the technology you were basically asking about. It is newer technology. It allows us to make an instantaneous duplicate copy of that data that will be shot out to the alternative computer facility so that in real-time that information is having a duplicate copy.

If the systems in the House go down, the idea is that the alternative computer facility would take over.

Mr. MORAN. Well, and we—how would we access that?

Mr. EAGEN. I think there are a couple different options for that. One is that the House does have contingencies for another building similar to what we did the last time around. Capabilities were left in place to harmonize so that we can do that much more efficiently. Secondly, having laptops that would either be taken with the staff or, ultimately, your district office would be able to connect.

LAPTOP COMPUTERS

Mr. MORAN. I see. Now, I was told that we have a trailer someplace with computers that we have purchased I guess right after 9/11.

Mr. EAGEN. Right.

Mr. MORAN. The problem is that if those computers aren't being used, they become antiquated very quickly. If there is no program on them, they are pretty much useless, aren't they?

Mr. EAGEN. No, they are not, because they have already been set up and configured.

Mr. MORAN. How would you distribute them?

Mr. EAGEN. The primary intention is for them to go into another facility where a House Member can work.

Mr. MORAN. So a facility that we could all get to?

Mr. EAGEN. Yes.

Mr. MORAN. So it can't be around ground zero. It can't be around here then, right?

Mr. EAGEN. Right. That is why they have been palletized, so that if we have to ship them to another location, we can do that.

Mr. MORAN. I see. Presumably outside the Beltway someplace where we would be able to get to. We would pick up the computer, and then we would be able to—we would have to program them, though, wouldn't we?

Mr. EAGEN. For the most part.

Again, Mr. Moran, it depends on what kind of capability you are looking for. If you are looking for the basic capabilities of e-mail and accessing your documents, meaning your word processing documents, for the most part, if the model that I described earlier is put in place, those would be accessible through the House network.

An additional challenge where the Member offices are concerned is your Correspondence Management System. That is your database and what your staff uses to respond to mail. Those are individualized; what we are trying to get to next, is to have that same redundancy for those systems.

Mr. MORAN. It is an awful lot of redundance. I am not sure whether it is necessary or not. So much for that topic.

Does the Office of Compliance come under you?

Mr. EAGEN. No.

COST OF LIVING INCREASES

Mr. MORAN. Okay. And I guess mobile communications has been handled.

Let me just ask you about COLA. I am curious about it, because the budget resolution had a 4.1. You are budgeting 3.7.

Mr. EAGEN. Yes.

Mr. MORAN. How are you going to provide for any additional increase up to 4.1?

Mr. EAGEN. There would be two options, in my view. Either the Committee could decide to increase the amount that is in the Bill, or the Officers would have to take it out of their budgets. We are talking about less than a half percent difference between what is in the Bill and what is in the budget resolution, and what was provided by the President for military employees.

Mr. MORAN. All right. Thank you, Mr. Chairman.

CHANGING POSTAL OPERATIONS

Mr. KINGSTON. I wanted to ask one follow-up question. Does anyone have a dollar figure of how much the anthrax situation cost us in terms of changing operations? I know it had all kinds of implications.

Mr. EAGEN. It depends on what you want included in that box. If you include the cost of what it cost to remediate the campus, I have seen figures on that that have been provided by EPA. I don't recall them off the top of my head.

Mr. LIVINGOOD. It would include the Senate side plus the House side. It is substantial.

Mr. KINGSTON. Millions?

Mr. LIVINGOOD. Yes, Sir.

Mr. KINGSTON. Mr. LaHood. Before you begin let me introduce John Culberson, a new Subcommittee Member. Thank you for being here.

Mr. CULBERSON. Thank you very much.

THANK YOU

Mr. LAHOOD. First of all, I want to say to the people that are gathered around here, for many of us that have been around this place as I have been, for 8 years as a Member and about 12 years prior to that, I think we owe all of you a big debt of gratitude.

I see a lot of familiar faces here. You know, all of us fly in and out of here on Tuesday and Thursday or Friday, and most of you in this room keep the place running. A lot of the things that we do could not be done without your assistance, whether it is the Counsel's Office, whether it is the Physician's Office and the Clerk's Office or the Administrator's Office or whose office it is. We take a lot of things for granted.

But I just want to say to all of you gathered around here—some of you I know, some of you I don't—I think the Members take for granted a lot of the good services you provide to the congressional family around here on this campus. We owe you a big debt of thanks for all the sacrifices you make for your government service, and we appreciate—this Member appreciates the good work that goes on. I don't speak for all Members, but I speak for myself in saying thank you for all the good work you do.

I think we all really came to appreciate so much of what you do after 9/11 as a result of all of this kind of pulling together and working together and trying to figure things out. So thank you for the work that you do.

STAFF GYM

Mr. Eagen, let me just begin with my favorite subject, which is the gym for the staff. I want to thank you, first of all, for the work that you did to accommodate staff for memberships at Gold's Gym. I am told that they are going into these facilities and signing up, and there are waiting lines. So I think it has been well received.

But, you know, when I came up with this idea about a first-rate facility for our staff, that is what I had in mind. I am wondering

how we can get to the goal that I have that I think other members of this committee have and other Members of the House have; and that is to have a facility on campus for our staff similar to what the House Members have and similar to what the Senate Members have.

I don't know if we need to do a study. I don't know if we need to identify. I don't know if we need to—I don't know if the Visitors Center—the new Visitors Center is going to have the space that could accommodate this kind of facility or if we need to look at places now where we have laid down a lot of blacktop and are providing parking spaces for people. But I still have as a goal, and I think other Members do, that we have a first-rate facility for the many, many staff people who are here night and day so that they don't, you know, have to use a facility off campus. So I wonder what your thoughts are on that and how we can get that accomplished.

Mr. EAGEN. All right. I am definitely shooting for the same goal. The appropriations language that you had included in last year's bill instructed us to look for those kinds of options, and our report indicated that this contracted solution we saw as just an interim solution to bridge the gap, if you will.

Just so you know, you mentioned the lines. As of yesterday morning, 261 people had signed up. So there seems to be some popularity building on that particular solution.

SPACE RESTRICTIONS

The difficulty we found was one of space. The Gold's facility is 19,500 square feet. The biggest available footprint that we could find without moving major numbers of people out of their current spaces was about 10,000 square feet, and it was in the Ford Building, which is right across the street from Gold's.

My understanding, and I think you have a hearing coming up with the Architect, is that the House Superintendent and the Architect have as part of their building master planning that this is one of their priorities. So the first long pole in the tent is where is the space; and, after that, my job is to figure out how we structure and organize.

If the footprint is required to be in one of the buildings on campus to be sufficient to satisfy, that is a bit of a challenge with the O'Neil building having come down, the creation of a Homeland Security Committee and having to find a footprint for those additional staff and a hearing room for that Committee.

That is the challenge that I have seen in my discussions with the Architect and the Speaker's Office in terms of space allocation.

Mr. LAHOOD. So we would have to talk to the Architect about it, I guess.

Mr. EAGEN. In terms of a footprint of space, either an existing space or for the future, either the Cannon lot or other areas that may be deemed as a potential construction location.

Mr. LAHOOD. Thank you.

CAPITOL SAFETY

Bill, the most-asked question that I get from people who are thinking about coming to Washington, D.C., to vacation or to tour,

to bring their kids for Easter break, which is now beginning, or for this summer—and those of us that have had access to intelligence reports and other information know that Washington, D.C., is the number one target. Is the Capitol safe? Can we assure people that they can come to the Nation's Capitol, that they can come to the U.S. Capitol, that they can feel assured with all of the things that have gone on since 9/11, all of the contraptions that have been put up, all of the people that have been hired, all of the security, is the Capitol safe?

Mr. LIVINGOOD. As of today, the Capitol is safe. I feel it is secure. I feel it is a safe environment. As intelligence changes, I will let people know if there is a change, but today the Capitol is safe.

Mr. LAHOOD. What about the sort of mixed procedures that we have for people coming in and out of the campus or on the campus? I mean, sometimes people's trunks are checked, and sometimes they aren't. Sometimes Members are waved through, and sometimes they aren't. Is there a procedure in place that will provide some consistency for how security is provided, and is it different when we are not here than—when the Members are here, when we are voting and when we are not voting?

Mr. LIVINGOOD. There is a consistent plan, which I would not talk about here. I would do it in a closed hearing or with you personally. There is a theme behind things that you may or may not see. I would be glad to explain that to you, but not in an open forum.

USE OF ATTENDING PHYSICIAN SERVICES

Mr. LAHOOD. Okay. I don't know if I—Dr. Eisold, I just want to say a word about you and your staff and the good work you do around here. I am kind of curious about how many Members really take advantage of the Physician's Office. Could you give us just some notion of that?

Dr. EISOLD. I couldn't give you an exact number.

Mr. LAHOOD. What percent of the Members?

Dr. EISOLD. Over 50 percent at least; and at one time or another for semi-emergency care it borders on 75 percent or more. As you can imagine, just listening to a list of what we do, the number of people under our wingspan is wide and certainly includes people other than Members.

Mr. LAHOOD. Who else does it include?

Dr. EISOLD. Well, as I mentioned, the umbrella includes at any given time the staff, visitors, dignitaries, pages, really anybody who is on Capitol Hill at any given time. If they should fall ill or there should be some catastrophe or whatever, they fall under our umbrella to take care of them. Nobody is excluded.

Mr. LAHOOD. And there is a fee for the Members?

Dr. EISOLD. There is, but it is not something that the Physician's Office actually has anything to do with. It is with House Administration.

Mr. LAHOOD. Does that come from your office?

Mr. EAGEN. The House Administration Committee sets the fee, and then the Finance Office collects it.

Mr. LAHOOD. I don't know if we are doing the 5-minute rule here or not, but, Mr. Chairman, I will maybe come back after we give others a chance.

Mr. KINGSTON. Okay. It was Mr. Clyburn who was next, followed by Mr. Price, and then we will go to Mr. Tiahrt. I am trying to stick to the order of appearance.

Mr. Clyburn.

PRAISE FOR HOUSE SERVICES

Mr. CLYBURN. Well, I want to echo the lauding that Mr. LaHood did about the services that one provided to Members of Congress. I want to thank you as well and say you do an excellent job, and I do feel safe, but I feel like you have gone beyond what normal people do to make sure that not only Members but their families are safe. So I want to say thank you.

Things do move smoothly, and until you sit on a committee like this you don't realize how many people are behind the scenes making sure that we have a smooth operation that is aboveboard, clear, safe; so thank you for what you do. I know you don't get enough praise for it, so I want to join with Ray and say that.

The Physician's Office has been wonderful. Dr. Eisold, I appreciate when I have traveled outside the country. The last time being 1999. Having somebody from your office along has been very helpful, and I think that is an important part of the services. Because the last thing we want is, in a Third World country, to get caught in a health care system that is scary, to say the least.

HOUSE GYM SURVEY

I hadn't thought about a footprint for a gym for staff, and I don't know how many Members or staff we have who would use it, perhaps a study to see what the usage would be. I hate to compete with—

Mr. LAHOOD. Can I just—I would ask you if you would yield to me.

Mr. CLYBURN. Sure.

Mr. LAHOOD. You did a study last year. Just tell him—

Mr. EAGEN. We did a survey of the House workforce, and we got about 2,000 people that indicated an interest in that kind of capacity. In the supplement that we did, a separate survey of satisfaction with House personnel benefits, and that issue came up as the number three issue people were concerned about was access to health physical fitness capabilities they could do either before, after, or during the work day.

Mr. CLYBURN. We have a tendency to focus only when people get sick, and we ought to focus on the preventative side. I think that is an important thing that I would like to support your efforts on, Ray.

That is all I have, Mr. Chairman.

CONTINUING EFFORTS TO SECURE STAFF GYM

Mr. KINGSTON. Mr. Kirk.

Mr. KIRK. I just want to echo what my Illinois colleague says. I was a staffer up here for a lot of years—let me just ask, when was the first time the staff gym idea came up?

Mr. EAGEN. In my recollection, Mr. Kirk—I have been a staffer, too, for 21 years—it has come up multiple times.

A former member of this Committee, Representative Silvio Conte, put in a provision in the Appropriations bill that mandated that House personnel would have access to the HHS gym, and it became very controversial and then was pulled out of the Conference Report. So there have been various efforts over the years, but at different times it has had different levels of success.

Mr. KIRK. Admiral Eisold, would our staff be in better health if they had access to physical fitness right here on the Hill?

Dr. EISOLD. I think it is intuitive. Anytime you can get people to exercise on a regular basis, they are going to be healthier, and they are going to think more positively about taking good care of themselves, which translates into better health.

Mr. KIRK. Bill, do we have physical fitness requirements for the Capitol Police?

Mr. LIVINGOOD. We just instituted them, Sir, and are in the process of completing the requirements.

INTEREST IN HOUSE GYM

Mr. KIRK. Can I just ask the assembled multitude, would you all be interested in joining a staff gym? Raise your hand.

Well, Mr. Chairman, I think it is time that we do this.

I wonder if we had the runaround before with regard to the Credit Union. You know, the Credit Union was given space, and then staff got together, formed it, elected it, and it runs without taxpayer dollars. I think we ought to designate—you said 10,000 square feet was feasible?

Mr. EAGEN. Ten thousand square feet is about half the size of Gold's Gym.

Mr. KIRK. Okay. On every aircraft carrier in the fleet, right next to the anchor locker on a Nimitz class carrier, is a blank space that we have to leave open for the running gear and the catapults. Not a dime of taxpayer money goes into that space. The sailors all get together, buy the equipment, and we run a health place. We ought to run this place like an aircraft carrier, designate 10,000 square feet and let the staff go crazy just like they did with the Credit Union. The Credit Union is now a well-established institution here.

I think we ought to get this rolling. Twenty-one years is enough. Let's get a 10,000 square foot facility up and running, allow the staff to elect their own leadership, raise the money. All these people here and I will join, and let's get this rolling, Mr. Chairman.

Mr. KINGSTON. You might be eligible for the House gym already, but I am not sure.

Mr. KIRK. I am an avid user of the House gym, but my staff can't use it. For all the things that Dr. Eisold talked about and the physical fitness requirements for the Capitol Police, let's get this going and allow the staff to select a leadership, raise the funds and fill it full of equipment, just like any aircraft carrier.

So, anyway, thank you, Mr. Chairman.

Mr. KINGSTON. Thanks, Mark. Mr. Price do you have any questions?

MAIL PROCESSING SYSTEM

Mr. PRICE. I would like to return, if I may, to the issue of our mail processing system. I appreciate hearing your report. I came in just as you were beginning that portion of your testimony.

How stable and how permanent is the system we have in place now? We have clearly made some headway in terms of the turn-around time. We all, I expect, have had the experience of seeing yellow crinkled mail coming into our offices three months after it was mailed. It appears to me that the mail still has kind of a dehydrated quality, but it doesn't appear to have suffered as much from the exposure. I don't know if the technology is different or if anything has changed, but the mail has returned to a more normal appearance. As you say, it does appear to be arriving in a more timely fashion, taking days rather than weeks.

On the other hand, the method of sending it off to New Jersey that you describe appears to be a pretty cumbersome and expensive system. Is there other technology available that might provide a more efficient, less cumbersome system. What do you see for the future?

Mr. EAGEN. I think—

Mr. PRICE. Well, there is also the question of threat assessment—your judgment and your intelligence about the continuing threat. Does your intelligence warrant a system that has these capabilities?

Mr. EAGEN. Let me take the second part first.

The guidance we are provided comes through the Sergeant at Arms, the Capitol Police, the intelligence community, and the Department of Defense. So it is less me as an administrator making those judgments and more of the security people telling us what the environment holds and what kind of precautions we need to have in place to be able to deal with that.

With regard to the first part for the future, I think there are two aspects of what will the Postal Service be doing in the mail stream end and what will the House be doing separate from that.

On the first part, regarding the Postal Service, there are two things. The situation where they truck the mail to New Jersey, is clearly not a long-term, viable, sensible solution, and I think they realize that. That point has been made by the House and Senate and Executive Branch numerous times. They, as I understand it, have the funding to erect an irradiation facility in the Washington metropolitan area.

When you talk about the front part of the metric (or measures) of the 3 to 7 days, it would probably take out a day and a half or 2 days by eliminating the trucking of the mail to New Jersey and back.

Secondly, as Mr. Tiaht was asking, they do have a pilot under way where they are testing more sophisticated nationwide detection sensing systems that would be more at the front end of the process rather than the back end.

As far as the House is concerned, we in the last year made a bit of a leap in that the original sampling process called for 72 hours,

and that has shrunken now to 32 hours based upon innovations that have been put in place by the labs and the scientific people that do that kind of work for the government.

With regard to the package end of the process, we have slightly different approaches to first class mail versus packages. Packages are not irradiated. They come in, and they are sampled separately here at the House. In the next couple of weeks we are about to deploy a new technology solution that we think is a lot friendlier and a lot more effective.

PACKAGE DELIVERY

Mr. PRICE. For packages?

Mr. EAGEN. That is right, the packages as a separate item.

We also have a proposal pending that would establish something that we think would help. The difference between our old system on packages and the new system is that in the old days the package would be delivered directly to the offices by UPS and Federal Express and other national shippers, and the Postal Service packages came to us the way they do today. Now they all come to us, because they are sampled, evaluated, and quarantined to make sure they are safe.

Then we have a process where a customer, someone on the staff, gives us approval. We send an e-mail, and then we wait for a reply to say, yes, we want that package. Then, four options of how to handle it: Deliver it after it has been sampled on the outside; open it up and test it on the inside; destroy it; or send it back.

A little bit of the lag we experience on the delivery metrics we are tracking is how long it takes for the staff to say yes or no.

Mr. PRICE. How is the staff particularly equipped to make that kind of judgment?

Mr. EAGEN. Well, it particularly comes to the decision between whether this is an expected package, something that your District Office is forwarding and something it is not. If it is an expected package, we think it is reasonably safe. If it is something where you don't know who is sending it to you, we then encourage you to let us open it up and sample it on the inside as well as the outside.

Mr. PRICE. So when you talk about possible changes to make the system more efficient and less cumbersome, you are talking in part about simply locating the system here in Washington, D.C. You are also talking about changes in the technology that are used to detect dangerous material.

Mr. EAGEN. Right.

Mr. PRICE. Screen the material?

Mr. EAGEN. Yes. The Department of Defense and other associated scientists are telling us that they are working on mechanisms that will yield a much more rapid detection capability—sampling capability, I should say, not detection—but sampling capability that will give us a faster turnaround cycle. Right now we are getting to a point where the primary delay on the House side of the business is simply how long it takes to get those test results. Once we get the signal the test results are okay, we can get it to your office the same day.

TESTING MAIL

Mr. PRICE. How does that work exactly? You are sending huge quantities of mail through these scanners. You are not waiting on a test result on the initial test, correct? You are referring to a test result on mail that is somehow problematic. What do you mean by a test result?

Mr. EAGEN. In this case, depending on what it is, an envelope or a package—I am not going to go into explicit detail on this process for security reasons—.

Mr. PRICE. I am not asking you to. I am just trying to figure out what the time frame is.

Mr. EAGEN. Right. They run through a process where a sample is taken of the outside and, in some cases, the inside of that particular item, and those are put into lots. Those lots are then put into quarantine, and the sample is then sent to a lab which does an analysis to look for different kinds of threatening materials.

Mr. PRICE. I see. So you are talking about how a piece of contaminated mail could contaminate other mail around it?

Mr. EAGEN. Right. The contamination of the House a year ago was clearly cross-contamination to everybody's understanding. The letters were addressed and sent. There was never found a House-addressed letter.

Mr. LIVINGOOD. No.

Mr. MORAN. Shows how important we are.

Mr. LIVINGOOD. Thank goodness.

Mr. EAGEN. But the cross-contamination hit all over—the Longworth Building.

POSTAL SERVICE IMPROVEMENTS

Mr. PRICE. You say the Postal Service has the funds to take these next steps. Forgive my ignorance, but exactly how does that funding work? To what extent does the Postal Service come up with this funding? Is it out of their own revenues? Do you receive a direct appropriation?

Mr. EAGEN. My understanding from these—and I am not an expert on Postal Service funding streams. Mr. Price, I believe there were appropriated funds for that solution. Part of the emergency supplemental I think was a package to support the Postal Service to assist with those kinds of things.

Mr. PRICE. But is this in your budget?

Mr. EAGEN. No, sir.

Mr. PRICE. Thank you.

STUDENT LOAN REPAYMENT

Mr. KINGSTON. Thank you, Mr. Price.

I have one last question for Mr. Barrow that we raised earlier—Mr. Moran also touched on it—regarding your ability to recruit and retain good lawyers. Your salary structure is competitive. You also have student loan forgiveness. Is that helpful?

Mr. BARROW. Yes. I think the student loan forgiveness is going to make a big difference for us. All of our new recruits are going to take advantage of that. But I think for attorneys the salary structure in private practice and the loans that young attorneys

are coming out of law school with make it a very difficult environment for any government office to recruit new lawyers.

Maybe I can give you some statistics to give you an idea of what we are facing.

The median starting salary for young lawyers coming right out of law school nationwide is \$90,000. The starting salaries in big firms in New York, Chicago, and Los Angeles are between \$145,000 and \$160,000. The starting salary in D.C. in big firms is \$125,000. These are just not the kinds of salaries that we can compete with. Most attorneys who are coming out of law school with loans in excess of a hundred thousand just can't afford to come to work for any government agency.

This makes it a very tough environment to recruit in, and we are having more difficulty this year than we have ever had before. We have several vacancies, and we have been turned down by recruits that we would like to have hired. So we are just searching harder and making a bigger effort.

I don't think there is a silver bullet that will cure this problem. The Student Loan Program will be helpful, but I don't think it is the entire answer.

Mr. KINGSTON. Thank you. John, I am sorry. I should have yielded to you before I asked that question.

Mr. CULBERSON. Not at all.

Mr. KINGSTON. You have sat here patiently; and unless somebody else wants a second round, you will be the last questioner for this panel.

Mr. CULBERSON. Thank you. I said privately and I just want to reiterate here publicly how proud I am of all of you that support the House of Representatives and how impressed I am coming out of the Texas Legislature that the professionalism we have there has been matched and exceeded by the work that y'all do here. I am just extraordinarily impressed and proud of the work you do and glad to be a part of this Subcommittee where I can provide some support for the good work that you do. I am very, very proud of the work that you do, and thank you for it.

LEADERSHIP PARITY

I am curious to know why there appears to be additional employees for the Minority than there are for the Majority.

Mr. LAHOOD. Give them an advantage to try and take over.

Mr. CULBERSON. It surprises me that the Minority Floor Leader has more staff than the Majority Floor Leader. As well, there are nine additional employees for the Minority that I don't see comparable for the Majority. I would like to ask why.

Mr. EAGEN. I think I am the right person. I can probably go through that with you off line and show there is a formula that is used to establish parity between the Majority and the Minority at the Leadership levels. Those are Leadership employees. The exception to that is the Speaker's Office, which is seen as—

Mr. CULBERSON. Yes. I didn't count that.

Mr. EAGEN. So they actually do balance out, but it is different groupings with different groupings, and they are all bundled together. But I don't know if I could explain it here in 5 minutes.

Mr. CULBERSON. I will visit that separately. Thank you.

Mr. KINGSTON. Would you respond to him for the record, though?

Mr. EAGEN. Sure.

[The information follows:]

Response for the record to Mr. Culberson's question about position parity in leadership offices:

The following table demonstrates that parity exists in the Leadership accounts, both by funding and by statutory positions (i.e., the total of all majority offices less the Speaker's Office Lump Sum and Official expenses equals the total of all minority offices).

Office	FY03 Enacted	FY04 Request	Statutory Positions
Speaker	\$ 1,979,000	\$2,048,000	
<i>Statutory</i>	\$ 891,000	\$920,000	6
<i>Lump Sum</i>	\$ 1,063,000	\$1,103,000	-
<i>Official Expenses</i>	\$ 25,000	\$25,000	-
Majority Floor Leader	\$ 1,899,000	\$1,965,000	6
Majority Whip	\$ 1,624,000	\$1,684,000	3
Legislative Floor Activities	\$ 446,000	\$460,000	3
Republican Conference	\$ 1,397,000	\$1,448,000	2
Republican Steering Committee	\$ 834,000	\$862,000	5
Training and Program Development - Majority	\$ 290,000	\$290,000	-
Cloakroom - Majority	\$ 340,000	\$354,000	-
Subtotal Majority	\$ 8,809,000	\$ 9,111,000	25
(Majority Subtotal Less Speakers Lump and Official Expense)	\$ 7,721,000	\$ 7,983,000	25
Minority Floor Leader	\$ 2,309,000	\$2,390,000	7
Minority Whip	\$ 1,214,000	\$1,259,000	2
Six Minority Employees	\$ 891,000	\$920,000	6
Three Additional Minority Employees	\$ 446,000	\$460,000	3
Democratic Steering Committee	\$ 1,490,000	\$1,542,000	5
Democratic Caucus	\$ 741,000	\$768,000	2
Training and Program Development - Minority	\$ 290,000	\$290,000	-
Cloakroom - Minority	\$ 340,000	\$354,000	-
Subtotal Minority	\$ 7,721,000	\$ 7,983,000	25
Difference (Majority Adjusted - Minority)	\$ -	\$ -	-
Grand Total	\$ 16,530,000	\$ 17,094,000	50

COMMITTEE STAFF

Mr. KINGSTON. I would like to know how the number of staffers for each committee is figured, and I haven't been able to find a satisfactory answer.

Mr. EAGEN. Is "figured" in the sense of how it is established?

Mr. KINGSTON. Revisiting, Mr. Moran's comment about the excesses—it appears to me that if you are the Chairman of a Subcommittee, you might get more staffers over time than somebody who is less aggressive.

Case in point, we split up some Committees to create a new Homeland Security Committee, and there are probably new duties that are brand new to the whole system. There still should be a net reduction of some staffers in these other Committees as they have been reassigned. I don't know if that is going to be the case or not, but I would love to know if that really does happen.

Mr. EAGEN. Primarily, the Committee Funding Resolution, so the Committee on House Administration submits that to the Floor.

Mr. KINGSTON. Jeff, you don't have any authority there?

Mr. TRANDAHL. It is viewed that it is the authorizing mechanism, and then the legislative branch appropriation bill after the fact would fund those positions. Now, because the funding resolution that will obviously create this Committee and staff will come before a legislative branch Appropriation Bill that is passed, it will come out of the existing 2003 money this time. In 2004 you will have as part of your—

Mr. KINGSTON. We would never authorize on an appropriations bill.

Mr. TRANDAHL. Absolutely.

HOMELAND SECURITY COMMITTEE

Mr. KINGSTON. However, a lot of the Homeland Security Committee duties come from existing standing committees. Consequently, those standing committees should lose staff, and that should be reflected in the authorizing legislation. If it is not, it might be the inclination of this committee to merge that through appropriation levels to make sure that that does happen. Because it appears to me that the longer you are in office here, the more you accumulate in terms of stuff, including FTE's, employees or anything else.

Mr. EAGEN. Just for point of fact, the proposal that the Committee has before it now in terms of what was submitted in OMB was flat on committee FTEs and doesn't include funding for the Committee on Homeland Security because it didn't exist at the time this proposal was submitted to OMB.

Mr. KINGSTON. It would appear to me, there should be a designated number, a formula as to how many employees are really needed and how many aren't.

You talk about the employees these 10 Freshman have in the Centralized Computer System. There should be economies of scale for certain staff functions of Committees such as centralized typing or data input. Opportunities like that are such we should be mindful of.

Mr. LAHOOD. Can I ask one point?

Mr. KINGSTON. Yes. We are going to need to go to a break here soon.

Mr. MORAN. I have a quick question, too, and a point I want to raise to the Subcommittee, but Ray does as well. Do you want to go first?

Mr. LAHOOD. No, go ahead.

LEGISLATIVE COUNSEL SALARIES

Mr. MORAN. Legislative Counsel, I think we all understand how critically important that is for us to do our work. Our staff director Liz Dawson just passed me some information that we need to be aware of. We are not paying the people we bring on to Legislative Counsel enough to be competitive with private practice. Attorneys practicing in the private sector are starting at salaries that are substantially higher than what we are paying, our counselors. Right here in Washington, the average graduate has more than \$75,000 in school loan debt that they need to pay off, so it is prohibitive for them to come to work for us even if they want to.

It is a particularly critical situation. We have got half of our attorney staff working for us for 20 years or longer and a third of them more than 25 years. So they are ready to retire in 2003 and 2004, and we don't have salaries enough to replace them. So we have got a critical situation facing us, and that affects all of us if we can't get good leg counsel to be able to write our bills and draft our amendments.

So I want to raise that, and I think it needs to be raised now if we are going to address it in our Markup.

Mr. LAHOOD. Are we coming back?

Mr. KINGSTON. The Rumsfeld briefing is at 4:00. Let me think about it.

Do you have a question, Mr. LaHood?

OLD MAIL SYSTEM

Mr. LAHOOD. Jay, will we ever get back to the old days of receiving mail the way that Members once did and encouraging people to write letters and having it not take 4 to 6 weeks to get a letter from back home? Will those days ever come back again?

Mr. EAGEN. You asked me the same question last year.

Mr. LAHOOD. I am still receiving clipped letters from December and Christmas cards from people that I had forgotten to mail a card to. So I am wondering if I should include them on my list this year.

Mr. EAGEN. You didn't like my answer.

Mr. LAHOOD. You know, in the old days we used to encourage people to write us letters. Well, now they e-mail. If they do write a letter, we don't get it for 4 to 6 weeks; and they complain. I don't know. Maybe it is Pollyannaish to think that way. I don't know. I am just curious, though.

Mr. EAGEN. The one thing I can't predict is what the outside environment is going to dictate, and I don't know how to answer that question.

Mr. LAHOOD. For the foreseeable future, our mail is going to be screened?

Mr. EAGEN. I think that is correct.

Mr. LAHOOD. For the next 2 years, 5 years?

Mr. EAGEN. I don't want to pick a date.

Mr. LAHOOD. At least the next 2 years our mail is going to be screened.

Mr. LIVINGOOD. Yes.

Mr. EAGEN. Our metrics are showing the mail volume has come back. That is the one thing that has changed. We are getting close to the kind of mail volume that we were experiencing prior to anthrax. We are not there yet, but it is coming back.

Mr. LAHOOD. And how many people.

Mr. LIVINGOOD. And it is reviewed.

Mr. LAHOOD. Maybe you can answer this at another time, but can you answer any questions about the investigation that is going on with the people that did the anthrax?

Mr. LIVINGOOD. No, I can't, Sir.

Mr. LAHOOD. Okay. I am going to go vote, then. Are we coming back or not?

Mr. KINGSTON. We are still consulting. At this time, we will leave subject to the call of the Chair.

We have a Members' only briefing with Secretary Rumsfeld. Now that we are in Baghdad, this briefing might be a little critical. Allow me to poll the Members on the Floor. Mr. Moran will poll his Members.

I apologize for the inconvenience of the folks who were to appear next, but we are going to adjourn for now, subject to the call of the Chair.

[Recess.]

[CLERK'S NOTE.—The justification of the budget request submitted by the House of Representatives Finance Office follows:]

HOUSE OF REPRESENTATIVES

SCHEDULE A MASTER-HOUSE

HOUSE OF REPRESENTATIVES

	2002 Actual		2003 Enacted		2004 Estimate		Net Change	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization								
Payment to Widows and Heirs of Deceased Members of Congress		\$ 145		\$ 150				-\$150
SALARIES AND EXPENSES	9,694	\$837,980	9,989	\$949,871	10,014	\$1,039,638	25	\$89,767
House Leadership Offices	184	\$14,911	188	\$16,530	188	\$17,094		\$564
Members' Representational Allowances	7,265	\$465,334	7,350	\$476,536	7,350	\$523,454		\$46,918
Standing Committees, Special and Select	1,088	\$97,270	1,150	\$103,421	1,150	\$107,558		\$4,137
Committee on Appropriations	147	\$18,977	160	\$24,200	160	\$24,926		\$726
Salaries, Officers and Employees	1,010	\$88,166	1,141	\$152,027	1,166	\$171,291	25	\$19,264
Allowances and Expenses		\$153,323		\$177,157		\$195,315		\$18,158
Total House of Representatives	9,694	\$838,126	9,989	\$950,021	10,014	\$1,039,638	25	\$89,617
2. Breakdown by Object Class								
11 Personnel Compensation	9,694	\$506,544	9,989	\$545,533	10,014	\$570,931	25	\$25,398
12 Personnel Benefits		\$151,004		\$173,847		\$191,705		\$17,858
13 Benefits to Former Personnel		\$1,045		\$620		\$470		-\$150
21 Travel		\$16,792		\$19,853		\$22,415		\$2,562
22 Transportation of Things		\$26		\$37		\$13		-\$24
23 Rent, Communications, Utilities		\$64,884		\$63,688		\$87,197		\$23,509
24 Printing and Reproduction		\$18,550		\$10,327		\$20,306		\$9,979
25 Other Services		\$18,091		\$45,271		\$43,992		-\$1,279
26 Supplies and Materials		\$18,661		\$23,929		\$25,567		\$1,638
31 Equipment		\$42,528		\$66,866		\$76,992		\$10,126
32 Land and Structures		\$1		\$50		\$50		
42 Insurance Claims/ Indemnities								
Total House of Representatives	9,694	\$838,126	9,989	\$950,021	10,014	\$1,039,638	25	\$89,617

SCHEDULE B MASTER-HOUSE

HOUSE OF REPRESENTATIVES
ANALYSIS OF CHANGE
BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"
Breakdown by Organization												
Payment to Widows and Heirs of Deceased Members of Congress						-\$150						-\$150
SALARIES AND EXPENSES		\$41,351		\$3,224			25	\$35,923		\$9,269	25	\$89,767
House Leadership Offices		\$544		\$20								\$564
Members' Representational Allowances		\$13,440		\$2,816				\$30,662		\$328		\$46,918
Standing Committees, Special and Select Committee on Appropriations		\$3,548		\$261				-\$424				\$4,137
Salaries, Officers and Employees		\$1,150		\$127			25	\$5,308		\$8,727	25	\$19,264
Allowances and Expenses		\$17,567						\$377		\$214		\$18,158
Total House of Representatives		\$41,351		\$3,224		-\$150	25	\$35,923		\$9,269	25	\$89,617
Breakdown by Object Class												
11 Personnel Compensation		\$23,493					25	\$1,905				\$25,398
12 Personnel Benefits		\$17,858										\$17,858
13 Benefits to Former Personnel						-\$150						-\$150
21 Travel				\$451				\$2,111				\$2,562
22 Transportation of Things				\$967				-\$24				-\$24
23 Rent, Communications, Utilities				\$242				\$22,542				\$23,509
24 Printing and Reproduction				\$191				\$9,737				\$9,979
25 Other Services				\$516				-\$1,470				-\$1,279
26 Supplies and Materials				\$857				\$1,122				\$1,638
31 Equipment												
32 Land and Structures												
42 Insurance Claims/ Indemnities												
Total		\$41,351		\$3,224		-\$150	25	\$35,923		\$9,269	25	\$89,617

SCHEDULE A MASTER-JOINT

HOUSE OF REPRESENTATIVES-JOINT ITEMS

	2002 Actual		2003 Enacted		2004 Estimate		Net Change	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization								
Joint Committee on Taxation	61	\$6,610	71	\$7,593	71	\$7,875		\$282
Office of the Attending Physician	17	\$1,619	18	\$2,981	18	\$2,236		-\$745
Statements of Appropriations				\$30		\$30		\$
Total Joint Items	78	\$8,229	89	\$10,604	89	\$10,141		-\$463
2. Breakdown by Object Class								
11 Personnel Compensation	78	\$7,238	89	\$8,194	89	\$8,618		\$424
12 Personnel Benefits		\$110		\$170		\$170		\$
13 Benefits to Former Personnel		\$30		\$29		\$27		-\$2
21 Travel				\$		\$		\$
22 Transportation of Things				\$60		\$60		\$
23 Rent, Communications, Utilities				\$11		\$1		\$
24 Printing and Reproduction				\$67		\$175		\$
25 Other Services		\$340		\$871		\$490		-\$381
26 Supplies and Materials		\$368		\$1,104		\$600		-\$504
31 Equipment								\$
32 Land and Structures								\$
42 Insurance Claims/ Indemnities								\$
Total Joint Items	78	\$8,229	89	\$10,604	89	\$10,141		-\$463

SCHEDULE B MASTER-JOINT ITEMS

JOINT ITEMS
ANALYSIS OF CHANGE
BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"
Breakdown by Organization												
Joint Committee on Taxation		\$272								\$10		\$282
Office of the Attending Physician		\$152								-\$514		-\$745
Statements of Appropriations										\$		\$
Total Joint Items		\$424								-\$504		-\$463
Breakdown by Object Class												
11 Personnel Compensation		\$424										\$424
12 Personnel Benefits												
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities												
24 Printing and Reproduction												
25 Other Services												
26 Supplies and Materials												
31 Equipment												
32 Land and Structures												
42 Insurance Claims/ Indemnities												
Total Joint Items		\$424								-\$504		-\$463

SCHEDULE A MASTER-HOUSE AND JOINT ITEMS

HOUSE OF REPRESENTATIVES AND JOINT ITEMS (PAGE 1 OF 2)

	2002 Actual		2003 Enacted		2004 Estimate		Net Change	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization		\$145		\$150				-\$150
Payment to Widows and Heirs of Deceased Members of Congress								
SALARIES AND EXPENSES	9,694	\$837,980	9,989	\$949,871	10,014	\$1,039,638	25	\$89,767
House Leadership Offices	184	\$14,911	188	\$16,530	188	\$17,094		\$564
Members' Representational Allowances	7,265	\$465,334	7,350	\$476,536	7,350	\$523,454		\$46,918
Standing Committees, Special and Select	1,088	\$97,270	1,150	\$103,421	1,150	\$107,558		\$4,137
Committee on Appropriations	147	\$18,977	160	\$24,200	160	\$24,926		\$726
Salaries, Officers and Employees	1,010	\$88,166	1,141	\$152,027	1,166	\$171,291	25	\$19,264
Allowances and Expenses		\$153,323		\$177,157		\$195,315		\$18,158
Total House of Representatives	9,694	\$838,126	9,989	\$950,021	10,014	\$1,039,638	25	\$89,617
Joint Items-House								
Joint Committee on Taxation	61	\$6,610	71	\$7,593	71	\$7,875		\$282
Office of the Attending Physician	17	\$1,619	18	\$2,981	18	\$2,236		-\$745
Statements of Appropriations				\$30		\$30		\$
Total Joint Items	78	\$8,229	89	\$10,604	89	\$10,141		-\$463
Total House and Joint Items	9,772	\$846,354	10,078	\$960,625	10,103	\$1,049,779	25	\$89,154

SCHEDULE A MASTER-HOUSE AND JOINT ITEMS

HOUSE OF REPRESENTATIVES AND JOINT ITEMS (PAGE 2 OF 2)

2. Breakdown by Object Class	2002 Actual		2003 Enacted		2004 Estimate		Net Change	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation	9,772	\$513,782	10,078	\$553,727	10,103	\$579,549	25	\$25,822
12 Personnel Benefits		\$151,114		\$174,017		\$191,875		\$17,858
13 Benefits to Former Personnel		\$1,045		\$620		\$470		-\$150
21 Travel		\$16,822		\$19,882		\$22,442		\$2,560
22 Transportation of Things		\$26		\$37		\$13		-\$24
23 Rent, Communications, Utilities		\$64,950		\$63,748		\$87,257		\$23,509
24 Printing and Reproduction		\$18,561		\$10,328		\$20,307		\$9,979
25 Other Services		\$18,158		\$45,446		\$44,167		-\$1,279
26 Supplies and Materials		\$19,001		\$24,800		\$26,057		\$1,258
31 Equipment		\$42,896		\$67,970		\$77,592		\$9,622
32 Land and Structures		\$1		\$50		\$50		
42 Insurance Claims/ Indemnities								
TOTAL	9,772	\$846,354	10,078	\$960,625	10,103	\$1,049,779	25	\$89,154

SCHEDULE B MASTER-HOUSE AND JOINT ITEMS

HOUSE OF REPRESENTATIVES AND JOINT ITEMS (PAGE 1 OF 2)
ANALYSIS OF CHANGE
BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"
Breakdown by Organization												
Payment to Widows and Heirs of Deceased Members of Congress						-150						-150
SALARIES AND EXPENSES		\$41,351		\$3,224			25	\$35,923				\$89,767
House Leadership Offices		\$544		\$20								\$564
Members' Representational Allowances		\$13,440		\$2,816				\$30,662				\$46,918
Standing Committees, Special and Select Committees on Appropriations		\$3,548		\$261								\$4,137
Salaries, Officers and Employees Allowances and Expenses		\$1,150		\$127			25	\$5,308				\$726
		\$5,102		\$127								\$19,264
		\$17,567										\$18,158
Total House of Representatives		\$41,351		\$3,224		-150	25	\$35,923				\$89,617
Joint Committee on Taxation		\$272										\$282
Office of the Attending Physician		\$152										-\$745
Statements of Appropriations												\$
Total Joint Items		\$424										-\$463
Total House and Joint Items		\$41,775		\$3,224		-150	25	\$35,541				\$89,154

SCHEDULE B MASTER-HOUSE AND JOINT ITEMS

HOUSE OF REPRESENTATIVES AND JOINT ITEMS (PAGE 2 OF 2)

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"	FTE	DOLLARS "(000)"
Breakdown by Object Class												
11 Personnel Compensation		\$23,917					25	\$1,905			25	\$25,822
12 Personnel Benefits		\$17,858										\$17,858
13 Benefits to Former Personnel												-\$150
21 Travel				\$451				\$2,109				\$2,560
22 Transportation of Things								-\$24				-\$24
23 Rent, Communications, Utilities				\$967				\$22,542				\$23,509
24 Printing and Reproduction				\$242				\$9,737				\$9,979
25 Other Services				\$191				-\$1,470				-\$1,279
26 Supplies and Materials				\$516				\$742				\$1,258
31 Equipment				\$857								\$8,765
32 Land and Structures												
42 Insurance Claims/ Indemnities												
Total House and Joint Items		\$41,775		\$3,224		-\$150	25	\$35,541		\$8,765	25	\$89,154

HOUSE OF REPRESENTATIVES

Payments to Widows and Heirs of Deceased Members of Congress

**HOUSE OF REPRESENTATIVES
PAYMENTS TO WIDOWS AND HEIRS OF DECEASED MEMBERS OF CONGRESS
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....								
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total		\$145		\$150		\$150		-\$150

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION PAYMENTS TO WIDOWS AND HEIRS OF DECEASED MEMBERS OF CONGRESS		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003		\$150
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004		\$150
A. MANDATORY CHANGES		
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		-\$150
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		-\$150
III. TOTAL APPROPRIATIONS REQUEST, 2004		

Explanation of Changes Shown on Schedule C

PAYMENTS TO WIDOWS AND HEIRS OF
DECEASED MEMBERS OF CONGRESS

Legislation:

This reduction is attributed to the payment to John F. Mink, widower of Patsy Mink, late a Representative from the State of South Carolina, \$150,000.

**HOUSE OF REPRESENTATIVES
Salaries and Expenses**

**HOUSE OF REPRESENTATIVES
SALARIES AND EXPENSES
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	9,694	\$506,544	9,989	\$545,533	10,014	\$570,931	25	\$25,398
12 Personnel Benefits.....		\$151,004		\$173,847		\$191,705		\$17,858
13 Benefits to Former Personnel.....		\$899		\$470		\$470		
21 Travel.....		\$16,792		\$19,853		\$22,415		\$2,562
22 Transportation of Things.....		\$26		\$37		\$13		-\$24
23 Rent, Communications, Utilities.....		\$64,884		\$63,688		\$87,197		\$23,509
24 Printing and Reproduction.....		\$18,550		\$10,327		\$20,306		\$9,979
25 Other Services.....		\$18,091		\$45,271		\$43,992		-\$1,279
26 Supplies and Materials.....		\$18,661		\$23,929		\$25,567		\$1,638
31 Equipment.....		\$42,528		\$66,866		\$76,992		\$10,126
32 Land and Structures.....		\$1		\$50		\$50		
42 Insurance Claims/Indemnities.....								
Total	9,694	\$837,980	9,989	\$949,871	10,014	\$1,039,638	25	\$89,767

SCHEDULE B

HOUSE OF REPRESENTATIVES
SALARIES AND EXPENSES
ANALYSIS OF CHANGE
BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$23,493					25	\$1,905			25	\$25,398
12 Personnel Benefits		\$17,858										\$17,858
13 Benefits to Former Personnel												
21 Travel				\$451				\$2,111				\$2,562
22 Transportation of Things				\$967				-\$24				-\$24
23 Rent, Communications, Utilities				\$242				\$22,542				\$23,509
24 Printing and Reproduction				\$191				\$9,737				\$9,979
25 Other Services				\$516				-\$1,470				-\$1,279
26 Supplies and Materials				\$857				\$1,122				\$1,638
31 Equipment										\$9,269		\$10,126
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$41,351		\$3,224			25	\$35,923		\$9,269	25	\$89,767

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION SALARIES AND EXPENSES		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	9,989	\$956,086
ADJUSTMENT TO APPROPRIATION		-\$6,215
BUDGET BASE, 2004	9,989	\$949,871
A. MANDATORY CHANGES		\$41,351
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		\$500
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$5,778
5. FY '04 LONGEVITY INCREASES		\$665
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		\$1,206
8. FY '04 COST OF LIVING ADJUSTMENT		\$15,056
9. FY '04 OVERTIME PAY		\$243
10. FY '04 TEMPORARY POSITIONS		\$45
11. FY '04 PERSONNEL BENEFITS		\$17,858
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$3,224
1. TRAVEL		\$451
2. RENT, COMMUNICATIONS		\$967
3. PRINTING AND REPRODUCTION		\$242
4. OTHER SERVICES		\$191
5. SUPPLIES		\$516
6. EQUIPMENT		\$857
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES	25	\$45,192
1. LEGISLATION		
2. WORKLOAD	25	\$45,192
a. TRAVEL		\$2,087
b. RENT, COMMUNICATIONS		\$22,542
c. SUPPLIES		\$1,122
d. PRINTING AND REPRODUCTION		\$9,737
e. OTHER SERVICES		-\$1,470
f. STAFF LEVEL CHANGES	25	\$1,905
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		\$9,269
a. REPLACEMENT AND UPGRADE		\$9,269
II. NET INCREASE/DECREASE REQUESTED	25	\$89,767
III. TOTAL APPROPRIATIONS REQUEST, 2004	10,014	\$1,039,638

**HOUSE LEADERSHIP OFFICES
Office of the Speaker**

**HOUSE OF REPRESENTATIVES
OFFICE OF THE SPEAKER
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	20	\$1,468	25	\$1,883	25	\$1,950		\$67
12 Personnel Benefits.....		\$26		\$26		\$26		
13 Benefits to Former Personnel.....								
21 Travel.....		\$4		\$4		\$4		
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....		\$1		\$1		\$1		
24 Printing and Reproduction.....		\$1		\$1		\$1		
25 Other Services.....		\$1		\$1		\$1		
26 Supplies and Materials.....		\$62		\$63		\$65		\$2
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	20	\$1,562	25	\$1,979	25	\$2,048		\$69

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF THE SPEAKER		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	25	\$1,979
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	25	\$1,979
A. MANDATORY CHANGES		\$67
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$39
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$28
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$2
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		\$2
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$69
III. TOTAL APPROPRIATIONS REQUEST, 2004	25	\$2,048

Explanation of Changes Shown on Schedule C

HOUSE LEADERSHIP OFFICES
OFFICE OF THE SPEAKER

The FY'04 request includes funds for statutory authorizations, a lump sum authorization and official expense authorization. The lump sum authorization may be used to pay for personnel and non-personnel costs associated with daily official duties.

The FY'04 request for this office is based on full funding of the authorization previously mentioned. The funding for the Statutory positions was increased by the COLA (3.1%) included in the January 2003 Speaker's Pay Order. Cost of living assumptions have been applied for FY'04 for the lump sum categories only.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the full funding of the authorization. This includes a 3.1% January 2003 pay increase for statutory salaries, annualization of the FY'03 lump sum Cost of Living Adjustment and prorated FY'04 Cost of Living Adjustment for lump sum only.

Price Level Change

There is a minimum inflationary amount attributable to increased costs in supplies.

Office of the Majority Floor Leader

SCHEDULE A

HOUSE OF REPRESENTATIVES
OFFICE OF THE MAJORITY FLOOR LEADER
BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	18	\$1,697	21	\$1,848	21	\$1,913		\$65
12 Personnel Benefits.....		\$10		\$10		\$10		
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....		\$						
24 Printing and Reproduction.....		\$1		\$1		\$1		
25 Other Services.....								
26 Supplies and Materials.....		\$38		\$40		\$41		\$1
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	18	\$1,747	21	\$1,899	21	\$1,965		\$66

SCHEDULE B

HOUSE OF REPRESENTATIVES
OFFICE OF THE MAJORITY FLOOR LEADER
ANALYSIS OF CHANGE
BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$65										\$65
12 Personnel Benefits												
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities												
24 Printing and Reproduction												
25 Other Services												
26 Supplies and Materials				\$1								\$1
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$65		\$1								\$66

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF THE MAJORITY FLOOR LEADER		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	21	\$1,899
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	21	\$1,899
A. MANDATORY CHANGES		\$65
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$38
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$27
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$1
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		\$1
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$66
III. TOTAL APPROPRIATIONS REQUEST, 2004	21	\$1,965

Explanation of Changes Shown on Schedule C

HOUSE LEADERSHIP OFFICES
OFFICE OF THE MAJORITY FLOOR LEADER

The FY'04 request includes funds for statutory authorizations, a lump sum authorization and official expense authorization. The lump sum authorization may be used to pay for personnel and non-personnel costs associated with daily official duties.

The FY'04 request for this office is based on full funding of the authorization previously mentioned. The funding for the Statutory positions was increased by the COLA (3.1%) included in the January 2003 Speaker's Pay Order. Cost of living assumptions have been applied for FY'04 for the lump sum categories only.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the full funding of the authorization. This includes a 3.1% January 2003 pay increase for statutory salaries, annualization of the FY'03 lump sum Cost of Living Adjustment and prorated FY'04 Cost of Living Adjustment for lump sum only.

Price Level Change

There is a minimum inflationary amount attributable to increased costs in supplies.

Office of the Minority Floor Leader

HOUSE OF REPRESENTATIVES
OFFICE OF THE MINORITY FLOOR LEADER
BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	26	\$1,591	21	\$1,926	21	\$1,997		\$71
12 Personnel Benefits.....		\$13		\$14		\$14		
13 Benefits to Former Personnel.....								
21 Travel.....		\$51		\$53		\$54		\$1
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....		\$23		\$24		\$25		\$1
24 Printing and Reproduction.....		\$11		\$11		\$11		
25 Other Services.....		\$114		\$118		\$121		\$3
26 Supplies and Materials.....		\$158		\$163		\$168		\$5
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	26	\$1,961	21	\$2,309	21	\$2,390		\$81

SCHEDULE B

HOUSE OF REPRESENTATIVES
OFFICE OF THE MINORITY FLOOR LEADER
ANALYSIS OF CHANGE
BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$71										\$71
12 Personnel Benefits												
13 Benefits to Former Personnel				\$1								\$1
21 Travel												
22 Transportation of Things				\$1								\$1
23 Rent, Communications, Utilities				\$3								\$3
24 Printing and Reproduction				\$5								\$5
25 Other Services												
26 Supplies and Materials												
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$71		\$10								\$81

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF THE MINORITY FLOOR LEADER		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	21	\$2,309
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	21	\$2,309
A. MANDATORY CHANGES		\$71
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$46
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$25
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$10
1. TRAVEL		\$1
2. RENT, COMMUNICATIONS		\$1
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		\$3
5. SUPPLIES		\$5
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$81
III. TOTAL APPROPRIATIONS REQUEST, 2004	21	\$2,390

Explanation of Changes Shown on Schedule C

HOUSE LEADERSHIP OFFICES
OFFICE OF THE MINORITY FLOOR LEADER

The FY'04 request includes funds for statutory authorizations, a lump sum authorization and official expense authorization. The lump sum authorization may be used to pay for personnel and non-personnel costs associated with daily official duties.

The FY'04 request for this office is based on full funding of the authorization previously mentioned. The funding for the Statutory positions was increased by the COLA (3.1%) included in the January 2003 Speaker's Pay Order. Cost of living assumptions have been applied for FY'04 for the lump sum categories only.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the full funding of the authorization. This includes a 3.1% January 2003 pay increase for statutory salaries, annualization of the FY'03 lump sum Cost of Living Adjustment and prorated FY'04 Cost of Living Adjustment for lump sum only.

Price Level Change

There is a minimum inflationary amount attributable to increased costs in travel, rent communications and utilities, other services and supplies.

Office of the Majority Whip

HOUSE OF REPRESENTATIVES
OFFICE OF THE MAJORITY WHIP
BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	20	\$1,381	17	\$1,465	17	\$1,522		\$57
12 Personnel Benefits.....		\$5		\$5		\$5		\$5
13 Benefits to Former Personnel.....		\$15		\$15		\$15		\$15
21 Travel.....		\$16		\$16		\$16		\$16
22 Transportation of Things.....		\$3		\$3		\$3		\$3
23 Rent, Communications, Utilities.....		\$1		\$1		\$1		\$1
24 Printing and Reproduction.....		\$116		\$119		\$122		\$3
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	20	\$1,536	17	\$1,624	17	\$1,684		\$60

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF THE MAJORITY WHIP		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	17	\$1,624
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	17	\$1,624
A. MANDATORY CHANGES		\$57
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$28
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$29
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$3
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		\$3
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$60
III. TOTAL APPROPRIATIONS REQUEST, 2004	17	\$1,684

Explanation of Changes Shown on Schedule C

HOUSE LEADERSHIP OFFICES
OFFICE OF THE MAJORITY WHIP

The FY'04 request includes funds for statutory authorizations, a lump sum authorization and official expense authorization. The lump sum authorization may be used to pay for personnel and non-personnel costs associated with daily official duties.

The FY'04 request for this office is based on full funding of the authorization previously mentioned. The funding for the Statutory positions was increased by the COLA (3.1%) included in the January 2003 Speaker's Pay Order. Cost of living assumptions have been applied for FY'04 for the lump sum categories only.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the full funding of the authorization. This includes a 3.1% January 2003 pay increase for statutory salaries, annualization of the FY'03 lump sum Cost of Living Adjustment and prorated FY'04 Cost of Living Adjustment for lump sum only.

Price Level Change

There is a minimum inflationary amount primarily attributable to increased costs in supplies.

Office of the Minority Whip

HOUSE OF REPRESENTATIVES
OFFICE OF THE MINORITY WHIP
BY OBJECT CLASS

SCHEDULE A

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	13	\$1,096	17	\$1,161	17	\$1,205		\$44
12 Personnel Benefits.....		\$1		\$5		\$5		
13 Benefits to Former Personnel.....		\$5		\$5		\$5		
21 Travel.....		\$		\$1		\$1		
22 Transportation of Things.....		\$2		\$2		\$2		
23 Rent, Communications, Utilities.....		\$5		\$5		\$5		
24 Printing and Reproduction.....		\$38		\$35		\$36		\$1
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	13	\$1,146	17	\$1,214	17	\$1,259		\$45

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF THE MINORITY WHIP		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	17	\$1,214
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	17	\$1,214
A. MANDATORY CHANGES		\$44
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$20
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$24
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$1
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		\$1
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$45
III. TOTAL APPROPRIATIONS REQUEST, 2004	17	\$1,259

Explanation of Changes Shown on Schedule C

HOUSE LEADERSHIP OFFICES
OFFICE OF THE MINORITY WHIP

The FY'04 request includes funds for statutory authorizations, a lump sum authorization and official expense authorization. The lump sum authorization may be used to pay for personnel and non-personnel costs associated with daily official duties.

The FY'04 request for this office is based on full funding of the authorization previously mentioned. The funding for the Statutory positions was increased by the COLA (3.1%) included in the January 2003 Speaker's Pay Order. Cost of living assumptions have been applied for FY'04 for the lump sum categories only.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the full funding of the authorization. This includes a 3.1% January 2003 pay increase for statutory salaries, annualization of the FY'03 lump sum Cost of Living Adjustment and prorated FY'04 Cost of Living Adjustment for lump sum only.

Price Level Change

There is a minimum inflationary amount attributable to increased costs in supplies.

Speaker's Office for Legislative Floor Activities

**HOUSE OF REPRESENTATIVES
SPEAKER'S OFFICE FOR LEGISLATIVE FLOOR ACTIVITIES
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	3	\$440	3	\$446	3	\$460		\$14
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	3	\$440	3	\$446	3	\$460		\$14

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION SPEAKER'S OFFICE FOR LEGISLATIVE FLOOR ACTIVITIES		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	3	\$446
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	3	\$446
A. MANDATORY CHANGES		\$14
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$14
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$14
III. TOTAL APPROPRIATIONS REQUEST, 2004	3	\$460

Explanation of Changes Shown on Schedule C

HOUSE LEADERSHIP OFFICES
SPEAKER'S OFFICE FOR LEGISLATIVE FLOOR ACTIVITIES

The FY'04 request includes full funding for the three statutory positions assigned this office.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the 3.1% FY'03 Cost of Living Adjustment. There was no FY'04 COLA included in this budget request since the rates of pay for these three statutory positions are established in the Speaker's Pay Order.

Republican Steering Committee

**HOUSE OF REPRESENTATIVES
REPUBLICAN STEERING COMMITTEE
BY OBJECT CLASS**

SCHEDULE A

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	6	\$763	7	\$834	7	\$862		\$28
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	6	\$763	7	\$834	7	\$862		\$28

SCHEDULE B

HOUSE OF REPRESENTATIVES
 REPUBLICAN STEERING COMMITTEE
 ANALYSIS OF CHANGE
 BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)" ^a	FTE	Dollars "(000)" ^a	FTE	Dollars "(000)" ^a	FTE	Dollars "(000)" ^a	FTE	Dollars "(000)" ^a	FTE	Dollars "(000)" ^a
Breakdown by Organization												
11 Personnel Compensation		\$28										\$28
12 Personnel Benefits												
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities												
24 Printing and Reproduction												
25 Other Services												
26 Supplies and Materials												
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$28										\$28

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION REPUBLICAN STEERING COMMITTEE		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	7	\$834
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	7	\$834
A. MANDATORY CHANGES		\$28
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$25
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$3
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT. REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$28
III. TOTAL APPROPRIATIONS REQUEST, 2004	7	\$862

Explanation of Changes Shown on Schedule C

HOUSE LEADERSHIP OFFICES
REPUBLICAN STEERING COMMITTEE

The FY'04 request includes funds for statutory authorizations and a lump sum authorization. The lump sum authorization may be used to pay for personnel and non-personnel costs associated with daily official duties.

The FY'04 request for this office is based on full funding of the authorization previously mentioned. The funding for the Statutory positions was increased by the COLA (3.1%) included in the January 2003 Speaker's Pay Order. Cost of living assumptions have been applied for FY'04 for the lump sum categories only.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the full funding of the authorization. This includes a 3.1% January 2003 pay increase for statutory salaries, annualization of the FY'03 lump sum Cost of Living Adjustment and prorated FY'04 Cost of Living Adjustment for lump sum only.

Republican Conference

HOUSE OF REPRESENTATIVES
 REPUBLICAN CONFERENCE
 BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	24	\$1,270	26	\$1,343	26	\$1,393		\$50
12 Personnel Benefits.....		\$5		\$5		\$5		
13 Benefits to Former Personnel.....								
21 Travel.....		\$3		\$3		\$3		
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....		\$		\$1		\$1		
24 Printing and Reproduction.....		\$		\$1		\$1		
25 Other Services.....		\$43		\$44		\$45		\$1
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	24	\$1,321	26	\$1,397	26	\$1,448		\$51

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION REPUBLICAN CONFERENCE		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	26	\$1,397
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	26	\$1,397
A. MANDATORY CHANGES		\$50
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$21
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$29
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$1
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		\$1
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$51
III. TOTAL APPROPRIATIONS REQUEST, 2004	26	\$1,448

Explanation of Changes Shown on Schedule C

HOUSE LEADERSHIP OFFICES
REPUBLICAN CONFERENCE

The FY'04 request includes funds for statutory authorizations and a lump sum authorization. The lump sum authorization may be used to pay for personnel and non-personnel costs associated with daily official duties.

The FY'04 request for this office is based on full funding of the authorization previously mentioned. The funding for the Statutory positions was increased by the COLA (3.1%) included in the January 2003 Speaker's Pay Order. Cost of living assumptions have been applied for FY'04 for the lump sum categories only.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the full funding of the authorization. This includes a 3.1% January 2003 pay increase for statutory salaries, annualization of the FY'03 lump sum Cost of Living Adjustment and prorated FY'04 Cost of Living Adjustment for lump sum only.

Price Level Change

There is a minimum inflationary amount attributable to increased costs in supplies.

Democratic Steering and Policy Committee

**HOUSE OF REPRESENTATIVES
DEMOCRATIC STEERING AND POLICY COMMITTEE
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(,000)"	FTE	Dollars "(,000)"	FTE	Dollars "(,000)"	FTE	Dollars "(,000)"
11 Personnel Compensation.....	16	\$1,285	16	\$1,461	16	\$1,513		\$52
12 Personnel Benefits.....		\$2		\$4		\$4		
13 Benefits to Former Personnel.....								
21 Travel.....		\$1		\$2		\$2		
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....		\$12		\$13		\$13		
24 Printing and Reproduction.....		\$						
25 Other Services.....		\$10		\$10		\$10		
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	16	\$1,310	16	\$1,490	16	\$1,542		\$52

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION DEMOCRATIC STEERING AND POLICY COMMITTEE		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	16	\$1,490
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	16	\$1,490
A. MANDATORY CHANGES		\$52
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$32
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$20
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$52
III. TOTAL APPROPRIATIONS REQUEST, 2004	16	\$1,542

Explanation of Changes Shown on Schedule C

HOUSE LEADERSHIP OFFICES
DEMOCRATIC STEERING AND POLICY COMMITTEE

The FY'04 request includes funds for statutory authorizations and a lump sum authorization. The lump sum authorization may be used to pay for personnel and non-personnel costs associated with daily official duties.

The FY'04 request for this office is based on full funding of the authorization previously mentioned. The funding for the Statutory positions was increased by the COLA (3.1%) included in the January 2003 Speaker's Pay Order. Cost of living assumptions have been applied for FY'04 for the lump sum categories only.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the full funding of the authorization. This includes a 3.1% January 2003 pay increase for statutory salaries, annualization of the FY'03 lump sum Cost of Living Adjustment and prorated FY'04 Cost of Living Adjustment for lump sum only.

Democratic Caucus

**HOUSE OF REPRESENTATIVES
DEMOCRATIC CAUCUS
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	12	\$639	9	\$671	9	\$696		\$25
12 Personnel Benefits.....		\$2		\$2		\$2		
13 Benefits to Former Personnel.....		\$19		\$20		\$21		\$1
21 Travel.....		\$		\$		\$		
22 Transportation of Things.....		\$17		\$18		\$18		
23 Rent, Communications, Utilities.....		\$		\$		\$		
24 Printing and Reproduction.....		\$29		\$30		\$31		\$1
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	12	\$706	9	\$741	9	\$768		\$27

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION DEMOCRATIC CAUCUS		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	9	\$741
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	9	\$741
A. MANDATORY CHANGES		\$25
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$15
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$10
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$2
1. TRAVEL		\$1
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		\$1
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$27
III. TOTAL APPROPRIATIONS REQUEST, 2004	9	\$768

Explanation of Changes Shown on Schedule C

HOUSE LEADERSHIP OFFICES
DEMOCRATIC CAUCUS

The FY'04 request includes funds for statutory authorizations and a lump sum authorization. The lump sum authorization may be used to pay for personnel and non-personnel costs associated with daily official duties.

The FY'04 request for this office is based on full funding of the authorization previously mentioned. The funding for the Statutory positions was increased by the COLA (3.1%) included in the January 2003 Speaker's Pay Order. Cost of living assumptions have been applied for FY'04 for the lump sum categories only.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the full funding of the authorization. This includes a 3.1% January 2003 pay increase for statutory salaries, annualization of the FY'03 lump sum Cost of Living Adjustment and prorated FY'04 Cost of Living Adjustment for lump sum only.

Price Level Change

There is a minimum inflationary amount attributable to increased costs in travel and supplies.

Nine Minority Employees

**HOUSE OF REPRESENTATIVES
NINE MINORITY EMPLOYEES
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	9	\$1,293	9	\$1,337	9	\$1,380		\$43
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	9	\$1,293	9	\$1,337	9	\$1,380		\$43

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION NINE MINORITY EMPLOYEES		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	9	\$1,337
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	9	\$1,337
A. MANDATORY CHANGES		\$43
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$43
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$43
III. TOTAL APPROPRIATIONS REQUEST, 2004	9	\$1,380

Explanation of Changes Shown on Schedule C

HOUSE LEADERSHIP OFFICES
NINE MINORITY EMPLOYEES

The FY'04 request includes full funding for the nine statutory positions assigned this office. A cost of living assumption has been applied to FY'03 only.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the 3.1% FY'03 Cost of Living Adjustment. There was no FY'04 COLA included in this budget request since the rates of pay for these nine statutory positions are established in the Speaker's Pay Order.

Training and Program Development - Majority

SCHEDULE A

**HOUSE OF REPRESENTATIVES
TRAINING AND PROGRAM DEVELOPMENT - MAJORITY
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	4	\$278	5	\$290	5	\$290		
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	4	\$278	5	\$290	5	\$290		

SCHEDULE B

HOUSE OF REPRESENTATIVES
 TRAINING AND PROGRAM DEVELOPMENT - MAJORITY
 ANALYSIS OF CHANGE
 BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)" ^a	FTE	Dollars "(000)" ^a	FTE	Dollars "(000)" ^a	FTE	Dollars "(000)" ^a	FTE	Dollars "(000)" ^a	FTE	Dollars "(000)" ^a
Breakdown by Organization												
11 Personnel Compensation												
12 Personnel Benefits												
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities												
24 Printing and Reproduction												
25 Other Services												
26 Supplies and Materials												
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total												

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION TRAINING AND PROGRAM DEVELOPMENT - MAJORITY		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	5	\$290
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	5	\$290
A. MANDATORY CHANGES		
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		
III. TOTAL APPROPRIATIONS REQUEST, 2004	5	\$290

Explanation of Changes Shown on Schedule C

HOUSE LEADERSHIP OFFICES
TRAINING AND PROGRAM DEVELOPMENT - MAJORITY

Pursuant to Section 103 of the FY 1999 Legislative Branch Appropriations Act (P.L. 105-275), an account was established for the purposes of carrying out training and program development activities of the Republican Conference and the Democratic Steering and Policy Committee. The FY'04 funding request of \$290,000 for Training and Program Development-Majority is the authorized amount.

Training and Program Development - Minority

SCHEDULE A

**HOUSE OF REPRESENTATIVES
TRAINING AND PROGRAM DEVELOPMENT - MINORITY
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	5	\$239	4	\$290	4	\$290		
12 Personnel Benefits.....		\$1						
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	5	\$240	4	\$290	4	\$290		

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION TRAINING AND PROGRAM DEVELOPMENT - MINORITY		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	4	\$290
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	4	\$290
A. MANDATORY CHANGES		
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		
III. TOTAL APPROPRIATIONS REQUEST, 2004	4	\$290

Explanation of Changes Shown on Schedule C

HOUSE LEADERSHIP OFFICES
TRAINING AND PROGRAM DEVELOPMENT - MINORITY

Pursuant to Section 103 of the FY 1999 Legislative Branch Appropriations Act (P.L. 105-275), an account was established for the purposes of carrying out training and program development activities of the Republican Conference and the Democratic Steering and Policy Committee. The FY'04 funding request of \$290,000 for Training and Program Development-Minority is the authorized amount.

Cloakroom - Majority

**HOUSE OF REPRESENTATIVES
CLOAKROOM PERSONNEL - MAJORITY
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	4	\$285	4	\$340	4	\$354		\$14
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	4	\$285	4	\$340	4	\$354		\$14

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION CLOAKROOM PERSONNEL - MAJORITY		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	4	\$340
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	4	\$340
A. MANDATORY CHANGES		\$14
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$4
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$10
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$14
III. TOTAL APPROPRIATIONS REQUEST, 2004	4	\$354

Explanation of Changes Shown on Schedule C

HOUSE LEADERSHIP OFFICES
CLOAKROOM PERSONNEL-MAJORITY

Pursuant to Section 113 of the FY'02 Legislative Branch Appropriations Act four positions were transferred from the Clerk of the House to the Speaker, effective October 1, 2001. There is \$354,000 requested for this account. This is a \$14,000 increase over the fiscal year 2003 funded amount.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the annualization of the FY'03 Cost of Living Adjustment and prorated FY'04 Cost of Living Adjustment.

Cloakroom - Minority

**HOUSE OF REPRESENTATIVES
CLOAKROOM PERSONNEL - MINORITY
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	4	\$322	4	\$340	4	\$354		\$14
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	4	\$322	4	\$340	4	\$354		\$14

SCHEDULE B

HOUSE OF REPRESENTATIVES
CLOAKROOM PERSONNEL - MINORITY
ANALYSIS OF CHANGE
BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$14										\$14
12 Personnel Benefits												
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities												
24 Printing and Reproduction												
25 Other Services												
26 Supplies and Materials												
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$14										\$14

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION CLOAKROOM PERSONNEL - MINORITY		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	4	\$340
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	4	\$340
A. MANDATORY CHANGES		\$14
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$4
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$10
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$14
III. TOTAL APPROPRIATIONS REQUEST, 2004	4	\$354

Explanation of Changes Shown on Schedule C

HOUSE LEADERSHIP OFFICES
CLOAKROOM PERSONNEL-MINORITY

Pursuant to Section 113 of the FY'02 Legislative Branch Appropriations Act four positions were transferred from the Clerk of the House to the Speaker, effective October 1, 2001. There is \$354,000 requested for this account. This is a \$14,000 increase over the fiscal year 2003 funded amount.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the annualization of the FY'03 Cost of Living Adjustment and prorated FY'04 Cost of Living Adjustment.

Total – House Leadership Offices

**HOUSE OF REPRESENTATIVES
TOTAL - LEADERSHIP OFFICES
BY OBJECT CLASS**

	FY 2002		FY 2003		FY 2004		Net Change	
	Actual		Enacted		Estimate		FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	184	\$14,046	188	\$15,635	188	\$16,179		\$544
12 Personnel Benefits.....		\$64		\$71		\$71		
13 Benefits to Former Personnel.....								
21 Travel.....		\$98		\$102		\$104		\$2
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....		\$41		\$43		\$44		\$1
24 Printing and Reproduction.....		\$46		\$50		\$50		
25 Other Services.....		\$121		\$125		\$128		\$3
26 Supplies and Materials.....		\$494		\$504		\$518		\$14
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	184	\$14,911	188	\$16,530	188	\$17,094		\$564

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION TOTAL - LEADERSHIP OFFICES		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	188	\$16,530
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	188	\$16,530
A. MANDATORY CHANGES		\$544
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$329
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$215
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$20
1. TRAVEL		\$2
2. RENT, COMMUNICATIONS		\$1
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		\$3
5. SUPPLIES		\$14
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$564
III. TOTAL APPROPRIATIONS REQUEST, 2004	188	\$17,094

MEMBERS' REPRESENTATIONAL ALLOWANCES

SCHEDULE A

**HOUSE OF REPRESENTATIVES
MEMBERS' REPRESENTATIONAL ALLOWANCES
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	7,265	\$325,917	7,350	\$344,508	7,350	\$357,697		\$13,189
12 Personnel Benefits.....		\$412		\$710		\$961		\$251
13 Benefits to Former Personnel.....								
21 Travel.....		\$15,472		\$17,500		\$17,920		\$420
22 Transportation of Things.....		\$2		\$12		\$12		
23 Rent, Communications, Utilities.....		\$59,796		\$52,577		\$74,503		\$21,926
24 Printing and Reproduction.....		\$18,256		\$9,900		\$19,800		\$9,900
25 Other Services.....		\$2,480		\$4,000		\$4,096		\$96
26 Supplies and Materials.....		\$14,157		\$18,080		\$18,514		\$434
31 Equipment.....		\$28,841		\$29,249		\$29,951		\$702
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	7,265	\$465,334	7,350	\$476,536	7,350	\$523,454		\$46,918

SCHEDULE B

HOUSE OF REPRESENTATIVES
MEMBERS' REPRESENTATIONAL ALLOWANCES
ANALYSIS OF CHANGE
BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$13,189										\$13,189
12 Personnel Benefits		\$251										\$251
13 Benefits to Former Personnel												
21 Travel				\$420								\$420
22 Transportation of Things				\$926								\$926
23 Rent, Communications, Utilities				\$238				\$21,000				\$21,926
24 Printing and Reproduction				\$96				\$9,662				\$9,900
25 Other Services				\$434								\$96
26 Supplies and Materials				\$702								\$434
31 Equipment												\$702
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$13,440		\$2,816				\$30,662				\$46,918

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION MEMBERS' REPRESENTATIONAL ALLOWANCES		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	7,350	\$476,536
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	7,350	\$476,536
A. MANDATORY CHANGES		\$13,440
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$3,531
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$9,658
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		\$251
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$2,816
1. TRAVEL		\$420
2. RENT, COMMUNICATIONS		\$926
3. PRINTING AND REPRODUCTION		\$238
4. OTHER SERVICES		\$96
5. SUPPLIES		\$434
6. EQUIPMENT		\$702
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		\$30,662
1. LEGISLATION		
2. WORKLOAD		\$30,662
a. TRAVEL		
b. RENT, COMMUNICATIONS		\$21,000
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		\$9,662
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$46,918
III. TOTAL APPROPRIATIONS REQUEST, 2004	7,350	\$523,454

Explanation of Changes Shown on Schedule C

MEMBERS' REPRESENTATIONAL ALLOWANCES

The Members' Representational Allowances combines three former separate Member allowances, Clerk Hire, Official Expenses of Members and Official Mail Costs, into one allowance. Section 311 of Public Law 104-53, the FY'96 Legislative Branch Appropriations Act authorized the then Committee on House Oversight (currently Committee on House Administration) to consolidate the three component parts into one annual allowance, effective September 1995.

The fiscal year 2004 request is \$523,454,000 and supports Member spending for the final quarter of the first session of the 108th Congress as well as the first three quarters of the second session of the 108th Congress.

The fiscal year 2004 request is an increase of \$46,918,000 or 9.8% over the amount funded in the fiscal year 2003 Legislative Branch Appropriations Act.

Mandatory Pay and Related Changes:

The personnel estimate of \$357,697,000 is an increase of \$13,189,000 or 3.8% over the amount enacted for FY'03 of \$344,508,000. This increase is defined as being attributed to the annualization of the FY'03 COLA (1.025%) and further applying a prorated FY'04 COLA of 2.775% (3.7% annualized). The MRA also includes a transit benefits estimate of \$961,000 an increase of \$251,000 or 35.4% over the amount enacted for FY'03.

Price Level Changes: Inflation factor of 2.4% was used.

Travel +\$420,000: Increased by an inflationary factor over the FY'03 enacted amount.

Rent Communications, Utilities +\$926,000: Increased by an inflationary factor over the FY'03 enacted amount.

Printing +\$238,000: Increased by an inflationary factor over the FY'03 enacted amount.

Other Services +\$96,000: Increased by an inflationary factor over the FY'03 enacted amount.

Supplies and Materials +\$434,000: Increased by an inflationary factor over the FY'03 enacted amount.

Equipment +\$702,000: Increased by an inflationary factor over the FY'03 enacted amount.

Program Type Changes:

The FY'04 Official Expense and Official Mail components are based upon the spending patterns of the last even numbered fiscal year (FY'02).

Printing +\$9,662,000: A significant increase is anticipated from the FY'04 base in the area of printing costs. This increase is directly tied to the increase in Official Mail usage in the second session as opposed to first session usage.

Official Mail +\$21,000,000: The FY'04 Official Mail funding request of \$35,000,000 is a \$21,000,000 increase from the FY'03 base of \$14,000,000 due to Official Mail expenditures in election years.

COMMITTEE EMPLOYEES
Standing Committees, Special and Select

HOUSE OF REPRESENTATIVES
 STANDING COMMITTEES, SPECIAL AND SELECT
 BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	1,088	\$87,354	1,150	\$92,282	1,150	\$95,815		\$3,533
12 Personnel Benefits.....		\$107		\$217		\$232		\$15
13 Benefits to Former Personnel.....								
21 Travel.....		\$607		\$866		\$887		\$21
22 Transportation of Things.....		\$1						
23 Rent, Communications, Utilities.....		\$992		\$1,340		\$1,372		\$32
24 Printing and Reproduction.....		\$88		\$144		\$147		\$3
25 Other Services.....		\$792		\$1,753		\$1,795		\$42
26 Supplies and Materials.....		\$1,847		\$1,967		\$2,014		\$47
31 Equipment.....		\$5,483		\$4,852		\$5,296		\$444
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	1,088	\$97,270	1,150	\$103,421	1,150	\$107,558		\$4,137

SCHEDULE B

HOUSE OF REPRESENTATIVES
 STANDING COMMITTEES, SPECIAL AND SELECT
 ANALYSIS OF CHANGE
 BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$3,533										\$3,533
12 Personnel Benefits		\$15										\$15
13 Benefits to Former Personnel												
21 Travel				\$21								\$21
22 Transportation of Things				\$32								\$32
23 Rent, Communications, Utilities				\$3								\$3
24 Printing and Reproduction				\$42								\$42
25 Other Services				\$47								\$47
26 Supplies and Materials				\$116								\$116
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities												\$328
Total		\$3,548		\$261								\$4,137

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION STANDING COMMITTEES, SPECIAL AND SELECT		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	1,150	\$103,421
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	1,150	\$103,421
A. MANDATORY CHANGES		\$3,548
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$946
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$2,587
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		\$15
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$261
1. TRAVEL		\$21
2. RENT, COMMUNICATIONS		\$32
3. PRINTING AND REPRODUCTION		\$3
4. OTHER SERVICES		\$42
5. SUPPLIES		\$47
6. EQUIPMENT		\$116
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		\$328
1. LEGISLATION		
2. WORKLOAD		\$328
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		\$328
a. REPLACEMENT AND UPGRADE		\$328
II. NET INCREASE/DECREASE REQUESTED		\$4,137
III. TOTAL APPROPRIATIONS REQUEST, 2004	1,150	\$107,558

Explanation of Changes Shown On Schedule C

STANDING COMMITTEES, SPECIAL AND SELECT

This account funds all committee personnel and non-personnel expenses, with the exception of the Committee on Appropriations, estimated to be incurred during the fiscal year. The fiscal year 2004 request is \$107,558,000. This request is an increase of \$3,817,000 or 3.6% over the amount funded in the fiscal year 2003 Legislative Branch Appropriations Act.

The fiscal year 2003 request supports Committee spending for the final quarter of the first session of the 108th Congress as well as the first three-quarters of the second session of the 108th Congress.

Mandatory Pay and Related Changes:

Personnel increases of \$3,533,000 are due to the annualization of the FY'03 Cost of Living Adjustment, and a prorated FY'04 Cost of Living Adjustment. There is also \$232,000 for Transit Benefits.

Price Level Changes:

Price level increases are attributed to an inflation factor of 2.4% for Travel, RCU, Printing, Other Services, Supplies and Equipment.

Program Type Changes:

Equipment: The increase of \$328,000 in FY'04 is due to anticipated growth in equipment purchases primarily associated with the restructuring of the Standing Committees.

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES
COMMITTEE ON APPROPRIATIONS
BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	147	\$15,860	160	\$17,300	160	\$18,450		\$1,150
12 Personnel Benefits.....		\$5		\$6		\$6		
13 Benefits to Former Personnel.....		\$305		\$800		\$800		
21 Travel.....								
22 Transportation of Things.....		\$85		\$100		\$100		
23 Rent, Communications, Utilities.....		\$1		\$3		\$2		-\$1
24 Printing and Reproduction.....		\$2,363		\$5,391		\$4,978		-\$413
25 Other Services.....		\$68		\$100		\$90		-\$10
26 Supplies and Materials.....		\$289		\$500		\$500		
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	147	\$18,977	160	\$24,200	160	\$24,926		\$726

SCHEDULE B

HOUSE OF REPRESENTATIVES
 COMMITTEE ON APPROPRIATIONS
 ANALYSIS OF CHANGE
 BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$1,150										\$1,150
12 Personnel Benefits												
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities												
24 Printing and Reproduction												
25 Other Services												
26 Supplies and Materials												
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$1,150										\$726

11 Personnel Compensation
 12 Personnel Benefits
 13 Benefits to Former Personnel
 21 Travel
 22 Transportation of Things
 23 Rent, Communications, Utilities
 24 Printing and Reproduction
 25 Other Services
 26 Supplies and Materials
 31 Equipment
 32 Land and Structures
 42 Insurance Claims/Indemnities

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION COMMITTEE ON APPROPRIATIONS		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	160	\$24,200
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	160	\$24,200
A. MANDATORY CHANGES		\$1,150
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$177
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		\$373
8. FY '04 COST OF LIVING ADJUSTMENT		\$485
9. FY '04 OVERTIME PAY		\$115
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		-\$424
1. LEGISLATION		
2. WORKLOAD		-\$424
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		-\$10
d. PRINTING AND REPRODUCTION		-\$1
e. OTHER SERVICES		-\$413
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$726
III. TOTAL APPROPRIATIONS REQUEST, 2004	160	\$24,926

Explanation of Changes Shown on Schedule C

COMMITTEE ON APPROPRIATIONS

The Committee request for fiscal year 2004 is \$24,926,000. This represents an increase of \$726,000 or 3% over fiscal year 2002.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the annualization of the FY'03 Cost of Living Adjustment, prorated FY'04 Cost of Living Adjustment, FY'04 overtime pay and FY'04 meritorious increases. There is also \$6,000 included for Transit Benefits in FY'04.

Program Type Changes:

The Committee anticipates a decrease in programs totaling \$424,000 in fiscal year 2004.

**SALARIES, OFFICERS AND EMPLOYEES
Office of the Clerk**

**HOUSE OF REPRESENTATIVES
OFFICE OF THE CLERK
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	225	\$11,756	241	\$13,346	251	\$15,076	10	\$1,730
12 Personnel Benefits.....		\$15		\$16		\$16		
13 Benefits to Former Personnel.....		\$46		\$36		\$37		\$1
21 Travel.....		\$		\$		\$		\$
22 Transportation of Things.....		\$127		\$106		\$109		\$3
23 Rent, Communications, Utilities.....		\$35		\$23		\$24		\$1
24 Printing and Reproduction.....		\$616		\$5,397		\$2,984		-\$2,413
25 Other Services.....		\$428		\$230		\$237		\$7
26 Supplies and Materials.....		\$384		\$878		\$904		\$26
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	225	\$13,406	241	\$20,032	251	\$19,387	10	-\$645

SCHEDULE B

HOUSE OF REPRESENTATIVES
OFFICE OF THE CLERK
ANALYSIS OF CHANGE
BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$1,018					10	\$712			10	\$1,730
12 Personnel Benefits												
13 Benefits to Former Personnel												
21 Travel				\$1								\$1
22 Transportation of Things												
23 Rent, Communications, Utilities				\$3								\$3
24 Printing and Reproduction				\$1								\$1
25 Other Services				\$7								\$7
26 Supplies and Materials				\$26								\$26
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$1,018		\$38			10	-\$1,701			10	-\$645

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF THE CLERK		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	241	\$20,032
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	241	\$20,032
A. MANDATORY CHANGES		\$1,018
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$137
5. FY '04 LONGEVITY INCREASES		\$141
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		\$141
8. FY '04 COST OF LIVING ADJUSTMENT		\$374
9. FY '04 OVERTIME PAY		\$180
10. FY '04 TEMPORARY POSITIONS		\$45
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$38
1. TRAVEL		\$1
2. RENT, COMMUNICATIONS		\$3
3. PRINTING AND REPRODUCTION		\$1
4. OTHER SERVICES		
5. SUPPLIES		\$7
6. EQUIPMENT		\$26
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES	10	-\$1,701
1. LEGISLATION		
2. WORKLOAD	10	-\$1,701
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		-\$2,413
f. STAFF LEVEL CHANGES	10	\$712
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED	10	-\$645
III. TOTAL APPROPRIATIONS REQUEST, 2004	251	\$19,387

Explanation of Changes Shown on Schedule C

SALARIES, OFFICERS AND EMPLOYEES
OFFICE OF THE CLERK

This account includes personnel and non-personnel funding for the following offices:

- Immediate Office of the Clerk (includes Clerk)
- Office of Legislative Operations
- Office of Official Reporters
- Legislative Computer Systems
- Service Group (Floor Operations/Other Capitol Staff)
- Legislative Resource Center
- Office of History and Preservation
- Office of Publications Services
- House Employment Counsel
- House Page Program

In addition to these offices, the Clerk of the House is responsible for managing administrative funds which pay for Stenographic Reporting (\$573,000); leadership offices newspaper subscriptions (\$90,000); LIMS Project (\$2,000,000) and Document Management System (\$284,000). The total FY'04 request of \$19,387,000 is a decrease of \$645,000 or 3.2% under the amount provided in fiscal year 2003.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the annualization of the FY'03 Cost of Living Adjustment, prorated FY'04 Cost of Living Adjustment, FY'04 Overtime costs, FY'04 Temporary positions, FY'04 Longevity increases, and FY'04 meritorious increases. The Clerk's office is also requesting \$16,000 for transit benefits.

Price Level Changes:

Travel: Increase of \$1,000 due to inflation.

Rent, Communications and Utilities: Increase of \$3,000 due to inflation.

Printing: Increase of \$1,000 due to inflation.

Supplies: Increase of \$7,000 due to inflation.

Equipment: Increase of \$26,000 due to inflation.

Program Type Changes:

Other Services: This decrease of \$2,413,000 is attributed to the completion of the Statutory Hall project that was funded in FY'03.

Staff Level Changes: This increase of \$712,000 is attributed to 10 additional full time equivalents to support an electronic capability for the documentation, production and distribution of legislation and its related information including the proceedings on the House floor. The positions would be dedicated to capturing and ensuring the accurate and timely transmission of legislative data.

Office of the Sergeant at Arms

HOUSE OF REPRESENTATIVES
OFFICE OF THE SERGEANT AT ARMS
BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	79	\$3,545	90	\$4,458	90	\$4,721		\$263
12 Personnel Benefits.....		\$5		\$6		\$8		\$2
13 Benefits to Former Personnel.....								
21 Travel.....		\$9		\$30		\$66		\$36
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....		\$129		\$135		\$139		\$4
24 Printing and Reproduction.....		\$12		\$15		\$15		
25 Other Services.....		\$129		\$250		\$250		
26 Supplies and Materials.....		\$32		\$75		\$141		\$66
31 Equipment.....		\$36		\$128		\$1,131		\$1,003
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	79	\$3,897	90	\$5,097	90	\$6,471		\$1,374

SCHEDULE B

HOUSE OF REPRESENTATIVES
OFFICE OF THE SERGEANT AT ARMS
ANALYSIS OF CHANGE
BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$263										\$263
12 Personnel Benefits		\$2										\$2
13 Benefits to Former Personnel												
21 Travel				\$7				\$29				\$36
22 Transportation of Things				\$4								\$4
23 Rent, Communications, Utilities												
24 Printing and Reproduction												
25 Other Services				\$8				\$58				\$66
26 Supplies and Materials				\$3						\$1,000		\$1,003
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$265		\$22				\$87		\$1,000		\$1,374

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF THE SERGEANT AT ARMS		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	90	\$5,097
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	90	\$5,097
A. MANDATORY CHANGES		\$265
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$46
5. FY '04 LONGEVITY INCREASES		\$46
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		\$46
8. FY '04 COST OF LIVING ADJUSTMENT		\$125
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		\$2
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$22
1. TRAVEL		\$7
2. RENT, COMMUNICATIONS		\$4
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		\$8
6. EQUIPMENT		\$3
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		\$1,087
1. LEGISLATION		
2. WORKLOAD		\$1,087
a. TRAVEL		\$29
b. RENT, COMMUNICATIONS		
c. SUPPLIES		\$58
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		\$1,000
a. REPLACEMENT AND UPGRADE		\$1,000
II. NET INCREASE/DECREASE REQUESTED		\$1,374
III. TOTAL APPROPRIATIONS REQUEST, 2004	90	\$6,471

Explanation of Changes Shown on Schedule C

SALARIES, OFFICERS AND EMPLOYEES
OFFICE OF THE SERGEANT AT ARMS

For salaries and expenses of the Office of the Sergeant at Arms, \$6,471,000. This is an increase of \$1,374,000 or 27% over the amount provided in fiscal year 2003.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the annualization of the FY'03 Cost of Living Adjustment, prorated FY'04 Cost of Living Adjustment, FY'04 longevity increases and FY'04 meritorious increases. There is also a request of \$8,000 for transit benefits.

Price Level Changes:

Increase based upon an inflation factor of 2.4%

Program Type Changes:

Travel: The increase of \$29,000 is due to the support of the upcoming Presidential conventions including advance trips to designated sites.

Supplies: Overall increase of \$58,000 is due to the purchase of Member and spouse pins and license plates, supplies for Identification Services, parking stickers, and cyclical uniform replacement.

Equipment: The increase of \$1,000,000 is due to the purchase of 10,000 quick escape hoods.

Office of the Chief Administrative Officer

SCHEDULE A

HOUSE OF REPRESENTATIVES
OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER
BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	590	\$36,143	674	\$44,128	689	\$47,832	15	\$3,704
12 Personnel Benefits.....		\$70		\$108		\$124		\$16
13 Benefits to Former Personnel.....								
21 Travel.....		\$150		\$178		\$2,412		\$2,234
22 Transportation of Things.....		\$22		\$1		\$1		
23 Rent, Communications, Utilities.....		\$2,870		\$8,216		\$9,731		\$1,515
24 Printing and Reproduction.....		\$65		\$112		\$186		\$74
25 Other Services.....		\$11,268		\$21,606		\$22,959		\$1,353
26 Supplies and Materials.....		\$1,126		\$2,362		\$3,490		\$1,128
31 Equipment.....		\$6,367		\$28,632		\$36,318		\$7,666
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	590	\$58,082	674	\$105,363	689	\$123,053	15	\$17,690

SCHEDULE B

HOUSE OF REPRESENTATIVES
 OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER
 ANALYSIS OF CHANGE
 BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$2,511					15	\$1,193			15	\$3,704
12 Personnel Benefits		\$16										\$16
13 Benefits to Former Personnel												
21 Travel								\$2,234				\$2,234
22 Transportation of Things								\$1,515				\$1,515
23 Rent, Communications, Utilities								\$74				\$74
24 Printing and Reproduction								\$1,353				\$1,353
25 Other Services								\$1,128				\$1,128
26 Supplies and Materials												
31 Equipment										\$7,666		\$7,666
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$2,527					15	\$7,497		\$7,666	15	\$17,690

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	674	\$105,363
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	674	\$105,363
A. MANDATORY CHANGES		\$2,527
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$451
5. FY '04 LONGEVITY INCREASES		\$455
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		\$428
8. FY '04 COST OF LIVING ADJUSTMENT		\$1,229
9. FY '04 OVERTIME PAY		-\$52
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		\$16
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES	15	\$15,163
1. LEGISLATION		
2. WORKLOAD	15	\$15,163
a. TRAVEL		\$2,234
b. RENT, COMMUNICATIONS		\$1,515
c. SUPPLIES		\$1,128
d. PRINTING AND REPRODUCTION		\$74
e. OTHER SERVICES		\$1,353
f. STAFF LEVEL CHANGES	15	\$1,193
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		\$7,666
a. REPLACEMENT AND UPGRADE		\$7,666
II. NET INCREASE/DECREASE REQUESTED	15	\$17,690
III. TOTAL APPROPRIATIONS REQUEST, 2004	689	\$123,053

Explanation of Changes Shown on Schedule C

SALARIES, OFFICERS AND EMPLOYEES

CHIEF ADMINISTRATIVE OFFICER

Summary

The fiscal year 2004 budget request for the Chief Administrative Officer (CAO) is \$123.1 million. This is an increase of \$17.7 million or 16.8 percent over the fiscal year 2003 appropriation of \$105.4 million.

Of the \$123.1 million request for FY'04, \$94.1 million is for current services, \$15.2 million is for new initiatives and improvements, and \$13.8 million is related to Business Continuity/Disaster Recovery (BC/DR). Each of these items is discussed in the detail below.

Mandatory Items***Personnel (\$46.6 million / 37.9%)***

The CAO mandatory personnel budget is based on 674 FTE. It includes:

- Annualization of the fiscal year 2003 cost of living allowance of 4.1 percent
- Proration of the fiscal year 2004 cost of living allowance of 3.7 percent
- Adjustments for anticipated longevities and merits, and continued funding for overtime and temporary positions
- Transit Benefit funding (\$124k)

Program Level Changes***Personnel (\$1.2 million / 0.9%)***

The CAO is requesting 15 additional full time equivalents. Fourteen FTEs will support committee room broadcasting and one FTE will support Student Loan Program administration.

Non Personnel (\$75.3 million / 61.2%)

The non-personnel budget was developed with the objective of improving current processes. The major components of the non-personnel budget are discussed below.

- **Sustainment to current programs.** Key activities contributing to this category are listed in the table below.

Unit/Activity	Amount (Millions)
House Support Services	
Mail Processing and Delivery Service	\$8.9
Committee Room Broadcast Renovation Project (\$4.5m requested as no-year funding)	\$4.9
Inventory and Warehouse Management	\$1.7
Capitol and Committee Room Furniture and Furnishings	\$1.2
Carpet Services	\$1.0
Member Dining Room Service Upgrade	\$0.5
House Information Resources	
Wide Area Network	\$5.7
Messaging	\$1.7
Voice Telecom	\$1.7
Campus Data Network	\$1.4
Data Center, Mainframe and Storage Area Network Support	\$1.1
Security Infrastructure	\$1.0
Web Services	\$1.0
Human Resources	
Payroll System Replacement	\$0.4
Educational Development Training Curriculum	\$0.2
Finance	
Financial System Replacement (requested as no-year funding)	\$2.4
Support of Federal Financial System	\$1.0
Procurement	
Electronic Procurement Services	\$0.8

- **Programs with enhanced or expanded services** to the House community, including 12 strategic initiatives. Various enhancements and expansions to current programs are also being proposed. Examples of initiatives and improvements include:

Activity	Amount (millions)
Modular Furniture: Provides increased funding for a campus-wide, multi-year implementation of modular furniture.	\$5.0
Strategic Initiative Programs: Initiatives range from developing customer service standards, improving customer service, linking the balanced scorecard to performance reviews, improving business processes, to cost management and resource allocation.	\$2.5
District Office Wellness Service Program: House Information Resources initiative to visit all district offices to ensure that computer systems are operating efficiently and that all information security patches are current.	\$2.2
Campus Data Network Improvements: Increase redundancy and Gig-E service expansion.	\$1.4
Wide Area Network Improvements: Expanded access to the internet with the addition of a third leased data line (T3).	\$0.6
Network Security: Hardware and software to support expanded internet	\$0.3

Activity	Amount (millions)
access and to improve information security through the implementation of additional intrusion detection systems.	
House Audio System: CAO is assuming responsibility for the audio system from the Architect of the Capitol.	\$0.3

- **Business Continuity/Disaster Recovery activities.** These are the estimated annual recurring costs necessary to ensure continued House operations in the event of an emergency, including.

Activity	Amount (millions)
Alternate Computing Facility	\$8.5
Campus Voice Network Enhancement	\$2.4
Mobile Communications	\$0.9
Campus Data Network Enhancement	\$0.6
Alternate House Office Site	\$0.5
Project Management	\$0.3
Process & Procedures	\$0.3
Member Paging	\$0.2
Child Care Center, Member Briefing Center, Alternate Chamber, Emergency Response Center, Ford DC Enhance	\$0.1

Additional Information on Technology Budget

Of the \$75.3 million CAO non-personnel budget requested, \$38.1 million (or 50.6% of the non-personnel request) is directed towards the CAO's technology unit, House Information Resources (HIR). HIR has developed a fiscal year 2004 non-personnel budget request based on 22 Information Technology (IT) and 13 IT-related Business Continuity / Disaster Recovery (BC/DR) projects. These projects are guided by the Strategic Technology Plan and support the accomplishment of the CAO strategic mission and goals. They also contribute to the sustainment and improvement of House operations through technology services and systems for *legislative, constituent services, communications, and administrative* activities.

The HIR non-personnel budget is also categorized according to the following items:

- Operations
- Maintenance and Licenses
- Technology Initiatives
- Administration
- Lifecycle Replacement

The summary of the HIR FY04 non-personnel budget request, by category, is as follows:

Category	Non BC/DR Budget	% of non BC/DR total	BC/DR Budgeted	% of BC/DR total	Total HIR and BC/DR Budgeted Amount	% of BC/DR total
Operations	\$13.7	56.1%	\$5.1	37.7%	\$18.8	49.4%
Maintenance and Licenses	\$7.1	29.3%	\$8.1	59.1%	\$15.2	39.5%
Technology and Other Initiatives	\$2.5	10.2%	\$0.5	4.0%	\$3.0	8.0%
Administration	\$0.9	3.6%	\$0.0	0.0%	\$0.9	2.3%
Lifecycle Replacement	\$0.2	0.8%	\$0.0	0.0%	\$0.2	0.5%
Grand Total	\$24.4	100.0%	\$13.7	100.7%	\$38.1	100.0%

The following provides insight into the specific activities being funded under each category.

Operations (18.8 million): These are non-administrative costs that support the execution of day-to-day (core) activities of HIR. Included are costs associated with system administration, operational support/service contracts, telecommunications leased lines, miscellaneous equipment, operational supplies (e.g. evaluation software, backup tapes, and CAT5/fiber wire), and travel. Examples of specific activities and their budget requests are provided below.

- Operations of Flagship Services to include contractor costs and leased line fees supporting connectivity with District Offices (\$6.1m)
- Technical support to District Offices (\$2.2m)
- Includes voice and data connectivity to Alternate Computing Facility, as well as hardware and software for redundant systems (\$2.3m)
- Operations of security program including semi-annual network vulnerability assessments and contractor support to study and implement information security requirements for new House systems coming online, such as the staff payroll system (\$1.0m)
- Includes enhanced PBX, and voicemail capability and operations support at the Alternate Computing Facility (\$1.0m)
- Contractor support for Campus PBX telephone system (\$0.8m)
- Hardware, wiring, and contractor support for operations of Campus network and support of ad hoc wiring upgrade requests (\$0.7m)

Maintenance/Licenses (\$15.2 million): These costs support the maintenance and/or license requirements for all HIR existing IT hardware, software, and data services. These are annual costs that are required should the House wish to continue use of the hardware, software, and data services. Maintenance costs are attributed to a contractual action that obligates a contractor to support a specific hardware, software, or system, including telecommunications equipment. This support can be provided through a combination of telephonic, on-site, and mail (for software delivery) assistance. License costs are associated with payments for a specific number of authorized users or enterprise use of a specific hardware, software, or systems. Type and quantity of licenses are directly related to House business needs. Examples of specific activities and their budget requests are provided below.

- Software licenses for operating systems, data bases, and servers for the Alternate Computing Facility Sustainment (\$6.1m)

- Maintenance and licensing for the Barge-In Emergency Announcement, Whip Phone system, and sustainment of upgrades to Campus PBX (\$1.4m)
- Server, hardware and software license renewal in support of House email services (\$1.2m)
- Newswire Data Subscriptions (\$1.1m).
- Software license renewal for Customer Tracking System (\$0.8m)
- Hardware and software license renewal in support of House internet and intranet servers (\$0.8m).
- Maintenance for House telephone system (PBX) (\$0.8m)
- Hardware and software maintenance and licenses for Campus Data Network (\$0.7m).

Technology Initiatives (\$3.0 million): These costs are associated with the introduction of new or established technologies (hardware and/or software) into the House environment with the specific intent of providing new and/or improved House services and/or system capabilities for Member, Committee, and staff needs. Technology initiative funding allows for the House to exploit ever changing and improving technologies for application within the House. These funds are not tied to lifecycle replacements of current House systems. Upon completion of a technology initiative, out-year (sustaining) funding would be carried within one of the following budget categories - maintenance/licenses or operations. Highlights of specific activities and their budget requests are provided below.

- Hardware and software to increase redundancy and availability in Campus Data Network (\$1.4m)
- Contractor support to conduct studies and evaluation of next-generation intrusion detection systems, denial of service and other technologies required to improve House information security capabilities (\$0.8m)
- Satellite connectivity, equipment and maintenance for mobile communication vehicles (\$0.5m)

Administration (\$0.9 million): These costs support the execution of all the administrative functions of HIR. Costs include such things as general office supplies, recruitment/advertising costs, administrative telephone charges, and training and travel other necessary items.

Lifecycle Replacements (\$0.2 million): These costs support the replacement and/or upgrade of IT equipment that has reached or passed its useful life (based on industry standards). IT equipment, including telecommunications equipment, typically has a functional life of 3-5 years. IT equipment “end-of-life” typically occurs when IT equipment vendors and/or resellers begin to stop supporting/maintaining their older products. Operating IT equipment beyond the end-of-life places IT operations at risk should an equipment failure occur. This is due to the lack of similar replacement systems, spare parts, and/or vendor service support provided to these older systems. In some cases, resellers can be found that offer spare parts or service for obsolete equipment but this will come at a significantly increased cost.

Office of the Inspector General

HOUSE OF REPRESENTATIVES
OFFICE OF THE INSPECTOR GENERAL
BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	21	\$1,887	21	\$2,261	21	\$2,393		\$132
12 Personnel Benefits.....		\$4		\$4		\$9		\$5
13 Benefits to Former Personnel.....								
21 Travel.....		\$11		\$3		\$3		
22 Transportation of Things.....		\$		\$		\$		
23 Rent, Communications, Utilities.....		\$10		\$16		\$16		
24 Printing and Reproduction.....		\$		\$		\$		
25 Other Services.....		\$86		\$1,617		\$1,667		\$50
26 Supplies and Materials.....		\$17		\$21		\$22		\$1
31 Equipment.....		\$43		\$25		\$37		\$12
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	21	\$2,058	21	\$3,947	21	\$4,147		\$200

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF THE INSPECTOR GENERAL		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	21	\$3,947
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	21	\$3,947
A. MANDATORY CHANGES		\$137
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$23
5. FY '04 LONGEVITY INCREASES		\$23
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		\$23
8. FY '04 COST OF LIVING ADJUSTMENT		\$63
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		\$5
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$52
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		\$50
5. SUPPLIES		\$1
6. EQUIPMENT		\$1
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		\$11
1. LEGISLATION		
2. WORKLOAD		\$11
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		\$11
a. REPLACEMENT AND UPGRADE		\$11
II. NET INCREASE/DECREASE REQUESTED		\$200
III. TOTAL APPROPRIATIONS REQUEST, 2004	21	\$4,147

Explanation of Changes Shown on Schedule C

SALARIES, OFFICERS AND EMPLOYEES
OFFICE OF THE INSPECTOR GENERAL

For salaries and expenses of the Office of the Inspector General, \$4,147,000. This is an increase of \$200,000 or 5.1% over the amount provided in fiscal year 2003.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the annualization of the FY'03 Cost of Living Adjustment, prorated FY'04 Cost of Living Adjustment, FY'04 longevity increases and FY'04 meritorious increases. There is also a request of \$9,000 for transit benefits.

Price Level Changes:

Other Services: Provides an increase of \$50,000 over FY'03 due to inflation.

Supplies: Provides an increase of \$1,000 over FY'03 due to inflation.

Equipment: Provides an increase of \$1,000 over FY'03 due to inflation.

Program Type Changes:

Equipment: A budget of \$37,000 represents an increase of \$11,000 over FY'03. This increase is due to the replacement of a photocopier during FY'04.

Office of Emergency Planning, Preparedness and Operations

SCHEDULE A

HOUSE OF REPRESENTATIVES
OFFICE OF EMERGENCY PLANNING, PREPAREDNESS AND OPERATIONS
BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	2	\$175	13	\$1,000	13	\$1,557		\$557
12 Personnel Benefits.....		\$1		\$5		\$6		\$1
13 Benefits to Former Personnel.....		\$		\$35				
21 Travel.....		\$		\$35				
22 Transportation of Things.....		\$8		\$35		\$40		\$5
23 Rent, Communications, Utilities.....		\$		\$50		\$50		
24 Printing and Reproduction.....				\$4,600		\$4,600		
25 Other Services.....		\$11		\$25		\$30		\$5
26 Supplies and Materials.....		\$66		\$250		\$282		\$32
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	2	\$261	13	\$6,000	13	\$6,000		

SCHEDULE B

HOUSE OF REPRESENTATIVES
 OFFICE OF EMERGENCY PLANNING, PREPAREDNESS AND OPERATIONS
 ANALYSIS OF CHANGE
 BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$557										\$557
12 Personnel Benefits		\$1										\$1
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities				\$1				\$4				\$5
24 Printing and Reproduction												
25 Other Services												
26 Supplies and Materials				\$1								-\$600
31 Equipment				\$6				\$4				\$5
32 Land and Structures												\$32
42 Insurance Claims/Indemnities												
Total		\$558		\$8				-\$592				\$26

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF EMERGENCY PLANNING, PREPAREDNESS AND OPERATIONS		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	13	\$6,000
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	13	\$6,000
A. MANDATORY CHANGES		\$558
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		\$500
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$15
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$42
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		\$1
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$8
1. TRAVEL		
2. RENT, COMMUNICATIONS		\$1
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		\$1
6. EQUIPMENT		\$6
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		-\$566
1. LEGISLATION		
2. WORKLOAD		-\$566
a. TRAVEL		
b. RENT, COMMUNICATIONS		\$4
c. SUPPLIES		\$4
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		-\$600
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		\$26
a. REPLACEMENT AND UPGRADE		\$26
II. NET INCREASE/DECREASE REQUESTED		
III. TOTAL APPROPRIATIONS REQUEST, 2004	13	\$6,000

Explanation of Changes Shown on Schedule C

SALARIES, OFFICERS AND EMPLOYEES
OFFICE OF EMERGENCY PLANNING, PREPAREDNESS AND OPERATIONS

For salaries and expenses of the Office of Emergency Planning, Preparedness and Operations, \$6,000,000. This is the same amount provided in fiscal year 2003.

Mandatory Pay and Related Changes:

Personnel increases are attributed to an FY'03 base adjustment, the annualization of the FY'03 Cost of Living Adjustment, prorated FY'04 Cost of Living Adjustment, FY'04 longevity increases and FY'04 meritorious increases. There is also a request of \$6,000 for transit benefits.

Price Level Changes:

Rent, Communications, Utilities: The increase of \$1,000 is due to inflation.

Supplies: The increase of \$1,000 is due to inflation.

Equipment: The increase of \$6,000 is due to inflation.

Program Type Changes:

Rent, Communications, Utilities: The increase of \$4,000 is due to the increase in full time staff.

Other Services: The decrease of \$600,000 is due to the completion of an engineering project.

Supplies: The increase of \$4,000 is due to the increase in full time staff.

Equipment: The increase of \$26,000 is due to the purchase of emergency response equipment, communication devices, and automated systems.

Office of the General Counsel

HOUSE OF REPRESENTATIVES
OFFICE OF GENERAL COUNSEL
BY OBJECT CLASS

SCHEDULE A

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	8	\$715	9	\$778	9	\$816		\$38
12 Personnel Benefits.....		\$2		\$5		\$5		
13 Benefits to Former Personnel.....		\$1		\$5		\$5		
21 Travel.....								
22 Transportation of Things.....		\$8		\$15		\$15		
23 Rent, Communications, Utilities.....		\$		\$1		\$1		
24 Printing and Reproduction.....		\$7		\$15		\$15		
25 Other Services.....		\$19		\$30		\$30		
26 Supplies and Materials.....		\$10		\$45		\$39		-\$6
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	8	\$762	9	\$894	9	\$926		\$32

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF GENERAL COUNSEL		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	9	\$894
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	9	\$894
A. MANDATORY CHANGES		\$38
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$8
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		\$8
8. FY '04 COST OF LIVING ADJUSTMENT		\$22
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		-\$6
1. LEGISLATION		
2. WORKLOAD		-\$6
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		-\$6
a. REPLACEMENT AND UPGRADE		-\$6
II. NET INCREASE/DECREASE REQUESTED		\$32
III. TOTAL APPROPRIATIONS REQUEST, 2004	9	\$926

Explanation of Changes Shown on Schedule C

SALARIES, OFFICERS AND EMPLOYEES
OFFICE OF GENERAL COUNSEL

For salaries and expenses of the Office of General Counsel, \$926,000. This is an increase of \$32,000 or 3.6% over the amount provided in fiscal year 2003.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the annualization of the FY'03 Cost of Living Adjustment, prorated FY'04 Cost of Living Adjustment and FY'04 meritorious increases.

Program Type Changes:

Equipment: A budget of \$39,000 represents a decrease of \$6,000 from FY'03. All major equipment purchases are scheduled to occur in FY'03 resulting in a reduced need in FY'04.

Office of the Chaplain

HOUSE OF REPRESENTATIVES
OFFICE OF THE CHAPLAIN
BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	1	\$147	1	\$149	1	\$153		\$4
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	1	\$147	1	\$149	1	\$153		\$4

SCHEDULE B

HOUSE OF REPRESENTATIVES
 OFFICE OF THE CHAPLAIN
 ANALYSIS OF CHANGE
 BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$4										\$4
12 Personnel Benefits												
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities												
24 Printing and Reproduction												
25 Other Services												
26 Supplies and Materials												
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$4										\$4

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF THE CHAPLAIN		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	1	\$149
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	1	\$149
A. MANDATORY CHANGES		\$4
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$2
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$2
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$4
III. TOTAL APPROPRIATIONS REQUEST, 2004	1	\$153

Explanation of Changes Shown on Schedule C

SALARIES, OFFICERS AND EMPLOYEES
OFFICE OF THE CHAPLAIN

For personnel compensation for the Office of the Chaplain, \$153,000. This is an increase of \$4,000 over the amount provided in fiscal 2003.

Mandatory Pay and Related Changes:

Personnel increases are attributed to a 3.1% FY'03 Cost of Living Adjustment only.

Office of the Parliamentarian

HOUSE OF REPRESENTATIVES
OFFICE OF THE PARLIAMENTARIAN
BY OBJECT CLASS

SCHEDULE A

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	8	\$968	8	\$1,135	8	\$1,214		\$79
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....		\$13		\$12		\$12		
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....		\$14		\$95		\$95		
26 Supplies and Materials.....		\$6		\$12		\$12		
31 Equipment.....		\$9		\$25		\$30		\$5
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	8	\$1,009	8	\$1,279	8	\$1,363		\$84

SCHEDULE B

HOUSE OF REPRESENTATIVES
OFFICE OF THE PARLIAMENTARIAN
ANALYSIS OF CHANGE
BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$79										\$79
12 Personnel Benefits												
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities												
24 Printing and Reproduction												
25 Other Services												
26 Supplies and Materials												
31 Equipment										\$5		\$5
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$79								\$5		\$84

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF THE PARLIAMENTARIAN		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	8	\$1,279
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	8	\$1,279
A. MANDATORY CHANGES		\$79
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$12
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		\$35
8. FY '04 COST OF LIVING ADJUSTMENT		\$32
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		\$5
1. LEGISLATION		
2. WORKLOAD		\$5
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		\$5
a. REPLACEMENT AND UPGRADE		\$5
II. NET INCREASE/DECREASE REQUESTED		\$84
III. TOTAL APPROPRIATIONS REQUEST, 2004	8	\$1,363

Explanation of Changes Shown on Schedule C

SALARIES, OFFICERS AND EMPLOYEES
OFFICE OF THE PARLIAMENTARIAN

For salaries and expenses of the Office of the Parliamentarian (excluding the Compilation of Precedents), \$1,363,000. This is an increase of \$84,000 or 6.6% over the amount provided in fiscal year 2003.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the annualization of the FY'03 Cost of Living Adjustment, prorated FY'04 Cost of Living Adjustment and FY'04 meritorious increases.

Program Type Changes:

Equipment: The increase of \$5,000 is due to the replacement of a PC and printer in FY'04.

Compilation of Precedents

HOUSE OF REPRESENTATIVES
 COMPILATION OF PRECEDENTS
 BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	1	\$100	2	\$185	2	\$197		\$12
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	1	\$100	2	\$185	2	\$197		\$12

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION COMPILATION OF PRECEDENTS		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	2	\$185
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	2	\$185
A. MANDATORY CHANGES		\$12
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$2
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		\$5
8. FY '04 COST OF LIVING ADJUSTMENT		\$5
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$12
III. TOTAL APPROPRIATIONS REQUEST, 2004	2	\$197

Explanation of Changes Shown on Schedule C

SALARIES, OFFICERS AND EMPLOYEES
COMPILATION OF PRECEDENTS

For salaries and expenses of the Compilation of Precedents, \$197,000. This is an increase of \$12,000 or 6.5% over the amount provided in fiscal year 2003.

Mandatory Pay and Related Changes:

Personnel changes are attributed to the annualization of the FY'03 Cost of Living Adjustment, prorated FY'04 Cost of Living Adjustment and FY'04 meritorious increases.

Total – Office of the Parliamentarian

SCHEDULE A

**HOUSE OF REPRESENTATIVES
TOTAL - OFFICE OF THE PARLIAMENTARIAN
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	9	\$1,068	10	\$1,320	10	\$1,411		\$91
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....		\$13		\$12		\$12		
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....		\$14		\$95		\$95		
26 Supplies and Materials.....		\$6		\$12		\$12		
31 Equipment.....		\$9		\$25		\$30		\$5
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	9	\$1,110	10	\$1,464	10	\$1,560		\$96

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION TOTAL - OFFICE OF THE PARLIAMENTARIAN		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	10	\$1,464
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	10	\$1,464
A. MANDATORY CHANGES		\$91
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$14
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		\$40
8. FY '04 COST OF LIVING ADJUSTMENT		\$37
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		\$5
1. LEGISLATION		
2. WORKLOAD		\$5
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		\$5
a. REPLACEMENT AND UPGRADE		\$5
II. NET INCREASE/DECREASE REQUESTED		\$96
III. TOTAL APPROPRIATIONS REQUEST, 2004	10	\$1,560

Office of the Law Revision Counsel

SCHEDULE A

HOUSE OF REPRESENTATIVES
OFFICE OF THE LAW REVISION COUNSEL OF THE HOUSE
BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	17	\$1,771	18	\$1,907	18	\$2,000		\$93
12 Personnel Benefits.....		\$5		\$11		\$10		-\$1
13 Benefits to Former Personnel.....								
21 Travel.....				\$2		\$1		-\$1
22 Transportation of Things.....				\$6		\$6		
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....		\$51		\$65		\$65		\$1
26 Supplies and Materials.....		\$59		\$64		\$65		\$1
31 Equipment.....		\$57		\$113		\$116		\$3
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	17	\$1,948	18	\$2,168	18	\$2,263		\$95

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF THE LAW REVISION COUNSEL OF THE HOUSE		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	18	\$2,168
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	18	\$2,168
A. MANDATORY CHANGES		\$92
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$20
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		\$20
8. FY '04 COST OF LIVING ADJUSTMENT		\$53
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		-\$1
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$4
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		\$1
6. EQUIPMENT		\$3
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		-\$1
1. LEGISLATION		
2. WORKLOAD		-\$1
a. TRAVEL		-\$1
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$95
III. TOTAL APPROPRIATIONS REQUEST, 2004	18	\$2,263

Explanation of Changes Shown on Schedule C

SALARIES, OFFICERS AND EMPLOYEES
OFFICE OF THE LAW REVISION COUNSEL OF THE HOUSE

For salaries and expenses of the Office of the Law Revision Counsel of the House, \$2,263,000. This is an increase of \$95,000 or 4.4% over the amount provided in fiscal year 2003.

Mandatory Pay and Related Changes:

Personnel increases are as a result of the FY'03 Cost of Living Adjustment, prorated FY'04 Cost of Living Adjustment and FY'04 meritorious increases. Transit Benefits of \$10,000 are also included.

Price Level Changes:

Supplies: Increase of \$1,000 due to inflation.

Equipment: Increase of \$3,000 due to inflation.

Program Type Changes:

Travel: A budget of \$1,000 represents a decrease of \$1,000 under FY'03. This reduction is due to a reduced training schedule for FY'04.

Office of the Legislative Counsel

SCHEDULE A

HOUSE OF REPRESENTATIVES
OFFICE OF THE LEGISLATIVE COUNSEL OF THE HOUSE
BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	49	\$5,192	51	\$5,400	51	\$5,733		\$333
12 Personnel Benefits.....		\$8		\$15		\$17		\$2
13 Benefits to Former Personnel.....		\$1		\$5		\$5		
21 Travel.....								
22 Transportation of Things.....		\$16		\$23		\$25		\$2
23 Rent, Communications, Utilities.....		\$1						
24 Printing and Reproduction.....		\$31		\$121		\$137		\$16
25 Other Services.....		\$118		\$33		\$36		\$3
26 Supplies and Materials.....		\$159		\$255		\$280		\$25
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	49	\$5,526	51	\$5,852	51	\$6,233		\$381

SCHEDULE B

HOUSE OF REPRESENTATIVES
OFFICE OF THE LEGISLATIVE COUNSEL OF THE HOUSE
ANALYSIS OF CHANGE
BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$333										\$333
12 Personnel Benefits		\$2										\$2
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities									\$2			\$2
24 Printing and Reproduction												
25 Other Services									\$16			\$16
26 Supplies and Materials				\$3								\$3
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities										\$25		\$25
Total		\$335		\$3					\$18			\$381

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF THE LEGISLATIVE COUNSEL OF THE HOUSE		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	51	\$5,852
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	51	\$5,852
A. MANDATORY CHANGES		\$335
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$55
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		\$127
8. FY '04 COST OF LIVING ADJUSTMENT		\$151
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		\$2
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$3
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		\$3
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		\$43
1. LEGISLATION		
2. WORKLOAD		\$43
a. TRAVEL		
b. RENT, COMMUNICATIONS		\$2
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		\$16
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		\$25
a. REPLACEMENT AND UPGRADE		\$25
II. NET INCREASE/DECREASE REQUESTED		\$381
III. TOTAL APPROPRIATIONS REQUEST, 2004	51	\$6,233

Explanation of Changes Shown on Schedule C

SALARIES, OFFICERS AND EMPLOYEES
OFFICE OF THE LEGISLATIVE COUNSEL OF THE HOUSE

For salaries and expenses of the Office of the Legislative Counsel of the House, \$6,233,000. This is an increase of \$381,000 or 6.5% over the amount provided in fiscal year 2003.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the annualization of the FY'03 Cost of Living Adjustment, prorated FY'04 Cost of Living Adjustment and FY'04 meritorious increases. The Legislative Counsel is also requesting \$17,000 for transit benefits.

Price Level Type Changes:

Supplies: Provides an increase of \$3,000 over FY'03 due to inflation.

Program Type Changes:

Rent, Communications and Utilities: A budget of \$25,000 represents an increase of \$2,000 over FY'03. This amount provides for additional cell phones and the associated fees for FY'04.

Other Services: A budget of \$137,000 represents an increase of \$16,000 over FY'03. This amount provides for additional training and the increase in the cost of training that is required for FY'04.

Equipment: A budget of \$280,000 represents an increase of \$25,000 over FY'03. This amount is part of a program to update outdated or obsolete equipment and to install an office document management and retrieval system.

Corrections Calendar Office

**HOUSE OF REPRESENTATIVES
CORRECTIONS CALENDAR OFFICE
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	8	\$810	12	\$915	12	\$948		\$33
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	8	\$810	12	\$915	12	\$948		\$33

SCHEDULE B

HOUSE OF REPRESENTATIVES
CORRECTIONS CALENDAR OFFICE
ANALYSIS OF CHANGE
BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$33										\$33
12 Personnel Benefits												
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities												
24 Printing and Reproduction												
25 Other Services												
26 Supplies and Materials												
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$33										\$33

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION CORRECTIONS CALENDAR OFFICE		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	12	\$915
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	12	\$915
A. MANDATORY CHANGES		\$33
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$23
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$10
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
I. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$33
III. TOTAL APPROPRIATIONS REQUEST, 2004	12	\$948

Explanation of Changes Shown on Schedule C

SALARIES, OFFICERS AND EMPLOYEES
CORRECTIONS CALENDAR OFFICE

The FY'04 Corrections Calendar Office request includes funds for statutory authorizations and a lump sum authorization. The lump sum authorization may be used to pay for personnel and non-personnel costs associated with daily official duties.

The FY'04 request for this office is based on full funding of the authorizations previously mentioned. Cost of living assumptions have been applied to FY'03 for both the statutory and lump sum categories.

The request of \$948,000 for salaries and expenses of the Corrections Calendar Office is an increase of \$33,000 or 3.6% over the amount provided in fiscal year 2003.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the FY'03 3.1% COLA for statutory positions, a Cost of Living Adjustment Annualized for lump sum only and the prorated FY'04 Cost of Living Adjustment for the lump sum only.

Total - Other Authorized Employees

**HOUSE OF REPRESENTATIVES
TOTAL - OTHER AUTHORIZED EMPLOYEES
BY OBJECT CLASS**

	FY 2002		FY 2003		FY 2004		Net Change	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	1	\$161	1	\$146	1	\$150		\$4
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	1	\$161	1	\$146	1	\$150		\$4

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION TOTAL - OTHER AUTHORIZED EMPLOYEES		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	1	\$146
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	1	\$146
A. MANDATORY CHANGES		\$4
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$1
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$3
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$4
III. TOTAL APPROPRIATIONS REQUEST, 2004	1	\$150

Explanation of Changes Shown on Schedule C

SALARIES, OFFICERS AND EMPLOYEES
OTHER AUTHORIZED EMPLOYEES

For salaries and expenses of Other Authorized Employees, \$150,000. This is an increase of \$4,000 or 2.7% over the amount provided in fiscal 2003. Included in this account are personnel funds for 1 Technical Assistant to the Attending Physician.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the annualization of the FY'03 Cost of Living Adjustment and prorated FY'04 Cost of Living Adjustment.

Total – SALARIES, OFFICERS AND EMPLOYEES

SCHEDULE A

**HOUSE OF REPRESENTATIVES
TOTAL - SALARIES, OFFICERS AND EMPLOYEES
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	1,010	\$63,368	1,141	\$75,808	1,166	\$82,790	25	\$6,982
12 Personnel Benefits.....		\$111		\$170		\$195		\$25
13 Benefits to Former Personnel.....		\$218		\$294		\$2,564		\$2,270
21 Travel.....		\$23		\$1		\$1		
22 Transportation of Things.....		\$3,185		\$8,564		\$10,093		\$1,529
23 Rent, Communications, Utilities.....		\$114		\$201		\$276		\$75
24 Printing and Reproduction.....		\$12,202		\$33,766		\$32,172		-\$1,594
25 Other Services.....		\$1,816		\$2,852		\$4,063		\$1,211
26 Supplies and Materials.....		\$7,129		\$30,371		\$39,137		\$8,766
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	1,010	\$88,166	1,141	\$152,027	1,166	\$171,291	25	\$19,264

SCHEDULE B

HOUSE OF REPRESENTATIVES
 TOTAL - SALARIES, OFFICERS AND EMPLOYEES
 ANALYSIS OF CHANGE
 BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)" ¹	FTE	Dollars "(000)" ¹	FTE	Dollars "(000)" ¹	FTE	Dollars "(000)" ¹	FTE	Dollars "(000)" ¹	FTE	Dollars "(000)" ¹
Breakdown by Organization												
11 Personnel Compensation		\$5,077					25	\$1,905			25	\$6,982
12 Personnel Benefits		\$25										\$25
13 Benefits to Former Personnel				\$8				\$2,262				\$2,270
21 Travel												
22 Transportation of Things				\$8				\$1,521				\$1,529
23 Rent, Communications, Utilities				\$1				\$74				\$75
24 Printing and Reproduction				\$50				-\$1,644				-\$1,594
25 Other Services				\$21				\$1,190				\$1,211
26 Supplies and Materials				\$39								\$8,766
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$5,102		\$127			25	\$5,308		\$8,727	25	\$19,264

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION TOTAL - SALARIES, OFFICERS AND EMPLOYEES		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	1,141	\$152,027
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	1,141	\$152,027
A. MANDATORY CHANGES		\$5,102
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		\$500
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$795
5. FY '04 LONGEVITY INCREASES		\$665
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		\$833
8. FY '04 COST OF LIVING ADJUSTMENT		\$2,111
9. FY '04 OVERTIME PAY		\$128
10. FY '04 TEMPORARY POSITIONS		\$45
11. FY '04 PERSONNEL BENEFITS		\$25
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$127
1. TRAVEL		\$8
2. RENT, COMMUNICATIONS		\$8
3. PRINTING AND REPRODUCTION		\$1
4. OTHER SERVICES		\$50
5. SUPPLIES		\$21
6. EQUIPMENT		\$39
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES	25	\$14,035
1. LEGISLATION		
2. WORKLOAD	25	\$14,035
a. TRAVEL		\$2,262
b. RENT, COMMUNICATIONS		\$1,521
c. SUPPLIES		\$1,190
d. PRINTING AND REPRODUCTION		\$74
e. OTHER SERVICES		-\$1,644
f. STAFF LEVEL CHANGES	25	\$1,905
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		\$8,727
a. REPLACEMENT AND UPGRADE		\$8,727
II. NET INCREASE/DECREASE REQUESTED	25	\$19,264
III. TOTAL APPROPRIATIONS REQUEST, 2004	1,166	\$171,291

ALLOWANCES AND EXPENSES
Supplies, Materials, Administrative Costs and Federal Tort Claims

SCHEDULE A

HOUSE OF REPRESENTATIVES
A&E - SUPPLIES, MATERIALS, ADMINISTRATIVE COSTS AND FEDERAL TORT CLAIMS
BY OBJECT CLASS

	FY 2002		FY 2003		FY 2004		Net Change	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....								
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....				\$151				-\$151
22 Transportation of Things.....				\$24				-\$24
23 Rent, Communications, Utilities.....				\$654				\$21
24 Printing and Reproduction.....		\$542		\$29		\$675		\$2
25 Other Services.....		\$128		\$236		\$823		\$587
26 Supplies and Materials.....		\$223		\$346		\$288		-\$58
31 Equipment.....		\$785		\$1,894		\$2,108		\$214
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....		\$1		\$50		\$50		
Total		\$1,712		\$3,384		\$3,975		\$591

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION A&E - SUPPLIES, MATERIALS, ADMINISTRATIVE COSTS AND FEDERAL TORT CLAIMS		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003		\$3,384
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004		\$3,384
A. MANDATORY CHANGES		
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		\$591
2. WORKLOAD		\$591
a. TRAVEL		-\$175
b. RENT, COMMUNICATIONS		\$21
c. SUPPLIES		-\$58
d. PRINTING AND REPRODUCTION		\$2
e. OTHER SERVICES		\$587
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		\$214
a. REPLACEMENT AND UPGRADE		\$214
II. NET INCREASE/DECREASE REQUESTED		\$591
III. TOTAL APPROPRIATIONS REQUEST, 2004		\$3,975

Explanation of Changes Shown on Schedule C

ALLOWANCES AND EXPENSES
SUPPLIES, MATERIALS, ADMINISTRATIVE COSTS AND
FEDERAL TORT CLAIMS

This account is used for general administrative items not funded elsewhere for House operations in addition to equipment, supplies and telephones for certain offices. The FY'04 request is \$3,975,000. This is an increase of \$591,000 or 17.5% over the FY'03 amount enacted.

Program Type Changes:

Travel—(\$175,000): There is a decrease of \$151,000 in this program due to the every other year funding of the New Member Orientation. There is also a decrease of \$24,000 for another every other year program for the Shipment of Members Documents.

Rent, Communications -- \$21,000: There is an estimated increase resulting from greater cell phone usage associated with the need for continued communications and use of current and new technology.

Printing and Reproduction -- \$2,000: There is a request for an additional \$2,000 in this program area to support increased printed communications.

Other Services—\$587,000: The requested increase is driven by the new program to support increased employment opportunities for disabled people. There is also an amount to support growing contracted services costs.

Supplies—(\$58,000): There is a decrease of \$58,000 due to the every other year funding of the New Member Orientation.

Equipment - \$214,000: Increase will cover scheduled life cycle replacement for equipment.

Official Mail for Committees, Administrative and Legislative Offices

§ SCHEDULE A

HOUSE OF REPRESENTATIVES
 ALLOWANCES AND EXPENSES - OFFICIAL MAIL (NON-MEMBERS)
 BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....								
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....				\$410		\$410		
24 Printing and Reproduction.....		\$239						
25 Other Services.....		\$10						
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total		\$249		\$410		\$410		\$410

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION ALLOWANCES AND EXPENSES - OFFICIAL MAIL (NON-MEMBERS)		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003		\$410
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004		\$410
A. MANDATORY CHANGES		
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		
III. TOTAL APPROPRIATIONS REQUEST, 2004		\$410

Explanation of Changes Shown on Schedule C

ALLOWANCES AND EXPENSES
OFFICIAL MAIL FOR COMMITTEES, LEADERSHIP OFFICES AND
ADMINISTRATIVE OFFICES OF THE HOUSE

This account was established at the same time the three component parts of the MRA were consolidated into one allowance. Previously, there was one Official Mail account for the House. It became necessary to break out the Member mail from the non-member mail account.

This account pays for the official frank for non-Member offices. Examples of items that are charged to this account include the monthly earning statements and open season information mailed to employees.

The FY'04 funding request for this account is \$410,000. This is the same amount enacted for fiscal year 2003.

Government Contributions

**HOUSE OF REPRESENTATIVES
ALLOWANCES AND EXPENSES - GOVERNMENT CONTRIBUTIONS
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....		\$150,305		\$172,673		\$190,240		\$17,567
12 Personnel Benefits.....		\$752						
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....								
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total		\$151,057		\$172,673		\$190,240		\$17,567

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION ALLOWANCES AND EXPENSES - GOVERNMENT CONTRIBUTIONS		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003		\$178,888
ADJUSTMENT TO APPROPRIATION		-\$6,215
BUDGET BASE, 2004		\$172,673
A. MANDATORY CHANGES		\$17,567
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		\$17,567
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$17,567
III. TOTAL APPROPRIATIONS REQUEST, 2004		\$190,240

Explanation of Changes Shown on Schedule C

ALLOWANCES AND EXPENSES
GOVERNMENT CONTRIBUTIONS

The funds for this account are used to pay the Government's (House) share of various employees programs as outlined below. The FY'04 budget estimate includes 30.40 cents in benefit costs for every personnel dollar estimated to be earned.

FERS/FICA/CSRS

Federal Employees Retirement System (FERS) and Federal Insurance Contributions Act (FICA) were deemed mandatory coverage for employees hired after January 1, 1984. Effective October 1, 1994, the government contribution for FERS was reduced from 18.8% of gross pay to 16.9 percent. Effective October 1, 1997, the agency contribution was further reduced to 15.4% for Congressional employees. The rate was raised to 15.9% effective October 1, 2002. The latest adjustment was made as a result of a new set of economic assumptions adopted for the calculation of the normal cost of FERS by the Board of Actuaries. Normal cost is an estimate of the percentage of pay which must be contributed for a typical group of new employees over their careers in order to pay for their FERS basic benefits upon retirement.

The Government matching portion of FICA remains at 6.2%. The maximum taxable wage base is adjusted annually. There is an increase in the taxable wage base from \$84,900 in 2002 to \$87,000 in the year 2003.

Due to mandatory FERS coverage for new employees, the number of Civil Service Retirement System (CSRS) employees continues to decrease each year. As of September 2000, there were 1,028 employees enrolled in the CSRS plan. One year later, there were 904 employees enrolled in the same plan, a 12% reduction under the participation level of one year earlier. Some returning employees with a break in federal service of less than 366 days are eligible to return under CSRS. If an employee's break in service is greater than 366 days, they have 5 years of federal service and have not taken a refund of their deposit, they are eligible for the CSR-offset system. On August 5, 1997, the President signed into law Public Law 105-33, "The Balanced Budget Act of 1997". The legislation contains provisions which temporarily change the agency contribution rate for the CSRS. Effective October 1, 1997, the agency contribution rate for Congressional employees went from 7.5% to 9.01%. On October 1, 2002 the rate changed from 9.01% to 8.0%. The agency contribution rate will revert to 7.5% January 1, 2003.

MEDICARE:

The government contribution for Medicare is currently 1.45% of gross pay and is not subject to a maximum taxable wage base. All employees have been subject to withholdings for Medicare since January 1, 1983.

THRIFT SAVINGS PLAN (TSP)

The percentage of government contributions to the Thrift Savings Plan continues to grow as employees shift to the FERS retirement program. They are eligible to receive matching government contributions up to a certain limit, unlike those participating in the TSP who are covered under CSRS. FERS employees automatically receive 1% of their gross pay effective the second Open Season after they become eligible to contribute to TSP, even if they elect not to contribute to the plan.

HEALTH BENEFITS:

As a percentage of total employees, the number of employees enrolled has remained fairly constant.

LIFE INSURANCE

The cost of Basic Life for active employees is based on the Basic Life Amount. The employee pays two-thirds of the total cost and the government pays one-third. The employee pays the total cost of additional optional insurance.

UNEMPLOYMENT/WORKERS' COMPENSATION

The FY'04 budget request includes a known workers' compensation bill of \$1,299,724 for the House. This bill was received from the Department of Labor in the summer of 2002.

Miscellaneous Items

SCHEDULE A

HOUSE OF REPRESENTATIVES
 ALLOWANCES AND EXPENSES - MISCELLANEOUS ITEMS
 BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....								
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....		\$147		\$470		\$470		\$470
21 Travel.....		\$91		\$140		\$140		\$140
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....		\$4						
24 Printing and Reproduction.....		\$2						
25 Other Services.....		\$6						
26 Supplies and Materials.....		\$55		\$80		\$80		\$80
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total		\$305		\$690		\$690		\$690

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION ALLOWANCES AND EXPENSES - MISCELLANEOUS ITEMS		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003		\$690
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004		\$690
A. MANDATORY CHANGES		
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		
2. WORKLOAD		
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		
III. TOTAL APPROPRIATIONS REQUEST, 2004		\$690

Explanation of Changes Shown on Schedule C

ALLOWANCES AND EXPENSES
MISCELLANEOUS ITEMS

This category funds for House autos, gratuities to beneficiaries of deceased staff and Interparliamentary receptions. A total of \$690,000 is requested for fiscal year 2004. This request is equal to the amount enacted for fiscal year 2003.

House Autos: This item includes purchase, exchange, maintenance, repair and operation of House motor vehicles. The FY'04 request of \$140,000 is the same amount enacted in FY'03.

Gratuities to Heirs of Deceased Employees: This category funds and pays gratuities to the heirs of deceased House employees. The FY'04 request of \$470,000 is the same amount enacted in FY'03.

Interparliamentary Receptions: This category originated on June 29, 1961 when House Resolution 348 was passed. The purpose of this resolution was "to enable the House of Representatives more properly to discharge and coordinate its activities and responsibilities in connection with participation in various interparliamentary institutions and to facilitate the interchange and reception in the United States of members of foreign legislative bodies and permanent officials of foreign government." The funds provided to carry out the provisions set forth in the Resolution were made permanent law in P.L. 95-391. The FY'04 request is the full authorization of \$80,000, which is the same amount enacted in FY'03.

Total – ALLOWANCE AND EXPENSES

SCHEDULE A

**HOUSE OF REPRESENTATIVES
TOTAL ALLOWANCES AND EXPENSES
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars “(000)”	FTE	Dollars “(000)”	FTE	Dollars “(000)”	FTE	Dollars “(000)”
11 Personnel Compensation.....		\$150,305		\$172,673		\$190,240		\$17,567
12 Personnel Benefits.....		\$899		\$470		\$470		
13 Benefits to Former Personnel.....		\$91		\$291		\$140		-\$151
21 Travel.....				\$24				-\$24
22 Transportation of Things.....				\$1,064		\$1,085		\$21
23 Rent, Communications, Utilities.....		\$784		\$29		\$31		\$2
24 Printing and Reproduction.....		\$134		\$236		\$823		\$587
25 Other Services.....		\$278		\$426		\$368		-\$58
26 Supplies and Materials.....		\$785		\$1,894		\$2,108		\$214
31 Equipment.....								
32 Land and Structures.....				\$50		\$50		
42 Insurance Claims/Indemnities.....		\$1						
Total		\$153,323		\$177,157		\$195,315		\$18,158

SCHEDULE B

HOUSE OF REPRESENTATIVES
 TOTAL - ALLOWANCES AND EXPENSES
 ANALYSIS OF CHANGE
 BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)" ¹	FTE	Dollars "(000)" ¹	FTE	Dollars "(000)" ¹	FTE	Dollars "(000)" ¹	FTE	Dollars "(000)" ¹	FTE	Dollars "(000)" ¹
Breakdown by Organization												
11 Personnel Compensation		\$17,567										\$17,567
12 Personnel Benefits												
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities												
24 Printing and Reproduction												
25 Other Services												
26 Supplies and Materials												
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$17,567						\$377		\$214		\$18,158

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION TOTAL - ALLOWANCES AND EXPENSES		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003		\$183,372
ADJUSTMENT TO APPROPRIATION		-\$6,215
BUDGET BASE, 2004		\$177,157
A. MANDATORY CHANGES		\$17,567
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		\$17,567
11. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		\$591
1. LEGISLATION		
2. WORKLOAD		\$591
a. TRAVEL		-\$175
b. RENT, COMMUNICATIONS		\$21
c. SUPPLIES		-\$58
d. PRINTING AND REPRODUCTION		\$2
e. OTHER SERVICES		\$587
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		\$214
a. REPLACEMENT AND UPGRADE		\$214
II. NET INCREASE/DECREASE REQUESTED		\$18,158
III. TOTAL APPROPRIATIONS REQUEST, 2004		\$195,315

HOUSE CHILD CARE CENTER

**HOUSE OF REPRESENTATIVES
HOUSE CHILD CARE CENTER
BY OBJECT CLASS**

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	18	\$542	18	\$595	18	\$618		\$23
12 Personnel Benefits.....		\$7		\$15		\$17		\$2
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....		\$2		\$2		\$11		\$9
23 Rent, Communications, Utilities.....		\$1						\$1
24 Printing and Reproduction.....		\$2		\$4		\$5		\$1
25 Other Services.....		\$12		\$33		\$34		\$2
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	18	\$565	18	\$649	18	\$687		\$38

SCHEDULE B

HOUSE OF REPRESENTATIVES
 HOUSE CHILD CARE CENTER
 ANALYSIS OF CHANGE
 BY ORGANIZATION AND OBJECT CLASS

	PROGRAM TYPE CHANGES											
	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$23										\$23
12 Personnel Benefits		\$2										\$2
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities												
24 Printing and Reproduction									\$9			\$9
25 Other Services												\$1
26 Supplies and Materials												\$1
31 Equipment										\$2		\$2
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$25		\$2				\$9		\$2		\$38

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION HOUSE CHILD CARE CENTER		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	18	\$649
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	18	\$649
A. MANDATORY CHANGES		\$25
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$6
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		\$17
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		\$2
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		\$2
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		\$1
5. SUPPLIES		\$1
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		\$11
1. LEGISLATION		
2. WORKLOAD		\$11
a. TRAVEL		
b. RENT, COMMUNICATIONS		\$9
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		\$2
a. REPLACEMENT AND UPGRADE		\$2
II. NET INCREASE/DECREASE REQUESTED		\$38
III. TOTAL APPROPRIATIONS REQUEST, 2004	18	\$687

Explanation of Changes Shown on Schedule C

SALARIES, OFFICERS AND EMPLOYEES
HOUSE CHILD CARE CENTER

For salaries and expenses of the House Child Care Center (HCCC) \$687,000. This is an increase of \$38,000 or 5.86% over the amount provided in fiscal year 2003. The HCCC pays for personnel and non-personnel expenses with funds received through tuition and application fees, although the Directors salary and HCCC training expenses which are accounted for in the above total, they are paid out of the Chief Administrative Officer funding.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the annualization of the FY'03 Cost of Living Adjustment, prorated FY'04 Cost of Living Adjustment, FY'04 longevity increases and FY'04 meritorious increases; and continued funding for overtime and temporary positions.

Price Level Changes:

Other Services: Provides an increase of \$1,000 over FY'03 due to inflation.

Supplies: Provides an increase of \$1,000 over FY'03 due to inflation.

Program Type Changes:

RCU: Provides an increase of \$9,000 over FY'03 allowing for the purchase of additional cell-phones, blackberries and service contract to meet the needs identified in the HCCC Emergency Action Plan.

Equipment: Provides an increase of \$2,000 over FY'03 due to service fees associated with the installation and use of a new copier.

JOINT COMMITTEE ON TAXATION

Congress of the United States
JOINT COMMITTEE ON TAXATION
Washington, DC 20515-6453

The Honorable Jack Kingston
Chairman, Subcommittee on Legislative
Committee on Appropriations
U.S. House of Representatives
H-147 The Capitol
Washington, D.C. 20515

Dear Chairman Kingston:

I am writing to explain the fiscal year 2004 appropriation request for the Joint Committee on Taxation ("Joint Committee"). The following discussion provides (1) detailed information on the Joint Committee appropriation request for fiscal year 2004, (2) a review of Joint Committee operations during calendar year 2002, and (3) a description of the anticipated workload of the Joint Committee during calendar year 2003.

A. Summary of Fiscal Year 2004 Appropriation Request

The following table summarizes the Joint Committee's appropriation request for fiscal year 2004 relative to the fiscal year 2003 appropriation.

	<u>FY2003</u>	<u>FY2004</u>
<u>Personnel Costs:</u>		
Personnel compensation	\$6,820,000	\$7,249,000
Transit benefits	15,000	15,000
<u>Nonpersonnel Funding:</u>		
Travel	12,000	12,000
Rent, communications, and utilities	30,000	30,000
Printing	1,000	1,000
Other services	125,000	125,000
Supplies and materials	190,000	190,000
Equipment	<u>400,321</u>	<u>490,000</u>
Total fiscal year 2003 appropriation:	\$7,593,321	
Total fiscal year 2004 request:		\$8,112,000

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The \$6,820,000 of personnel compensation for fiscal year 2003 reflects an increased amount appropriated of \$320,000 over the Joint Committee's requested amount for personnel compensation for fiscal year 2003. The equipment amount of \$450,000 originally requested for 2003 was reduced to \$400,321 by the across-the-board rescission of 0.65 percent applicable under the Consolidated Appropriations Resolution, 2003.

B. Details of Fiscal Year 2004 Appropriation Request**Summary of appropriation request increases**

The \$518,679 increase in the Joint Committee's appropriation request for fiscal year 2004 relative to the fiscal year 2003 appropriation is attributable to increased personnel costs, restoration of the 2003 rescission of 0.65 percent, and equipment for the new staff positions authorized for fiscal year 2003.

Personnel expenses**New economists**

The Joint Committee requests \$100,000 (to complete the \$420,000 funding originally requested for fiscal year 2003, \$320,000 of which was appropriated in the Consolidated Appropriations Resolution, 2003) to fund the hiring of 4 new Joint Committee staff economists. This request reflects the 4-FTE increase authorized under the fiscal year 2003 appropriation.

Calendar year 2003 cost-of-living adjustment annualized

The Joint Committee requests \$71,000 to fund 3 months of the 4.1 percent cost-of-living adjustment for the months of October, November, and December, 2003.

Calendar year 2004 cost-of-living adjustment annualized

The Joint Committee requests \$190,000 to fund 9 months of the 3.7 percent projected cost-of-living adjustment for the months of January through September, 2004. This amount is projected based on information provided by the House Finance Office.

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Meritorious increases

The Joint Committee requests \$68,000 for 1-percent meritorious increases for fiscal year 2004.

Transit benefits

The Joint Committee requests \$15,000 for transit benefits for fiscal year 2004, which is the same amount requested for fiscal year 2003.

Nonpersonnel expenses

Travel

The Joint Committee requests \$12,000 for travel during fiscal year 2004, which is the same as the fiscal year 2003 request. This amount will be used to pay travel expenses of (1) job applicants, (2) Joint Committee consultants, and (3) Joint Committee staff attending educational conferences.

Rent, communications, and utilities

The Joint Committee requests \$30,000 for fiscal year 2004 to cover anticipated expenses for communications and utilities. This amount is the same as the fiscal year 2003 request.

Printing

The Joint Committee requests \$1,000 to cover anticipated printing expenses for fiscal year 2004, which is the same as the amount requested for fiscal year 2003.

Other services

The Joint Committee requests \$125,000 for other services for fiscal year 2004. Although expenses in this category have fluctuated in recent years, it is expected that the amount requested should be adequate to cover such expenses as anticipated for fiscal year 2004. For example, in fiscal years 1999 through 2002, the expenses in this category were \$137,000, \$126,000, \$38,000

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and \$53,000, respectively. For fiscal year 2003, the total of these expenses through mid-March, 2003 (slightly less than half the fiscal year) is approximately \$48,000. The request for fiscal year 2004 includes the following amounts:

- (1) \$2,000 for advertising expenses to advertise job openings with the Joint Committee,
- (2) \$1,000 for miscellaneous services,
- (3) \$9,500 for training, which would permit Joint Committee professional staff to attend conferences for tax professionals on substantives areas of the tax law, Network Administration and Security training for Joint Committee computer specialists, and SAS (Statistical Analysis System) programmer training for Joint Committee economists, and
- (4) approximately \$112,000 for consultant contracts.

Included in the \$112,000 for consultant contracts would be approximately \$30,000-\$40,000 for consultant contracts to perform econometric modeling using Internal Revenue Service and Census data files; \$20,000 for consultant services for macroeconomic modeling; and \$45,000-\$55,000 for services relating to upgrades of Joint Committee software and hardware and the development of a systematic process for creating and retaining Joint Committee records.

This category represents a substantial portion of the Joint Committee's nonpersonnel expenses. The Joint Committee utilizes consultants and other service providers to perform functions that the Joint Committee staff does not have the time or expertise to perform. For example, the needs of the Members for immediate responses to requests for revenue estimates and the substantial volume of requests that the Joint Committee staff receives each year places limitations on the ability of the Joint Committee staff to perform certain work, such as the manipulation of new data sets, that improves the quality of Joint Committee revenue estimates. The Joint Committee staff has found that it is more cost efficient to contract some of this work to outside consultants.

Supplies and materials

The Joint Committee requests \$190,000 for supplies and materials for fiscal year 2004. This is the same amount requested for fiscal year 2003. Actual expenses in this category for fiscal years 2000 and 2001 were approximately \$190,000. The largest expense in this category for fiscal 2003 is a projected \$120,000 for subscriptions and publications. The most significant expenses in this category relate to the purchase of large databases as resources for Joint

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Committee staff performing revenue estimates. These databases typically must be updated annually.

Equipment

The Joint Committee requests \$490,000 for equipment for fiscal year 2004. This includes \$450,000, the amount originally requested for fiscal year 2003 (prior to the across-the-board rescission of 0.65 percent applicable under the Consolidated Appropriations Resolution, 2003) plus \$40,000 to fund the purchase of equipment for the new staff positions authorized in the Consolidated Appropriations Resolution, 2003.

The Joint Committee staff anticipates that, during fiscal year 2004, it will be necessary to replace all desktop workstations and laptop computers, for a total expenditure of approximately \$290,000. In addition, the Joint Committee anticipates the need to add new servers for data storage and replace certain existing servers during fiscal year 2004. The Joint Committee anticipates additional expenditures for equipment (backup devices, servers, laptops, and Blackberry pagers) necessary to develop contingency plans for office closures. Approximately \$80,000 will be attributable to hardware and software maintenance, and approximately \$30,000 will be attributable to servers and backup drives. Approximately \$50,000 will be attributable to XEROX maintenance and usage costs.

C. Review of Joint Committee on Taxation Operations During Calendar Year 2002

In general

Attachments A through E provide a summary of the activity of the Joint Committee staff for calendar year 2002. The attachments include the following information:

- (1) Attachment A -- information relating to the legislative tax reports (Committee and Conference Reports) drafted by Joint Committee staff for the revenue-related legislation considered by the House Committee on Ways and Means and/or the Senate Committee on Finance;
- (2) Attachment B -- a listing of all documents published by the Joint Committee staff during calendar year 2002;

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- (3) Attachment C -- a graph showing the number of written requests received by the Joint Committee from Members of Congress for revenue estimates and other assistance during the period 1986 through 2002;
- (4) Attachment D -- a table providing information on revenue estimate requests and Joint Committee staff responses to various categories of requesting Members for 2002; and
- (5) Attachment E -- information relating to the Joint Committee statutorily mandated duty to review large income tax refunds.

Tax legislative reports

During 2002, the Joint Committee staff prepared 13 Committee and Conference reports relating to tax legislation considered by the Congress. A complete listing of these reports is included at Attachment A.

Joint Committee staff publications

In addition to its work on committee and conference reports, the Joint Committee staff published 110 documents during 2002, including pamphlets and other documents prepared for committee hearings and markups and conference action (see Attachment B). All Joint Committee staff publications are accessible from the Joint Committee's web page (<http://www.house.gov/jct>).

Revenue estimates and related analysis

Attachments C and D show data relating to the Joint Committee staff's revenue estimating activity. Attachment C shows the number of revenue estimate requests received by the Joint Committee staff each year from 1986 through 2002.

Attachment C demonstrates that, during 2002, the Joint Committee staff received 3,583 revenue estimate requests. The number of requests received in 2002 was down from the record number of requests (4,491) received in 2001.

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Attachment D shows information on revenue estimate requests and Joint Committee staff responses to various categories of Members requesting revenue estimates for 2002. Overall, the Joint Committee staff responded to 89 percent of the 3,583 requests received during 2002. The Joint Committee staff is cognizant of its responsibility to provide service to all Members who request it and periodically monitors its response rates to ensure that the Joint Committee staff responds to non-tax-writing Committee Members as well as the tax-writing Committee Members.

The Joint Committee staff's tracking system has transitioned the Joint Committee staff from a paper-based and time-consuming system for processing Member requests to a paperless system that allows the Joint Committee staff to process and monitor all Member requests electronically from the time a request is received until the final response is delivered to the requesting Member. This upgraded system has significantly improved the efficiency of the Joint Committee staff in responding to Member requests. The time required to process reviews of draft Joint Committee responses to Member requests has been reduced from several days to several hours.

In addition, this upgraded database system maintains a complete electronic record of each request received from a Member of Congress and enables real time tracking of the status of each such request. The Joint Committee staff is hoping within the next year to add improvements to the document tracking system and to move toward a system for processing Member requests that will be totally paperless.

The Joint Committee staff continues its work on an ongoing project to develop models to measure the short- and long-term effects on the economy of major tax legislation. The major challenge of this work is developing computer models that can analyze several variations of a tax proposal without major reprogramming. Without this capability, a macroeconomic model will not produce reliable estimates when the elements of major tax proposals change during the legislative process. During 2002, the Joint Committee staff conducted a series of meetings of a Blue Ribbon Advisory Panel which consisted of economists with expertise in macroeconomic modeling, to review the Joint Committee staff's approach to modeling the macroeconomic effects of tax legislation and provide guidance for future work in this area.

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JCT staff studies, investigations, and refund review

Studies and investigations

During 2002, the Joint Committee staff organized the annual joint hearing on the strategic plans and budget of the IRS, as mandated by the IRS Restructuring and Reform Act of 1998. This annual joint hearing of the six Congressional committees with jurisdiction over the IRS will continue through 2003.

In 2002, the Joint Committee staff was directed to undertake a review of the Federal tax returns, tax return information, and other relevant information and documents relating to Enron Corporation and related entities, to assist the Senate Committee on Finance in evaluating whether the Federal tax laws facilitated any of the events or transactions that preceded Enron's bankruptcy. The review is to examine the adequacy of the present tax law, particularly in the areas of tax shelters and offshore entities. It also is to include a review of the compensation arrangements of Enron employees, including tax-qualified retirement plans, nonqualified deferred compensation arrangements, and other arrangements, and an analysis of the factors that may have contributed to any loss of benefits and the extent to which losses were experienced by different categories of employees. The Joint Committee staff was directed to undertake this review on February 15, 2002, by Senator Max Baucus and Senator Charles Grassley of the Senate Finance Committee. The Joint Committee staff devoted at least 7 full-time professional staff members to this review for 8-9 months during calendar year 2002. The review was completed and a 2,700-page Report was published in February, 2003.

In 2002, based on renewed interest in the topic of individual expatriation by several Members of Congress, the Joint Committee staff spent extensive time to update and complete its extensive review, initiated during 1999 and 2000, of the present-law alternative tax regime for certain former citizens and former long-term residents and related immigration laws. Chairman William Archer of the House Ways and Means Committee, who had originally requested the Joint Committee staff review, retired at the end of the 106th Congress in 2000. At that time, the Joint Committee had not completed its review. Due to limited staff resources, the project was set aside. The work during calendar year 2002 included updating prior work to take into account changes in law and administrative practices since 2000. This updating process included reviewing and summarizing numerous private letter rulings issued to former citizens and former long-term residents since 2000, analyzing the potential effects of changes in law such as the

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changes to the estate tax provisions as part of the Economic Growth and Tax Relief Reconciliation Act of 2001, as well as other changes such as reorganizations within the IRS that potentially affected the implementation of the expatriation tax rules. The Report was published in February, 2003.

Refund review

An ongoing, statutorily mandated function of the Joint Committee is the review of IRS refunds or credits of income tax, estate and gift tax, or any tax on public charities, foundations, pension plans, or real estate investment trusts in excess of \$2 million. The Joint Committee staff reviews and reports on such refund cases and makes comments or recommendations with respect to the proposed refund case to the IRS. Attachment E contains information concerning the Joint Committee staff refund review work. During fiscal year 2002, the Joint Committee refund staff reviewed 588 cases involving \$10.3 billion in proposed refunds and 64 large deficiency cases. The Joint Committee staff raised concerns in 41 refund cases. Errors identified by the Joint Committee staff produced a net reduction in refunds of \$138 million in fiscal year 2001. The average annual reduction in refunds for the last 10 years is \$27 million.

**D. Anticipated Workload of the Joint Committee on Taxation
For Calendar Year 2003****Legislative workload**

During 2003, the Joint Committee expects its legislative workload to be similar to calendar year 2002. The Joint Committee staff will provide support to the Congress and the tax-writing committees as revenue legislation, including revenue provisions relating to economic growth incentives and President Bush's fiscal year 2004 budget proposals and legislation to replace FSC/ETI, as well as revenue provisions relating to the military, to charities, to taxpayer rights, and to energy tax incentives, is considered by the Congress. As part of the legislative process, the Joint Committee staff will (1) develop legislative proposals, (2) assist in the drafting of such proposals, (3) provide revenue estimates for numerous legislative options and amendments, (4) prepare markup documents and committee reports, and (5) provide additional economic analysis to the Members.

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The Joint Committee staff will continue to satisfy its responsibilities under the IRS Restructuring and Reform Act of 1998. Thus, the Joint Committee staff will (1) prepare a complexity analysis for inclusion in Committee and Conference reports for all revenue legislation, and (2) organize the joint review in 2003 relating to the operations of the Internal Revenue Service and prepare materials for the use of the Congress in connection with the review.

The Joint Committee will continue to satisfy its requirements under the Unfunded Mandates Act and its statutory responsibility to review large refund cases submitted to it by the IRS.

The Joint Committee staff expects to assist the Senate Committee on Foreign Relations with respect to its work to review proposed tax treaties.

Macroeconomic analysis

New rules of the House of Representatives for the 108th Congress, adopted January 7, 2003, require the House Committee on Ways and Means to include in reports on tax measures either a macroeconomic impact analysis, or an explanation by the Joint Committee staff of why the analysis is not calculable. The requirement may be satisfied by inserting a macroeconomic impact analysis in the Congressional Record before consideration of the bill on the House floor. This House Rule will require the Joint Committee staff either to undertake a macroeconomic impact analysis for each tax bill reported by the House Ways and Means Committee, or to provide an explanation of why the analysis cannot be calculated.

Much of the macroeconomic modeling work done by the Joint Committee staff has focused on the acquisition of a structural version of a traditional commercial macroeconomic econometric model, and its adaptation, in consultation with the private contractor who constructed the model, for use in the analysis of tax policy. This Macroeconomic Equilibrium Growth ("MEG") model is based on the traditional, neoclassical assumption that in the long run, the size of the economy is determined by the amount of capital and labor available for production; however, the model allows for analysis of adjustment paths in which the economy may deviate from full employment. The Joint Committee staff believes it is particularly important to have this flexibility in order to attempt to analyze the macro-economic effects of tax policy within the ten-year Congressional budgeting horizon.

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Other models may be better suited for the analysis of certain types of proposals, and for the analysis of the long-run effects of a proposal. Therefore, the Joint Committee staff has done some work with one such model, an overlapping life-cycle model that includes forward looking expectations. The Joint Committee staff also maintains service contracts with the major commercial econometric modeling services as additional sources of information and data.

In order to account for the interaction of tax proposals with the complexities of the present law Internal Revenue Code, the Joint Committee staff calibrates taxable income and tax rate variables for the macroeconomic models by utilizing its highly developed microsimulation models, which use extensive samples of actual tax return files, provided to the staff by the Statistics of Income Division of the Internal Revenue Service. Much of the developmental work that the Joint Committee staff has done on the MEG model has involved re-configuring tax-related equations to make better use of the wealth of information available from Joint Committee microsimulation models.

E. Summary

Mr. Chairman, the Joint Committee has a reputation for providing timely, high quality, nonpartisan service to the Congress with respect to proposed revenue legislation. However, the highly technical nature of the Joint Committee's work makes it imperative that the Joint Committee be able to hire and retain qualified tax professionals. If the Joint Committee's appropriation request is not approved, the Joint Committee will not have adequate resources to fulfill its obligations to the Congress.

I respectfully request that the Subcommittee approve the appropriation request of the Joint Committee on Taxation for fiscal year 2004.

Sincerely,



Bill Thomas
Chairman, Joint Committee on Taxation

ATTACHMENT A
Committee and Conference Reports
Prepared by Joint Committee on Taxation Staff
During Calendar Year 2002

House Committee on Ways and Means

- 107-382 -- Employee Retirement Savings Bill Of Rights, March 20, 2002
- 107-394 -- Taxpayer Protection And IRS Accountability Act Of 2002, April 9, 2002
- 107-457 -- Encouraging Work And Supporting Marriage Act Of 2002, May 14, 2002
- 107-572 -- Improving Access To Long-Term Care Act Of 2002, July 15, 2002
- 107-650 -- Back To School Tax Relief Act Of 2002, September 11, 2002
- 107-733 -- Retirement Savings And Security Act Of 2002, October 10, 2002
- 107-734 -- Increase Limitation On Capital Losses Applicable To Individuals, October 10, 2002

Senate Committee on Finance

- 107-140 -- Energy Tax Incentives Act Of 2002, March 1, 2002
- 107-188 -- Reversing The Expatriation Of Profits Offshore Act, June 28, 2002
- 107-189 -- Tax Shelter Transparency Act, June 28, 2002
- 107-211 -- CARE Act of 2002, July 16, 2002
- 107-242 -- National Employee Savings And Trust Equity Guarantee Act, August 2, 2002
- 107-283 -- Armed Forces Tax Fairness Act Of 2002, September 17, 2002

Conference Committee Reports

None

ATTACHMENT B

JOINT COMMITTEE ON TAXATION

JCS-02 DOCUMENTS

- JCS-1-02 Estimates Of Federal Tax Expenditures For Fiscal Years 2002-2006 Prepared
for the Committee on Ways and Means and the Committee on Finance

January 17, 2002
- JCS-2-02 Joint Review Of The Strategic Plans And Budget Of The Internal Revenue
Service, 2001

May 8, 2002
- JCS-3-02 Description Of Revenue Provisions Contained In The President's Fiscal Year
2003 Budget Proposal

March 18, 2002
- JCS-4-02 Joint Review Of The Strategic Plans And Budget Of The Internal Revenue
Service, 2002

May 14, 2002
- JCS-5-02 Estimates Of Federal Tax Expenditures For Fiscal Years 2003-2007

December 19, 2002

JCX-02 DOCUMENTS

- JCX-1-02 Background Information Relating To The Investment Of Retirement Plan Assets In Employer Stock
February 11, 2002
- JCX-2-02 Description Of S. "Energy Tax Incentives Act Of 2002" Scheduled for Markup by the Senate Finance Committee on February 13, 2002
February 11, 2002
- JCX-3-02 Estimated Revenue Effects Of The "Energy Tax Incentives Act Of 2002" Scheduled For Markup By The Committee On Finance On February 13, 2002
February 11, 2002
- JCX-4-02 Overview Of Present-Law Federal Tax Provisions Relating To Health Care And Selected Health Care Tax Proposals Providing Aid To Displaced Workers And Other Uninsured Individuals Scheduled for a Public Hearing Before the House Committee on Ways and Means on February 13, 2002
February 12, 2002
- JCX-5-02 Description Of The Chairman's Modification To The "Energy Tax Incentives Act Of 2002" Scheduled for Markup by the Senate Committee on Finance on February 13, 2002
February 13, 2002
- JCX-6-02 Technical Explanation Of The "Economic Security And Worker Assistance Act Of 2002"
February 13, 2002
- JCX-7-02 Estimated Budget Effects Of The Revenue Provisions Of The "Economic Security And Worker Assistance Act Of 2002"
February 14, 2002
- JCX-8-02 Estimated Revenue Effects Of The "Energy Tax Incentives Act Of 2002," As Ordered Reported By The Committee On Finance On February 13, 2002
February 14, 2000

- JCX-9-02 Present Law And Background Relating To Employer-Sponsored Defined Contribution Plans And Other Retirement Arrangements Scheduled for a Public Hearing Before the House Committee on Ways and Means on February 26, 2002
February 25, 2002
- JCX-10-02 Background And History Of The Trade Dispute Relating To The Prior-Law Foreign Sales Corporation Provisions And The Present-Law Exclusion For Extraterritorial Income And A Description Of These Rules Scheduled for a Public Hearing Before the House Committee on Ways and Means on February 27, 2002
February 25, 2002
- JCX-11-02 Present Law And Background Relating To Employer-Sponsored Defined Contribution Plans And Other Retirement Arrangements And Proposals Regarding Defined Contribution Plans Scheduled for a Hearing Before the Senate Committee on Finance on February 27, 2002
February 26, 2002
- JCX-12-02 Technical Explanation Of The "Job Creation And Worker Assistance Act Of 2002"
March 6, 2002
- JCX-13-02 Estimated Revenue Effects Of The "Job Creation And Worker Assistance Act Of 2002"
March 6, 2002
- JCX-14-02 Background Materials On Alternative Minimum Tax And Capital Cost Recovery Prepared For The House Committee On Ways And Means Tax Policy Discussion Series Scheduled for Discussion by the House Committee on Ways and Means on March 14, 2002
March 8, 2002
- JCX-15-02 Description Of Chairman's Amendment In The Nature Of The Substitute To H. R.3669, The "Employee Retirement Savings Bill Of Rights"
March 13, 2002
- JCX-16-02 Estimated Revenue Effects Of A Chairman's Amendment In The Nature Of A Substitute To H.R.3669, The "Employee Retirement Savings Bill Of Rights," Scheduled For Markup By The Committee On Ways And Means On March 14, 2002
March 14, 2002

- JCX-17-02 Estimated Budget Effects Of The Revenue Provisions Contained In The President's Fiscal Year 2003 Budget Proposal
March 15, 2002
- JCX-18-02 Taxpayer Protection And IRS Accountability Act Of 2002 Scheduled for a Markup Before the House Committee on Ways and Means on March 20, 2002
March 18, 2002
- JCX-19-02 Background And Present Law Relating To Tax Shelters Scheduled for a Public Hearing Before the Senate Committee on Finance on March 21, 2002
March 19, 2002
- JCX-20-02 Description Of The Chairman's Amendment In The Nature Of A Substitute To H.R.3991, The "Taxpayer Protection And IRS Accountability Act Of 2002 Scheduled for a Markup Before the House Committee on Ways and Means on March 20, 2002
March 19, 2002
- JCX-21-02 Estimated Revenue Effects Of The Chairman's Amendment In The Nature Of A Substitute To H.R.3991, The "Taxpayer Protection And IRS Accountability Act Of 2002." Scheduled For Markup By The Committee On Ways And Means On March 20, 2002
March 20, 2002
- JCX-22-02 Summary Of P.L. 107-147, The "Job Creation And Worker Assistance Act Of 2002"
March 22, 2002
- JCX-23-02 Background Materials On Business Tax Issues Prepared For The House Committee on Ways And Means Tax Policy Discussion Series Scheduled for Discussion by the House Committee On Ways And Means April and May, 2002
April 4, 2002
- JCX-24-02 Technical Explanation Of The Revenue Provisions Of H.R.3762, The "Pension Security Act Of 2002"
April 11, 2002
- JCX-25-02 Estimated Revenue Effects Of H.R.3762, The "Pension Security Act Of 2002"
April 11, 2002

- JCX-26-02 Description Of The Chairman's Modification To H.R.3930, The "Water Quality Financing Act Of 2002," As Introduced And Ordered Reported By The Committee On Transportation And Infrastructure Scheduled For Markup by the House Committee on Ways and Means on April 17, 2002
- April 16, 2002
- JCX-27-02 Technical Explanation Of The "Tax Relief Guarantee Act Of 2002," An Amendment In The Nature Of A Substitute To H.R.586
- April 17, 2002
- JCX-28-02 Estimated Revenue Effects Of The "Tax Relief Guarantee Act Of 2002," An Amendment In The Nature Of A Substitute To H.R.586
- April 17, 2002
- JCX-29-02 Present Law And Background Relating To Executive Compensation
Scheduled for a Hearing Before the Senate Committee on Finance on April 18, 2002
- April 17, 2002
- JCX-30-02 Description Of H.R.4156, The "Clergy Housing Clarification Act Of 2002," As Passed By The House Of Representatives On April 16, 2002
- April 18, 2002
- JCX-31-02 Estimated Revenue Effects Of H.R.4156, The "Clergy Housing Clarification Act Of 2002" As Passed By The House Of Representatives On April 16, 2002
- April 18, 2002
- JCX-32-02 Description Of The "Encouraging Work And Supporting Marriage Act Of 2002"
- April 30, 2002
- JCX-33-02 Estimated Revenue Effects Of The "Encouraging Work And Supporting Marriage Act Of 2002" Scheduled For Markup By The Committee On Ways And Means On May 2, 2002
- April 30, 2002

- JCX-34-02 Description Of Chairman's Amendment To H.R.4626, The "Encouraging Work And Supporting Marriage Act Of 2002" Scheduled for a Markup by the House Committee on Ways and Means on May 2, 2002
- May 2, 2002
- JCX-35-02 Estimated Revenue Effects Of The Chairman's Amendment To H.R.4626, The "Encouraging Work And Supporting Marriage Act Of 2002" Scheduled For Markup By The Committee On Ways And Means On May 2, 2002
- May 2, 2002
- JCX-36-02 Written Testimony Of The Staff Of The Joint Committee On Taxation At A Hearing Of The Subcommittee On Oversight Of The House Committee On Ways And Means Concerning Modeling The Economic Effects Of Changes In Tax Policy
- May 6, 2002
- JCX-37-02 Overview Of Highway Trust Fund Excise Taxes And Related Internal Revenue Code Expenditure Provisions Scheduled for a Public Hearing Before the Senate Committee on Finance on May 9, 2002
- May 7, 2002
- JCX-38-02 Report of the Joint Committee on Taxation Relating To The Internal Revenue Service As Required By The IRS Reform And Restructuring Act Of 1998 Prepared for the Senate Committees on Finance, Appropriations, and Governmental Affairs and the House Committees on Ways and Means, Appropriations, and Government Reform
- May 10, 2002
- JCX-39-02 Description Of Present-Law Rules Relating To Political And Other Activities Of Organizations Described In Section 501(c)(3) And Proposals Regarding Churches Scheduled for a Hearing Before the Subcommittee on Oversight of the House Committee on Ways and Means on May 14, 2002
- May 14, 2002
- JCX-40-02 Description Of Present Law Regarding Tax Incentives For Renewal Communities And Other Economically Distressed Areas Scheduled for a Hearing Before the Subcommittee on Oversight of the House Committee on Ways and Means
- May 20, 2002

- JCX-41-02 Disclosure Report For Public Inspection Pursuant To Internal Revenue Code Section 6103(p)(3)(C) For Calendar Year 2001
May 23, 2002
- JCX-42-02 Estimated Revenue Effects Of Division H. Of H.R.4, The "Energy Tax Incentives Act Of 2002," And Certain Mandates, As Amended By The Senate
May 23, 2002
- JCX-43-02 Comparison Of Division C. Of H.R.4, The "Energy Tax Policy Act Of 2001," As Passed By The House Of Representatives And Division H Of H.R.4, The "Energy Tax Incentives Act Of 2002," As Amended By The Senate
May 23, 2002
- JCX-44-02 Comparison Of The Estimated Budget Effects Of Division C. Of H.R.4, The "Energy Tax Policy Act Of 2001," As Passed By The House Of Representatives And Division H. Of H.R.4, The "Energy Tax Incentives Act Of 2002," And Certain Mandates, As Amended By The Senate
May 23, 2002
- JCX-45-02 Overview Of Present Law And Selected Proposals Regarding The Federal Income Taxation Of Small Business And Agriculture Scheduled for a Public Hearing Before the Senate Committee on Finance on June 4, 2002
May 31, 2002
- JCX-46-02 Description Of H.R.4800, The Repeal Of The Sunset Provision For The Expansion Of The Adoption Credit And The Exclusion For Adoption Assistance
June 3, 2002
- JCX-47-02 Estimated Revenue Effects Of H.R.4800, "Repealing The Sunset Related To The Expansion Of Adoption Benefits"
June 3, 2002
- JCX-48-02 Description Of H.R.4823, The "Holocaust Restitution Tax Fairness Act Of 2002"
June 3, 2002
- JCX-49-02 Estimated Revenue Effects Of H.R.4823, "Holocaust Restitution Tax Fairness Act Of 2002"
June 3, 2002

- JCX-50-02 Description Of H.R.2143, The "Permanent Death Tax Repeal Act Of 2001"
June 4, 2002
- JCX-51-02 Estimated Revenue Effects Of H.R.2143, "Permanent Death Tax Repeal Act Of 2001"
June 4, 2002
- JCX-52-02 Background And Description Of Present-Law Rules And Proposals Relating To Corporate Inversion Transactions Scheduled for a Public Hearing Before the Committee on Ways and Means on June 6, 2002
June 5, 2002
- JCX-53-02 Description Of Proposals In S.2498, The "Tax Shelter Transparency Act" Scheduled for a Markup by the Senate Committee on Finance on June 13, 2002
June 11, 2002
- JCX-54-02 Estimated Revenue Effects Of S.2498, The "Tax Shelter Transparency Act," Scheduled For Markup By The Committee On Finance On June 13, 2002
June 11, 2002
- JCX-55-02 Description Of Proposals In The "Reversing The Expatriation Of Profits Offshore Act" Scheduled for a Markup by the Senate Committee on Finance on June 13, 2002
June 11, 2002
- JCX-56-02 Estimated Revenue Effects Of S.2119, The "Reversing The Expatriation Of Profits Offshore Act," Scheduled For Markup By The Committee On Finance On June 13, 2002
June 11, 2002
- JCX-57-02 Description Of The "Care Act Of 2002" Scheduled for a Markup by the Senate Committee on Finance on June 13, 2002
June 11, 2002
- JCX-58-02 Estimated Revenue Effects Of The "Care Act Of 2002," Scheduled For Markup By The Committee On Finance On June 13, 2002
June 11, 2002

- JCX-59-02 Technical Explanation Of H.R.4019 For Consideration By The House Committee On Rules On June 11, 2002
June 11, 2002
- JCX-60-02 Estimated Revenue Effects Of H.R.4019 For Consideration By The House Committee On Rules On June 11, 2002
June 11, 2002
- JCX-61-02 Description Of Chairman's Modifications To The Provisions Of The "CARE Act Of 2002" Scheduled For A Markup By The Senate Committee On Finance On June 13, 2002
June 12, 2002
- JCX-62-02 Description Of Chairman's Modifications To The Proposals In The "Reversing The Expatriation Of Profits Offshore Act"
June 12, 2002
- JCX-63-02 Description Of Chairman's Modification To The Provisions Of The "Tax Shelter Transparency Act" Scheduled For A Markup By The Senate Committee On Finance On June 13, 2002
June 12, 2002
- JCX-64-02 Estimated Revenue Effects Of The "CARE Act Of 2002," As Modified By The Chairman's Modification, Scheduled For Markup By The Committee On Finance On June 13, 2002
June 13, 2002
- JCX-65-02 Estimated Revenue Effects Of A Chairman's Amendment To S.2119, The "Reversing The Expatriation Of Profits Offshore Act," As Modified By The Chairman's Modification, Scheduled For Markup By The Committee On Finance On June 13, 2002
June 13, 2002
- JCX-66-02 Estimated Revenue Effects Of S.2498, The "Tax Shelter Transparency Act," As Modified By The Chairman's Modification, Scheduled For Markup By The Committee On Finance On June 13, 2002
June 13, 2002
- JCX-67-02 Description Of Chairman's Amendment In The Nature Of A Substitute To H.R.4946, The "Improving Access To Long-Term Care Act Of 2002" Scheduled for Markup Before the House Committee on Ways and Means on June 18, 2002
June 17, 2002

- JCX-68-02 Estimated Revenue Effects Of A Chairman's Amendment In The Nature Of A Substitute To H.R.4946, The "Improving Access To Long-Term Care Act Of 2002," Scheduled For Markup By The Committee On Ways And Means On June 18, 2002
June 17, 2002
- JCX-69-02 Description Of H.R.4931, The "Retirement Savings Security Act Of 2002"
June 18, 2002
- JCX-70-02 Estimated Revenue Effects Of H.R.4931, The "Retirement Savings Security Act Of 2002," For Consideration By The House Committee On Rules On June 18, 2002
June 18, 2002
- JCX-71-02 Present Law And Background Relating To Employer-Sponsored Defined Benefit Plans Scheduled for a Public Hearing Before the Subcommittee on Oversight of the House Committee on Ways and Means on June 20, 2002
June 18, 2002
- JCX-72-02 Description Of The "Armed Forces Tax Fairness Act Of 2002"
July 8, 2002
- JCX-73-02 Estimated Revenue Effects Of The "Armed Forces Tax Fairness Act Of 2002," Scheduled For Consideration By The House Of Representatives On July 9, 2002
July 8, 2002
- JCX-74-02 Description Of Chairman's Modifications To The "National Employee Savings And Trust Equity Guarantee Act" Scheduled for Markup by the Senate Committee on Finance on July 11, 2002
July 9, 2002
- JCX-75-02 Estimated Revenue Effects Of The Chairman's Modification To The "National Employee Savings And Trust Equity Guarantee Act," Scheduled For Markup By The Committee On Finance On July 11, 2002
July 10, 2002
- JCX-76-02 Additional Chairman's Modifications To The "National Employee Savings And Trust Equity Guarantee Act"
July 11, 2002

- JCX-77-02 Estimated Revenue Effects Of The Chairman's Additional Modifications To S.1971, The "National Employee Savings And Trust Equity Guarantee Act," Scheduled For Markup By The Committee On Finance On July 11, 2002
 July 11, 2002
- JCX-78-02 Technical Explanation Of H.R.5095 (The "American Competitiveness Act Of 2002")
 July 19, 2002
- JCX-79-02 Description Of H.R.5193, The "Back To School Tax Relief Act Of 2002"
 Scheduled for a Markup by the House Committee on Ways and Means on July 25, 2002
 July 23, 2002
- JCX-80-02 Estimated Revenue Effects Of H.R.5193, The "Back To School Tax Relief Act Of 2002," Scheduled For Markup By The Committee On Ways And Means On July 25, 2002
 July 24, 2002
- JCX-81-02 Description Of Chairman's Amendment In The Nature Of A Substitute To H.R.5193, The "Back To School Tax Relief Act Of 2002"
Description Of Chairman's Amendment In The Nature Of A Substitute To H.R.5193, The "Back To School Tax Relief Act Of 2002"
 July 24, 2002
- JCX-82-02 Estimated Revenue Effects Of The Chairman's Amendment In The Nature Of A Substitute To H.R.5193, The "Back To School Tax Relief Act Of 2002," Scheduled For Markup By The Committee On Ways And Means On July 25, 2002
 July 24, 2002
- JCX-83-02 Background And History Of The Trade Dispute Relating To The Prior-Law Foreign Sales Corporation Provisions And The Present-Law Exclusion For Extraterritorial Income And A Description Of These Rules Scheduled for a Public Hearing Before the Senate Committee on Finance on July 30, 2002
 July 26, 2002
- JCX-84-02 Estimated Budget Effects Of The Revenue Provisions Contained In The Conference Agreement For H.R.3009, The "Trade Adjustment Assistance Reform Act Of 2002 ('TAA')"
 July 29, 2002

- JCX-85-02 Description Of The Chairman's Modification To H.R.5063, "Armed Forces Tax Fairness Act Of 2002" Scheduled for Markup by the Senate Committee on Finance on September 5, 2002
September 3, 2002
- JCX-86-02 Estimated Revenue Effects Of A Chairman's Modification To H.R.5063, The "Armed Forces Tax Fairness Act Of 2002"
September 3, 2002
- JCX-87-02 Estimated Revenue Effects Of H.R.5203, The "Education Savings And School Excellence Permanence Act Of 2002." Scheduled For Consideration By The House Of Representatives On September 4, 2002
September 4, 2002
- JCX-88-02 Description Of The "Small Business And Farm Economic Recovery Act" Scheduled for a Markup by the Senate Committee on Finance on September 19, 2002
September 17, 2002
- JCX-89-02 Estimated Revenue Effects Of The "Small Business And Farm Economic Recovery Act Of 2002." Scheduled For Markup By The Committee On Finance On September 19, 2002
September 17, 2002
- JCX-90-02 Comparison Of The Provisions Of H.R.5063, The "Armed Forces Tax Fairness Act Of 2002." As Passed By The House And The Senate
October 4, 2002
- JCX-91-02 Comparison Of The Estimated Budget Effects Of H.R.5063, The "Armed Forces Tax Fairness Act Of 2002." As Passed By The House Of Representatives And The Senate
October 4, 2002
- JCX-92-02 Technical Explanation Of H.R.5557, The "Armed Forces Tax Fairness Act Of 2002"
October 7, 2002
- JCX-93-02 Estimated Revenue Effects Of H.R.5557, The "Armed Forces Tax Fairness Act Of 2002." Scheduled For Consideration On The House Floor
October 7, 2002

JCX-94-02	<u>Description Of H.R.1619</u>	October 7, 2002
JCX-95-02	<u>Estimated Revenue Effects Of H.R.1619, Scheduled For Markup By The Committee On Ways And Means On October 7, 2002</u>	October 7, 2002
JCX-96-02	<u>Description Of Chairman's Amendment In The Nature Of A Substitute To H.R.1619</u>	October 7, 2002
JCX-97-02	<u>Estimated Revenue Effects Of A Chairman's Amendment In The Nature Of A Substitute To H.R.1619, Scheduled For Markup By The Committee On Ways And Means On October 7, 2002</u>	October 7, 2002
JCX-98-02	<u>Description Of H.R.5558, The "Retirement Savings And Security Act Of 2002" Scheduled for Markup by the House Committee on Ways and Means</u>	October 7, 2002
JCX-99-02	<u>Estimated Revenue Effects Of H.R.5558, The "Retirement Savings And Security Act Of 2002." Scheduled For Markup By The Committee On Ways And Means On October 7, 2002</u>	October 7, 2002
JCX-100-02	<u>Description Of Chairman's Amendment In The Nature Of A Substitute To H.R.5558, The "Retirement Savings And Security Act Of 2002"</u>	October 7, 2002
JCX-101-02	<u>Estimated Revenue Effects Of A Chairman's Amendment In The Nature Of A Substitute To H.R.5558, The "Retirement Savings And Security Act Of 2002." Scheduled For Markup By The Committee On Ways And Means On October 7, 2002</u>	October 7, 2002
JCX-102-02	<u>Technical Explanation Of H.R.5596, Relating To Political Organizations Described In Section 527 Of The Internal Revenue Code, As Passed By The House And The Senate</u>	October 22, 2002

JCX-103-02 Estimated Revenue Effects Of H.R.5596, Relating To Political Organizations Described In Section 527 Of The Internal Revenue Code, As Passed By The House And The Senate

October 22, 2002

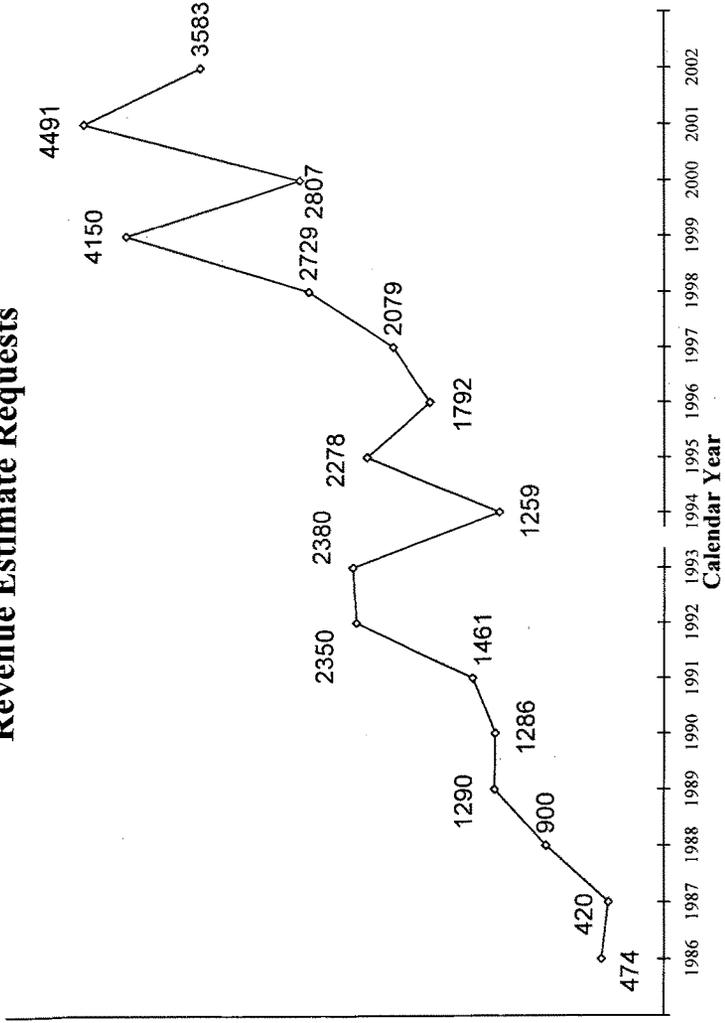
JCX-104-02 Estimated Revenue Effects Of H.R.3100, As Passed By The House Of Representatives

November 12, 2002

JCX-105-02 Description Of The "Tax Technical Corrections Act Of 2002"

November 13, 2002

Attachment C
Joint Committee on Taxation
Revenue Estimate Requests



ATTACHMENT D

REQUEST DATA RELATING TO THE 2ND SESSION OF THE 107TH CONGRESS [1]

Calendar Year 2002

Requestors	Requests Received	Requests Pending	Requests Closed	Percent Closed
Ways & Means Committee				
Republicans.....	1,094	165	929	84.9%
Democrats.....	313	28	285	91.1%
Senate Finance Committee				
Republicans.....	296	35	261	88.2%
Democrats.....	1,402	77	1,325	94.5%
Non Ways & Means Committee				
Republicans.....	57	18	39	68.4%
Democrats/Independent.....	57	8	49	86.0%
Non Senate Finance Committee				
Republicans.....	115	15	100	87.0%
Democrats.....	108	24	84	77.8%
Others.....	141	24	117	83.0%
TOTAL.....	3,583	394	3,189	89.0%
Joint Committee on Taxation				

[1] Totals include both revenue and non-revenue requests.

ATTACHMENT E

Congress of the United States
 JOINT COMMITTEE ON TAXATION
 Washington, DC 20515-6453

December 4, 2002

MEMORANDUM

TO: Chief of Staff, Joint Committee on Taxation

FROM: Senior Refund Counsel

SUBJECT: Refund Section--Operations Report October 1, 2001 through September 30, 2002

This is a report on the more significant developments in this Office during this period.

SUMMARY

Volume - Refund Cases - 588 reports were received during this period. The total dollar amount of refunds was \$10,265,269,662.

<u>Reports Received</u>	<u>1998¹</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Examination Division	334	449	550	406	487
Appeals Division	92	108	99	76	95
Department of Justice	12	15	10	14	4
Chief Counsel	<u>1</u>	<u>5</u>	<u>5</u>	<u>6</u>	<u>2</u>
	439	577	664	502	588
Concerns*	55	61	49	51	41

*Includes 3 post review deficiency cases for 1998, 4 for 1999, 0 for 2000, 4 for 2001 and 0 for 2002.

¹ 1998 was based on a short nine-month period, i.e., 1-1-98 through 9-30-98.

Chief of Staff, Joint Committee on Taxation
December 4, 2002
Page 2

Post Review - The Service reports 64 large deficiency cases to us on an annual basis.

Other Action - We discussed various issues with Internal Revenue Service personnel and made one legislative recommendation.

Exhibits and Appendices provide detailed information on most of the foregoing.

Errors identified by us in FY 2002 and prior years, and settled in FY 2002 produced a net reduction in refunds or an increase in deficiencies of \$138 million. The average annual reduction for the last ten years is \$27 million. Such corrections also reduced credits by \$71,090; reduced AMT NOLs by \$12 million; increased MTCs by \$221,040 and decreased AMT FTCs by \$4 million.

We hope that we are satisfactorily accomplishing our assigned portion of the Committee's mission and meeting your expectations. We look forward to a productive, challenging year.

EXHIBIT I

**REPORTS TO JC AS REQUIRED
BY IRS CODE SECTION 6405**

From 10-01-01 through 09-30-02

<u>Month</u>	<u>No. of Cases Received</u>	<u>Cumulative Total</u>	<u>Cumulative Monthly Average</u>	<u>Dollar Receipts</u>	<u>Cumulative Dollar Receipts</u>
October	46	46	46	844,141,959	844,141,959
November	29	75	38	292,747,443	1,136,889,402
December	43	118	39	725,248,418	1,862,137,820
January	51	169	42	1,193,237,771	3,055,375,591
February	44	213	43	458,026,424	3,513,402,015
March	37	250	42	816,086,794	4,329,488,809
April	82	332	47	866,429,626	5,195,918,435
May	62	394	49	1,026,748,412	6,222,666,847
June	45	439	49	656,330,208	6,878,997,055
July	49	488	49	1,221,965,140	8,100,962,195
August	54	542	49	1,478,493,076	9,579,455,271
September	46	588	49	685,814,391	10,265,269,662

EXHIBIT II

**JOINT COMMITTEE CASES RECEIVED
BY TYPES OF TAXPAYER AND SOURCE**

Fiscal Year 2002

<u>Types of Taxpayers</u>			<u>Source of Reports</u>		
Individuals	26	4%	Compliance	487	83%
Estates	13	2%	Appeals	95	16%
Trusts	0	0%	Justice	4	.7%
Corporations	<u>549</u>	<u>94%</u>	Tax Court	<u>2</u>	<u>.3%</u>
Total	588	100%	Total	588	100%

EXHIBIT III

**JOINT COMMITTEE
MONTHLY RECEIPTS - REFUND REPORTS
FROM COMPLIANCE AND APPEALS**

From 10-01-01 through 09-30-02

<u>Month</u>	<u>Compliance</u>	<u>Cumulative</u>	<u>Appeals</u>	<u>Cumulative</u>
October	35	35	10	10
November	23	58	6	16
December	39	97	3	19
January	39	136	11	30
February	37	173	7	37
March	31	204	6	43
April	75	279	6	49
May	54	333	8	57
June	34	367	11	68
July	40	407	8	76
August	42	449	11	87
September	38	487	8	95

EXHIBIT IV

FISCAL YEAR 2002
 JOINT COMMITTEE ON TAXATION
 CONCERNS ON REFUND REPORTS

Number of Concerns Issued		Total Number of Concerns Issued	% of Total Concerns Issued	
Compliance	Appeals		Compliance	Appeals
30	11	41	73%	27%
			100%	

Total Reports Received				
CMP	AP	TC	J	
487	95	2	4	
588				

HOUSE OF REPRESENTATIVES
 JOINT COMMITTEE ON TAXATION
 BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)" ^a	FTE	Dollars "(000)" ^a	FTE	Dollars "(000)" ^a	FTE	Dollars "(000)" ^a
11 Personnel Compensation.....	61	\$6,017	71	\$6,780	71	\$7,052		\$272
12 Personnel Benefits.....		\$10		\$15		\$15		
13 Benefits to Former Personnel.....								
21 Travel.....		\$20		\$12		\$12		
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....		\$29		\$30		\$30		
24 Printing and Reproduction.....		\$11		\$1		\$1		
25 Other Services.....		\$53		\$125		\$125		
26 Supplies and Materials.....		\$210		\$190		\$190		
31 Equipment.....		\$260		\$440		\$450		\$10
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	61	\$6,610	71	\$7,593	71	\$7,875		\$282

SCHEDULE B

HOUSE OF REPRESENTATIVES
 JOINT COMMITTEE ON TAXATION
 ANALYSIS OF CHANGE
 BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation		\$272										\$272
12 Personnel Benefits												
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities												
24 Printing and Reproduction												
25 Other Services												
26 Supplies and Materials												
31 Equipment										\$10		\$10
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$272								\$10		\$282

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION JOINT COMMITTEE ON TAXATION		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	71	\$7,643
ADJUSTMENT TO APPROPRIATION		-\$50
BUDGET BASE, 2004	71	\$7,593
A. MANDATORY CHANGES		\$272
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$69
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		\$13
8. FY '04 COST OF LIVING ADJUSTMENT		\$190
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		\$10
1. LEGISLATION		
2. WORKLOAD		\$10
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		\$10
a. REPLACEMENT AND UPGRADE		\$10
II. NET INCREASE/DECREASE REQUESTED		\$282
III. TOTAL APPROPRIATIONS REQUEST, 2004	71	\$7,875

Explanation of Changes Shown on Schedule C

JOINT COMMITTEE ON TAXATION

For salaries and expenses of the Joint Committee on Taxation, \$7,875,000. This is an increase of \$282,680 or 3.7% over the amount enacted in fiscal year 2003 after the application of a .65% rescission.

Mandatory Pay and Related Changes:

Personnel increases of \$272,000 are as a result of a the annualization of the FY'03 Cost of Living Adjustment, prorated FY'04 Cost of Living Adjustment and FY'04 meritorious increases.

Program Type Changes:

Equipment: A budget of \$450,000 represents an increase of \$9,680 over FY'03.

OFFICE OF THE ATTENDING PHYSICIAN

SCHEDULE A

HOUSE OF REPRESENTATIVES
OFFICE OF THE ATTENDING PHYSICIAN
BY OBJECT CLASS

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	17	\$1,221	18	\$1,414	18	\$1,566		\$132
12 Personnel Benefits.....		\$100		\$155		\$155		
13 Benefits to Former Personnel.....								
21 Travel.....		\$10		\$17		\$15		-\$2
22 Transportation of Things.....		\$37		\$30		\$30		
23 Rent, Communications, Utilities.....		\$		\$20		\$20		
24 Printing and Reproduction.....		\$130		\$681		\$300		-\$381
25 Other Services.....		\$108		\$664		\$150		-\$514
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	17	\$1,619	18	\$2,981	18	\$2,236		-\$745

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION OFFICE OF THE ATTENDING PHYSICIAN		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	18	\$3,000
ADJUSTMENT TO APPROPRIATION		-\$20
BUDGET BASE, 2004	18	\$2,981
A. MANDATORY CHANGES		\$152
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		\$152
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		-\$897
1. LEGISLATION		
2. WORKLOAD		-\$897
a. TRAVEL		-\$2
b. RENT, COMMUNICATIONS		
c. SUPPLIES		-\$381
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		-\$514
a. REPLACEMENT AND UPGRADE		-\$514
II. NET INCREASE/DECREASE REQUESTED		-\$745
III. TOTAL APPROPRIATIONS REQUEST, 2004	18	\$2,236

Explanation of Changes Shown on Schedule C

ATTENDING PHYSICIAN

For medical supplies, equipment and contingent expenses of the emergency rooms and for the Attending Physician and his Assistants, \$2,236,000. This is a decrease of \$744,500 or 25% under the amount enacted in fiscal year 2003 after the application of the .65% rescission.

The request of \$1,566,000, for reimbursements to the Department of the Navy is an increase of \$152,000 over the amount enacted for fiscal year 2003.

Program Type Changes:

Travel: Decrease of \$2,000 due to a decrease in training.

Supplies: The a decrease of \$381,000 from the amount enacted in FY'03 is due to the buildup of necessary supplies in FY'03.

Equipment: The decrease of \$514,000 from the amount enacted in FY'03 is due to the replacement of obsolete lab equipment during FY'03. These purchases will make FY'04 capitol equipment purchases unnecessary.

CAPITOL GUIDE SERVICE AND SPECIAL SERVICES OFFICE

**HOUSE OF REPRESENTATIVES
CAPITOL GUIDE SERVICE AND SPECIAL SERVICES OFFICE
BY OBJECT CLASS**

SCHEDULE A

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....	70	\$1,875	70	\$2,239	70	\$2,297		\$58
12 Personnel Benefits.....		\$572		\$726		\$752		\$26
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....		\$29		\$29		\$9		\$9
26 Supplies and Materials.....		\$37		\$41		\$41		
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total	70	\$2,512	70	\$3,035	70	\$3,128		\$93

SCHEDULE B

HOUSE OF REPRESENTATIVES
 CAPITOL GUIDE SERVICE AND SPECIAL SERVICES OFFICE
 ANALYSIS OF CHANGE
 BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)" ¹	FTE	Dollars "(000)" ¹	FTE	Dollars "(000)" ¹	FTE	Dollars "(000)" ¹	FTE	Dollars "(000)" ¹	FTE	Dollars "(000)" ¹
Breakdown by Organization												
11 Personnel Compensation		\$58										\$58
12 Personnel Benefits		\$26										\$26
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities												
24 Printing and Reproduction									\$9			\$9
25 Other Services												
26 Supplies and Materials												
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total		\$84							\$9			\$93

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION CAPITOL GUIDE SERVICE AND SPECIAL SERVICES OFFICE		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003	70	\$3,035
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004	70	\$3,035
A. MANDATORY CHANGES		\$84
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		\$23
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		\$1
8. FY '04 COST OF LIVING ADJUSTMENT		\$34
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		\$26
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		\$9
1. LEGISLATION		
2. WORKLOAD		\$9
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		\$9
e. OTHER SERVICES		
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$93
III. TOTAL APPROPRIATIONS REQUEST, 2004	70	\$3,128

Explanation of Changes Shown on Schedule C

CAPITOL GUIDE SERVICE AND SPECIAL SERVICES OFFICE

For salaries and expenses of the Capitol Guide Service and Special Services Office, \$3,128,000. This is an increase of \$93,000 over the amount appropriated in fiscal 2003.

Mandatory Pay and Related Changes:

Personnel increases are attributed to the annualization of the FY'03 Cost of Living Adjustment, prorated FY'04 Cost of Living Adjustment and FY'03 Meritorious increases. The request also includes a request of \$752,000 for personnel benefits.

Program Type Changes:

Printing: The increase of \$9,000 is due to expenses related to tour security policy changes.

STATEMENTS OF APPROPRIATIONS

HOUSE OF REPRESENTATIVES
STATEMENTS OF APPROPRIATIONS
BY OBJECT CLASS

SCHEDULE A

	FY 2002 Actual		FY 2003 Enacted		FY 2004 Estimate		Net Change FY 04 vs. FY 03	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
11 Personnel Compensation.....								
12 Personnel Benefits.....								
13 Benefits to Former Personnel.....								
21 Travel.....								
22 Transportation of Things.....								
23 Rent, Communications, Utilities.....								
24 Printing and Reproduction.....								
25 Other Services.....				\$30		\$30		\$
26 Supplies and Materials.....								
31 Equipment.....								
32 Land and Structures.....								
42 Insurance Claims/Indemnities.....								
Total				\$30		\$30		\$

SCHEDULE B

HOUSE OF REPRESENTATIVES
 STATEMENTS OF APPROPRIATIONS
 ANALYSIS OF CHANGE
 BY ORGANIZATION AND OBJECT CLASS

PROGRAM TYPE CHANGES

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION		WORKLOAD		EQUIPMENT, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"	FTE	Dollars "(000)"
Breakdown by Organization												
11 Personnel Compensation												
12 Personnel Benefits												
13 Benefits to Former Personnel												
21 Travel												
22 Transportation of Things												
23 Rent, Communications, Utilities												
24 Printing and Reproduction												
25 Other Services												
26 Supplies and Materials									\$			\$
31 Equipment												
32 Land and Structures												
42 Insurance Claims/Indemnities												
Total									\$			\$

SCHEDULE C

U.S. HOUSE OF REPRESENTATIVES DETAILED ANALYSIS OF CHANGE BY ORGANIZATION STATEMENTS OF APPROPRIATIONS		
	CALCULATION OF BASE	
	FTE	AMOUNT (\$000)
APPROPRIATION, 2003		\$30
ADJUSTMENT TO APPROPRIATION		
BUDGET BASE, 2004		\$30
A. MANDATORY CHANGES		
1. FY '03 LONGEVITIES ANNUALIZED		
2. FULL FUNDING OF THE AUTHORIZATION		
3. BASE ADJUSTMENT		
4. FY '03 COST OF LIVING ADJUSTMENT ANNUALIZED		
5. FY '04 LONGEVITY INCREASES		
6. FY '04 RECLASSIFICATIONS		
7. FY '04 MERITORIOUS INCREASES		
8. FY '04 COST OF LIVING ADJUSTMENT		
9. FY '04 OVERTIME PAY		
10. FY '04 TEMPORARY POSITIONS		
11. FY '04 PERSONNEL BENEFITS		
12. REIMBURSEMENT TO THE NAVY		
B. PRICE LEVEL CHANGES		
1. TRAVEL		
2. RENT, COMMUNICATIONS		
3. PRINTING AND REPRODUCTION		
4. OTHER SERVICES		
5. SUPPLIES		
6. EQUIPMENT		
7. CONSULTANT CONTRACTS		
8. MISCELLANEOUS		
C. PROGRAM TYPE CHANGES		
1. LEGISLATION		\$
2. WORKLOAD		\$
a. TRAVEL		
b. RENT, COMMUNICATIONS		
c. SUPPLIES		
d. PRINTING AND REPRODUCTION		
e. OTHER SERVICES		\$
f. STAFF LEVEL CHANGES		
g. INSURANCE CLAIMS/INDEMNITIES		
3. EQUIPMENT, MAINT, REPAIRS, ETC		
a. REPLACEMENT AND UPGRADE		
II. NET INCREASE/DECREASE REQUESTED		\$
III. TOTAL APPROPRIATIONS REQUEST, 2004		\$30

Explanation of Changes Shown on Schedule C

STATEMENTS OF APPROPRIATIONS

The fiscal year 2004 funding request is \$30,000, which is a \$98 increase over the amount enacted in fiscal year 2003 after the application of the .65% rescission to the House portion of the appropriation.

WEDNESDAY, APRIL 9, 2003.

LIBRARY OF CONGRESS

WITNESSES

JAMES H. BILLINGTON, THE LIBRARIAN OF CONGRESS
DONALD L. SCOTT, DEPUTY LIBRARIAN OF CONGRESS
JO ANN C. JENKINS, CHIEF OF STAFF, OFFICE OF THE LIBRARIAN
LAURA CAMPBELL, ASSOCIATE LIBRARIAN FOR STRATEGIC INITIATIVES
RUBENS MEDINA, LAW LIBRARIAN
DANIEL P. MULHOLLAN, DIRECTOR, CONGRESSIONAL RESEARCH SERVICE
MARYBETH PETERS, REGISTER OF COPYRIGHTS
BEACHER WIGGINS, ACTING ASSOCIATE LIBRARIAN FOR LIBRARY SERVICES
FRANK KURT CYLKE, DIRECTOR, NATIONAL LIBRARY SERVICE FOR THE BLIND AND PHYSICALLY HANDICAPPED
KENNETH E. LOPEZ, DIRECTOR OF SECURITY
LINDA J. WASHINGTON, DIRECTOR, INTEGRATED SUPPORT SERVICES
JOHN D. WEBSTER, DIRECTOR, FINANCIAL SERVICES
KATHRYN B. MURPHY, BUDGET OFFICER, FINANCIAL SERVICES

OPENING REMARKS

Mr. KINGSTON. We will now take up the budget request of the Library of Congress. We want to welcome Dr. Billington, the Librarian of Congress, and General Scott, the Deputy Librarian of Congress.

The fiscal year 2004 request assumes total funds available will be \$745.2 million derived from a variety of sources, including appropriated funds, receipts, gift, trust, and revolving funds and the reimbursable program. The direct Appropriations request is \$540.1 million plus authority to spend receipts of \$36.5 million. This is an increase of \$44.3 million, or 8.9 percent above fiscal year 2003 enacted level.

The Library is requesting funding for an additional 124 additional FTE's. The Library has 4,241 permanent FTE's in the current workforce. In addition, there are 6 supported from funds transferred from other Federal agencies, 18 supported from gift and trust funds, and 146 supported from revolving funds. In all, the library has a grand total of 4,411 FTEs.

INTRODUCTION OF WITNESSES

Dr. Billington, it is great to have you and General Scott and your staff that have accompanied you. Would you please introduce your staff.

Dr. BILLINGTON. Okay. Let's see. We have the Register of Copyrights, Marybeth Peters; our Chief of Staff, Jo Ann Jenkins; Laura

Campbell, who is our Associate Librarian for Strategic Initiatives; Rubens Medina, the Law Librarian of Congress; Daniel Mulhollan, the Director of Congressional Research Service; Beacher Wiggins, who is the Acting Associate Librarian for Library Services; Frank Kurt Cylke, the Director of the National Library Service for the Blind and Physically Handicapped; Kenneth Lopez, Director of Security; Linda Washington, Director of Integrated Support Services; John Webster, our Director of Financial Services; and Kathryn B. Murphy, our Budget Officer of Financial Services.

Mr. KINGSTON. We have your prepared statement as well as those of Marybeth Peters, the Register of Copyrights, and Dan Mulhollan, the Director of the Congressional Research Service. All the statements have been given to the Members of the Subcommittee and will be printed in the record at this point.

If you have an opening statement that you would like to make it would be in order at this time. If not, we will proceed directly to our questioning.

[The statements submitted for the record follow:]

Statement of James H. Billington
The Librarian of Congress
before the Subcommittee on the Legislative
Committee on Appropriations
U.S. House of Representatives
FY 2004 Budget Request
April 9, 2003

I appreciate the opportunity to discuss the Library of Congress budget request for FY 2004. The Congress of the United States has created the largest repository of human knowledge in the history of the world and has preserved the mint record of American intellectual creativity. The Library's mission of making its resources available and useful to the Congress and the American people and sustaining and preserving a universal collection of knowledge and creativity for future generations is more important than ever in today's environment.

The Library is supporting the war effort by making available to the Congress information resources that continue to gain in importance as a critical strategic asset as people are turning to on-line digital resources for more and more information, and Congress and the nation are using the Library of Congress's expanding digital resources at an ever-increasing rate. The Library processed more than two billion electronic transactions on our Web sites in FY 2002, and that number seems likely to exceed three billion in FY 2003. Technology has made it possible for the Library to extend its reach far beyond the walls of its buildings in Washington to every corner of the world.

Our founding fathers linked governance to learning, and legislation to libraries, from the first time the Continental Congress convened—in a room opposite a library—in Philadelphia on Monday, September 5, 1774. Article I, Section 8 of the Constitution was designed to promote "the progress of science and useful arts." The first joint committee of the Congress in the new capital of Washington, D.C., was created for its library. Congress created the world's first nationwide network of library-based higher educational institutions in 1862 when the Morrill Act built land grant universities—underscoring the basic Jeffersonian belief that democracy, to be dynamic, had to be based on more people using knowledge in more ways.

The Library of Congress is uniquely positioned to support the work of the Congress and the creative dynamism of America in the early 21st century. Three central features of the Library point the way.

1. The Library of Congress (through its **Congressional Research Service and Law Library**) provides the principal research support for the Congress. The Library also serves the American people, along with other institutions, as a **source of knowledge navigation** for the increasingly chaotic profusion of information and knowledge flooding the Internet.

2. The Congress's Library is America's **strategic reserve of the world's knowledge and information**. With more than 126 million items in its collections, the Library is the only institution in the world that comes anywhere close to acquiring everything important for America (except for medicine and agriculture, which have their own national libraries) in whatever language and format it is produced. The Library's unique web of international exchanges, and of overseas procurement offices (Islamabad, Cairo, Jakarta, New Delhi, Nairobi, and Rio de Janeiro), together with purchases and its U.S. copyright deposits, generate an estimated inflow of 22,000 items a day, of which we retain 10,000.

3. The Congress's Library is the **central hub of two important knowledge networks**: America's national network of libraries and other repositories, and an international network of major libraries. The Library of Congress is recognized as a leading provider of free, high-quality content on the Internet. Just as the Congress endorsed the Library of Congress **providing other libraries its cataloging data** for print material in the early 20th century, so it has now mandated its Library in the early 21st century to **create the metadata and plan for a distributed national network for storing and making accessible digital material**.

The **Library is a knowledge center** for accumulating information and helping distill it into scholarly knowledge and practical wisdom. We are constructing a national collaborative effort, at Congress's behest, to preserve digital materials for our national information reserve. The Library submitted a National Digital Information Infrastructure and Preservation Program (NDIIPP) plan to the Congress for establishing a national network of committed partners who will collaborate in a digital preservation architecture with defined roles and responsibilities. The plan was approved in December 2002, and the Library now plans to launch practical projects and research that will develop a national preservation infrastructure. Funding for the NDIIPP plan has already been appropriated by the Congress. Most of it will require matching private sector contributions.

Thanks to the continuing support of the Congress, its Library is in a position both to sustain its historical mission in the new arena of electronic information and to make major new contributions to the global and domestic needs of the United States in an increasingly competitive and dangerous world. In the new networked world, the Library must combine leadership functions that only it can perform with catalytic activities relying on new, networked partnerships with both other nonprofit repositories and the productive private sector. The Library will need the staff, the structures, and the focus to perform only those roles that are central to its mission and which it is uniquely equipped to perform. To do so the Library must sustain most of its present operations but at the same time face **three major changes that will reach across all aspects of the Library in the next decade**.

1. The Library's marvelous **workforce must** to a large extent **be retrained or renewed**. Facing a disproportionately large number of experienced personnel at or nearing retirement age, we must create a workforce that will in the aggregate provide an even greater diversity of both backgrounds and technical skills. The staff for the 21st century must include highly skilled and well-trained experts in both new technologies and the traditional scholarly and substantive subjects required by the richness and variety of the collections. This personnel need is, in many ways, the most important single requirement the Library will face in the next decade.

2. The Library will have to create **new structures, both technical and human, of sufficient flexibility** to enable the Library to deal with the fast-moving ever-changing electronic universe, and **to integrate digital materials seamlessly into the massive analog collections** of the Library. These structures must be set up in such a way that they can work effectively in an increasingly distributed and networked environment, and simultaneously guarantee fast and full global coverage for the Congress. The Library has been largely able to provide information in the analog universe; but it may have to share this responsibility with others in the digital network if they can guarantee quick responses to Congressional and CRS requests.

3. The Library must concentrate more of its overall energies and talents on developing the **deep substantive scholarly expertise** that will enable the staff to navigate, authenticate, and analyze knowledge for the Congress and the nation. It will be important in the future **not only to provide access** to the Library's collections, **but to extend and deepen the objective guidance** that both the Congress and the scholarly world will need in confronting the inundation of unfiltered electronic information.

For FY 2004, the Library continues to face daunting challenges in: (1) implementing security measures and a police force merger; (2) acquiring, preserving, and storing—and ensuring rights-protected access to—the proliferating materials that are produced in both analog and digital formats; (3) planning to replace the 42 percent of our current staff who will become eligible to retire between now and the end of FY 2008; and (4) changing the Library's operations by incorporating constantly evolving methods for communicating information.

The Library's budget request is driven primarily by our mission to acquire, process, make accessible, and store some three million new artifactual items annually, while at the same time harvesting the exponential growth of electronic materials. Additional FY 2004 budget resources are needed mainly for managing our growing collections, incorporating rapidly changing technology into our operations, and covering mandatory pay raises and unavoidable price increases. The Library seeks support in its FY 2004 budget request not for any new functions, but simply for the resources needed to perform our historic service in a radically changing environment.

To meet these challenges, the Library requests additional FY 2004 budget funds to improve physical security and support collections security and management (including the construction of the National Audio-Visual Conservation Center at Culpeper, Va.); to support the Copyright Office's reengineering efforts; and to enhance access to Congressional Research Service (CRS) products and increase CRS research capacity in critical areas.

For FY 2004, the Library of Congress requests a total budget of **\$576.6 million** (\$540.1 million in net appropriations and \$36.5 million in authority to use receipts), a net increase of \$44.5 million above the FY 2003 level. The requested increase includes \$23.6 million for mandatory pay and price-level increases, and \$48.3 million for program increases, offset by \$27.4 million for nonrecurring costs. The Library's FY 2004 budget request is a net increase of 8.4 percent above FY 2003.

Requested funding will support 4,365 full-time-equivalent (FTE) positions, an increase of 124 FTEs over the FY 2003 target of 4,241. The Library is assuming staffing at the FY 2003 target level and requesting the additional FTEs largely to implement security standards and to support the Library's massive artifactual collections.

The FY 2004 budget increase is needed to fund the following major initiatives (which I will address in detail later in this statement):

- **Physical Security (\$17.5 million and 62 FTEs)**—Additional police are required to staff new posts and implement Capitol Hill security standards. Funding is also required to implement the new alternative computer facility, a new public address system, and enhanced emergency preparedness procedures.
- **Collections Security and Management (\$14.1 million and 30 FTEs)**—The National Audio-Visual Conservation Center (NAVCC) at Culpeper, Va., will enable the Library to redress significant limitations in its ability to store, secure, preserve, and provide access to more than 900,000 films and 2.6 million audio materials. The NAVCC will be constructed in two phases: in 2004, storage building and infrastructure; and in 2005, processing building and nitrate storage. Additional NAVCC funding of \$11.1 million and 8 FTEs is required in FY 04 to maintain the construction schedule. It is essential to demonstrate this level of public support if we are to secure the unprecedentedly large private-sector support that we expect to receive when this facility is conveyed to the U.S. Government. The Library also requires \$3 million and 22 temporary FTEs to improve the collections security and management of its other vast collections, including reducing the arrearage of unprocessed items.
- **Copyright Office (\$7.8 million)**—Funding is required to restore the one-time \$5.7 million FY 2003 base reduction resulting from the availability of FY 2002 supplemental no-year funding, and \$2.1 million is required to support the ongoing reengineering project.

- **Congressional Research Service (\$2.7 million)**—The Congress must have uninterrupted access to the policy expertise and information resources needed to address key public policy issues. CRS is requesting additional resources to ensure continuity of business operations, to enhance capacity for database management, and to reform workforce practices that add incentives to encourage staff retention, which in turn will enhance the quality, access, and timeliness of its Congressional research and information services.
- **Other Core Programs and Mandated Projects (\$6.2 million and 28 FTEs)**—Several of the Library's core programs require additional resources, including the mass deacidification program, the Integrated Library System, the Law Library acquisitions program, the talking books program, the Office of Inspector General, and the Library's space management program. In addition, several congressionally mandated programs require the resources adequate to accomplish their assigned missions: the Veterans History Project; the Meeting of Frontiers program, the National Film Preservation Foundation, and the retail sales program.

Concurrent with the submission of this budget request, the Library has submitted an FY 2003 supplemental appropriations request of \$7.4 million for two physical security items that are included in our FY 2004 physical security budget request of \$17.5 million. If approved, the two items would immediately support our emergency management program and alternative computer facility, and the Library's FY 2004 budget request could be reduced by \$7.4 million.

- The Library of Congress Today -

The core of the Library is its incomparable collections and the specialists who interpret and share them. The Library's 126 million items include almost all languages and media through which knowledge and creativity are preserved and communicated.

The Library has more than 28 million items in its print collections, including 5,706 volumes printed before the year 1500; 12.3 million photographs; 4.9 million maps; 2.6 million audio recordings; 900,000 motion pictures, including the earliest movies ever made; 5.1 million pieces of music; and 56.1 million pages of personal papers and manuscripts, including those of 23 U.S. presidents, as well as hundreds of thousands of scientific and government documents.

New treasures are added each year. Notable acquisitions during FY 2002 include: one of the earliest maps to identify the United States as an independent country (Carte des Etats De L'Amerique Suivant le Traite de paix de 1783, Dediee et presentee a s. Excellence Mr. Benjamin Franklin), with extensive marginal text reporting the military events of the American Revolution; the comprehensive papers of Jackie Robinson, including more than 7,000 items on all aspects of his life; 26 rare Afghan monographs smuggled out of Afghanistan during the Taliban era; 67 North Korean movies and additional North Korean videos; and the Prelinger Collection of more than 48,000

historical motion pictures, which brings together a variety of American ephemeral advertising, educational, industrial, amateur, and documentary films of everyday life, culture, and industry in 20th century America.

Every workday, the Library's staff adds more than 10,000 new items to the collections after organizing and cataloging them. The staff then shares them with the Congress and the nation—by assisting users in the Library's reading rooms, by providing on-line access across the nation to many items, and by featuring the Library's collections in cultural programs.

Every year the Library delivers more than **800,000 research responses** and services to the Congress, registers more than **520,000 copyright claims**, and circulates more than **23 million audio and braille books** and magazines free of charge to blind and physically handicapped individuals all across America. The Library annually catalogs more than **300,000 books and serials**, providing its bibliographic records inexpensively to the nation's libraries, thus saving them millions of dollars annually.

The Library also provides Congressional offices, federal agencies, libraries, and the public with free on-line access, via the Internet, to its automated information files, which contain more than **75 million records**. The Library's Internet-based systems include major World Wide Web services (e.g., Legislative Information System, THOMAS, <www.loc.gov>, <www.AmericasLibrary.gov>, Global Legal Information Network, the Library of Congress On-line Public Access Catalog [<www.catalog.loc.gov>], and various file transfer options).

- FY 2002 Accomplishments -

FY 2002 was an exciting year for the Library of Congress. Major achievements include the completion of the congressionally mandated National Digital Information Infrastructure and Preservation Program plan; the addition of 14 new multimedia historical collections to the American Memory Web site, increasing to more than 7.8 million the number of items freely available on-line; responding to the September 11th terrorist attack and subsequent anthrax incidents by providing focused research support for the Congress on terrorism and homeland security and by acquiring and preserving historically significant items for a worldwide record of the events and their aftermath; improving the security of the Library's people, collections, and buildings; reducing the Library's arrearage of uncataloged collections by more than one million items; and recording more than 2 billion electronic transactions on the Library's Internet Web sites.

- Physical Security -

The Library is requesting a \$17.5 million and 62-FTE increase to support improved security of the Library's people, collections, and buildings. Components of the increase are:

1. Police Staffing: The Library is requesting \$4.8 million and 54 FTEs as the first increment of increasing the Library's police force by 108 FTEs, including four support personnel. The increase in police staffing cannot wait until the merger with the Capitol Police is completed. Enhanced security and new posts require more police to ensure that all building entrances are staffed at the standard level, that new and enhanced exterior posts are staffed, and that overtime is not excessive.

2. Alternative Computer Facility (ACF): The Library is requesting \$2,759,000 and 2 FTEs for ongoing operational costs of the ACF, including hardware and software maintenance and networking and telecommunications costs. In addition, \$1,863,000 is required for CRS to implement its portion of the ACF, including the purchase of hardware, software, and contract staff to plan, design, and establish data linkages with the Library's Capitol Hill computer center and to reprogram its request tracking system. The Library's computer operations remain vulnerable to a Capitol Hill disaster until the ACF is brought on-line.

3. Public Address System: To provide effective communications for all emergency situations, the Library is requesting \$5.5 million to implement a public address system for its three Capitol Hill buildings and for the special facilities center. The current inadequate public address system is built into the existing fire alarm system, maintained by the Architect of the Capitol (AOC). While improvements to the fire alarm system are being considered; by 2007, the proposed upgrades would not meet the Library's current operational requirements. These include: communicating effectively in emergency and non-emergency situations; reaching all areas throughout the Library buildings; providing accurate and timely information; advising staff appropriately to mitigate risk and potential loss of life; and evacuating buildings expeditiously and in an orderly manner. To protect its staff and visitors in today's uncertain environment, the Library needs these improvements now.

4. Security Enhancement Plan Additional Requirements: The Capitol Hill security enhancement implementation plan approved by the Congress in 1999 called for the consolidation of the Library's two police command centers, the installation of a new intrusion detection system, and improved police communications. The Library is requesting \$2.1 million and one FTE to meet additional requirements associated with these tasks, including \$1 million for additional card readers and door alarms.

5. Emergency Management: The Library is requesting \$511,000 and 5 FTEs to establish an Office of Emergency Management and create a medical emergency coordinator position. The part-time collateral duty for the Library's existing staff who perform emergency management responsibilities is inadequate for today's challenges. The office would coordinate emergency planning, training, and operations (response and recovery). The medical emergency coordinator would provide research, analysis, and interpretation of medical issues. Funding the

Library's security request will enhance the Library's ability to protect its priceless staff and collections and lessen the vulnerability of the entire Capitol Hill complex by making the Library's security more compatible with that of the complex as a whole.

- Collections Security and Management -

A total of \$14.1 million and 30 FTEs is requested for the preservation, security, and management of the Library's collections. Funding is requested for the following:

- **\$11 million for the National Audio-Visual Conservation Center**—The National Audio-Visual Conservation Center (NAVCC) located in Culpeper, Va., will be a world-class, state-of-the-art conservation center that will, for the first time, consolidate and integrate the Library's Motion Picture, Broadcasting, Recorded Sound Division (MBRS) administrative, acquisitions, processing, storage, preservation, laboratory transfer, and reformatting activities in one central facility. Audiovisual materials contain an ever-increasing percentage of the historical record. Principally funded by what will be the largest private gift in the history of the Library, it is essential at this stage to demonstrate Congressional sustaining support for this largely privately funded public resource. The NAVCC will enable the Library to redress significant limitations in its current ability to store, preserve and provide access to its moving image and recorded sound collections in the following ways:

Collections Storage: The Library's moving image and sound collections are currently housed in storage facilities in four states and the District of Columbia. When the NAVCC is opened, the Library for the first time will be able to consolidate all its collections in a single, centralized storage facility that provides space sufficient to house projected collections growth for 25 years beyond the NAVCC move-in date.

Preservation Reformatting: The NAVCC Film and Sound & Video Preservation Laboratories are being designed to increase significantly the number of items preserved for all types of audiovisual formats. Without the NAVCC, the Library's current preservation rate would result in the preservation of only 5 percent of its total endangered sound and video materials by the year 2015. By contrast, we project that the new NAVCC laboratories will enable us to preserve more than 50 percent of these endangered collections in the same 10-year period after move-in.

Digital Repository and Access: The NAVCC will also include a Digital Audio-Visual Preservation System that will preserve and provide research access to both newly acquired born-digital content, as well as analog legacy formats. This new system is contributing to the Library's overall development of a digital content repository and uses a new paradigm of producing and managing computer-based digital data.

The bulk of the \$11 million FY 2004 NAVCC budget request is for collections storage shelving. This includes \$3.6 million for high-density mobile shelving that will be used to fill the large vault rooms in the main collections building and \$4.1 million for special shelving to outfit the more than 120 smaller vaults that will be separately constructed and dedicated to the storage of nitrate motion picture film. The shelving will maximize storage capacity for the many moving image and recorded sound formats held by the MBRS Division. The FY 2004 request also includes \$1 million for telecommunications equipment and cabling; \$1,285,000 and 6 FTEs for digital preservation; \$694,000 for security equipment; and \$240,000 and 2 FTEs for administrative support. Collections shelving, security equipment, and telecommunications cabling and equipment (regular Library operational costs) are required to maintain the schedule for implementing this critical facility, which will ultimately hold more than 900,000 films and 2.6 million audio materials. The facility will be constructed in two phases: in 2004, non-nitrate storage building; in 2005, processing building and nitrate storage. Funding this year is critical to meeting this construction schedule as well as helping to finalize the private-sector investment in this facility, which is estimated to exceed \$120 million. The AOC contribution of \$16.5 million for the acquisition of the facility has already been appropriated, but the AOC requires \$1.3 million in additional FY 2004 resources for operations and maintenance of the facility.

- **\$1,900,000 to secure the collections by improved inventory management**—The Library's collections security plan requires tracking incoming materials using the Library of Congress Integrated Library System (LC ILS). The Library has embarked upon a multiyear program to enhance the accountability of collections serials and several special-format collections. Additional contract resources are requested to check in serial issues as they are received, create item records for serials as individual issues are bound, barcode and link each self-contained serial volume and incoming non-rare monographs, and convert 10,000 Japanese, Chinese, and Korean serial titles from manual files to the LC ILS. Using the LC ILS, the Library also proposes to use contract resources to: establish on-line records for 2,500 American Folklife Center ethnographic collections; achieve effective tracking, circulation, and inventory control for the 850,000 items in the collections of the Rare Book and Special Collections Division; and prepare holdings records for nearly 250,000 manuscript boxes in the Manuscript Division.
- **\$1,157,000 and 22 FTEs to reduce the Acquisitions Directorate arrearage**—The Library has not received a sizable infusion of new staff to help meet its obligation to reduce the arrearage for more than a decade. The current level of staffing will not permit the Library to meet the congressionally mandated arrearage reduction goals for FY 2004 and beyond. The Library is asking for a three-year extension in meeting its non-rare print and non-print arrearage targets, along with the temporary staff needed to meet the targets within the revised time frame.

- Copyright Office -

The Library's Copyright Office promotes creativity and effective copyright protection, annually processing more than 520,000 claims. Each year, the office transfers about 900,000 works, with an estimated value of more than \$30 million, to the permanent collections of the Library. The office also records more than 10,000 documents referring to approximately 250,000 titles and responds to more than 360,000 requests for information a year.

In FY 2002, the Copyright Office was provided \$7.5 million in supplemental appropriations to cover potential receipt shortfalls due to the disruption of U.S. mail delivery following the anthrax incidents. Once all the mail was processed, at the end of FY 2002, \$5.6 million of the supplemental appropriations remained available and was subsequently used to offset the FY 2003 appropriation, requiring the Copyright Office to use its remaining no-year funds for basic operations in FY 2003. For FY 2004, restoration of the funds is needed to support the Copyright Office's operations. The Library also requests \$2.1 million to keep the Copyright Office's re-engineering project on schedule, which is critical to meeting its mission in the digital age. The Copyright Office must replace outdated information systems that have evolved over the past 20 years with modern technology that promotes the use of electronically received applications and works. The Register of Copyrights will provide more details about this critical project in her statement.

- Congressional Research Service -

As a pooled resource of nonpartisan analysis and information, CRS is a valuable and cost-effective asset to the Congress. To carry out its mission, CRS staff provide a wide range of analytic and research services, including close support to the Members and committees throughout the legislative process by interdisciplinary research, which includes reports and consultations, analyses of alternative legislative proposals and their impacts, assistance with hearings and other phases of the legislative and oversight processes, and analysis of emerging issues and trend data.

In addition to funding for the CRS portion of the ACF, CRS is requesting additional resources in three areas: (1) \$1,460,000 to develop technical solutions that ensure that the Service's materials are available to the Congress whenever and wherever they may be required; (2) \$759,000 to add specialized technical capacity for database management activities; and (3) \$535,000 for incentives that encourage staff retention. The resources respond to the Congressional mandate and will enhance CRS effectiveness and efficiency through improved business processes and updated workforce policies. The CRS Director will provide more details of the request in his statement.

- Other Core Programs and Mandated Projects -

The Library is requesting a total increase of \$5.2 million and 28 FTEs for core programs and projects and for congressionally mandated projects. Components of the increase are:

Core Programs

- **Mass Deacidification**—The Library requests \$919,000 to support the fourth of five increments required in our 30-year (one generation) mass deacidification program. The Congress approved the first three increments of this critical preservation program, and the Library requests a planned increase of \$919,000 to continue to scale up to \$5.7 million by FY 2005. By 2005, the Library plans to have reached the capacity to deacidify 300,000 books and 1,000,000 manuscripts annually.
- **Law Library Purchase of Materials**—The Library is requesting \$360,000 to increase the FY 2003 budget of \$1.5 million for purchasing law materials above the normal inflationary increase. The current base is not sufficient to acquire a comprehensive collection to support the Congress, and as a result, the Law Library is no longer able to respond quickly to key Congressional questions on issues such as anti-terrorism, foreign taxation, international criminal court, etc.
- **Library of Congress Integrated Library System** —The Library is requesting a total FY 2004 budget of \$1,289,000 for the LC ILS, an increase of \$384,000. The increase would support implementation of this mission-critical system for collections control and security, including additional bar code scanners and printers.
- **Space Moves**—The Library is requesting \$1.3 million for contract services to expand our capacity to handle space moves within the Library's three Capitol Hill buildings. As the Library re-engineers its business processes, additional capacity is required to make space changes to facilitate the new work flows. This additional capacity would enable the Library to avoid serious delays in the implementation of space improvements, which reduce the effectiveness and efficiency of operations.
- **Inspector General Computer Security Audits**—The Office of the Inspector General (OIG) is requesting an increase of \$200,000 and 2 FTEs to ensure that agency-wide and system-level information technology security reviews covering operational and technical controls, policy, and management are performed. The new auditors are required to address the Library's longstanding weaknesses in information technology security.

Congressionally Mandated Projects

- **Veterans History Project (VHP)**—In FY 2003, the Congress approved \$476,000 and 6 FTEs for this massive project. The overwhelming nationwide reaction to this popular program has exceeded our expectations, and the Library requests an additional \$579,000 and 7 FTEs to respond to the demands of this mandated program for interviews of a potential veteran population of 18 million.
- **Meeting of Frontiers**—In FY 1999, the Congress appropriated \$2 million to digitize and place on-line materials from both Russia and United States to tell the story of the American exploration and settlement of the West, the parallel Russian exploration and settlement of Siberia and the Far East, and the meeting of the Russian-American frontier in Alaska and the Pacific Northwest. To date, the Web site for the project includes about 100,000 images. The Library is requesting \$375,000 and 3 FTEs to continue the project in FY 2004, including digitizing more items and continuing and promoting the educational use of the materials in both countries.
- **National Film Preservation Foundation**—Authorization for the National Film Preservation Board and the National Film Preservation Foundation expires on October 11, 2003. As part of the reauthorization legislation for the film foundation, the Library is seeking to increase the government's matching contributions from \$250,000 to \$500,000. The film foundation has a proven track record of preserving our film heritage through matching private-sector grants, which is a cost-effective way to address this critical need. The foundation has supported a large number of small preservation centers all across America.
- **Retail Sales Programs**—The Library requests \$715,000 and 5 FTEs to provide capital for the retail sales program, including the Sales Shop and the Photoduplication Service. The added funding would support additional e-commerce and marketing efforts designed to generate profits from the Library's retail sales program, which would be used to benefit the Library's core programs. Without an initial infusion of capital, the Library will be able to implement only incremental improvements toward making these programs into profit centers that can support other Library activities.

- National Library Service for the Blind and Physically Handicapped -

The Library administers a free national library program of braille and recorded materials for blind and physically handicapped persons through its National Library Service for the Blind and Physically Handicapped (NLS). Under a special provision of the U.S. copyright law and with the permission of authors and publishers of works not covered by the provision, NLS selects and produces full-length books and magazines in braille and on recorded disc and cassette. The Library distributes reading materials to a cooperating network of regional and subregional (local, nonfederal) libraries, where they are circulated to eligible borrowers. Reading materials and playback machines are sent to borrowers and returned to libraries by postage-free mail. Established by an act of Congress in 1931 to serve blind adults, the NLS program was

expanded in 1952 to include children, in 1962 to provide music materials, and in 1966 to include individuals with other physical impairments that prevent the reading of standard print.

The FY 2004 budget maintains program services by funding mandatory pay and price-level increases totaling \$1,068,000 and restores a \$1 million one-time base reduction for purchase of talking book machines, which is offset by a \$1 million decrease for a one-time payment to the National Federation of the Blind. Restoring the one-time base cut and funding the FY 2004 increase is necessary to ensure that all eligible individuals are provided appropriate reading materials and to maintain a level of sound reproduction machines able to satisfy basic users' requirements without delays. The budget continues to support the exploration of alternative digital technologies, which will ultimately lead to a new delivery system to replace the current analog cassette tape technology.

- Library Buildings and Grounds -

The AOC is responsible for the structural and mechanical care and maintenance of the Library's buildings and grounds. In coordination with the Library, the AOC has requested a FY 2004 budget of \$47.1 million, an increase of \$9.8 million. The AOC budget includes funding totaling \$4.2 million in appropriations for four projects that were requested by the Library.

As mentioned earlier in this statement, the National Audio-Visual Conservation Center in Culpeper, Va., is being constructed, and the AOC requires operations and maintenance funding of \$1,263,000 during FY 04 to support this critical project. Assurance of the government support is critical in leveraging the far larger amount (which has now increased to well over 75 percent of the total) that we are raising privately for this project.

The three other Library-requested projects support the security of the Library's collections, the design of a logistics warehouse at Fort Meade, Maryland, and space modifications in the James Madison Building. Library-requested projects are prioritized based on critical need and in accordance with both the security needs and the strategic plan of the Library. I urge the committee to support the Architect's Library Buildings and Grounds budget, which is critical to the Library's mission.

- Automated Hiring System -

FY 2002 was the first full year of operation for a new hiring process that was implemented to resolve outstanding motions pending in the Federal District Court related to the Library's hiring and selection procedures for professional, administrative, and supervisory technical positions. As I reported last year, the Library encountered implementation problems associated with the new hiring process, including a new automated hiring system. I am pleased to report that significant progress has been made. Managers made 300 professional, administrative, and supervisory technical competitive selections in FY 2002 using the new process. This compares favorably with 187 such selections during FY 2001 and a five-year average of 190 positions during the

period of FY 1996 - 2000. The new process is content-valid (i.e., a strong linkage exists among job requirements, application questions, and interview questions developed by subject matter experts), and the new process enables the Library to reach a wider applicant pool because of its on-line capabilities.

We are absolutely committed to a fair hiring system that meets both competitive selection requirements and timeliness goals.

- FEDLINK Program -

The Library's FEDLINK revolving fund program coordinates services and programs on behalf of federal libraries and information centers, including the purchase of library materials. The Faxon Company, a FEDLINK vendor that provides subscriptions to participating libraries, filed for Chapter 11 bankruptcy protection on January 27, 2002. As part of the bankruptcy case, the Library has established a claim of approximately \$2.5 million for unfilled orders for FEDLINK libraries.

Faxon and its bankrupt parent company, RoweCom, Inc., intend to submit a reorganization plan that calls for the purchase of their operations by EBSCO Industries and the resumption of service to libraries. At the time of the preparation of this statement, the ultimate liability for the Library or the FEDLINK revolving fund customers is unknown, but the Library believes a substantial portion of the orders will be filled and the claim thereby satisfied. The Library will continue to update the committee on the status of this issue and any potential need for a deficiency supplemental for the FEDLINK revolving fund.

- Summary -

The Library of Congress is in a critical period when it must, in effect, superimpose a select library of digital materials onto its traditional artifactual library if it is to continue to be a responsive and dynamic force for the Congress and the nation. We are not seeking appropriations for any new functions, but rather trying to sustain our historic core function of acquiring, preserving, and making accessible knowledge and information that is now being generated and communicated in a radically new, and particularly impermanent medium.

Technology change and the growth of our collections will continue to drive our budget plans. The Congress deserves great credit for supporting all the work that the Library of Congress is doing to preserve and make accessible the nation's creative heritage and the world's knowledge. Consistently for 203 years, on a bipartisan basis, our national legislature has been the greatest single patron of a library in the history of the world. As the keeper of America's—and much of the world's—creative and intellectual achievements, the Library of Congress is keenly aware of the awesome responsibility it has been given as we embrace the wonders and opportunities of the digital age.

With Congressional support of our FY 2004 budget, the Library of Congress will continue its dedicated service to the work of the Congress and to the creative life of the American people.

On behalf of the Library and all its staff, I thank the Committee for its support, and look forward to working for and with the Congress to acquire and transmit knowledge for America.

Statement of Marybeth Peters
The Register of Copyrights
before the Subcommittee on the Legislative
Committee on Appropriations
United States House of Representatives
FY 2004 Budget Request
April 9, 2003

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to present the Copyright Office FY 2004 budget request. This budget provides the resources for the Copyright Office to continue to play a leadership role in addressing, with the Congress, the increasingly important and complex copyright issues arising from the expanding use of digital technology and computer networks, and to fulfill the statutory responsibilities given the Copyright Office in our Nation's copyright law.

In my testimony last year, I urged action on a \$7.5 million supplemental appropriation request to offset a potential loss of receipts due to the anthrax-related disruption of U.S. Postal Service mail delivery on Capitol Hill. I begin my testimony this year by thanking the committee for approving that request. This funding enabled us to maintain our basic operations and ensured that we continued to meet public service requirements. We are very grateful that the committee recognized the need for this funding and acted so promptly to meet it.

The held mail began to arrive in late April and we made a concerted effort to process it, and the fees it contained, as quickly as possible. We met our goal of processing all of this held mail by

September 30th. As a result, the Office only used \$1,850,000 by the end of FY 2002, and \$5,650,000 of the supplemental funds remained available. The Office is now, as directed by Congress, using the remaining supplemental funds for basic operations in FY 2003. Our FY 2003 annual appropriation was reduced by the same amount. A principal part of the FY 2004 request I put before you today is to restore this \$5,650,000 in base funding.

Our only program change request for FY 2004 is for \$2,100,000 in new net appropriations and spending authority to build integrated information technology systems to support our reengineered Copyright Office business processes. The Office is designing these IT systems to improve our services to the public and to meet the demand for these services online. Copyright Office online services can be a major source for the deposit of digital works to the Library of Congress. The new net appropriation will be part of the \$4.61 million in FY 2004 spending for IT systems analysis, design, and development. I will address our reengineering program in greater detail later in my testimony.

The Copyright Office Mission

The Office's FY 2004 budget request supports the Copyright Office's mission to promote creativity by administering and sustaining an effective national copyright system. The Office carries out the following functions: (1) Administration of the United States Copyright Law: It processes claims for copyright registration, documents for recordation, and works deposited under the mandatory deposit provisions of the law. It creates public records of these actions and provides copies of deposited works for the Library's collections. For more than 130 years, copyright deposits have been a primary source of works for the Library, especially works by American authors. The

Office also administers the law's compulsory licensing provisions, and convenes arbitration panels to determine royalty rates, terms and conditions of licenses, and the disposition of royalties. (2) Policy Assistance, Regulatory Activities, and Litigation: The Office assists congressional committees in drafting and analyzing legislation relating to intellectual property; carries out important regulatory activities under the Digital Millennium Copyright Act; represents the U.S. Government at international meetings and diplomatic copyright conferences; advises the U.S. Trade Representative, the State Department, and the Commerce Department on domestic and international copyright laws; and assists the Courts and the Department of Justice in litigation involving copyright issues. (3) Public Information and Education: The Copyright Office provides information to the public about United States copyright and related laws and Copyright Office practices and procedures, and conducts searches, which may be certified, of the copyright records. The Office conducts outreach to inform the public discussion of copyright issues.

Fiscal Year 2004 Budget Request Summary

For FY 2004, Offsetting Collections Authority remains at the same level as FY 2003 – \$23,321,000. This authority is based on projected annual fee receipts of \$21,500,000, and the use of \$1,821,000 from the Copyright Office no-year account.

The Copyright Office no-year account balance totaled \$3,850,000 as of September 30, 2002. In the current fiscal year the Office will use \$1,821,000 from the no-year account to partially fund the ongoing reengineering program. In FY 2004, the Office proposes to continue using no-year account funds for the reengineering program: (1) \$1,441,000 to partially fund the IT improvements; and (2) \$380,000 to implement other aspects of reengineering. The use of the no-year funds will essentially deplete this account.

Review of Copyright Office Accomplishments and Future Plans

I would like to briefly highlight some of the Office's current and past work, and our plans for FY 2004.

Policy and Legal Responsibilities

The policy and regulatory work of the Copyright Office is largely dictated by the Congress, through responsibilities it gives the Office directly in the Copyright Act and through its setting of the legislative agenda in this area. Digital technology brings both opportunities and problems to the use of copyrighted works. Much is at stake in policy deliberations in this area – both in economic terms and in advancing education and learning. As such, our policy and regulatory work in this area is both increasingly technical and often contentious. The proceeding we completed last year on setting rates and terms for “webcasting” and the anticircumvention rulemaking now underway are illustrative of this trend.

On the legislative front, we are pleased that the Technology, Education and Copyright Harmonization (TEACH) Act was signed into law last year. The TEACH Act promotes digital distance education by implementing the recommendations made in my May 1999 report to Congress titled “Report on Copyright and Digital Distance Education.” At the request of the Senate Judiciary Committee, the Copyright Office played a key role in bringing about the compromise reflected in the legislation by facilitating negotiations between the affected parties.

We also worked closely with the Judiciary Committees of both houses on the issues raised by two 1999 rulings in which the Supreme Court determined that the doctrine of sovereign immunity prevents states from being held liable for damages for violations of the federal intellectual property laws even though states enjoy the full protection of those laws. Under current law, copyright owners

are unable to obtain monetary relief under the copyright law against a state, state entity, or state employee unless the state waives its immunity. I testified on February 27, 2002, in support of S.1611. At the request of the Judiciary Committees, the Office moderated negotiations between intellectual property owners and public universities over the proposed legislation, convening a series of meetings over a period of several weeks. Through this process, the affected parties were able to reach tentative agreement on some issues.

In a similar manner, over the past year we have advised Members and staff on important issues such as piracy in peer-to-peer networks and the protection of authentication measures affixed to or embedded in certain copyrighted works.

Congress is also continuing to study options for reform of the copyright arbitration royalty panel (CARP) system which the Office administers. CARPs are temporary panels composed of hired arbitrators who set or adjust royalty rates and terms of statutory licenses, and determine royalty distributions. These panels have been operating under the auspices of the Copyright Office and the Library of Congress since Congress eliminated the Copyright Royalty Tribunal (CRT) in 1993.

I testified at a June 13 hearing before the House Subcommittee on Courts, the Internet, and Intellectual Property to consider how effective the CARP process has been thus far and ways in which it can be improved. In that testimony, I reviewed the findings of a report on CARP reform that the Office had prepared in 1998 at the request of the Subcommittee, and I commented on the need to reform the CARP process. The Subcommittee held another hearing on this topic this month, and I provided testimony then as well. I would note that changes in the arbitration system could result in functions that are now funded from royalty pools being funded from appropriations. If reform legislation is enacted this session with new requirements, our FY 2004 request would need to be adjusted accordingly.

As I mentioned, this past year we completed what was perhaps the most widely-noticed, and one of the most controversial, CARP proceedings the Office has ever undertaken. It involved setting rates and terms of payment for two statutory licenses that allow for the public performance of a sound recording by means of digital audio transmissions, "webcasting", and the making of ephemeral recordings in furtherance of these transmissions. Under CARP procedures, the panel proposes rates and terms and I make a recommendation to the Librarian on whether to accept these proposals, or to reject them if they are arbitrary or contrary to law. The Librarian, in a June 20 order, accepted my recommendation to halve the CARP-proposed rates applicable to Internet-only transmissions made by webcasters and commercial broadcasters, while accepting the CARP-proposed rates for Internet retransmissions of radio broadcasts made by these same services.

Later in the year, Congress passed into law the Small Webcaster Settlement Act. This Act declares that all payments to be made by non-commercial webcasters during the period of October 28, 1998 until May 31, 2003, which have not already been paid, shall not be due until June 20, 2003. With respect to small webcasters, SoundExchange was authorized to negotiate agreements with small webcasters; such agreements would cover the period from October 28, 1998 through December 31, 2004. Once the terms of such agreements were published by the Copyright Office in the *Federal Register*, they would be effective. The law required that the royalty payments in these agreements be based on a percentage of revenue or expenses, or both, and include a minimum fee. These terms would apply in lieu of the decision by the Librarian. To encourage agreements, payments of small webcasters would be delayed up to December 15, 2002, the date for any agreements to be concluded. An agreement was concluded on December 13 and published by the Office in the *Federal Register* of December 24, 2002.

The section 1201 anticircumvention rulemaking we are currently conducting is mandated by the Digital Millennium Copyright Act, which provides that the Librarian may exempt certain classes of works from the prohibition against circumvention of technological measures that control access to copyrighted works. The purpose of this proceeding is to determine whether there are particular classes of works as to which users are, or are likely to be, adversely affected in their ability to make noninfringing uses due to the prohibition on circumvention of access controls. The first anticircumvention rulemaking under the DMCA was completed in October 2000. The current rulemaking will conclude this October.

The Copyright Office continues to provide ongoing assistance to executive branch agencies on international matters, particularly the United States Trade Representative (USTR), the Patent and Trademark Office (PTO), and the Departments of State and Commerce. There is a full agenda of international intellectual property issues in international fora, such as those presented in free trade agreements, and bilateral negotiations.

Copyright Office staff were part of the U.S. delegation in the May 13-17, 2002, and November 4-8, 2002 meetings of the World Intellectual Property Organization (WIPO) Standing Committee on Copyright and Related Rights, which is considering among other things, a possible treaty on the protection of broadcasting organizations. In cooperation with the PTO, staff prepared a proposed treaty text that became the U.S. proposal and which differed in its scope from the proposals of others because of its inclusion of certain activities of webcasters.

Staff served as part of the U.S. delegation in the World Trade Organization (WTO) Council on TRIPS (trade-related aspects of intellectual property rights), which met in November 2001 and March, June, and September 2002. The TRIPS Council is responsible for monitoring the operation of the TRIPS Agreement, and, in particular, how members comply with their obligations under it.

The Council reviews the intellectual property laws of member countries for compliance with TRIPS obligations.

Copyright Office staff were members of the U.S. delegation to the November 2001 and September 2002 meetings of the Intellectual Property Negotiating Group of the Free Trade Area of the Americas and were instrumental in preparations, including the redrafting of U.S. treaty proposals. We also participated in the drafting and negotiation of the intellectual property provisions of bilateral Free Trade Agreements with Chile and Singapore, including the drafting of proposed text, and have also taken part in preliminary discussions concerning a possible bilateral agreement with Morocco and multilateral agreements with groups of nations in Central America and southern Africa.

As part of its responsibility to provide information and assistance to federal departments and agencies and the Judiciary on copyright matters, the Copyright Office has assisted the Department of Justice in a number of cases, most notably in defending the challenge to the Copyright Term Extension Act (CTEA), resulting in the recent decision by the Supreme Court in Eldred v. Ashcroft upholding to CTEA.

Registration, Recordation and Cataloging Operations

The Copyright Office registered and cataloged more than one half million claims for copyrighted works during FY 2002, despite the effects of anthrax incidents on Capitol Hill mail and the subsequent postal disruption which hampered the flow of claims into the Office. The Office received 526,138 claims to copyright covering more than 800,000 works and registered 521,041 claims. The Cataloging Division received 520,752 registrations in FY 2002 and created cataloging records for 578,658. The Division reduced the amount of registrations awaiting cataloging from 183,204 to 78,379, a decrease of 57 percent.

The Documents Recordation Section received 12,600 documents for recordation and cleared 10,506, covering nearly 218,000 titles of works.

During the fiscal year, the Copyright Office transferred to the Library of Congress for its collections 896,504 copies of registered and unregistered works valued at \$31,302,048.

Licensing Activities

During FY 2002, the Copyright Office administered eight CARP proceedings that included five rate adjustment proceedings and three distribution proceedings. Of the five rate adjustment proceedings, four involved setting rates and terms for the section 114 digital performance right in sound recordings, and the section 112 statutory license for the making of ephemeral recordings to facilitate these transmissions. The fifth proceeding involved setting rates and terms for the section 118 statutory license for the use of certain copyrighted works in connection with noncommercial broadcasting.

The Copyright Office administers the compulsory licenses and a statutory obligation under title 17. The Licensing Division collects royalty fees from cable operators for retransmitting television and radio broadcasts, from satellite carriers for retransmitting “superstation” and network signals, and from importers and manufacturers of digital audio recording products for later distribution to copyright owners. In FY 2002, the Office distributed approximately \$110 million to copyright owners. The Division deducts its full operating costs from the royalty fees and invests the balance in interest-bearing securities with the U. S. Treasury.

Copyright Education

Copyright education is a particularly important aspect of our work, as more and more people implicate copyright laws in their daily online activities. The Copyright Office responds to public requests for information in person, through its website, and via email, telephone, and

correspondence. It also engages in outreach programs to educate the public about copyright issues.

In FY 2002, the Office as a whole responded to 358,604 requests for direct reference services, including 57,263 email inquiries, of which some 10,000 were on the issue of webcasting. The Public Information Section assisted 25,005 members of the public in person, taking in 17,644 registration applications and 2,884 documents for recordation. The Section answered 123,106 telephone inquiries, 10,783 letter requests, and 31,681 email requests for information from the public, representing an over 100 percent increase in the use of email communications. This increase in electronic mail requests is partly a result of the public using an alternative means of communication during the mail disruption and website modifications that made it easier to contact the Office by email.

The Copyright Office website continued to play a key role in disseminating information to the copyright community and the general public, with 13 million hits on key pages during the year, an 8 percent increase over the prior year.

Reengineering Program

Over the past three years, we have been undergoing intensive planning and design to improve each of the public services I have just described. The Office's Reengineering Program will reshape the delivery of our public services. We are very grateful for the support this Committee has given this important effort.

The program is progressing along four fronts: process, organization, facilities, and information technology. All of these areas are linked to each other and have to proceed together. We are making good progress and our request for FY 2004 will allow us to maintain this momentum. Our goal is to complete implementation of our new processes and IT systems in FY 2005.

This budget requests \$2,100,000 to support the development of integrated information

technology systems for our reengineered public services. This request will augment the \$2,500,000 to be obtained from the Office's base budget. The entire reengineering program depends on the development and implementation of new information technology systems. So many of the efficiencies we will gain will be from using new and better technology, and having all our systems integrated rather than working through numerous stand-alone systems as we do now.

Our FY 2004 request, and our information technology work as a whole, is based on careful planning that has been done over the past two years. We have completed an extensive study and planning effort to design business processes which improve the delivery of our public services and allow the public to secure these services online to the maximum extent possible. Once we developed processes that we believe will enable us to best serve the public, we completed an IT requirements analysis, which identified logical systems components and potential software packages. This year we plan to award a contract, through a government-wide agency contract (GWAC), to begin the work of building integrated information technology systems.

The \$2.1 million in new net appropriations will be part of an overall \$4.61 million budget for this IT systems development work.

Conclusion

We expect this will be a busy Congressional session addressing copyright matters; we will continue our close collaboration with the committees and individual Members on these often complex and wide-reaching issues. As we continue to fulfill the responsibilities given us under the copyright law, including making over one half million registrations each year, we are also intent on maintaining the progress of our Reengineering Program to improve these services. Our FY 2004 request permits us to meet these challenges.

Statement of Daniel P. Mulhollan
Director, Congressional Research Service
before the
Subcommittee on Legislative
Committee on Appropriations
United States House of Representatives
Fiscal 2004 Budget Request
April 9, 2003

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before you today to present the fiscal 2004 budget request for the Congressional Research Service (CRS). Our request focuses on two areas of critical importance to the mission and continued success of CRS: ensuring continuity of business operations and investing in a new generation of workers who choose public service. Before discussing the details of our request, however, I would like to thank the Subcommittee for its generous support of our fiscal 2003 budget.

Assisting the Congress in a Changed World Setting

I come before you today at a time of unprecedented circumstances for the Congress, for our Nation, and for the world. We are a Nation at war. Beyond increasing efforts to ensure the safety and security of our staff and systems here on Capitol Hill, CRS continues to work closely with Members and Committees in both Houses on a multitude of issues. The mission of CRS is to contribute to an informed national legislature – a mission of critical importance during a time of foreign turbulence and domestic uncertainties. Our country's past experience, from the Civil War to Vietnam, suggests that during wartime Congress faces enormous challenges in exercising its constitutional legislative and oversight responsibilities. During the Civil War the Congress created the Joint Committee on the Conduct of the War to investigate military operations. Although subject to criticism for its procedures and operations, some scholars have credited the Committee for contributing significantly to the war effort. The experience of World War II, which saw the creation of the so-called "Truman Committee" to oversee an unprecedented growth in military spending, led to a determination by Congress that it required independent, objective analytical support in order to design legislative solutions to the problems facing the country and to evaluate effectively the proposals, policies, and operations put forward by the Executive Branch. Consequently, the Legislative Reorganization Act of 1946 included the first statutory charter for CRS with a commitment that Congress would have access to research expertise at the same level of quality available to the President.

Similar developments occurred during the Vietnam War, when Congress was again forced to make critical decisions on issues affecting U.S. foreign policy, military capability, economic policy, and domestic stability. Congress again concluded that it needed additional support in order to evaluate the implications of competing legislative proposals and to monitor the myriad programs administered by the Executive Branch. As a result, the Legislative Reorganization Act of 1970 enhanced the mission and functions of the Legislative Branch by expanding the roles and mandates of the Congress' support agencies, including CRS, leading to a rapid increase in our staff and research capabilities.

The United States is engaged in a period of international conflict that is likely to be more complex and threatening than any we have faced before. While traditional and conventional military

action may be intense, as exemplified by Iraq and Afghanistan, the combination of world-wide terrorist networks and rogue states possessing lethal weaponry leaves us with the prospect of continuing risks and uncertainty, both at home and abroad — this war on terrorism is a war without boundaries and with no end in sight. In all of the times that the U.S. government has had to confront a war and organized terrorism, the challenges have never been as great, nor the consequences of failure more potentially catastrophic. The budgetary implications of this war on terrorism and the needs of homeland security are enormous and will continue to rise, as will numerous questions about how much is adequate, how priorities should be set, and how resources should be allocated. New policies and programs may be needed to defend against conventional, biological, chemical, and nuclear attack by improving our threat assessment and response capabilities, federal coordination, law enforcement capabilities, and public health services. Indeed, most of the issues on the Administration and Congressional agendas are being reexamined and reshaped. Congress must be prepared to address these challenges in both the short and long term, and CRS must be prepared to help you.

Building on our already close working relationship, my goal is for CRS to be there with you at every step of the way as you examine a range of critical issues with vital consequences for all Americans. The activities supporting the war and homeland security may involve difficult tradeoffs between the need for greater security on the one hand, and important economic, social, and constitutional considerations on the other. Similarly, budgetary realities may well require tough choices among competing priorities, as new responsibilities for establishing stable and democratic regimes overseas are superimposed on multiple requirements for military preparedness, domestic and social programs, counter-terrorism and intelligence capabilities, and economic stimulus.

Mr. Chairman, I am grateful for the opportunity CRS has had to serve you during this difficult time in our nation's history, and I am proud that so many Members and staff have called upon us to deliver the type of objective, nonpartisan assistance that only CRS can provide. Each Member who has called to request a briefing, and each staffer who has called to discuss the implications of a particular policy issue or problem, has given us an opportunity to contribute. We identify the policy problems the Congress is likely to face, seek out solutions to those problems and analyze the implications of those solutions for policy. We undertake this legislative research often in anticipation of the legislative agenda and in collaboration with you, your colleagues, and staff. Thus, we are ready to offer the full analytic/research capacity of the Service to you when you need it. Congress can continue to rely on CRS to advise and assist the Congress in the analysis, appraisal, and evaluation of legislative proposals, in order to assess the advisability of enactment, estimate the probable consequences of such enactment, both intended and unintended, and examine alternative options. This work must be done in a manner that is confidential, objective, and nonpartisan, and that offers a balanced treatment of the issues involved and a range of options for legislative action. Our statutory charter makes it clear that our sole mission is to serve the Congress. The financial investment that I seek in this year's budget request is an investment with multiple benefits: 1) to continue to serve the Congress whenever and wherever you need us— within a flexible and secure technical infrastructure; 2) to enhance our research by establishing capacity to procure, create, maintain and manipulate the large data sets upon which CRS analysts rely to conduct their public policy assessments of legislative proposals and specific program implementation; and 3) to provide CRS managers with flexible tools and incentives that can be used to encourage staff retention.

Continuity of Business Operations to Serve the Needs of Congress At All Times

Much of your attention today is focused on security matters — both here at home and abroad. The first set of initiatives that I present to you relates to safeguarding further the Service's infrastructure to ensure that CRS will be ready to support your work needs at any time, any place, and in any situation.

The tragic events of September 11, 2001, and the anthrax incidents on Capitol Hill, mandate different and additional organizational procedures for every business entity, in both the public and private sectors, to confront and guard against the ongoing threat of terrorism. Through a shared effort with the House and Senate, CRS and the Library of Congress will implement an Alternative Computing Facility and Disaster Recovery site. With the additional funding that we are seeking, we will plan, design, and implement a backup facility that can support CRS and the Congress by mirroring the current technical environment. The alternative site will provide us with the functionality to resume service to Congress in the event that the Madison Building computer facilities are no longer available.

Second, like most government information technology organizations, CRS has mission-critical technical applications that need to be available in a secure environment 24 hours a day and 7 days a week (24/7) under a variety of threat scenarios. Our Inquiry Status and Information System — *ISIS* — is the mission-critical application used to receive confidential requests from Congress, assign the work to CRS analysts, track the work status through completion, and provide managers with key performance statistics and indicators. The current architecture of the ISIS application cannot support secure 24/7 access from remote locations or when the Library's computer facilities are not available, a condition that we will have corrected by the end of fiscal 2004 if funded.

The last initiative is in response to a Congressional requirement stated in the fiscal 2003 Appropriations Act. The Congress directed CRS to take steps to ensure that the Service's materials are available to Congress whenever and wherever they may be required. Meeting this congressional mandate requires that CRS staff — the creators of the research and information materials — be as mobile as Congress and be able to work from a variety of places other than their own offices. This need can arise in a number of different circumstances — including normal work situations as well as emergencies.

Under normal circumstances, for example, a CRS staffer working closely with a conference committee late at night in the Capitol may require secure access to statistical data that the committee needs to decide the final version of a distribution formula for a particular program. An example of an emergency situation is the anthrax incident that occurred in October 2001 and forced the evacuation of a number of congressional and Capitol Hill buildings, including the Madison Building. All CRS staff and many congressional staff had to work from alternative locations for varying amounts of time. During this period, CRS staff could not access information and research materials stored on their personal computers or on CRS servers and, had the emergency lasted much longer, they would not have been able to support Members and committees as required.

In both normal and emergency work situations, CRS staff need secure access to the full range of information and research systems currently available through the Library's computer center and CRS' servers. From wherever they might be located, our staff need to be able to receive and track requests that Members and committees place by phone or via the CRS Web site. To respond to these requests and perform the required analyses, staff need access to the full text of their research and information sources as well as to their raw data and databases to which the Service subscribes or

which it builds in-house. CRS staff need to be able to create reports and other products that respond to congressional requests and they need to get those reports and products to Congress by uploading them to a Web site or including them in a secure email message for delivery. I am requesting funds to develop and implement technical solutions that will provide staff with remote access, from a variety of alternative work sites, to electronic research and information resources so that analysis can be conducted wherever CRS staff may have to work.

Our goal is continuity of basic business operations. Accordingly, I am requesting **\$3.3 million** to establish the CRS alternative computing facility, to make ISIS portable, and to develop technical solutions to support the Congress at any time, at any location. Concurrent with the submission of this budget request, the Library submitted a fiscal 2003 supplemental appropriation request, on behalf of CRS, for \$1.863 million. If that request is approved, CRS can begin immediately with implementation of our portion of the ACF and the ISIS reprogramming, leaving \$1.460 million for our fiscal 2004 needs.

Adding CRS Capacity For Data Base Management Activities

Congress looks to CRS for analysis and information that is derived from large data sets and surveys because much of the data needed is not collected by executive branch agencies or the states. CRS relies increasingly on quantitative analysis to support its work for committees and Members. Examples of some of the Service's most recent efforts include: analysis of caseload data in the TANF program, simulation of alternative policy options for child care tax credits, and a historical analysis of foreign aid. To meet this growing demand most efficiently, CRS must build permanent, skilled capacity to assign basic data collection, acquisition, maintenance, cataloging, data manipulation, and processing tasks.

In fiscal 2002, the Congress provided CRS with funding to enhance its research capacity by building a more powerful technical infrastructure and adding staff who could perform high-level statistical analyses. Given the growing number, size and complexity of data sets, the maintenance of these data sets now requires a Service-wide investment that ensures sound data management practices and supports the integrity and authoritativeness of the data. The data management activities include data acquisition, data library functions and data preparation — a professional skill set with industry standards. CRS is at a point where we need to add capacity to handle these new, increasing, and on-going, critical business functions that support the research efforts being performed by top analytic staff. Our fiscal 2004 proposal will enhance our overall research by establishing specific capacity to procure, create, maintain and manipulate large data sets upon which CRS analysts rely. The proposal includes contract staff for the technical data upkeep of these data sets and one new permanent librarian to ensure business continuity and integrity of the data content. The additional staff, with specialized data skills, will implement industry-standard practices for data management uniformly throughout the Service. This new capacity will assure: 1) authoritativeness and timeliness of the data through regularly scheduled, and often frequent, data refreshment activities; 2) rapid access to the data through use of industry-standard data base structure, cataloging, and maintenance activities; and 3) consistent use and interpretation of the content through standard cataloging and data manipulation activities. To establish a new capacity and a formal structure for data base management activities, I am requesting **\$0.759 million**.

Investing in the Future: Incentives that Encourage Staff Retention

The last, albeit no less important, focus of our fiscal 2004 budget request addresses updating management tools that meet the work needs and expectations of a new generation. We are making substantial progress in hiring new staff and meeting our FTE targets. With Congress' help over the past several years, CRS has made significant staffing investments through our multi-year succession initiative and new staffing approvals for experts in information technology, combating terrorism, and multiple policy aspects of or related to the aging of the American population. We have integrated the concepts of succession and transition staffing into our formal strategic and annual program planning efforts and I want to assure you that I continue to adjust existing staff and resources to align with the Congress' legislative needs. We are asking Congress' assistance to help us to enhance the productivity, efficiency, and attractiveness of CRS as both a first choice research service-provider to the Congress and as a first choice work-place to a new generation of workers who are electing public service as a career. To maximize fully our research capacity and talent, we must provide the requisite "work tools" that staff need to produce the highest analytic quality product for the Congress, and we must do our best to retain a highly skilled, well-trained, and motivated workforce.

In terms of retaining the talent drawn to CRS, I am requesting funding to initiate a Loan Forgiveness Pilot Program. Retention is a top priority for CRS because the Service will need a large number of stable, experienced staff to replace those who will be retiring in the next few years. CRS has already invested considerable money and effort to acquire and develop its current work force to prepare for the upcoming retirements. Expanding this investment plan to retain a high quality staff makes good business sense and ensures our ability to maintain our capacity to serve the Congress as retirements of senior staff occur. This program will allow CRS to initiate a pilot program that provides for the repayment of student loans. Assisting staff in repaying student loans allows us to use this benefit selectively to ensure continuity of service over the next years. During the one-year pilot, CRS would determine eligibility, against a set of pre-determined criteria, for no more than 70 percent of analysts and computer specialists hired over the past three years, plus 20 incumbents in selected at-risk positions whose loss would seriously impair CRS' ability to achieve its strategic goals and objectives.

We are also seeking a modest increase to our travel, training, and awards budget allocations — again as retention incentives. CRS currently has approximately half the training funds per employee when compared to Executive Branch agencies. An attendant benefit of this modest investment is to provide new staff with continuing training experiences that foster their ability to assume quickly the responsibilities of the veteran staff they are replacing. Members of this bright new generation seek out organizations that are willing to offer opportunities for continued training and to provide learning experiences that foster professional growth, development, and rapid integration into the business content and culture. Further, travel and training opportunities are vital to the veteran research staff to keep them abreast of often changing research approaches, information, and research results. These off-site experiences keep them networked into policy research communities and enrich their analysis through exposure to new ideas, techniques, and information research tools. To establish incentives to encourage staff retention, I am requesting **\$0.535 million**.

Status of Fiscal 2003 New Capacity Initiative

I want to thank you once again for providing CRS with the half-year funding in fiscal 2003 to acquire 12 additional research staff to address terrorism, homeland security, and an aging U.S.

population. We expect to have 11 of these staff selected by the end of this fiscal year, with the last one to be hired by the end of the calendar year. They bring capacities such as biotechnology, epidemiology, physics, engineering, gerontology, and transportation safety. Given the current world situation, the addition of this new expertise will be invaluable to the Congress with the work CRS undertakes to support your deliberations.

Conclusion

In closing, Mr. Chairman, I appreciate the opportunity to appear before you and your colleagues today. CRS is the only source of public policy information and research analysis focused solely on the Legislative Branch. We take seriously our mission to contribute substantively to the overall knowledge base of the Congress by providing comprehensive and reliable analysis, research, and information services that are responsive, confidential, objective, authoritative, and timely. As a shared staff resource for the entire Congress, CRS is a cost-effective means of enhancing the Legislative Branch's capacity for meeting its constitutional responsibilities during this time of continued challenge.

Once again, CRS continues to adjust existing resources to align with the Congress' needs. Our fiscal 2004 request reflects new measures and capacities that cannot be drawn from existing resources. I hope you find that we are meeting our mission, and that we are doing so in a way that warrants your continued trust and support.

EMERGENCY SUPPLEMENTAL APPROPRIATIONS

Dr. BILLINGTON. Well, I can give you a brief statement, Mr. Chairman. I, first of all, want to thank the Committee for support for the Library's Supplemental Appropriations Request to improve the Emergency Management Program.

If the Supplemental is approved, I should add, the Library's fiscal 2004 net budget increase would be only \$29.9 million, or 5.5 percent rather than 8.4 percent over last year; \$23.6 million of that, or 79 percent of the net increase, is simply for mandatory pay and price level increases.

UPCOMING CHALLENGES

I think the main general point I would make, Mr. Chairman and members of the Committee, is that the Library is in the process of, in effect, superimposing a massive digital library on top of what is already the world's largest traditional artifactual library; 126 million items of artifacts, books, movies, maps, et cetera, and 75 million online items, attracting last year more than 2½ billion electronic transactions. So it is a very large operation.

We will face challenges in the forthcoming year about new security measures, police force merger, planning to replace the 42 percent of our current staff who will become eligible to retire in the next 5 years. The average age of our senior level staff is 57, so we really have a major personnel transition shaping up. And finally, acquiring and preparing a long-awaited and much-needed National Audio-Visual Conservation Center, which I am happy to report is being mostly funded by a major private donation, from the Packard Humanities Institute.

The events of 9/11 and the terrorism and the war in Iraq have greatly increased the importance of the Library's mission to gather and preserve and make accessible the world's knowledge for the Nation's good. We are, in effect, the Nation's strategic information reserve, and we have as our first priority to provide the Congress with authentic, unbiased information, which we do principally through CRS, as you know, experts from which last year delivered 800,000 answers to congressional inquiries on topics on all these subjects.

The unique global resources also play an important role. One of our Middle Eastern experts in 2002 discovered and translated a rare 1991 autobiography of Osama bin Laden, which contained a number of the names of his cohorts. This report was made available to Congress and to the government agencies and is now available for research in our African and Middle Eastern reading room.

Our Law Library, which has the largest collection of Afghanistan's laws in the world, helped to reassemble that country's laws, most of which were destroyed by the Taliban. The Law Library found a unique two-volume English translation of these laws that was unavailable elsewhere. The reconstructed set was distributed to 1,000 institutions in Afghanistan.

Our Federal Research Division's study on the sociology and psychology of terrorism was commissioned in 1999 by the National Intelligence Council, and 2 years before 9/11 noted that members of al Qaeda could, conceivably, crash an aircraft into the Pentagon, CIA headquarters, or the White House, and so forth. The report is now available on our Web site.

Our new National Plan for Digital Preservation, approved by the Congress last December, establishes an approach for the capture and preservation of important web sites, particularly those that will be important to the Congress, as authenticated by CRS. They relate to crucial contemporary issues of urgent importance to the Congress. So, we are taking the lead on acquiring and preserving this digital material and forming a national plan for a distributed way of preserving this.

LIBRARY OF CONGRESS FUNDING PRIORITIES

We will be asking, I think, for legislation to adapt the mandatory deposit requirement of the Copyright Act to permit more efficient deposit of online material. There is a great danger that we are going to lose a lot of this. So that is on track.

Most of our requested increase is for mandatory pay raises and unavoidable price increases. Additional fiscal year 2004 budget resources are also needed for managing our growing collections and incorporating the changing technology into our overall operations. We are not seeking support for any new functions in this year, but simply for the resources needed to perform the historic business of acquiring, preserving and making accessible knowledge of the new forms in which it is being generated.

We do need additional funds, mainly to improve physical security and support collections security and management, including this new Audiovisual Center—the carrying cost, the basic purchase, has been largely subsidized by a generous private donation; and for supporting Copyright Office's reengineering efforts, and enhancing access to Congressional Research Service products and increasing CRS research capacity in areas that are of critical importance.

The requested funding will support, as we have indicated, 4,365 full-time FTE positions, which is an increase of 124 FTE's over last year. But that is still 184 fewer FTE's than we had in 1992 before the explosion of the Internet, before the subsequent growth of our collections, and the large-scale security measures of recent years. We would be happy to answer any questions.

RUSSIAN LEADERSHIP PROGRAM—OPEN WORLD

Mr. TIAHRT [presiding]. Very good. Thank you, Dr. Billington.

The Chairman is going to be out for a vote and then come back. Mr. Moran, do you have any questions at this time?

Mr. MORAN. I see you have a new line item, Mr. Librarian—I guess that is the way to refer to you—I call you Jim, but I think in this formal setting Mr. Librarian, my question is on the Russian Leadership Program. What you have done is pull money from other parts of the budget to show it as a discrete activity, but it is something that I know Mr. Taylor particularly has been very supportive of.

I wanted to ask if you have got any new initiatives, a plan in terms of cultural exchanges? I understand that you have been raising philanthropic donations as well. So I thought you might want to put that in the record.

Dr. BILLINGTON. Yes. Technically the Russian program, now called Open World, is a separate item. It is a separate entity from the Library, although much of the administrative overhead is carried by the Library. And I do serve as Chairman of the Board. The program has been increased slightly and given new functions for this coming year, including the addition of cultural leaders to the more than 6,250 emerging young political leaders we have brought from Russia.

It is an extraordinarily successful program. The participants have come from all 89 parts of the Russian Federation. They have been in all 50 States and territories of the U.S. And two elements are new this year: one, to add cultural leaders. This is very important, and this was an issue that I know Congressman Taylor and you have both been interested in. I think it is very important, and we will earmark a definite amount for that. Second is to explore on a pilot basis possibly two other parts of the former Soviet Union, and the Baltic Republics to see if the successes of Open World can be extended. The average age of participants is 38. They are all people who have done something to demonstrate leadership, and we are pleased that Congress is expanding it to include the cultural field and also to conduct pilots in two other areas. I think the Board will probably have to determine exactly where the pilots will be, but if this Committee has any thoughts or suggestions, those would be very valuable as well.

PRIVATE FUNDING OPEN WORLD

Mr. MORAN. I know you have made extraordinary efforts to raise charitable donations in support of the Library, private sector support, and, Mr. Chairman, when Mr. Taylor was Chairman, he encouraged that. And this was kind of an initiative on Mr. Taylor's part, as well as the interested Russian cultural and education exchanges.

How much, Mr. Librarian, roughly have you raised from the private sector?

Dr. BILLINGTON. Well, we have raised something over \$2 million, actually, from the Russian private sector, which is very rare. We have raised major funds from two very prominent Russian philanthropists and are also in the process of forming an advisory group that will involve some American donations. We are very hopeful that we will have the funds as well on the American side.

So, at the moment it is an unusual combination, Mr. Chairman. You have on the one hand American public money. On the other hand you have Russian private money. I think the return in terms of numbers and in terms of satisfaction has been good. These people are active alumni in Russia. They have introduced a lot of the setup—we are especially emphasizing the rule of law, because if we are going to develop economic contacts, there have to be dependable, enforceable, laws—we sort of take that for granted. It is being institutionalized over there. So there are many people who have hosted in communities all throughout America—800 to date. The

American commitment is something new that has developed out of the program.

So I think it has been a very successful congressional initiative and a very unique thing, and I could talk more about that, but that is, again, not technically a part of the Library's request.

Mr. MORAN. But you are introducing a lot of your own overhead to move that along—.

Dr. BILLINGTON. Yes.

Mr. MORAN [continuing]. I understand, and you are going to be taking a kind of shepherding role there. So I thought it would be useful to bring it out, because Mr. Taylor has made a believer of me that it is something that has accomplished an awful lot of good.

CONGRESSIONAL RESEARCH SERVICE (CRS)—RETENTION PROGRAM

I just had one other question, Mr. Chairman, and Mr. Mulhollan may want to respond to this. You have got a major personnel problem, a lot of people retiring, a lot of people who don't necessarily have the technological background that you are now requiring. Have things like the Student Loan Forgiveness Program and others been of assistance in getting the technologically adept people that you need onto the Library workforce?

Dan, do you want to respond?

Mr. MULHOLLAN. Of course the need for technological skills run across the agency. For CRS, actually, we have been doing a very good job on the recruitment end, and what is before the Committee is a retention program. General personnel literature holds that if you can keep new employees for at least 3 years, you will have a good chance of keeping them for the long term. What we have tried to do is ask for a retention program package which contains a pilot student loan program.

We surveyed staff who have come to CRS within the last 3 years, and 70 percent of them have outstanding student loan debt averaging about \$33,000. One of the new initiatives that we are proposing as part of our one-year pilot is a \$3,500 loan repayment.

What we are also trying to do as part of the retention package with regard to training and technological buildup, is a modest increase of 10 percent in training and staff development. CRS—and I believe it is also true of the rest of the Library—we are investing about one-half of what Federal agencies are spending per employee for training. CRS' greatest asset for the Congress is our staff, our expertise. They have to keep up with their discipline, whether it is econometric models or new methodologies on a social stratus series or whatever the case may be. So that training, that on-going professional development, is very important. I believe we are asking for a modest increase within that context.

Mr. MORAN. Sure. Same thing would apply to legal expertise that we talked about with the Office of Legislative Counsel. We are trying to compete with the private sector, which pays a lot more and has better benefits.

Mr. MULHOLLAN. And the economists as well.

Mr. MORAN. That is true.

Well, thank you. I don't have any more questions at this time. Thanks, Mr. Chairman.

Mr. KINGSTON. I ask that you respond to some questions for the record concerning staff attrition and the student loan program.

[The questions and responses follow:]

CONGRESSIONAL RESEARCH SERVICE—ATTRITION OF 50 STAFF

Question. You anticipate losing more than 50 staff during FY 2003. What is the reason for the reduction? How does this compare to other years? Is this your normal attrition rate?

Answer. The loss of staff referred to is not a reduction per se, rather it is normal attrition through retirements, resignations, deaths, and all other categories of staff separations.

Each year in the late summer, the Congressional Research Service (CRS) conducts a retirement survey of all staff who are eligible to retire in the upcoming five-year window. The results of that survey are used to perform a Risk Assessment. The results of the survey and assessment are presented to the CRS research managers (executive council) at their annual business and planning meeting—held in October. Our most recent Risk Assessments were completed in fiscal years 1999, 2001, and 2002.

The annual survey and resulting assessment:

- helps CRS to anticipate staff losses via retirement—fairly reliably—for the upcoming two to three years;
- identifies subject and issue areas that could be at risk based upon the information about known/declared staff retirements;
- helps CRS to determine the number and level of expertise needed to maintain capacity by issue area;
- helps CRS to integrate succession planning concepts and transition staffing into our normal workforce management activities; and
- serves as a primary source of information for our annual staffing plan. The CRS annual staffing plan is a specific list of positions—in a time-line format—that aligns the CRS internal capacity for Human Resource (HR) activities (job analysis, recruitment, etc) with the planned staffing needs of the organization for each fiscal year.

Between fiscal years 2000 and 2002, CRS projected to lose approximately 56 staff to retirements based upon the survey results. CRS actually lost 52 staff to retirements; CRS attributes the slight difference to the slow economy and a general tendency to postpone retirement during times of fiscal uncertainty. In recent years, the number of staff retirements projected from the risk assessment has tracked closely to the number who actually retired.

In FY 2003, CRS projects losing about 35 staff to retirement. “All Other” attrition (resignations, etc.) consistently averages about 20 per year—for a total of 55 staff separations. Based upon our 2002 Risk Assessment, CRS projects losing approximately 36 staff to retirement in FY 2004—and approximately 41 in FY 2005. Adding in the annual average “All Other” category—CRS projects losing about 56 in FY 2003 and another 61 in FY 2005. Our FY 2004 narrative stated a conservative “50.”

The majority of staff losses will be among the research and analytic staff. Given the average age of CRS staff, CRS expects this number to continue to increase over the next few years—giving increased value to its risk assessment activity and to our annual planning process to ensure that CRS has the capacity to meet the changing needs of the Congress.

STUDENT LOAN REPAYMENT PILOT PROJECT

Question. CRS is proposing to pilot a Library of Congress program that reduces the student loan debt of a majority of its recent hires. You have requested \$535,000 for this program. How many employees will receive benefits from this level of funding? You are also requesting an increase in your current base for training, travel, and incentive awards. What is the current base for each of these categories?

Answer. The Student Loan Repayment Pilot portion of the FY 2004 request is \$412K and is estimated to cover 116 employees with an award amount of approximately \$3.5K each. A recent review of newly hired graduates revealed that about 70 percent have outstanding student loans, and that those loans average about \$33K. The Congressional Research Service (CRS) plans to limit eligibility for this benefit to no more than 70 percent of research and computer specialist staff hired over the last three years. In addition, CRS plans to offer the benefit to up to 20 other incumbents in selected at-risk positions, with more than three years of service, whose loss would seriously impair the Service’s ability to serve the Congress effectively.

The CRS FY 2003 Operating Plan includes a budget base for training of \$368K, for travel of \$303K, and for incentive awards of \$558K.

STATEMENT ON CRS' SERVICES

Mr. KINGSTON. Mr. Tiahrt, do you have a statement or questions at this time?

Mr. TIAHRT. Thank you, Mr. Chairman.

First, Dr. Billington, I want to say you have done an outstanding job running one of our nation's most interesting institutions. I think you have done a tremendous job getting people to visit the Library of Congress, and I want to thank you for opening up the Great Hall for outside events. I know it is a security problem, and it is difficult; but when we have events in the Great Hall, I think it is the best place we can have them in Washington.

I also want to comment on the Congressional Research Service. The CRS Staff has really done a good job helping me extend my staff, and I would be remiss if I didn't comment. I keep throwing curve balls, trying to give them new things to research; and they amaze me how they have responded in a great, technical fashion to meet my needs. CRS keeps hitting my curve balls out of the park.

DIGITAL FUTURE INITIATIVE

This digitization of the Library, if 100 percent was your "all done," what percentage are you at now?

Dr. BILLINGTON. Well, we have 126 million artifactual items in the Library. We have 8 million items of American history and culture on-line. That is the educational part of our National Digital Library. We are adding to that the Global Gateway, which is a group of joint projects with the national libraries of Russia, Spain, Brazil and Holland and probably more to follow.

But as far as the Library itself is concerned, we have, of course, our entire catalog, a total of 75 million records on-line. However, that is still only a small percentage of 126 million.

We don't, by in large, digitize books, because books are more broadly available. The point of our digitization program is to bring things to libraries and schools around America that they won't have in an ordinary library. This is inspirational as well as educational. But it is still a small percentage of the Library.

We also have another program where somebody has offered to digitize some of our books, and we are adding to that all the time. But it is always going to be a small percentage because we get several million new items every year—the majority of which are not in English. We have the largest English language library in the world, but we also have the largest Arabic language library in the world.

Frankly, one of my concerns, Mr. Chairman, is that this is a city where everyone tends to talk and nobody tends to read. There is a tremendous amount we can learn about all kinds of areas that are of increasing importance to us for our international economic competitiveness as well as for our security interests if people would read more.

We have six overseas offices, Islamabad, Jakarta, Nairobi, Cairo, Rio de Janeiro, and New Delhi—places of great importance. So

there is a tremendous resource there. But things that we have digitized mainly are things like our catalog or like the Thomas system, which is a basic source of information about the Congress that is available. But it is only a small percentage of the total collections in the Library, and it is heavily skewed towards those things that most people are going to want in America, particularly for educational purposes. The Library of Congress Web site is a very valuable educational tool, and we have trained a certain number of teachers and librarians in the use of this for education and also for learning more about American history directly.

There is an excitement about seeing the varying drafts of the Gettysburg Address; or Jefferson's draft of the Declaration of Independence, or zooming in on a panoramic photograph of an American city, whether it was 1880 or 1990—pictures that were taken from balloons with wide-angle lenses or the early Edison movies—the first movies ever made. So the quality is very high but the quantity of digitized items from the overall collections is still relatively small.

Mr. TIAHRT. I presume this will be an ongoing process, and you are going to focus on the areas that have a particular educational application.

Dr. BILLINGTON. Yes, this is an ongoing process. In addition to which we now have this special commission for the Congress, incidentally, for which the funds have already been appropriated and it is on track, to gather in and form a national policy so that we will be able to answer the questions that you are going to be asking which can only be answered from digital information.

There is a danger. More and more of this material is available only in digital form; and, as I said, the technology keeps changing. So, we are in danger of not being able, as well as we could do with artifactual things, to have this digital material in the future.

That is going to be a distributed task. We are not going to do it all. We are forming the plan. We have had great cooperation in the private sector.

Do you have a copy of the report that was actually approved by the five different committees of the Congress that looked at this at the end of this last year?

So, we are into the second phase. We are developing the technological architecture and the web of involvement in the private sector and other repositories to enable the digital material to be available.

Mr. KINGSTON. We are going to need to suspend for probably 15 minutes at a minimum. I dislike making you linger, but the Members probably want to at least have the option of knowing that you are still here. We have three more votes, so we will be back in about 15 minutes.

WEST POINT DIGITAL PROGRAM

Mr. TAYLOR [presiding]. I have at least 15 minutes.

I return to the days of yesteryear—General Scott and the whole staff—I certainly appreciate the work that you do, all of you.

For the record—and I am sorry my fellow Members aren't here—you are digitizing in West Point, and I know I have heard a lot of

good things at West Point about that. Could you tell us a little bit about it?

General SCOTT. We have been in contact with the superintendent's office, and we have sent people from our IT office to West Point to assist them in educating their people on the digitization process.

We have also been consulting with them on how they can make their digital resources available to the cadets at West Point.

The latest information I have is that the project is on schedule and that they have increased the use of digital resources in the libraries.

Mr. TAYLOR. I know the work in the Library is already available. Are the students going to be using it? I need clarification. The digitization applies not simply to books, but all the repertoire I can imagine—maps, films, and the like. It is especially important in West Point, where they have a wonderful collection.

General SCOTT. Yes.

DIGITIZATION FOR EDUCATIONAL PURPOSES

Mr. TAYLOR. Do you estimate roughly 20 million items will need to be digitized for the educational area, Dr. Billington? Is that too great or too small of a number?

Dr. BILLINGTON. I think it is hard to say. I think this is a continuing process: what we select and the numbers we select will be heavily influenced by the sort of returns we get from teachers and librarians and people using this. When you have exotic things in foreign languages that will only be usable by a few numbers of people, it doesn't seem economically feasible to put them up on the Web.

A lot of the utility, a lot of the importance for the country is that the Library of Congress collects a lot of things in a lot of languages. You are quite right, that strong emphasis on the multimedial things is important, because when you are doing it for educational purposes, you are trying to reach a generation that is in the audiovisual modes of perception but not getting as much content.

So I would think, ultimately, we would hope to have as much as we can get out and as much as there is demand for it. Probably 20 million is a good figure. We are well beyond 8 million. We may ultimately go up even higher than that, but I don't think it will ever be sensible to talk, as some people do, about the entire Library of Congress being digitized.

Mr. TAYLOR. Exactly. As you know, North Carolina and South Carolina have a pilot program in the areas working with teachers to educate them on the Web and what is available, and then working with them to obtain the maximum utilization.

I was asked to visit one school about a week ago on what they call Jefferson Day. They had pulled down from the Web a number of things about Jefferson's life and built a Monticello model that an architect would have been proud of. They laid out the grounds from what they found on the Web and/or what they found at the library. They had papers; they had a variety of information concerning the phases of his life; they had proper code. This group—and these students were only up to the 12th grade for the most part—were

extraordinarily well educated about Jefferson. It all came from the Library of Congress Web site.

Of course, in December, when we took a tour, we visited schools where the 10th grade produced papers.

Operation Barbarosa, for instance, was one 10th grader's project. He not only had the picture starting the war, he had the battlefield laid out and he had the opposing generals, complete with their background and what they accomplished. He finally proceeded to talk about the battle itself.

In the 10th grade, I had not yet discovered what Operation Barbarosa was.

Mr. MORAN. I still don't. What was it?

Mr. TAYLOR. The beginning of the war with Germany and Russia, which became the invasion of Russia. Of course, we know about Stalingrad, but not the rest. These were sophomores in high school.

They completed a variety of other papers on the Depression and other assorted topics, and so forth. I cannot believe they would have been able to do that with the textbook they had and the limited library that they had accessible, without the aid of this program.

Dr. BILLINGTON. That is a good example, and I think it is true. It is very important that this goes into libraries and into schools where there are books, because it is important not to create the illusion that you can get everything. You have got to have a good teacher and you have got to have books as well. So it can be stimulus, but it is not the all-consuming answer.

The Operation Barbarosa was delayed for 12 days because the Serbs rose up and fought Hitler in the spring of 1941 when nobody else was. If more people had known that, we would have had a better appreciation of the Balkan crisis. That is one of the reasons we have this Russian Leadership Program.

I was asked by some Congressmen and I was explaining Russia and wasn't explaining it very well. Because they know if Hitler got 12 more days—and the various tanks froze on December 6, the day before Pearl Harbor—he had 12 more days to have taken Moscow, and they might have even won the war.

We need to learn more about history, and it is a very good way to get interested. You have got to have good teachers and have books as well. So locating it in libraries and schools has been one of the strengths of the program you are talking about.

LIBRARY'S LEARNING CENTER

Mr. TAYLOR. We found this program goes to public schools, charter schools, private schools, home schooling, and home schoolers. We found differing degrees of excitement, but the better ones obviously make the most of it. Do you have any ideas concerning how we could excite the other schools, whether it be charter, public or private? Can the Library make suggestions concerning how this Committee could make it more meaningful across the districts we are representing?

Dr. BILLINGTON. I will be testifying tomorrow on the Senate Committee chaired by Mr. Alexander, who is considering having a

network of training institutes for teachers around the country. That would help a lot.

It is the training of teachers. We trained, with some private grants that we got for it, about 300 expert teachers and librarians. I think the kids tend to be ahead of many of the teachers because they have been living in the computer world. I think training of teachers is probably the most important single thing.

We have a very good learning center here which, if people can come to Washington, we would give them a day or a half day of training. But it needs to be done in a much more dramatic and national scale.

Mr. TAYLOR. When I was Chair I talked to the Smithsonian among others and, of course, Archives. We run the danger of everybody trying to make the bill over again, because you have said you are the Library of Congress and you have the resources. I believe the Smithsonian has resources and Archives has resources and Library of Congress has much more, and there is no reason to bill that administratively. Is there a possible way we can come together to avoid costs and still obtain maximum results?

Dr. BILLINGTON. I think it is an excellent idea. We have already brought in 36 other institutions. We have raised some private money to have a national competition, but that was specifically the donors and not the governmental institutions.

It is good to have it on one standard, and I think they will benefit from our experience because we have it now down to a pretty good science, shaking the bugs out of it. It would be good to have it on one system and at least have a distinct presence of their own but have it interoperable.

We are trying to do that on the other side, material coming in as well as going out, to try to get uniform architecture. I think this would be an economy for the government to do it on one platform—whenever you call in the consultants, they tell you, don't get all these different smokestacks. We already have, with a lot of other repositories around the country, including some very small ones, just wonderful stuff.

Mr. TAYLOR. Perhaps we could sit down and talk with Norm and Ernest about Archives to see if we could have an Advisory Committee work together so we don't dissipate our resources. I think you are going to need more resources in that area. Mr. Moran, do you have any questions?

Mr. MORAN. This is a subsequent vote, and we have only got 1 minute. I have raised my questions already, and I am all set.

Mr. TAYLOR. I am going to stay another minute, and then we will have to go into recess unless Chairman Kingston is back.

Well, for the record, I would like to suggest for our Members who aren't here because of the vote, that we take more pleasure with what is available in the Library of Congress and whenever you have events, that we try to be there to both support and at the same time work with, and learn from, the multitude of things you do.

Mr. KINGSTON. You did a great job, Mr. Chairman. It is almost as if you have done this for years.

Mr. TAYLOR. Thank you.

POLICE MERGER

Mr. KINGSTON [presiding]. I wanted to ask you a question about the police force merger. In your situation, how many police officers do you have?

General SCOTT. We have 131 police officers.

Mr. KINGSTON. Of those, how many are on what you would consider the more critical positions? Of 131, some are probably in more secure or less vulnerable positions, and I know they could be critical.

General SCOTT. One of the unique differences in our police officers' responsibilities are that not only are they concerned about people bringing in weapons and possible contaminants in the building but what they are equally concerned with are what people take out of the building.

All of our positions are critical because every entrance and exit are possible avenues in which people could remove items. The protection of the collections is the centerpiece of our police and our security functions.

Mr. KINGSTON. In between the Cannon Building and the Library there is a guard, and that position can't be as critical as the person who is at the front door of the Jefferson, because the people who have walked through the Cannon/Library entrance have been screened by others. Is that a fair statement?

General SCOTT. I would say that is a fair statement, on that particular post, because it is a one-of-a-kind post. However, the other positions, as I said, are open to the public.

Mr. KINGSTON. I was wondering if you had similar interior-post-type, second-level-of-defense positions of the 160 officers.

General SCOTT. I would defer to our Director of Security.

With your permission, this is Kenneth Lopez, our Director of Security.

Mr. LOPEZ. The way we are set up is in a tiered system.

As General Scott mentioned, our critical posts are at the perimeter and they perform an entry inspection. They also perform the exit inspections.

Our second layer, we do with contract guard forces like we have in the reading rooms, and those are non-law enforcement positions. So all the critical resources are on the perimeter, including the Cannon tunnel. That is an exit inspection post, which is critical to the collections security function.

You are right. People are screened coming into the building.

Mr. KINGSTON. So the number was 160 police officers.

Mr. LOPEZ. One hundred thirty-one.

Mr. KINGSTON. Generally speaking then, 90 percent of those are on perimeter?

Mr. LOPEZ. I would say more like 75 percent. The others are involved in 24-hour communication center watch and roving patrols. Probably 75 percent to 80 percent are dedicated to the perimeter security function, which includes the building entrances and the exits. So the predominance of our force is in that function.

Mr. KINGSTON. Do you support merging with United States Capitol Police?

Mr. LOPEZ. It speaks a lot to—in terms of uniformity. But I think the Librarian has stated clearly he has some concerns about ensuring what is critical to the Library is in fact addressed, such as the collection security aspect, because that is unique to the Library. No doubt that the Capitol Police can do the job that needs to be done, but it revolves back to those unique concerns and responsibilities of the Library.

General SCOTT. If I could pick up on supporting the merger. We certainly recognize the value and we do support making sure we have a seamless police force that protects all of Capitol Hill.

We have identified four principles that we believe are very important in this merger. The first is that the Librarian has statutory authority to make rules and ensure that the collections, people and property of the Library are secure. We want to ensure that the Librarian has the resources available to provide whatever is needed to protect the people, the collections, and buildings, that he has resources to do that.

The second principle is that the Librarian has a budget from which he could resource the police.

Third, we would want to make sure, too, that this force during normal day-to-day operations would be responsive to the Librarian's directive and oversight.

And the fourth principle requires that during this transfer, our police officers be treated fairly.

I have spoken with Chief Gainer and he is aware of these four principles, as we call them. I believe that he has an open mind to our interest protecting the Librarian's statutory responsibilities as well as strengthening the overall support for the security of the Capitol complex.

Mr. KINGSTON. What we would be interested in is making sure that this doesn't increase the budget, by taking two groups and ending up with a bigger force than we have individually right now. It seems like whenever the Federal Government does something that the taxpayers usually end up being the loser, and that is a big concern of mine.

PUBLIC ADDRESS (PA) SYSTEM

Dr. Billington, you said earlier if your budget increased, minus the supplemental security numbers, that the percentage would not be an 8.9 percent increase.

Dr. BILLINGTON. It was an 8.4 increase—5.5 percent.

Mr. KINGSTON. Is that the \$4.9 million that you are talking about in the supplemental?

General SCOTT. \$7.4 million.

Dr. BILLINGTON. Takes it down to 5.5 percent.

Mr. KINGSTON. Excuse me. What is in the supplemental? I thought it was 4.9.

Dr. BILLINGTON. 5.5.

Mr. KINGSTON. Didn't that go to the Annunciators?

Dr. BILLINGTON. Yes, the PA system. 5.5.

Mr. KINGSTON. Isn't that what the Sergeant at Arms calls an Annunciator?

Mr. LOPEZ. The Annunciator system is an interim measure until the PA system is hard-wired.

Mr. KINGSTON. So you won't get the Annunciators. You are going straight to the PA. Consequently, the budget increase in your request isn't that 8.9 percent. It is the 5.5 percent.

Dr. BILLINGTON. 5.5, if the Supplemental goes through.

Mr. KINGSTON. I just wanted to clarify.

Dr. BILLINGTON. 29.9 would be the net increase.

LIBRARY OF CONGRESS POLICE FORCE

Mr. TAYLOR. The Library of Congress has a separate police force, and the Archives has a separate police force. If you aren't going to join everybody, why join the Library of Congress?

That is a question I impose to anyone here.

General SCOTT. This was proposed, I believe, by the Senate Appropriations Committee at least 2 years back. After the 9/11 attack, the Capitol complex was extended to include all the buildings here on Capitol Hill, including the Library of Congress buildings.

So the thinking was, if there was one police force that was under the command and control of the Capitol during an emergency attack, you would have a greater chance of coordinating emergency preparedness operations.

Mr. TAYLOR. Are they planning to merge the Supreme Court as well?

General SCOTT. I can't speak to that.

Mr. TAYLOR. When that happens, we will probably merge at the same time.

Mr. KINGSTON. Who does your security in Nairobi?

Mr. LOPEZ. We rely on the State Department. They provide all the security on the compound.

Mr. KINGSTON. If I go over there and grab a book, who is going to arrest me? Your police have arrest power.

Mr. LOPEZ. We don't have a security force there. Certainly in the compound, the individuals who operate our site there, the U.S. Library person and the foreign nationals, they have to establish controls to keep that from happening. On the embassy grounds, they would exercise the same controls. That is internal.

Mr. KINGSTON. If I steal a book in Washington, who arrests me?

Mr. LOPEZ. If there is an attempt to take a book or material from the Library, then certainly the Library police would have the authority to make the arrest if they determine the intent was to steal the book.

Mr. KINGSTON. What if I am off premises? Do you have arrest power off premises?

Mr. LOPEZ. No, sir. But when things like that happen—and we have had situations where there has been material in the possession of either patrons or sometimes an employee—then we would use the jurisdiction that is off site, either FBI or local police department.

Mr. MORAN. Mr. Chairman, can I just clarify with Mr. Lopez that your police function is to protect your resources within the Library to prevent stealing, primarily. The Capitol Police function is to prevent unlawful activity from getting into the Library. That is the situation. The training is different. You do incidental stuff, but the primary responsibility is to prevent stealing from things going out

of the Library, where the Capitol Police function is to prevent unlawful activity going into the Library.

Mr. LOPEZ. We have a dual responsibility.

Dr. BILLINGTON. It isn't just stealing. There is mutilation and vandalism. Some people decide to mutilate books or to vandalize and cut things out.

Mr. KINGSTON. What if you hit somebody on the premises? Do you have arrest powers?

Mr. LOPEZ. On the Library grounds.

Mr. KINGSTON I have some questions that I will submit for you to answer for the record.

[The questions and responses follow:]

BASIS FOR POLICE OFFICERS REQUEST

Question. You are requesting 54 FTE's at a cost of \$4.38 million dollars for new police officers. Has the library conducted a person power study to determine if this is the correct number of people required to perform your security work?

Answer. Yes, the Library has completed a staffing analysis showing a post by post listing of all current and FY 2004/2005 police staffing requirements. The staffing analysis for each post includes evaluating factors such as whether a building entrance is for public, staff, or special function use, such as for researchers; required hours of operation; peak periods of pedestrian or vehicular traffic; operation of security equipment (e.g., x-ray machines, metal detectors, theft detection gates, pop-up vehicle barriers, security camera monitors); and the minimum number of personnel required to ensure officer safety.

IMPACT OF ADDITIONAL DUTIES ON POLICE

Question. It is stated that additional staffing requirements created several problems in FY 2002 including, excessive police overtime, erosion of officer and staff safety, curtailment of interior/exterior roving patrols, low police moral, and increased complaints. For the record provide specific examples of each of the points outlined.

Answer. During FY 2002, Library police met heightened security staffing levels by requiring police officers to work additional overtime, averaging 20 to 25 percent above the normal 40 hours workweek. The extended period of overtime resulted in frequent cancellation of officers' scheduled annual leave, excessive fatigue, and a diminishment of officer alertness. Officer and staff safety was continuously compromised when building entrances were frequently staffed below the minimum level of personnel. Interior and exterior roving patrols were reduced by 50 percent in order to shift resources to critical fixed posts. Reduction of roving patrols significantly lessened response time for police emergency services and jeopardized collections storage areas vulnerable to water leaks and other hazards. Excessive overtime resulted in an increase of the number of police grievances and sick leave call-ins, which further exacerbated overtime requirements.

BASIS FOR "POLICE" HOURS

Question. Explain how you get 1,572 available hours per officer per year when, for pay purposes, your base is in excess of 2,000 hours?

Answer. The base number of hours per year for an officer is 80 hours per pay period \times 26 pay periods = 2080 hours. From the 2080 base, the Library subtracts:

- 104 hours of sick leave (four hours per pay period)
- 208 hours annual leave (8 hours per pay period)
- 80 hours of holidays (10 holidays)
- 116 hours of training

It is understood that not all officers will use all of their leave, but factoring in the full amount of leave available covers officers not available for duty for medical and other reasons. It also covers miscellaneous uses of leave, including military leave and court leave.

OFFICE OF SECURITY—ADDITIONAL TRAVEL COSTS

Question. What is the need for \$57 thousand for mandatory travel?

Answer. All new Library police officers are required to attend 10 weeks of basic police training at the Federal Law Enforcement Training Centers in either Georgia or New Mexico. The cost varies depending on the training site location and the transportation mode (airline or private vehicle). The Library requested \$57K to cover the cost of sending each new officer to this mandatory training, most of which has recently been conducted at the New Mexico training site.

OFFICE OF SECURITY—PROGRAM MANAGEMENT SECTION

Question. The Security Office is requesting \$26 million dollars for FY 2004. Within this organization you have a Program Management Section. What are the annual operating costs of this office and how many FTE's are assigned to this function?

Answer. The Program Management Section consists of one GS 13 Program Specialist, two GS 12 Program Specialists, and one GS 9 Secretary. The current annual operating cost of this function (salaries) is \$256 thousand.

OFFICE OF SECURITY—ENHANCED COMMUNICATIONS WITH ENFORCEMENT AGENCIES

Question. One of the accomplishments during FY 2002 was the Office of Security and Emergency Preparedness took the lead in coordinating enhanced communications between the Library and the U.S. Capitol Police and other law enforcement agencies. What were the enhanced communications? What other law enforcement agencies did the Library deal with?

Answer. The Library is installing in its new Police Communications Center a computer enhanced radio/telephone ORBACOM system that is compatible with systems operating in the U.S. Capitol Police (USCP) Communications Center. The new ORBACOM system will provide the capability for direct radio communications between the two police departments. The Library is further enhancing its emergency communications capability by installing video teleconferencing and secure communication systems in its new Emergency Management Center. These systems will provide additional linkages to the USCP emergency command center as well as to other local government law enforcement and emergency management centers. The Library has coordinated with the U.S. Secret Service and the Federal Bureau of Investigation in the development of its emergency communications systems design and configuration.

MEDICAL EMERGENCY COORDINATOR VS LIBRARY PHYSICIAN

Question. What is the difference between the duties of your Medical Emergency Coordinator and your Library Physician?

Answer. The Library Physician oversees and administers the Library's Occupational Medicine and Health Services Program, which serves over 4,300 employees and one million visitors per year. The Physician is the pre-eminent authority for synthesizing the evidence base of medical data and communicating up-to-date medical decisions to the Library community, under all circumstances. The duties of the Medical Emergency Coordinator are a subset of the duties of the Library physician.

The Physician supervises clinical care; develops protocols; establishes guidelines for equipment maintenance; approves emergency mass casualty and other specialized protocols, e.g. Emergency Support Functions (ESFs); ensures availability of medical personnel; implements Quality Assurance review of Medical Emergency Program and of overall health services program management; is the licensed professional under whose prescriptive authority the agency is able to acquire medications, emergency and other equipment, including Automatic External Defibrillators (AEDs), and sera for immunizations, enforces security of medications, equipment and other resources; selects refresher programs and training for medical personnel; and oversees the activities of team members in emergency response. In addition, the physician carries out strategic planning and operational research, participates in disaster planning and emergency operations efforts, analyzes data, interprets and disseminates the information to support the Library Task Force on Mail Solutions, and Interagency working group on Employee Health and Safety and represents the Library in the medical community.

The scope of Emergency Medical Preparedness at the Library of Congress was relatively narrow prior to September 11, 2001. Thus, its coordination and administration was a relatively small component of the overall health services program. The scope of the Library's Emergency Preparedness Program expanded dramatically following the terrorist attacks on the World Trade Center and Pentagon, and the anthrax attack on Congress. The associated roles and responsibilities of the expansion have been added to the physician's portfolio, due to the on-going heightened state of national security, the Library's close proximity to the Capitol and Congress, and

the Library's Health Services Office new mandate of being an Emergency Response Provider under the Homeland Security Act of 2002.

A full-time Emergency Medical Coordinator is required to act under the direction and guidance of the physician to support the larger and expanded roles and responsibilities. The Coordinator will assist the Physician in meeting the mission of protecting employees, in ensuring them an appropriate level of care, and in decreasing risks and liability for the agency. Specifically, the Coordinator's tasks will include . . . Augmentation of clinical services and response, Disease tracking and research, Retrieval of data for the physician's analysis and interpretation, Staff education, conduct of medical field exercises/drills, obtaining/maintaining equipment and supplies as directed by the physician, coordination, administration and management of public access AED program, in accordance with guidelines established by the physician, event documentation and Support, attendance as designated by the physician at meetings, seminars, training and briefings internally with the Office of Security and Emergency Preparedness, and externally with community Emergency Management Agencies and Emergency Operations centers and any other office related to medical emergency preparedness, Homeland Security and National Defense.

The duties of the Medical Emergency Coordinator are an important adjunct to the duties of the Library physician. The position requires a person with a medical background but does not rise to the level of a physician. As the Library learned in the Anthrax attack and September 11, the management of these emergency situations require a great deal of real time research and an ongoing development of new ways of dealing with emerging infections or emergency situations.

The Coordinator always would act under the auspices of the physician, the final analysis and interpretation of data as well as how it should be presented are the purview of the physician, who is the sole voice of authority regarding medical issues in the Library.

VETERANS HISTORY PROJECT

Mr. KINGSTON. David?

Mr. PRICE. Thank you.

Welcome, glad to have you here. I am new to this Subcommittee and I look forward to working with you and your staff.

I want to ask about two issues.

First, the Veterans History Project, which I think has exceeded all expectations. In my district, we have had people working on the Veterans History Project ranging from high school students interviewing World War II veterans to a very professional piece done by a producer of our local cable outlet. He filmed a very beautiful and moving series.

I notice you are asking for a sizeable increase for this program, over double of the budget, and I read your brief justification of that funding. I wonder if you could speak to how this project has gone, how the Library has accommodated this activity, where you think the project is going in future years and how you would justify this additional expenditure.

Dr. BILLINGTON. Let me start off, and General Scott can supplement.

This was a unanimous mandate from the Congress. We began to get a small amount of funding, and then we managed to get \$3 million from the AARP who had an interest in this. But it is an enormous project.

There are 19 million living American veterans who participated in some war in the 20th century, beginning with World War I down to the Gulf War. We have amassed a large number of partnerships and organizations, so we are working with them all around the country. We distributed 100,000 kits describing how to do this. About a third of the Members of Congress have adopted this in their own district. We have some 25,000 items already. We are col-

lecting not only interviews which we want to get in a very simple way, either audio or audiovisual. That is a small drop in the bucket. We lose 1,500 of these veterans every day. So we are racing against time to get these records.

I can say this is going to revolutionize the writing of history. We are going to see wars from the bottom up because there are all kinds of details that are already coming in.

Forty-two Members of the Senate and about a third of the House of Representatives have initiated programs in their own districts, but we need a great deal more help on this because now the word has gotten out and we have got a lot of people doing this interviewing. We need more backup and help.

And we get so many requests on our Web sites. There are some 650 partnership organizations who have participated in this. We want to keep some kind of uniformity—we just don't collect these interviews. Some people have letters, memorabilia, photographs. It is going to be one of the greatest archives in American history. It is being done within the American Folklife Center.

Mr. PRICE. In terms of what there is room for—

Dr. BILLINGTON. We want things which in some sense are documents. There are letters and diaries that have been maintained. We have a copy of General Patton's diary and others, and they are extraordinarily interesting. And, yes, we take all kinds of things.

General Scott has been very active in this and may want to supplement.

General SCOTT. Yes, Sir. The Library's plan is not to have to store all of the information in the Library. What we are seeking to do is to create partnerships all throughout the United States in which we can partner with other veterans organizations. Where we can get information electronically, that is our goal. So the FTEs that we are asking for is not to run the entire program. We need some more people to help the Library manage these partnerships and also to receive and process the information that does come to us.

Dr. BILLINGTON. We really haven't had very much Federal funding. This project was a unanimous recommendation of the Congress and it is because of this support that we now have the attention that we need.

I think one of the best things about this is, the bridging of generations—school kids interview the grandparents or uncle who lived down the street who never told the story and something magical happens. We have a very excellent person who has been running this program.

It is a great program, but it is very thinly staffed. We are able to get help from these organizations, but there are so many of them. We have a five-star advisory group. People have been interviewed, including a number of Congressmen and Senators.

Mr. PRICE. One of the great benefits of this has been the intergenerational education that has taken place. Not just the specific knowledge, but also the empathy that has been created between these elderly veterans and young people.

I would think the material that is shipped to you is of rather mixed quality in terms of the recordings and the usability of the material by any future historians.

Dr. BILLINGTON. We do have different age groups involved, which encourages us. We are urging people that they don't have to give it to us, as General Scott said, but give it to the local library. We do ask that they let us know about it so we can keep central archives, or make two copies, one to add to the local library and to add to the collection at the Library of Congress.

CONGRESSIONAL RESEARCH SERVICE—ENHANCING RESEARCH

Mr. PRICE. Well, let me shift to a question about the Congressional Research Service; and Mr. Mulhollan may want to respond to this.

There is a request in the budget for \$759,000 for enhancing research and analytical capacity, the purpose being to assess the implications of proposed policies in areas such as education, welfare, Medicare, Medicaid and Social Security. Your request states that in the past decade congressional demands for CRS to identify, verify and maintain data by the Executive Branch has grown. On the face of it, one would think this would be done by deputy agencies.

So what is the rationale for this? What is the source of the demand you have for material that is not available elsewhere? What is the particular niche that you would be filling and why are you seeking these additional funds to do this?

Mr. MULHOLLAN. Thank you for the question.

I would like to make three points in response to that.

One, Congress needs access to this data in order to make informed decisions about major social programs that make up a large portion of the budget. Much of the data is not collected by executive agencies or they don't collect it on a timely basis or they don't collect all the elements needed to make a complete picture. When it is collected, it is often not presented in a way that is useful to the Congress in its legislative and oversight responsibilities.

Examples of what we collect include the benefits and eligibility rules for TANF, State plans on Child Health Insurance Programs, and Medicaid costs and benefits.

My second point, Congress needs to be able to analyze this data to address the complex, costly policy issues, for example comparisons of policies and benefits across states. A question—for example—could be, if we raised the minimum wage level by one dollar, what would that do for a family's eligibility for key Federal programs aimed at low-income populations? CRS assesses the interaction of policy decisions to get a more complete picture of the impact of those decisions.

Mr. PRICE. That example, though, seems like a fairly standard modeling exercise. One would think OMB would engage in that.

Mr. MULHOLLAN. What we do is confidential to the Committees. It's the "what if" question they don't want to place in the Executive Branch. Congress wants to be able to do it themselves. When you are deliberating and trying to formulate proposals, you go through a number of "what if" questions in one form or another; and it is Congress having its own ability to do that in an intimate way to make the kinds of trade-offs that are necessary.

Mr. PRICE. It is not a question of capacity not being present in every case. It is also a matter of the need to have a separate and confidential source of this kind of analysis.

Mr. MULHOLLAN. That, together with having analysis that is useful for Congress and that Congress itself can control with regard to being able to look at various formulations.

Another example of assessing is the interaction of policy decisions could be framed in the question, "How would an increase in work requirements for TANF have an impact and affect their Earned Income Tax Credit benefit?"

The last question demonstrates why we need some more support for this. An increasing amount of our work requires this kind of data analysis. Collection and organization of the type of data needed to support these efforts is labor intensive and takes up a growing amount of our senior analysts' time. The data preparation requires detailed processing to ensure accuracy and consistency in the data formatting of each element. The CRS fiscal 2004 request is proposing to develop the capacity to handle these new, increasing, and on-going business functions that support the research efforts being performed by top analytic staff. Our 2004 proposal will enhance our overall research by establishing capability to procure, create, maintain and manipulate large data sets.

If you bear with me, I can give you an example, just a rough one.

When CRS receives Medicaid data, it is not in a format that allows for quick and easy analysis. We receive the information in a formatted tape cartridge that is suitable for mainframe computers, but our analysis is done at PC work stations. So we have to convert that data into a format that can be used by the analyst.

This requires a number of steps. For example, we first change the type of storage media the data are on and convert the data into a format that is easily understood by the statistical programs we use. Once these conversions are completed, the CRS researchers will then have the capacity to use these statistics in their analyses for the Congress

That is one of the types of things we do.

And Congress has questions, for instance, on Medicaid as determining the number of individuals who are truly eligible for Medicaid and Medicare programs. There are a large number of questions looking at the various trade-offs.

Mr. PRICE. This \$759,000—

Mr. MULHOLLAN. The increase includes contract staff for the technical upkeep of the data sets and one data librarian to ensure business continuity and integrity of the data content.

Mr. PRICE. This includes only one FTE.

Mr. MULHOLLAN. We are not asking for an FTE. We are asking for funding for one additional person, and the balance is contracting.

Mr. PRICE. To be invested in analytical—

Mr. MULHOLLAN. More in software maintenance and contracts to be able to sift through data and cleaning it up in one form or another.

Mr. PRICE. Thank you.

Mr. KINGSTON. I have some questions that I submit for you to answer for the record.

[The questions and responses follow:]

CONGRESSIONAL RESEARCH SERVICE—REDUCTION OF 13 FTEs

Question. You have shown a reduction of 13 FTEs in your FY 2004 budget but reflect no reduction in dollars. Why are there no dollars associated with these FTEs.

Answer. The reduction of 13 FTEs is a one-time re-alignment of FTEs to reflect that the Congressional Research Service (CRS) average cost per person—the per-capita cost—is increasing beyond inflationary adjustments. Based upon an analysis of the current CRS workforce profile and recent hiring experiences, 729 is a better estimate of the complement of total FTEs that CRS can afford to maintain. The need to “right size” FTEs to resources is the result of several factors:

Over the past few years, like most organizations, CRS has eliminated some of its relatively lower-level, lower-salaried clerical and non-technical positions and replaced those positions (FTEs) with staff who have more professional and higher-level technical skills—at a higher cost per person (e.g., clerk typist versus web programmer).

Always responding to the changing needs of the Congress, CRS is finding that the cost of acquiring and retaining high-level, expert research and analytic capacity is increasing on a per capita basis. For example, a Specialist in Public Health and Epidemiology, a Specialist in Bioethical Policy, a Specialist in the Economics of Health Care, a Specialist in Infrastructure Systems Analysis, and a Specialist in Science and Technology (Biochemistry), to name a few.

The cost of maintaining a secure, robust, infrastructure that supports CRS research and the creation and dissemination of its products is increasing. A change which is being experienced across organizations in both the public and private sectors as technology and data systems become more sophisticated and complex.

The three points cited above address increases to staff salary, however, the employer-paid benefits costs have also increased per capita as the proportion of employees under the old retirement system (Civil Service Retirement System (CSRS)) decreases and the number of employees in the new system (Federal Employees Retirement System (FERS)) increases. The employer-paid benefits for the same pay level of FERS employee is about 26.7 percent. Nearly all of our retirements are CSRS employees, and nearly all of our new hires are FERS employees. As the CRS staff transitions to predominately FERS employees, the cost per capita increases accordingly.

Finally, in FY 2003, CRS requested and was granted a mandatory pay increase computed at 4.17 percent (effective January 1, 2003). The federal pay adjustment was actually 4.27 percent. While not a large percentage difference, the annual impact was about \$100K—the value of one FTE.

CRS expects to realize about 700 FTEs in FY 2003 and expects to reach the 729 FTE ceiling in FY 2004. The recent workforce analysis coupled with the experience gained with the new hires in fiscal years 2002 and 2003 provides the basis to request a realignment to better match the estimated FTEs to the CRS current staff composition.

CRS TECHNOLOGY OFFICE FUNCTIONS

Question. The Congressional Research Service has a Service’s Technology Office that works with the Library’s ITS. There seems to be a pattern of an IT function in each service unit within the Library. What is the size and annual operating cost of the CRS Technology Office?

Answer. The Congressional Research Service (CRS) Technology Office works collaboratively with the Library’s Information Technology Service (ITS) to leverage the strength of both organizations. ITS maintains the Library’s network and telecommunication infrastructure, which includes all communications servers, routers, hubs, and the physical wiring; Internet access; off-site backup storage; and the Library’s phone system. ITS establishes Library-wide information security policies. ITS also provides technical development and support for large scale systems such as the Legislative Information System (LIS)/THOMAS. CRS provides support for its print and file servers, its personal computers (PCs), and its smaller scale networked applications that are vital to CRS work, but do not require the full resources or computing power of the Library’s data center.

This cooperative approach between the Library’s ITS and the CRS Technology Office has worked well for years and is a model reflected in many other organizations. It is based on the principle that certain large scale systems, such as telecommunications, are best operated on a centralized basis, while applications that are tailored to a particular business/group are best developed and managed by staff within that

operating unit who are closer to the users, more familiar with user requirements, and better able to respond quickly to those needs. Under this model, the organization that owns the data and/or provides services to the customer/client has the primary responsibilities for managing the associated IT system. The Library's ITS organization provides the overall system support that is common among the many client-focused applications within the Library's Service Units.

This collaborative approach is a more efficient and effective way to serve clients' needs. CRS does not expend resources addressing telecommunications and Library-wide local area network (LAN) requirements. Instead, CRS devotes its IT resources to the services of its analysis and congressional clients. Conversely, ITS does not devote its resources to becoming familiar with the analysts' research needs or client's needs (a redundant process when the Service unit already has this knowledge) and can devote its resources to supporting the common Library-wide infrastructure.

In FY 2002, the annual operating costs for the CRS Technology Office was \$9.7M. The \$9.7M is comprised of \$2.97M in salary and benefits expenses to support 29 FTEs, and \$6.7M in non-personnel expenses to cover acquisition and rental of equipment and software, maintenance of hardware and software, contracts to support ongoing user support activities, and some 12-month contracts (extending into FY 2003) that provide interim technology capacity until positions are filled with permanent staff (e.g., applications programmers, information security specialists, hardware engineers, and software engineers).

CRS—INQUIRY STATUS AND INFORMATION SYSTEM REPROGRAMMING

Question. We note that you are going to contract to reprogram the current ISIS application code to achieve system portability. Why do you need to contract for this service? Again, is this not something that the Library's IT operations should be performing?

Answer. The Congressional Research Service (CRS) does not plan to contract-out the entire redesign effort. CRS will contract for support services (e.g., programmers) but will do the requirements and system design portions of the design internally and then directly lead and supervise the contractor staff in the actual code development. This specific programmer capacity that will be performed under contract is not a permanent, on-going skill required by the Service.

Inquiry Status and Information System (ISIS) is an example of an application that, under the collaborative approach described in response to question #39, is best supported within the CRS. ISIS records requests for service (via the Web, telephone, and other sources) from CRS' congressional clients and supports and tracks the resulting work assignments to CRS staff. Since CRS operates ISIS on a daily basis and is very knowledgeable about congressional and CRS staff interactions with ISIS, the CRS Technology Office is best positioned to oversee efficiently and effectively the re-design of the system.

The current ISIS system is the product of 12 years of information Technology Service ((ITS)/CRS collaborative development. With the agreement of ITS, CRS has assumed responsibility in the last few years for on-going development. CRS Technology Office staff already developed significant portions of ISIS, including the on-line Web-based request form, the extension of ISIS to the analysts' desktop, extended network printing capabilities, and all "bug fixes." As a result, the CRS Technology Office is now much more familiar with the modifications to ISIS that is ITS. Requiring ITS to re-design ISIS would require ITS to invest in both a detailed requirements analysis, as well as a complete code review, to understand what CRS has done to the application over the past three years. Having CRS lead the re-design effort is the more efficient, effective, and timely way to accomplish this effort.

COPYRIGHT OFFICE RE-ENGINEERING PROGRAM

Mr. CULBERSON [presiding]. The chairman has been called off to the Floor very briefly. He wanted me to express to you that he will be back as quickly as possible and asked me to sit in for him.

He has a question regarding the Copyright Office re-engineering, and he wanted me to make sure that the Library is working in this year, fiscal 2003, in the Copyright Office to lay the final groundwork for its re-engineering initiative. I want to ask if you could describe the objectives and anticipated outcomes of that re-engineering project for the Copyright Office in terms of efficiency and better business practices.

Dr. BILLINGTON. I will defer to the Register of Copyrights, but let me just say a couple of things.

First of all, how important it is to the Library. Before it was in the Legislative Branch, we did not have the mint record of American creativity. We now do largely through copyright deposit; and that saves the Library about \$31 million a year in acquisitions because of copyright deposits.

Ms. Peters will explain what the re-engineering is all about, but I might just say also that is part of the conversion into the electronic mode. Next year, we will be telling you about the National Service for the Blind, which will be having a major conversion to digital format; and of course the digital delivery of CRS material more and more to the Congress, which is an important part of their whole plan.

So I turn it over to Ms. Peters.

Ms. PETERS. The Copyright Office has three major functions.

One is to administer the copyright law; a key part of that is the registration of claims of authors, publishers, motion picture producers, etc. We register about 900,000 different works each year; others are sent solely for the collections of the Library in accordance with the mandatory deposit requirements of the law.

We also oversee certain licensing programs; for example, the transmission of television programs by cable operators and by satellite carriers, and we collect quite a bit of money that eventually gets distributed to copyright owners.

We have a staff of about 20 lawyers who do policy assistance to the Congress and to the executive branch of the government.

We educate the public on the provisions of the copyright law; additionally we help people who want to register claims or record documents.

All of these activities involve moving materials through the office—paper, books, motion pictures, etc.; re-engineering will make our processes much more efficient and timely. The processes we have today are processes that were created in the 1940s. Several years ago, we decided that we needed to receive and process things electronically. This will allow the Library to acquire materials that are made available only on-line.

Mr. CULBERSON. What are some examples of those procedures from the 1940s?

Ms. PETERS. We have 56 different procedures. When a book or motion picture comes in, it goes to the mail room. The packages are opened and the materials are stamped with the date of receipt; it then goes to the accounting office, which removes the checks, and deposits the money. From there it goes to a work station where the data is keyed in to create a record that is used to track the material through the office. From there the material goes to an examiner, etc.—it goes on and on. There are 56 of these steps where the material moves from place to place.

Mr. CULBERSON. By contrast, now does the re-engineering process take place?

Ms. PETERS. Re-engineering. Materials can be submitted electronically. A receipt would automatically be sent back to the submitter. The necessary data would be keyed in by the applicant, and not by us. Materials would go to a queue. People wouldn't have to

pick the materials up and move them at each step. If there was correspondence, e.g., when there is a problem, instead of writing a letter, we would send an e-mail message. When the message came back we wouldn't have to go to the file and pull the file wrapper and deliver it to the examiner to take the next action. It would all be done electronically. At the end of the process, the catalog record would be created and the certificate produced.

Essentially, we will be getting materials electronically, including the money, and electronically processing each step.

Mr. CULBERSON. Where are you in that process?

Ms. PETERS. We are in the third year of a 5-year plan. We have done all of the analysis; we are now focusing on the designs of all the new processes, and acquiring the technology that we need in order to be able to make all of this happen. Our implementation goal is fiscal year 2005.

Mr. CULBERSON. Do you have a ballpark date?

Ms. PETERS. It depends on meeting certain targets. We are in the process of awarding a contract for IT development. Who gets that and how quickly they are able to complete that work will really tell us what the month will be.

Mr. CULBERSON. If someone doesn't have access to a computer, how would he be able to submit a piece of correspondence?

Ms. PETERS. There will be intermediaries who can do it for them, but hopefully they will eventually be able to go to a public library to submit. It doesn't take very much. One would need an electronic file of the work, a digital signature and an electronic way to send the payment. We will have a way for them to do it, we will also have customer service—somebody who can talk them through the process.

If correspondence with the applicant is necessary, that could be a problem but we will work it out.

Mr. CULBERSON. What kind of savings do you anticipate?

Ms. PETERS. For registration, we are required to collect as much as we can of our operating costs. It isn't full-cost recovery; we don't want registrations to decline because this is how the Library acquires copies of works for its collections. This year the Library received copies valued at more than \$31 million. If the fee for registering is too high, people will choose not to register, and the Library won't receive copies of works. Approximately 70 percent of the operating costs are covered by fees.

It will definitely take less people to actually do the work. We really haven't the figures on how much the end costs will be. Certainly there will be a cost avoidance. We will need fewer people to do the various tasks. The piece that we haven't completed is the organization piece, figuring out what all the new jobs are and how they get classified. This will be done this year.

Dr. BILLINGTON. But the speed is tremendous.

Ms. PETERS. Piracy of motion pictures and sound recordings, is a major problem. For companies to be able to send copyright claims to us electronically and for us to give them a certificate of registration in 2 weeks is really what it is all about. Or for people who want to know who owns a book or a song, to have that information online within 2 weeks will be a huge benefit.

Mr. CULBERSON. I have some questions that I submit for you to answer for the record.

[The questions and response follow:]

COPYRIGHT OFFICE RE-ENGINEERING PROGRAM

Question. Another priority is to begin implementation of re-engineered processes through facility reconfiguration and construction, new organizational structure, staff training, and intensive development of integrated information technology (IT) systems to replace multiple legacy systems. For the record please elaborate on each of these points.

Answer. The re-engineering program is on track and moving forward on four fronts: process, organization, facilities, and IT. An integrated implementation plan was prepared to bring all four fronts together. Current program activities in the areas listed are below.

Facility Reconfiguration & Construction—In FY 2002, the Office completed a baseline space and furniture assessment and contracted for a space design, including construction documents to accommodate the Office's new processes. The initial design phase has just begun.

Organization Structure—The Office has developed proposed new job roles and work unit structures that align with the new processes. A complete reorganization package will be finalized this summer.

Staff Training—Significant training will need to occur throughout the implementation phase and beyond as a result of the new processes, organization and IT systems. The Office has developed a high level training plan. A more detailed training plan will be developed this year as the Office pilot new processes and implement IT systems. A full-time permanent Training Coordinator position will be created to manage the overall training. Cross-training will occur throughout the organization to respond to fluctuations in workload, provide career ladders where possible for staff mobility, and prepare for future staff retirements.

IT Systems—In September 2002, the Office completed an IT requirements analysis to support the business processes. This analysis identified the functional specification for each system component and the recommended hardware and software. By June 2003, the Office plans to award a contract to begin designing and developing new systems to support the re-engineered processes. An independent verification and validation contract will also be used to assist the Office in measuring the development contractor's compliance with requirements, standards, and best practices.

VESSEL HULL DESIGN PROTECTION ACT

Question. One of your priorities for FY 2004 is to complete, present to Congress, and disseminate an evaluation of the Vessel Hull Design Protection Act. What is the Vessel Hull Design Protection Act?

Answer. The Vessel Hull Design Protection Act, Title 17, Chapter 13 of the United States Code, was signed into law on October 28, 1998. It provides protection for original designs of vessel hulls and grants an owner of an original vessel hull design certain exclusive rights for a period of 10 years provided that application for registration of the design is made to the Copyright Office within two years of the design being made public. Protection is afforded to vessel hull designs that are publicly exhibited, publicly distributed, or offered for sale or sold to the public on or after October 28, 1998.

The Copyright Office has promulgated interim regulations for registration of vessel hull designs. The Act was originally slated to sunset after two years, but in 1999, as part of the Intellectual Property and Communications Omnibus Reform Act, it was made a permanent part of the law. In making it permanent, Congress directed the Register of Copyrights and the Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office to conduct a study on the effectiveness of the law and report their findings to the Judiciary Committees of the Senate and House of Representatives by November 1, 2003. In preparation for the report to the Congress, the Copyright Office and the U.S. Patent and Trademark Office have solicited public comments and held a public meeting on March 27, 2003 to receive testimony for boat manufacturers, academics and other interested parties.

NATIONAL DIGITAL LIBRARY

Mr. CULBERSON. Dr. Billington, how far along is the Library of Congress in digitizing the collection? Ultimately is that the goal, to reach a point in the future where as much of the collection as possible could be digitized and available to the public on the Internet?

Dr. BILLINGTON. I have already—

Mr. CULBERSON. I am sorry, can you briefly reiterate your previous comments?

Dr. BILLINGTON. Briefly we have 8 million items of American history and culture online. We have 75 million items online, including our entire card catalog, and congressional information on the Thomas system.

But in terms of digitizing the entire collection of the Library of Congress, 126 million analog items, we don't see that as ever being feasible—we will be guided in what we digitize by what the educational community wants to see. We have a tremendous K through 12 educational enhancement, the American Memory Project, the National Digital Library, to which we have a continuing commitment. We are also opening up collaborative digitization projects with foreign national libraries, the National Library of Russia, Spain, Brazil and Holland.

So we will continue to digitize, but it is not going to be all or even most of the collections.

Mr. CULBERSON. As needed.

Dr. BILLINGTON. As needed, as we get the feedback as to what the libraries, schools and others want. It is a terrific educational tool. It is a great enhancement for the whole Library system, but we will be guided pretty much by what they want, what they tell us is important to get out from the national collection for local use.

Mr. CULBERSON. Thank you.

EMPLOYEE RETENTION PROGRAM

If you could explain the purpose and objective of the Congressional Research Service's Employee Retention Program and what you hope to achieve.

Mr. MOLLOHAN. I would be happy to, as a matter of fact. I appreciate the question.

The retention program that the Service is proposing was alluded to earlier in Mr. Moran's question. One of the things that I failed to point out earlier is the relationship of this request to the CRS Succession Initiative, which this committee supported a few years ago. About 54 percent of CRS will be eligible to retire by 2007. With this committee's help, we have put forth a significant effort to replenish the expertise needed for the future Congresses. The focus now is retention. For the past few years, we placed our emphasis on recruitment. I am proud to say that, in fact since 2000, we had some 10,000 applicants for CRS positions.

Our challenge now is the one that I alluded to earlier, retention. If, in fact, you can keep people, generally the literature says for 3 years, you have them. One of the tools that has been available Legislative Branch-Wide is the Student Loan Repayment Program. We would like to implement that program as a pilot for the Library. One of the facts that I had also mentioned earlier is that we did

an informal survey of our staff who have been hired within the last 3 years. Seventy percent have college loan debt, and that debt averages about \$33,000.

What we have proposed as part of the retention package is a modest increase of 10 percent in our training and staff development. CRS will lose considerable expertise within a relatively short time over the next few years. Our greatest asset is the knowledge and expertise of CRS staff. We must accelerate the development of remaining staff to ensure continuity and avoid gaps in research capacity to analyze critical issue areas. The CRS average expenditure per employee is about one-half of what Executive Branch agencies spend per employee for training and professional development.

One important goal is to be able to enhance the current level of staff professional development opportunities and to provide management with tools to encourage retention of high performing staff in a competitive work environment.

Mr. CULBERSON. The key point is you are on the brink of having a significant percentage of your employees that will be eligible for retirement.

Mr. MULHOLLAN. Yes, we are replenishing that "brain drain" and bringing in between 100 and 115 people in this fiscal year. As mentioned before in the discussion, whether it is economists or attorneys, they can, often, obtain higher salaries in the private sector. Of course, the benefit of working in CRS is the work itself—helping Congress to write good law—that is our strongest card. We want to have additional tools to encourage high performers to stay here. That is what we are trying to do.

Mr. CULBERSON. You do a superb job of it. I want to say how grateful I am as a Member of Congress for the absolutely stellar work that you do and the Library of Congress does.

Dr. BILLINGTON, I am so impressed with what you do and look forward to working with you and helping you any way I can.

Do you have any closing remarks?

CLOSING STATEMENT

Dr. BILLINGTON. I just want to add on this point that, as Mr. Mulhollan indicates, this is a Library-wide problem. More than 40 percent of our people will be eligible to retire in the next few years, and it is particularly critical in the higher levels of the Library.

I talked a lot about the collections, but the real treasure of the Library is the staff. They stay for long periods of time, and there is going to be a great deal of turnover when you combine that with a great deal of transition in the nature of the work that is being performed, as Register Peters was indicating.

So we have a tremendous challenge, and what is not often realized is that this place is unique with these massive collections and the variety of skills necessary to handle them, often the kind of job skills that you cannot get these off the shelf somewhere. There is a lot of mentoring that has to go on and a lot of the instinctive way of doing things that has to be transmitted so that when people retire, their experience isn't lost. This is almost our major challenge in the next few years, and I think we are better equipped.

We have an automated applications system. We are going to need a lot of diversity, but it is a big challenge, and the work that CRS

has been doing has been the model for how we are going to have to have the Library as a whole.

Mr. CULBERSON. Thank you all so much. I know we look forward to helping you in any way that we can, sir. Thank you.

[CLERK'S NOTE.—The questions submitted to be answered for the record by the Library of Congress follow:]

FEDLINK

Question. You state that coordination of services and programs on behalf of federal libraries and information centers saves an estimated \$7.6 million annually in contract avoidance benefits and \$10.3 million more in products and service discounts. How did you determine these savings figures?

Answer. The methodology FEDLINK uses for this annual calculation was developed by a cost accounting consultant in 1997.

The \$7.6M in contract cost avoidance was calculated by using an estimate of costs for each agency to execute individual procurements for books, online databases, journal subscriptions, and library support services in three price ranges: (1) those under \$25K; (2) those between \$25K and \$100K; and (3) those above \$100K. The staff time saved—i.e., the difference between time needed to execute the procurement individually and the time to execute it through FEDLINK—is multiplied by the number of FEDLINK procurements in each category.

The discount savings of \$10.3M are also computed separately for each product/service category by taking a weighted average of discounts off commercial price and multiplying that average discount times the dollars spent in each category during the fiscal year.

BRAZIL—FRONTIERS PROJECT

Question. The Library has signed an agreement with the Royal Library of Brazil to produce a “frontiers project” entitled “Brazil’s Evolving Culture.” What is the Brazil Evolving Culture Project? What is the estimated cost of the project?

Answer. The project, The United States and Brazil: Expanding Frontiers, Contrasting Cultures, is part of the Library’s Global Gateway initiative that features joint digital library collaborations with countries around the world. The Library of Congress (LOC) is engaged in a number of “frontiers” projects with national libraries in Russia, Spain, and the Netherlands. The project with Brazil grew out of discussions between the LOC and former President Cardoso of Brazil, and reflects an effort by the LOC to expand its digital collaborations beyond Europe to important countries in the developing world. Brazil and the United States both have a frontier history, but their respective frontiers were never contiguous (unlike in the case of Russia and Spain), so the thematic focus is somewhat different; it explores parallels and differences between Brazilian and American culture and history.

Much of the cost of the project has been underwritten by the Vitae Foundation, a private foundation in Brazil, which has paid for historians in Brazil to prepare essays and to send staff members from the National Library of Brazil to Washington to work with the LOC in developing a pilot site. For this effort, the LOC is using existing staff resources in the Hispanic Division and other divisions. In addition, the LOC intends to allocate \$50K from funds already available for digitization to scan several Brazil-related collections of the LOC. Additional private resources will be sought for the post-pilot stage of the project.

PAPER SPLITTING COLLECTION STORAGE

Question. The Library has awarded contracts to test efficacy and viability of a new paper splitting technology and to develop collection storage equipment specifications. What is paper splitting? Why do you need to develop collection storage equipment specifications? What was the cost of these two contracts? What is the anticipated outcome of these efforts?

Answer. Paper splitting is a method of rescuing “too-brittle-to-serve” library materials. The process involves splitting damaged sheets of paper lengthwise and inserting a thin piece of permanent support paper between the weakened halves of the damaged sheet. This inner support sheet restores strength to the item and permits it to be used.

The Library’s Preservation and Security Plan calls for the responsible care of items from the moment they are acquired to when they are used by patrons, including all points in between. To meet this responsibility, the Library has developed

preservation specifications for the care, handling and storage of collections. An unmet need in this area, however, is the development of a set of preservation specifications for storage systems, including shelving for oversized materials. These specifications will assure that all future support systems meet preservation requirements for protecting the Library's collections.

The paper strengthening contract is for \$400K over three years. The contract to develop collection storage specifications is \$83K over one year. Both of these actions support the development of a comprehensive preventive conservation program for the Library's rare and special collections and for the general collections. The three-year initiative of which paper strengthening and specification design are two parts, will significantly enhance the Library's ability to care for and protect its collections. Paper strengthening, like mass deacidification, will provide the Library with a new technical solution for "at risk" materials that are presently too brittle to serve. The storage specifications will complement standards and specifications that guide the Library (and libraries nationally) in the procurement and use of preservation-quality products.

ARREARAGE TARGETS

Question. One of your priorities for FY 2003 is to meet the revised total arrearage goals approved by Congress. The goals of this project have been adjusted several times. What were the original arrearage targets? How many times have they been changed and why? How have these changes added to the cost of this project? This was a major priority project for the Library for several years but it seems that it has not gotten the attention required to complete in a timely manner. In addition, in the current budget you are requesting 22 FTE's for 4 years to reduce the arrearage. What assurance does Congress have that you will ever be able to complete this project without continued staffing and funding increases?

Answer. Original goals: nonrare printed materials—by December 31, 2000, eliminate the arrearage of books, printed serials, and microform; special format materials—by December 31, 2005, reduce rare books, manuscripts, maps, moving images, music, prints and photographs, and sound recordings to twenty percent of the level that existed at the time of the first arrearage census, September 1989.

The overall target dates have been adjusted only once, in spring 1998 as part of the planning for the initial integrated library system (ILS) implementation. In order to make staff resources available for the implementation of this milestone project, the Library proposed, and Congress approved, an extension of the target deadlines to September 30, 2004, for nonrare print materials and June 30, 2007 for special formats.

The Library has also identified electronic materials as an arrearage format, beginning in October 2001. Furthermore, heightened concern for the safety and security of the in-process collections has led the Library to count work on hand in the Acquisitions Directorate in the arrearage, rather than allowing for a "working backlog" of new receipts as was done in the past. This has created a new workload since the acquisitions arrearage, mostly serial issues, must be entered into the ILS as soon as possible. The Library has requested 22 new technician positions to eliminate this arrearage.

The Library has consistently treated arrearage reduction as a top priority since 1989: Annual Program Performance Plans (AP3s) for Library Services include a goal for arrearage reduction; arrearage reduction is a requirement in the performance plans of all managers and supervisors in units with arrearage reduction personnel; statistics on arrearage reduction work accomplished and work remaining are circulated quarterly throughout the Library.

The Library has made significant progress in arrearage reduction—as of December 2002, more than 50 percent of the arrearages have been eliminated (39,682,153 in 1989 to 19,772,729 in 2002). The Library's arrearage reduction rate slowed, as predicted, when its staff were focused for some portion of their time to plan for, be trained to use, and successfully implement the Library's new ILS. Since the successful implementation of the ILS in FY 1999 and 2000, the Library has recovered to the point that its productivity output is higher than it was pre-ILS. However, the Library has not yet recovered from the two-year ILS implementation period. The Library's current request—to extend its target deadlines for eliminating the nonrare print arrearage to September 2007 and for reducing the special formats arrearage to twenty percent of 1989 levels to September 2010—stems not from neglect or inefficiency, but rather from the dramatic staff attrition of the past ten years from which it takes years to recover the expertise which is lost, including the loss of 44 cataloging positions as part of the "recovery" of ILS "savings." Problems in timely completion of this project have been affected in FY 2002 by the effects of the an-

thrax scare (the Library was closed for one week) and the subsequent cessation of mail delivery (October 17 through March 2002), as well as to the loss of production time as the latest Voyager release was installed and staff were retrained.

At the same time that the Library was developing the ILS, it also continued to acquire, as part of its bicentennial “gifts to the nation” program, large numbers of special format collections that will greatly benefit service to the Library’s users but which also added to its arrearage.

The Library will continue to make arrearage reduction a cataloging priority, and the requested 22 FTEs in the FY 2004 budget are important to completing this long-term project.

COLLECTIONS AT CULPEPER AND FORT MEADE

Question. The Library plans to continue work on building storage facilities at Culpeper, Virginia and Fort Meade, Maryland and move the collections to Fort Meade. What collections will be moved to these two facilities?

Answer. Culpeper. All of the Library’s film, video and recorded sound collections held by the Motion Picture, Broadcasting and Recorded Sound Division—nearly 4 million items total—will be moved to and consolidated for storage at the National Audio-Visual Conservation Center (NAVCC) in Culpeper. This includes the nitrate motion picture film housed at Wright-Patterson Air Force Base (AFB) in Dayton, Ohio, as well as the film and audio-visual collections currently held in the James Madison, Thomas Jefferson, and John Adams buildings on Capitol Hill, in the Land-over Annex, in a temporary warehouse near Culpeper and at National Underground Storage in Boyers, Pennsylvania. In addition, a significant amount of nitrate-based photographic flat film will be stored in the Culpeper nitrate vaults for the Library’s Prints and Photographs Division.

Fort Meade. Fort Meade will have a series of modules and vaults to be erected over a period of several decades. Module 1, which began operation in 2002, was designed for books and bound periodicals from the general collections. Law Library, and Area Studies collections. To date, approximately 275,000 items have been transferred from Capitol Hill to Fort Meade. Subsequent modules will house not only books, but also special format collections such as maps, prints, photographs, microfilm masters, and sheet music.

ENHANCEMENTS TO INTEGRATED LIBRARY SYSTEM

Question. What will be the enhancements of the Integrated Library System when you upgrade to Voyager 2001.2?

Answer. The Library has identified several enhancements that will result as it upgrades to Voyager 2001.2. These include:

Improvement to the Bulk Import of cataloging data that allows merging of records and faster loading. These improvements will help the Library manage the important catalog information it receives from publishers, libraries, and cataloging utilities. This feature is particularly helpful in supporting our role as National Library.

Improvements to Electronic Data Interchange (EDI) that permit more publishers and vendors to use this feature. EDI significantly reduces the time to process invoice information for serials and periodicals ordered by the Library.

Call Slip e-mail notification. This allows staff to be sent e-mail notices regarding the status of their requests.

Additional download formats in the OPAC (Online Public Access Catalog). The Library can define multiple download formats including the MARC21 character set. This will enable libraries to load LC records directly into their databases, without further editing to add diacritics and special characters. This feature is also helpful in supporting our role as National Library.

Redesign of the System Administration module. This improves the Library’s ability to create a specific employee security profile that matches their job duties.

Pick and Scan Module that significantly reduces the time to update the location information as items are moved within the Library. This aids maintaining collection security.

CULPEPER TOTAL COSTS

Question. There is a request for 9.7 million and 4 FTE’s to support the Culpeper project. You stat the funding will support investment, relocation, and program costs and additional funding will be needed in FY 2005 to FY 2008. What will be the total funding required for this project.

Answer. total projected costs for the National Audio Visual Conservation Center (NAVCC) in Culpeper, Virginia for FY 2004–2008, are reflected in the attached

chart. The one-time investment costs are projected to be \$156.6 million, of which \$122.2 million is being provided by the private gift of PHI, with the balance of \$34.4 million being requested by the Library of Congress (LOC) during FY 2004–2008. Annual operating costs will increase by approximately \$9 million, plus annual inflation. Base funding should be stabilized by FY 2010.

In FY 2004, the LOC is requesting a total of \$11.1 million and 8 FTEs for this project, of which \$9.7 million and 4 FTEs are requested in the Library Services Budget. The balance of \$1.3 and 4 FTEs is requested in the Office of Strategic Initiatives' Budget. While the projections for FY 2005–2008 are based on the Library's comprehensive vision and detailed planning documents, numbers are best estimates, based on information available at this time. The Library will continue to further define the tasks and related support needed to develop and implement this project. All costs will be reviewed carefully before being submitted in the Library's annual budget request and summary charts will be updated accordingly.

NAVCC Cost Summary
 FY 2004 - 2008
 (Dollars in Thousands)

Category	FY 2004		FY 2005		FY 2006		FY 2007		FY 2008		Total	
	FTE	\$	FTE	\$								
Packard Humanities Institute Investment Costs												
Construction and Site Development	--		--		--		--		--		--	94,721
Associated Costs (design fees, permits, etc.)	--		--		--		--		--		--	20,817
Building Equipment												
Cabling Infrastructure												1,690
Gas Based Fire Suppression System												5,000
Grand Total - Packard Gift												\$122,228

Library of Congress Investment and Relocation Costs (One-Time)

Staffing/Contractors - Non-Digital	1	233	1	212	1	135	0	0	0	0	0	3	580
Staffing/Contractors - Digital	6	574	6	1,194	6	1,214	0	0	0	0	0	18	2,882
Moving Expenses - Staff		6		1,386		2,746							4,148
Moving Expenses - Furniture and Equipment		0		643		0							643
Moving Expenses - Collections		0		2,750		750							3,500
Equipment and Materials (Investment)		8,355		3,649		829							13,968
Digital Preservation System (DPS) - Equipment and Materials		765		3,500		1,000							5,265
Telecom Equipment and Materials		1,000		1,300		1,000							3,300
Total, One-Time Costs	7	\$10,933	7	\$14,644	7	\$7,674	0	\$0	0	\$1,135	21	\$34,386	

Library of Congress On-Going Program Costs ¹

Staffing	1	127	7	401	31	1,938	39	2,423	46	2,919		
Equipment and Materials		0		75		75		1,275		2,575		
DPS Equipment and Materials (maintenance/replacement/expansion)		0		170		465		1,043		1,545		
Facilities Operations		0		1,000		1,000		1,000		1,000		
Networking and Telecommunications (leasing/maintenance)		0		600		600		600		600		
Total, On-Going Costs	1	\$127	7	\$2,246	31	\$4,078	39	\$6,341	46	\$8,639		

Library of Congress Total Request

	8	\$11,060	14	\$16,890	38	\$11,752	39	\$6,341	46	\$9,774		
Net Increase/Decrease			6	\$5,830	24	-\$5,138	1	-\$5,411	7	\$3,433		

¹ Increases to the base are cumulative

CULPEPER—RELOCATION COSTS

Question. You plan to house 140 staff at the National Audio Visual Conservation Center. Most of those employees will be relocated from Washington, D.C. and some will be relocating from Wright-Patterson Air Force Base. What is your estimate of the total relocation costs for all employees?

Answer. The Library is in the process of surveying the staff of the Motion Picture, Broadcasting and Recorded Sound Division (MBRS) to ascertain which staff members plan to relocate to the Culpeper, Virginia facility, both from the Washington, DC, location and the Dayton, Ohio, facility. Prior to submitting the FY 2005 budget request, the Library will have a clearer projection of what proportion of the current staff will be relocating and what proportion will be hired at the new location; the latter would not incur relocation costs for the Library.

Our most recent estimate of employee relocation costs is based on the assumption that of the current 108 MBRS employees, fifteen will remain in Washington, D.C., to continue providing patron services in the motion picture and recorded sound reading rooms at the Library. The Library assumed for planning purposes that 81 staff members would opt to relocate. Based on an estimated average cost of \$75K per employee (\$6.075M) plus relocation contracting assistance estimated at \$100K, the Library projects the total relocation costs to be \$6.175M. However, once the employee survey is completed, the Library will have a more accurate estimate of how many employees will be involved. The remaining employees of the planned 140 initial staff members will be hired with a duty station at Culpeper and will not incur relocation costs.

COLLECTION SECURITY—INVENTORY CONTROL

Question. There are references in the justification such as: “improve inventory control,” “achieve effective tracking, circulation, and inventory control,” and “inventory management.” The Library received funding for an eight-year project to conduct a baseline inventory of the general, Area Studies and Law collections. What assurance can you give the Congress that the Library has proper inventory control of its collections?

Answer. The level of assurance the Library can provide that it has proper inventory control of its collections increases as the following occurs: as items are inventoried and tracked, and as follow-up inventories are conducted—either full for certain collections, or random sampling for other collections.

The Library’s approach has been a phased program of moving toward its goal of inventory control:

- The Library began in FY 2002 with an eight-year retrospective inventory of its 17 million books and bound periodicals already in the collections.
- The Library is now creating item and holding records for incoming items. Unfortunately, current staff cannot keep up with this requirement and backlogs are increasing. Increased funding will allow the Library to remain timely, and to ensure the accuracy of the inventory control database.
- The Library hopes to expand this program to the special format collections, once again consistent with a phased approach. In FY 2004, funding permitted, the Library will concentrate on manuscripts, rare books and special collection, and ethnographic collections
- In subsequent years, the Library will expand the program to other special format collections.

ACCESS TO RARE BOOK AND SPECIAL COLLECTIONS

Question. What are the requirements for an individual to have access and use the Rare Book and Special Collections?

Answer. The Rare Book Reading Room is open to all researchers above high school age (18 years or older) possessing a valid Reader identification card issued through the Library’s reader registration program. Additionally, there is a short registration process in the reading room itself. As part of this process, readers are asked to read and agree to the rules for the use of rare materials in the reading room; for example:

- No personal belongings may be brought into the rooms (lockers are available for use by readers).
- Exceptions may be requested for notes or other material essential to research, and laptops may be used.
- Pencils only may be used in the room, and pencils are provided.

COLLECTIONS SECURITY—MANUSCRIPT

Question. You have requested \$100 thousand in contract support for five years to prepare holding records in the LC ILS for nearly 250,000 manuscript boxes, each of which would be considered one item for the purposes of item level inventory control. You state that 10 percent of the Manuscript Division's holdings are inventoried and barcoded. What is the estimated number of items within the collection that are not inventoried and barcoded? How can you properly serve your constituents without proper control of the collection?

Answer. The total number of items that are not inventoried and barcoded is 250,000.

The Library's goal is to assign a unique identification number (barcode) to each of these 250,000 items. By so doing the Library can:

- State with confidence that the item exists.
- Track, electronically, the item if it leaves its storage location by creating a link between the person for whom the item was retrieved and the item identification number.

At the present time, the Library can, through catalogs, finding aids and other search tools, identify the collection and find the box; what the Library is unable to do is, in an online system, track the location of a specific box when it leaves the shelf.

The concept is no different than that in our Baseline Inventory Program to inventory each book and bound periodical. Absent this program, the Library is in the following position:

- Yes, the Library can find and serve the book by knowing the author, title and classification number;
- No, the Library cannot track the item without a unique item identifier (barcode) that can be linked to a researcher or staff member, so it cannot efficiently know where the item is at any given point in time.

PURCHASE OF LIBRARY MATERIALS—IMPACT OF DEFICIENCIES

Question. There is a request for \$310,000 to address critical deficiencies in monographs and new serials. You state that deficiencies in the monograph collection and new serials negatively impact the timeliness and the depth of responses to Congress. Give us specific examples that show negative impact and time delays to Congressional requests?

Answer: There are significant deficiencies in the collections of several major jurisdictions:

- The transcripts and related documents of the Nuremberg Medical Trial, 1946–1947—has recently been produced in a microfilm version. The set, costing \$3,160 is essential for the Law Library, which currently has no paper copies of the materials included in the microfilm set. The Legal Research Directorate or Law Library Reading Room receives about one request a month for the materials.
- China—With the opening of the People's Republic of China (PRC) to the outside world, the need for a comprehensive collection of Chinese legal materials has increased dramatically. The PRC publishes about 1,000 law monographs a year, but the Law Library has been able to acquire fewer than 400 of them. One source that would have been very useful in responding to Congressional requests in the past few years is a law monograph—*A Review of China's Internet Regulatory Issues and Cyberlaws*. Another in that category is *China Pharmaceuticals Guide: New Policy and Regulations*.
- Japan—There are now a number of multi-volume treatises on Japanese law, all of which would add significantly to the quality of responses to Congressional inquiries. Of particular interest are sets on financial and corporation laws, which have been amended substantially in the past few years to address the nation's economic crisis.
- Italy—The *Enciclopedia Giuridica* is a 33-volume set comprising all aspects of Italian law. It is compiled by a group of 1,000 leading Italian jurists, and is constantly updated. This is considered the single best resource for practitioners and scholars of Italian law.

LAW LIBRARY—USE OF COMMERCIAL COURIERS

Question. Increasingly, the Law Library has required commercial courier services to ensure the timely receipt of foreign law gazettes essential to congressional research. You are seeking \$50,000 to cover this cost. How are you currently paying for these services?

Answer. The Law Library pays for courier services out of its law book fund appropriation. As this increased cost has not been addressed in the budget process, the Law Library has had to decrease acquisition of needed legal materials in order to pay for the increased cost of courier services. Courier service is critical to the timely receipt of key foreign law materials required for congressional research, but is being funded at the expense of the breadth and depth of the collections.

MISSION OF THE OFFICE OF STRATEGIC INITIATIVES

Question. The Office of Strategic Initiatives is a new program displayed in your budget this year. It has a budget of \$86.9 million and a staff of 337 FTE's. Prepare a cross walk, from the FY 2002 budget, that details what organizations, staffing, and funding were realigned, in FY 2003, to establish this new office. What is the mission of the Office of Strategic Initiatives?

Answer. The responsibilities of the Office of Strategic Initiatives (OSI) are central to the successful execution of the Library's mission in the digital environment. The OSI, in coordination with the planning efforts of each of the service units, has primary responsibility to set the Library's strategic direction as the Library seeks improvements in traditional mission-critical operations through the use of information technology (IT). The OSI guides the Library in taking advantage of opportunities made possible by technology while at the same time meeting challenges posed as technology transforms traditional roles, responsibilities, and functions associated with the Library's mission performance.

The OSI's mission is to support the Library of Congress' vision and strategy by directing the digital strategic planning for the Library, overseeing the Library's institution-wide digital initiatives, and leading the national program to build the required preservation network and infrastructure for the nation's cultural digital assets. The OSI, through its IT Services function, also ensures the effective delivery of IT resources and services in support of the Library's mission, functions, and activities. The OSI leads a collaborative institution-wide effort to develop consolidated strategies, plans, programs and initiatives.

OFFICE OF STRATEGIC INITIATIVES—REIMBURSEMENTS

Question. Does the Office for Strategic Initiatives receive reimbursements from the Licensing Division for systems support? If so, what is the annual budget?

Answer. Yes. An intra-agency agreement for FY 2003 in the amount of \$267K is used for the Licensing Division, Copyright Office.

OFFICE OF STRATEGIC INITIATIVES—NETWORK SERVICE CHARGE

Question. What is the \$1 million dollars for a "Network Service Charge"?

Answer. The network service charges support both mirroring of Library systems and data to the Alternative Computing Facility (ACF) and access to the ACF in the event the James Madison facility is unavailable. The required availability of these Library systems demands real-time mirroring of data between the James Madison computing facility and the ACF. This mirroring is dependent upon having dedicated, high bandwidth telecommunications connections between James Madison and the ACF. Furthermore, should an event occur that renders the primary facility in the James Madison Building unavailable, the Library and Congressional staff will be accessing Library systems at the ACF from remote locations. The effectiveness of these telecommunications will depend upon reliable/responsive connections into the ACF.

CATALOGING DISTRIBUTION SERVICE—SERVICE FEE

Question. The Cataloging Distribution Service is required by law to charge for its products, which include costs plus ten per centum added. When was this percentage established? When was the last time a review/study was conducted to determine if this percentage should be adjusted?

Answer. This percentage was established in 1902 and included in the text of Cataloging Distribution Service's enabling legislation (2 USC 150). According to the Library's records, a review/study has never been conducted to determine if this percentage should be adjusted.

MEMBERS OF GLIN

Question. Who are the current members of the Global Legal Information Network?

Answer: The current members of the Global Legal Information Network (GLIN) are: Argentina, Brazil, Ecuador, Guatemala, Republic of Korea, Kuwait, Lithuania,

MERCOSUR (the “southern market” economic cooperative comprising Argentina, Brazil, Paraguay, and Uruguay), Mexico, Organization of American States, Paraguay, Romania, Taiwan, Tunisia, Ukraine, United Nations (Office of Legal Affairs/Dag Hammarskjöld Library), United States, and Uruguay.

NEW MEMBERS TARGETED FOR GLIN

Question. In FY 2003 you plan to begin targeted recruitment of new member countries to bring Global Legal Information Network (GLIN) membership up to 40 nations. What nations have been targeted for recruitment?

Answer: Targeted recruitment is being implemented in phases. The first nations targeted for recruitment include: Canada, China, France, Germany, India, Italy, Japan, Russia, and the United Kingdom. Continued efforts to recruit additional nations in this hemisphere will proceed in concert with this first phase if possible, or follow if necessary. Nations to be the focus of recruitment efforts in this hemisphere include: Belize, Chile, Colombia, Costa Rica, El Salvador, Honduras, Nicaragua, Panama, Peru, Venezuela. A future phase will include recruitment efforts targeted at: Afghanistan, Egypt, Israel, Saudi Arabia, Spain, and Portugal.

GLIN—BASE FUNDING

Question. What is in the current base for the Global Legal Information Network (GLIN) project?

Answer: The current base for the GLIN project is \$2.9M.

KISSINGER ENDOWMENT

Question. What is the Kissinger Endowment Fund?

Answer. The Kissinger Endowment Fund, established by the friends of Henry Kissinger, supports two programs: the Henry Alfred Kissinger Chair in Foreign Policy and International Relations, and the Henry Alfred Kissinger Lecture.

The chair is a distinguished senior research position in residence at the Library for a period of nine months. The chair is expected to engage in research on foreign policy and international affairs related to the United States that will lead to publication. The chair is selected through an open competition. The stipend is at the same level as that of the Kluge chairs, \$140,000. The first chair was Aaron Friedberg; the current chair Klaus Larres; and next year’s chair holder will be announced shortly.

The Kissinger lecturer, like the chair, is a person who has achieved distinction in the field of foreign affairs. A new lecturer is appointed annually, the lecture is normally given in the fall, and subsequently is published. Lecturers receive an honorarium of \$25,000. The first lecturer was Henry Kissinger, the second Giscard D’Estaing, and George Schultz has agreed to be the lecturer in the fall of 2003.

SPECIAL EVENTS

Question. The Office of the Librarian planned and managed 484 events, including 105 Congressionally hosted lectures, symposia, policy meetings, film showings, dinners and receptions. The Library absorbed \$29.6 thousand in personnel costs in support of a number of these events. How was the Library able to absorb these costs?

Answer. The first goal of the Library of Congress is to support Congress. Requests to host events at the Library by Congressional Members are considered to be a service to Congress. The requests have immensely increased since the re-opening of the Thomas Jefferson Building, especially in the use of its Members Room, and the Library absorbed the \$29.6 thousand in personnel costs to support a number of Congressionally-sponsored events. For daytime and some evening events in the Members Room, divisions such as The Library Police and Public Program Services were asked to absorb personnel costs in support of these events by re-prioritizing their work priorities.

BASELINE INVENTORY PROJECT

Question. What is the Library’s Baseline Inventory Project?

Answer. The Baseline Inventory Project (BIP) is a large-scale initiative funded by Congress in FY 2002 for an 8-year period. Its purpose is to provide accurate online holdings information for the Library’s collection of books and bound periodicals numbering approximately 17 million volumes in the Law, Area Studies, and general collections. Accomplishing inventory of the Library’s books and bound periodicals is a cornerstone of the Library’s collections security plan.

CONTRACT SAVINGS

Question. You saved over \$500 thousand dollars by the end of FY 2002 as a result of indefinite delivery/indefinite quantity contract that provides a flexible and broad approach to addressing support services. How did you determine these savings? If you saved \$500 thousand dollars what did you do with the savings?

Answer. The word “savings” is an incorrect term. It is more accurately characterized as cost avoidances. The \$500K was determined by subtracting the actual award amount from the projected cost of 14 task orders. The projected task costs were determined using government estimates based on contractor wage costs submitted in response to the mega contract Request for Proposal (RFP) or historic cost estimates. The Library realized cost avoidances, not savings.

CAPITOL VISITOR CENTER PROJECT

Question. One of the priorities for ISS during FY 2004 will be to support the implementation of the Capitol Visitor Center. What is the Library’s level of involvement with the project? How much staff time is devoted to the project?

Answer. While the Architect of the Capitol (AOC) is responsible for structural and mechanical modifications to the Thomas Jefferson Building related to the Capitol Visitors Center (CVC), Facility Services (FACS) manages a full range of project planning, furniture procurement and interior design services for relocation of Library staff and facilities impacted by the CVC Tunnel project. The following table indicates major project components by fiscal year, square footage and number of staff, and an estimate of FACS project hours. An allowance for management and administrative support, as well as Safety Services hours are added:

	Square feet	Staff	Hours
FY 2003 LOC project components:			
LS Relocate Baseline Inventory Program (TJB Deck 38)	2,113	24	100
OS Relocate Police Facilities—Interior Design Support	1,660	21	80
LS Relocate American Folklife Center—Design Phase	3,151	15	225
FY 2003 AOC project components (interior design sup):			
LS Relocate Orientation Theater (LOC Interior Design)	1,446	0	24
LS Relocate Retail Store (LOC Interior Design)	1,376	0	24
LS Relocate Retail Office and Storage (LOC Interior Design)	933	0	24
LS Relocate and Expand Swann Gallery (LOC Int Design)	901	0	24
FY 2004 LOC project components:			
LS Relocate American Folklife Center—Implementation Phase	3,151	15	225
LS Relocate Visitor Services Office	1,608	6	200
LS Contract Loan for Swann Gallery	274	1	32
Subtotal hours allocated			958
Management and administrative support			192
Safety services support			192
Total hours allocated			1,342

CONTRACT SUPPORT FOR SERVICE UNIT FACILITY PROJECTS

Question. The Facility Services Office is requesting \$1.3 million of which \$800 thousand will be used for contract services to execute projects requested by service units as far back as FY 2001. It is stated that this backlog of requests coupled with new requests affects the work of the service units requesting the space changes. Provide specific examples of how the work of the service units has been affected. Also, if projects are deferred how will this impact programs, safety, and staffing initiatives? You state that \$800 thousand is for 100,000 square feet of facility projects to be identified by the service units. Do you have current projects to address or are you assuming you will have these requests? Based on your statement “projects to be identified” its hard to determine if this is real work or anticipated work.

Answer. Major projects deferred over recent years due to limited staff and/or contract support include renovation projects in the Thomas Jefferson and John Adams Buildings, Library Services operations reorganization, Collections Security, Office of Strategic Initiatives staff expansion due to NDIIPP, and Copyright Office, Financial Services Division and Law Library space alterations. Delaying these projects has resulted in deferred hiring or hiring at a slower pace due to no or little space for new employees, safety violations due to overcrowding, personnel working in decks, and

storage of collections on floors, walkways—which also impacts on collections management and security, etc., limited conference and meeting space, making it more difficult to conduct business especially with external customers, delayed or multi-phased space alterations due to limited swing space during construction projects, and inefficient and inconsistent allocation of space, impacting day to day operations and staff morale.

Current (backlog) projects and proposed projects for FY 2004 more than meet the 100,000 square feet estimate. Funding will not only help to address this demand but also ensure that required expertise is available as projects are becoming more complex and time consuming due to the incorporation of safety corrections in the designing and implementation phases.

OFFICE AUTOMATION ASSISTANT IN ISS

Question. You have a need for an Office Automation Assistant at \$90,000 per year. With a budget of \$86 million and a staff of 337 FTEs in the Office of Strategic Initiatives (OSI) why is this service not provided by the OSI?

Answer. In Integrated Support Service (ISS), “Office Automation Assistant” is a position title used for general and specialized clerical and administrative support in the GS–0326 job classification. This is not a computer programmer or personal computer (PC) technical support position that might otherwise be available through OSI. The position identified is an Office Automation Assistant contractor with specialized experience supporting construction administration, document tracking and related facilities project activities. The budget amount requested is based on 2000 hours at General Services Administration (GSA) schedule (Architecture/Engineering (A/E)/Contract) rates, and will supplement existing support staff in accomplishing the current and expanding workload of the unit.

BOOKS FOR THE BLIND

Question. There is a request for \$1 million for restoration of the FY 2003 one-time reduction from Talking Book Machines to fund the National Federation of the Blind NEWSLINE. The Committee does not understand the Library making a statement that there was a one-time reduction in the talking book machines. The Committee believes there was no reduction in the amount available for talking book machines in FY 2003 since there was over \$800 thousand unobligated in this account at the end of fiscal year 2002. Does the Library have a comment regarding this issue?

Answer. The Committee is correct that the FY 2003 purchase of talking book machines was not affected because available no-year funds from FY 2002 were available. However, the Library is requesting \$1 million to maintain the FY 2004 purchasing power for talking book machines because available no-year funds will be expended during FY 2003.

EMBASSY CONSTRUCTION

Question. The Committee understands that the State Department is moving forward with an embassy construction program and that the Library’s share of the project could be upwards in the neighborhood of \$88 million. For the record explain what the State Department is proposing. What is the Library’s position on this issue? What is the actual cost going to be for the Library? Is this a mandatory program or does the Library have any options?

Answer. The State Department (DOS) is proposing to establish a Capital Security Cost-Sharing Program. The program is designed to have all U.S. Government agencies (USGA) with overseas presence pay a portion of DOS’ new building program. The building program proposes to build 160 new embassy compounds over a 12-year period for an estimated total of \$16 billion. Each agency, including the Library of Congress (LOC), would be required to request funding in its yearly budget submission to Congress to support this program.

DOS has proposed to charge a flat rate of \$47K for controlled access employees and \$33K for non-controlled access employees (e.g., LOC staff). The program will be slowly in FY 2004, with a lower funding rate in FY 2004 and FY 2005, and then build to a progressively increasing funding level which will top out at an annual cost of \$1.4 billion from FY 2006 and on. DOS would pay 55% of the yearly \$1.4 million. The remainder would be paid by all agencies with an overseas presence.

Based on documents provided to the LOC earlier in the year, LOC’s yearly total would be \$1.6 million in FY 2004, \$6.5 million in FY 2005, and a flat rate of \$8.009 million from FY 2006 on. That total, along with the \$1.114 million paid by the LOC for ICASS charges would mean that the LOC pays DOS nearly \$9.123 million for

the support of 240 positions in six locations. This exceeds the LOC's FY 2002 total overseas budget of \$6.339 million by \$2.784 million. LOC's projected 12-year charges would be approximately \$88.1 million.

The Library opposes this program and has not included any funds in its FY 2004 budget to support this program for several reasons:

- Cost-sharing program is built on faulty methodology as there is no relationship between charges and services provided. The head tax proposal does not meet current federal cost accounting standards which do require a relationship between costs and services provided. The LOC would support the allocation of rent and operating costs based on actual space and administrative services provided.
- Forces small agencies with small presence overseas to subsidize larger agencies who are represented everywhere. Why should LOC pay/subsidize for building and administrative costs for posts where it does not operate or will never operate?
- Far from encouraging "right-sizing," proposal removes any incentive for DOS to "right-size" its own personnel overseas, especially in the administrative area, as ICASS positions (all DOS admin employees) would not be subject to taxation. DOS would have nearly 50% of its total new overseas building costs subsidized by other government agencies, with approximately 21,000 ICASS position costs—nearly 35% of all overseas positions—allocated among all the overseas agencies.
- Forces non-DOS agencies to defer their own funding and related mission-driven work for the DOS embassy program. Should building embassy compounds be the number one priority for non-DOS departments? DOS's FY 2002 obligations/baseline totaled \$1.56 billion—approximate level for out years. Why can't this baseline be maintained in DOS' budget?
- Proposal also subordinates the overseas USGA presence to agencies who can afford worldwide construction, rather than on agencies whose mission or work required investment in specific overseas locations. LOC should be the driving force in determining where to invest its overseas resources, not DOS. Further, LOC's programs should not be penalized due to DOS' unchecked administrative overhead.
- While costs are shared, DOS maintains ownership and control of all overseas facilities. Agencies have no voice in construction priorities or designs nor inclusion in management or oversight of facilities. Agencies' location and/or site-specific space requirements are not guaranteed, even after proceeds are provided for construction. Agencies will have no voice in the use or allocation of proceeds from the sale of DOS-owned facilities.

LOC has presence in six overseas locations. LOC is currently located within the embassy or Consulate compound in three locations (Cairo, Nairobi, and Rio). Therefore, approximately 80 LOC positions are already housed and should not be included in calculations for future constructions.

LOC is located in an US-owned building in Jakarta and off campus (leased space) in Islamabad. DOS has not indicated any movement in co-locating LOC employees in these locations—therefore, question why these approximately 57 positions should be included in the new funding proposal.

In New Delhi, LOC sixth and largest office (approximately 95 positions), DOS wants the LOC to either find leased space (contradicting the directive to co-locate) or pay for construction needed to accommodate LOC employees within the embassy compound. According to DOS, construction costs range from \$8–9 million—and this in addition to, the global charge that is also based on these 95 positions.

The Library does not view this as a mandatory program since the Congress has not authorized this reimbursable program in general, or the inclusion of the legislative branches, nor enacted on DOS' FY 2004 budget request, which assumes this cost-sharing program. Further, we question how DOS can deny safe and secure housing for overseas employees as a result of an agency not paying for construction costs.

If the Congress supports this program, then the Library will need the additional funds to pay for its costs as it cannot absorb this new and significant operating cost, nor shut down its overseas offices, which are needed to acquire materials for its collections. The only alternative is to include the Library's share in the DOS' budget to ensure that the LOC employees receive the same safe and secure space and support as other overseas employees.

[CLERK'S NOTE.—The justification of the budget request submitted by the Library of Congress follows:]

LIBRARY OF CONGRESS

Justification of Estimates



FISCAL YEAR 2004

THE LIBRARY OF CONGRESS

BUDGET JUSTIFICATION

**SUBMITTED FOR USE OF
THE COMMITTEES ON APPROPRIATIONS**

LIBRARY OF CONGRESS
 FY 2004 BUDGET REQUEST
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**LIBRARY OF CONGRESS
FY 2004 BUDGET REQUEST
OVERVIEW STATEMENT**

INTRODUCTION

The Library of Congress is the world's largest and most comprehensive library, maintaining a collection of more than **126 million items** – many of them unique and irreplaceable – **in more than 450 languages**. It directly serves not only the Congress, but the entire nation with the most important commodity of our time: information.

The Library's mission is to make its resources available and useful to the Congress and the American people and to sustain and preserve a universal collection of knowledge and creativity for future generations.

THE LIBRARY OF CONGRESS TODAY

The core of the Library is its incomparable collections and the specialists who interpret and share them.

The Library has more than **28 million items in its print collections**, including 5,706 volumes printed before the year 1500; **12 million photographs**; **4 million maps**, **2 million audio recordings**; **900,000 motion pictures**, including the earliest movies ever made; **5 million pieces of music**; **56 million pages of personal papers and manuscripts**, including those of 23 Presidents of the United States as well as hundreds of thousands of scientific and government documents.

Every workday, the Library's staff adds some **10,000 new items** to the collections after organizing and cataloging them and finds ways to share them with the Congress and the nation – by providing online access across the nation, by assisting users in the Library's reading rooms, and by featuring the Library's collections in cultural programs.

Major annual services include delivering **more than 810,000** congressional research responses and services, registering **more than 520,000** copyright claims, and circulating **more than 23 million** audio and braille books and magazines free to blind and physically handicapped individuals all across America. The Library annually catalogs **more than 300,000** books and serials and provides the bibliographic record inexpensively to the nation's libraries, saving them millions of dollars annually.

The Library also provides **free on-line access**, via the Internet, to its automated information files, which contain **more than 75 million records** – to Congressional offices, Federal agencies, libraries, and the public. The Library's Internet-based systems include major World Wide Web (www) services - e.g., Legislative Information System, THOMAS, www.loc.gov, www.AAmericaslibrary.gov, Global Legal Information Network, the Library of Congress Online Public Access Catalog (<http://catalog.loc.gov>), and various file transfer options.

FY 2004 BUDGET REQUEST

In FY 2004, the Library of Congress requests a total budget of **\$576.6 million** (\$540.1 million in net appropriations and \$36.5 million in authority to use receipts), a net increase of \$44.5 million above the FY 2003 level. The increase includes \$23.6 million for mandatory pay and price level increases and \$48.3 million for program increases, offset by \$27.4 million for non-recurring costs. The Library's FY 2004 budget request is a net increase of 8.4 percent above FY 2003.

Requested funding supports **4,365 full-time-equivalent (FTE)** positions, a net increase of 124 FTEs above the FY 2003 level of 4,241. To ensure that the Library's workforce can meet the needs of the agency and its customers, the Library is assuming the staffing ceiling in FY 2003. Additional FTEs are requested largely to support the physical security of the Library's employees and buildings, and the security and management of its collections.

Requested funding supports the Library's programs and infrastructure organizations through four salaries and expenses (S&E) appropriations as follow:

- **Library of Congress, S&E (\$380.3M / 2,978 FTEs)**
 - National Library
 - Law Library
 - Management Support Services
- **Copyright Office, S&E (\$48.3M / 530 FTEs)**
- **Congressional Research Service, S&E (\$96.3M / 729 FTEs)**
- **Books for the Blind and Physically Handicapped, S&E (\$51.7M / 128 FTEs)**

LIBRARY OF CONGRESS FUNDING PRIORITIES**1. Mandatory and Price Level Increases**

The Library is requesting an additional **\$23.6 million and 4 annualized FTEs** to maintain current services. Funding supports annualization of the FY 2003 pay raise, the FY 2004 pay raise, within grades and staff reallocation, extra day in FY 2004, annualization of 35 positions (17 FTEs) funded at 50% in FY 2003 for the packing and moving of collections to off-capitol hill storage (offset by a reduction of -13 FTEs in the CRS programs, for a net increase of 4 annualized FTEs), and inflation and vendor increases. A reduction below current services would require a reduction in staff and/or program support, severely impacting the Library's ability to manage its diverse, complex and ever growing programs.

2. Physical Security

The Library is requesting an increase of **\$17.5 million and 62 FTEs** to support improved security of the Library's people, collections, and buildings. Components of the increase include:

Police staffing - An increase of **\$4.8M and 54 FTEs**, as the first increment of increasing the Library's police force by 108 FTEs by the end of FY 2005. The increase in police staffing cannot wait until the merger with the Capitol Police is completed. Additional police positions are needed to: meet minimum staffing levels, at all public building entrances, to ensure office safety; staff new and enhanced fixed exterior posts; and ensure an overtime rate that does not exceed the 10-15 percent above the standard 40-hour workweek.

Alternate Computer Facility (ACF) - An increase of **\$4.6M and 2 FTEs** for ongoing operational costs of the ACF, including hardware and software maintenance and networking and telecommunications costs. Funding also supports CRS' initiatives to establish data linkages with the Library's capitol hill computer center, reprogram its tracking system, and operate and test the CRS portion of the ACF. The ACF will provide for IT business continuity in the event of a catastrophic failure of the Library's computer center. It also will ensure support of critical Copyright and bibliographic services, considered essential to the economic and research needs of the nation, and continued online service to the Library's remote/local users, preventing disruption of service to the Congress and its citizenry.

Public Address System - An increase of **\$5.5M** to implement a public address system for the Library's three capitol hill buildings to ensure effective communications in all emergency situations. The current public address system is built into the existing fire alarm system, maintained by the Architect of the Capitol (AOC). While improvements to the fire alarm system are being considered - by 2007, six years after the terrorist and anthrax incidents, the proposed upgrades will not meet the Library of Congress' operational requirements including: effectively communicating in emergency and non-emergency situations; reaching all areas throughout the Library buildings; providing accurate and timely information; appropriately advising staff, mitigating risk, and potential loss of life; and expeditiously evacuating buildings in an orderly manner.

Security Enhancement Plan Requirements - An increase of **\$2.1M and 1 FTE** to complete tasks related to the consolidation of the Library's two police command centers, the installation of a new intrusion detection system, including \$1 million for additional card readers and door alarms, and improved police communications.

Emergency Management - An increase of **\$511K and 5 FTEs** to establish an Office of Emergency Management and create a medical emergency coordinator position. Currently, emergency management is performed as part-time collateral duty by Library employees who have other major responsibilities. This approach to emergency management cannot work given today's security challenges. Funding is needed to supplement existing resources with staff who specialize in mitigation, preparedness, response and recovery aspects of emergency management. In addition, to emergency management duties, new staff will also coordinate Business Recovery Planning, Continuity of Operations and Continuity of Government planning - all critical to responding to and recovering from emergencies and disasters.

3. Collections Security and Management

A total increase of **\$14.1 million and 30 FTEs** is requested for the preservation, security and management of the Library's collections. Funding is requested for the following:

National Audio-Visual Conservation Center (NAVCC), Culpeper, Va. - An increase of **\$11.1M and 8 FTEs** is needed to enable the Library to redress significant limitations in its ability to store, preserve and provide access to its moving image and recorded sound collections. The NAVCC, which will hold more than 900,000 films and 2.6 million audio materials, will be constructed in two phases: 2004, storage building and infrastructure; and 2005, processing building and nitrate storage. Additional funding is required to maintain the construction schedule and help secure the much larger private sector share for this facility, which is estimated to exceed \$120 million. Most of the \$11 million requested will support storage shelving, including \$3.6 million for high-density, mobile shelving that will be used to fill the large vault rooms in the main collections building and \$4.1 million for special shelving to outfit the more than 120 smaller vaults that will be separately constructed and dedicated to the storage of nitrate motion picture film. Funding also includes \$1 million for telecommunications equipment and cabling, and \$2.4 million for security and other equipment, and staff and contract support.

Inventory Management - An increase of **\$1.9 million** for improved inventory management for serials and special collections. With the development of the Library of Congress' Security Plan in 1997, the acquisition of the Integrated Library System (LC ILS) in 1999, and the very recent work of the Copyright/Library Services Joint Issue Group on labeling, the Library has embarked upon a multi-year, shared program to enhance collections serials. Contract support is needed in FY 2004 for this ongoing work.

Arrearage Reduction - An increase of **\$1.1 million and 22 temporary FTEs** (NTE 4 years) to reduce the number of uncataloged items in the Library. It has been more than a decade since the Library requested a sizable infusion of new

staff to help meet its obligation to reduce the arrearage. The current level of staffing will not permit the Library to meet the congressionally mandated arrearage reduction goals for FY 2004 and beyond. The Library is asking for a three-year extension in meeting its non-rare print and non-print arrearage targets, along with the temporary staff needed to meet the targets within the revised time frame.

4. **Copyright Office and Re-engineering Project** - An increase of **\$7.8 million**; restoration of \$5.7 million to the Copyright's base funding and an additional \$2.1 million to support the ongoing re-engineering project. In FY 2002, the Copyright Office was provided \$7.5 million in supplemental funding to cover potential receipt shortfalls due to the disruption of U.S. mail delivery following the anthrax incidents. Once all the mail was processed, at the end of FY 2002, \$5.6 million of the funds remained available and was subsequently used to offset the FY 2003 appropriation, requiring the Copyright Office to use its remaining no-year funds for basic operations in FY 2003. Restoration of funds is needed to support the Copyright Office's ongoing operations and re-engineering project. The additional \$2.1 million will allow Copyright to keep its ongoing re-engineering project on schedule. The Copyright Office must replace outdated information systems that are more than 20 years old, with modern technology that promotes the use of electronically received applications and works.
5. **Congressional Research Service** - An increase of **\$2.7 million** to support three initiatives: improved access to information and research systems (\$1.46 million); improved data cataloging, analysis, storage and retrieval (\$.759 million); and support, for an employee retention pilot project that will be expanded to other offices within the Library, if successful - including student loan repayment program and increased training, travel, and incentive awards (\$.535 million). The additional resources will improve CRS' business processes and workforce practices, which in turn will improve the quality and timeliness of its congressional research and information services.
6. **Other New or Expanded Programs**

The Library is requesting a total increase of **\$6.2 million and 28 FTEs** for several of the Library's core programs and projects, and for congressionally mandated projects. Specifically, additional funding is requested for:

Core Programs

Mass Deacidification - A total increase of **\$919 thousand** for the fourth increment of a five-year \$18 million initiative to save one million endangered acidic books and five million manuscript sheets during the period of 2001-2005.

Library of Congress Integrated Library System (LC, ILS) - The Library is requesting a total budget of \$1.289 million for the LC, ILS, an **increase of \$384 thousand** over FY 2003. FY 2004 is the last year of a congressionally approved seven-year program. The total request for the seven years is \$17.7 million. As the primary tool for approximately 1,000 staff and contractors, the LC, ILS supports the acquisitions, serial check-in and cataloging of approximately 3.25 million items per year and the circulation of approximately 1.5 million items. It also serves as the Library's primary bibliographic public access tool to more than 19 million of current analog items in its collection, as well as 3.5 million digital items.

Law Library Purchase of Materials - Requesting **\$360 thousand** to allow the Library to purchase law materials that are growing in size and cost. Without this increase, the Law Library will no longer have the capacity to respond quickly to congressional questions due to critical deficiencies in its monographs and new serials collections.

Inspector General Computer Security Audits - The Office of the Inspector General (OIG) is requesting an increase of **\$200 thousand and 2 FTEs** to support computer security audits. Audits are needed to ensure agency-wide and system-level compliance with the Computer Security Act.

Space Management - A total increase of **\$1.3 million**, in contract support, is requested to improve Library-wide space planning, design and construction within the Library's three capitol hill buildings. Funding will allow the Library to accomplish more work than can currently be handled internally and will provide more responsiveness and control of workloads and schedules. Without this funding, the Library will continue to defer space-related projects, impacting program, safety, and staffing initiatives.

Books for the Blind and Physically Handicapped - Restoration of \$1 million, offset by the \$1 million decrease for a one-time payment to the National Federation of the Blind. Without the restoration of funding, approximately 3,300 Talking Book Machines required for public service to blind and physically handicapped Library patrons, would not be available for distribution.

Congressionally Mandated Projects

Veterans History Project - Additional funding of **\$589 thousand and 7 FTEs** is required for this important and growing project. Support is requested to continue ongoing work and to develop further three specific goals: to encourage public participation in the creation of the collection; to preserve those accounts and documents so that they constitute a valuable

collection for researchers, historians, educators, etc.; and to share this compelling material to the public.

Meeting of the Frontiers - This program currently operates under a \$2 million no-year appropriation provided to the Library in FY 1999. Of this amount, \$715 thousand remains available in FY 2003. The requested increase of **\$379 thousand** will continue this program beyond FY 2003, resulting in major additions to this program. The requested temporary **3 (2.5) FTEs** are needed to restore FTEs "borrowed" from arrearage reduction - the result of Library Services being required to absorb Meetings of the Frontier work without additional staff. Given the growing arrearage, the Library Services Office can no longer defer filling arrearage positions.

National Film Preservation Foundation (NFPF) - Reauthorization for current base funding to the National Film Preservation Board (NFPB) and NFPF (\$250K each for a total base funding of \$500K) **and an increase of \$250 thousand** in FY 2004 for the NFPF - for a total program of \$750K in FY 2004. Authorization for the NFPB and NFPF expires in October 2003. The film foundation has a proven track record of preserving the Nation's film heritage through matching private sector grants. The requested increase in government matching contributions will help leverage non-federal funds, critical in meeting this costly but critical and time sensitive program.

Retail Sales Activities - In FY 2003, the Senate directed the Library to develop a plan that would achieve the goal of generating profits from its retail activities. Based on this direction and the Government and Accounting Office's (GAO) study/recommendations on this subject, the Library is requesting funding (**\$715 thousand**) and staffing (**5 FTEs**) as seed money to address and fund immediate infrastructure and marketing deficiencies needed to expand these programs into profit making enterprises.

NDIIPP - In FY 2003, Congress provided the Library 14 of the 25 temporary FTEs required to support the NDIIPP program. The Library is **requesting** the remaining **11 FTEs** in FY 2004. All positions/FTEs will be funded within the NDIIPP program, requiring no additional funds in FY 2004.

ARCHITECT OF THE CAPITOL - LIBRARY OF CONGRESS RELATED PROJECTS

The Architect of the Capitol (AOC) is responsible for the structural and mechanical care and maintenance of the Library's buildings and grounds. In coordination with the Library, the AOC has requested an FY 2004 budget of \$47.1 million, an increase of \$9.8 million over FY 2003 for Library-related work and support. The AOC budget

includes funding totaling \$4.2 million, in appropriations, for four projects requested by the Library. The focus of the Library's FY 2004 capital improvement projects continues to be support of the NAVCC and Fort Meade projects, collections security and programmatic space modification. Critical to securing the massive private-sector capital support for NAVCC is the requested support for operations and maintenance (\$1.263 million); Logistics Warehouse at Fort Meade, Maryland (\$750 thousand); collection security vaults (\$1.713 million); and Library room and partition modifications (\$500 thousand). The Library strongly recommends the approval of the AOC's Library Buildings and Grounds budget, which is critical to the Library's mission.

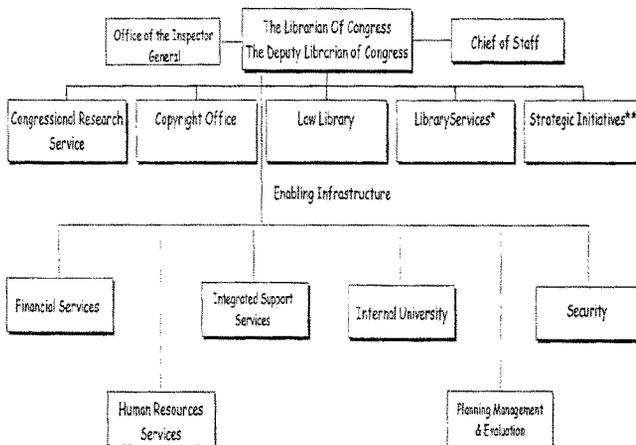
CONCLUSION

As the keeper of America's - and much of the world's - creative and intellectual achievements, the Library of Congress is keenly aware of its awesome responsibility.

The Library of Congress' FY 2004 budget request continues to close the gap between its resources and responsibilities and strengthens its ability to acquire, preserve, and make accessible knowledge and information, which are now being generated and communicated in a radically new medium.

On behalf of the Library and all its staff, I thank the Congress for its continued support of the Library and its programs and look forward to working with the Congress as we prepare for the challenges of this new digital age.

Library of Congress



* Includes the National Library Service for the Blind and Physically Handicapped Program.

** Includes the National Digital Library and Information Technology Services Programs.

Library of Congress Resource Summary

(Dollars in Thousands)

Appropriation Title	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	Change
Library of Congress, S & E				
Total Budget	\$335,417	\$356,144	\$380,386	+ \$24,242
Total Offsetting Collections	<u> </u>	<u>- 6,850</u>	<u>- 6,850</u>	<u> 0</u>
Total Appropriation	\$335,417	\$349,294	\$373,536	+ \$24,242
Copyright Office, S & E				
Total Budget	\$ 37,658	\$ 38,971	\$ 48,290	+ \$ 9,319
Total Offsetting Collections	<u> </u>	<u>- 29,472</u>	<u>- 29,664</u>	<u> 192</u>
Total Appropriation	\$ 37,658	\$ 9,499	\$ 18,626	+ \$ 9,127
Congressional Research Service, S & E	<u>\$ 81,635</u>	<u>\$ 86,387</u>	<u>\$ 96,267</u>	<u>+ \$ 9,880</u>
Books for the Blind and Physically Handicapped, S & E	<u>\$ 53,861</u>	<u>\$ 50,632</u>	<u>\$ 51,706</u>	<u>+ \$ 1,074</u>
Total Budget	\$508,571	\$532,134	\$576,649	+ \$44,515
Total Offsetting Collections	<u> </u>	<u>- 36,322</u>	<u>- 36,514</u>	<u> 192</u>
Total Appropriations	\$508,571	\$495,812	\$540,135	+ \$44,323

¹ Reflects the FY 2003 Enacted level, less the rescission.

Library of Congress
Total Funds Available - All Sources
(Dollars in Thousands)

	FY 2002 Actual	FY 2003 Budget	FY 2004 Estimate
Annual appropriation to the Library of Congress	\$469,548	\$495,812	\$540,135
Appropriation transfers to/from the Library of Congress:			
Emergency Response Fund - From U.S.H.R.	29,685	0	0
Security Enhancements - From U.S. Capitol Police Board	1,390	0	0
Contingent Expenses - From U.S. Capitol Police	500	0	0
Transfer to Abraham Lincoln Bicentennial Commission	(500)	(497)	(500)
Receipts:			
Sales of catalog cards and publications	4,544	6,500	6,500
Collections to Global Legal Information Network	20	350	350
Copyright fees	19,684	23,321	23,321
Licensing fees	4,138	6,151	6,343
Annual appropriations for Library Buildings to the Architect of the Capitol:			
Structural and Mechanical Care	21,753	37,277	47,108
Gift and Trust Funds ¹	16,403	17,222	16,370
Revolving Funds	66,338	103,276	104,525
Reimbursable Program	6,409	5,938	1,064
Total.....	\$629,912	\$695,350	\$745,216

¹ Includes new gift and trust fund contributions and income realized; excludes prior-year carryover funds.

**Library of Congress
Statement of Receipts**

(Dollars in Thousands)

Statement of Receipts, Treasury Department General Fund Account			
	FY 2002 Actual	FY 2003 Estimate	FY 2004 Estimate
Other miscellaneous receipts	\$240	\$300	\$300
Total receipts into general fund account	\$240	\$300	\$300
Statement of Receipts, Payments to Copyright Owners			
Receipts from Fees, Cable Television, Satellite, and Dart	\$206,811	\$196,774	\$208,398
Receipts from Interest on Investments in Public Debt Securities	12,265	21,520	25,888
Total receipts into general fund account	\$219,076	\$218,294	\$234,286

Library of Congress Staffing Summary - FTEs

(Dollars in Thousands)

<u>Direct Funded by Appropriation</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Enacted</u>	<u>FY 2004 Request</u>	<u>Change</u>
Library of Congress, S & E	2,662	2,841	2,978	+ 137
Copyright Office, S & E	490	530	530	0
Congressional Research Service, S & E	680	742	729	- 13
Books for the Blind and Physically Handicapped, S & E	<u>115</u>	<u>128</u>	<u>128</u>	<u>0</u>
Total, Agency	<u>3,947</u>	<u>4,241</u>	<u>4,365</u>	<u>+ 124</u>

The Library of Congress
 Comparison of Appropriations, Staff, and Workload Statistics
 FY 1998 - 2003

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Change 1998-2003	% Change
LIBRARY APPROPRIATIONS - ACTUAL	\$377,407,000	\$391,860,000	\$427,457,610	\$550,347,401	\$525,837,000	\$532,133,502	+\$154,926,502	+ 41.1%
FULL-TIME EQUIVALENT (FTE) POSITIONS (Appropriated)	3,998	3,923	3,919	3,819	3,947	4,241	+ 283	+ 7.2%
SIZE OF LIBRARY COLLECTIONS	115,936,696	118,993,629	120,976,339	124,247,602	126,060,960	128,000,000	+ 12,494,305	+ 10.8%
WORKLOAD STATISTICS:								
Unprocessed Library Arrangages	19,890,657	19,793,689	19,215,639	21,142,960	20,095,006	20,000,000	+ 906,343	+ 4.8%
CRS - Requests and Services Provided Congress	560,423	545,668	584,384	711,612	811,467	900,000	+ 339,577	+ 60.6%
Loans of Collections to Congress	30,614	26,193	29,276	25,713	25,089	26,000	- 4,614	- 15.1%
Copyright Claims Registered	558,645	594,501	515,612	601,659	521,041	570,000	+ 11,355	+ 2.0%
Copyright Inquiries	395,456	436,527	385,513	339,688	353,604	365,000	- 30,456	- 7.7%
Services to the Blind and Physically Handicapped (BPH) - Readership	761,600	764,600	759,000	742,000	695,907	762,000	+ 400	+ 0.1%
BPH - Books and Magazines, Total Circulated	22,553,100	22,865,000	22,825,000	23,100,000	23,464,309	23,464,000	+ 910,900	+ 4.0%
BPH - New Braille, Audio Books, and Magazine Titles	2,754	2,647	2,729	2,638	2,863	2,700	- 54	- 2.3%
Print Materials Cataloged	274,890	205,893	224,544	273,534	310,235	300,000	+ 25,110	+ 9.1%
National Coordinated Cataloging Operation (NACO) - LC Contribution	185,515	80,176	80,066	90,542	88,475	89,000	- 97,015	- 52.3%
National Coordinated Cataloging Operation - Outside Contribution	179,721	133,011	128,160	143,031	162,363	165,000	- 8,721	- 5.0%
Exhibits, Displays, and Publications (funded by Appropriations)	25	25	32	35	37	37	+ 12	+ 48.0%
Regular Tours (Participants)	60,465	64,469	59,536	105,988	112,423	110,000	+ 49,535	+ 81.9%
Reference Service	1,101,717	967,367	912,120	828,533	775,115	800,000	- 301,717	- 27.4%
Main Reading Room and Five Other Reading Rooms Hours Per Week	665	65	65	65	65	65	0	0.0%
Items Circulated	2,105,278	1,767,565	1,694,582	1,580,162	1,362,724	1,400,000	- 705,278	- 33.5%
Preservation Treatment - Original Format	354,027	472,027	263,817	326,623	666,432	575,000	+ 220,973	+ 62.4%
Mainframe Computer Transactions 1/	270,295,905	331,103,221	85,211,677	63,913,258	109,008,438	119,909,000	- 150,350,005	- 55.6%
Integrated Library System Input/Update Transactions 1/	0	0	59,319,648	65,663,286	91,834,274	101,018,000	+ 101,018,000	+ 100.0%
Machine Readable Cataloging (MARC) Records	28,093,457	28,890,000	29,633,607	31,103,681	34,803,000	34,803,000	+ 6,709,503	+ 100.0%
Internet Transactions (ie. LOCIS, MARVEL, WORLD-WIDE-WEB, and THOMAS public transactions)	615,146,938	728,226,616	931,256,160	1,283,747,169	2,039,268,542	2,243,195,000	+ 1,628,045,062	+ 100.0%

March 2003

1/ The Integrated Library System (ILS) number is a measure of input/update activity for the ILS database. Because of the integrated nature of the ILS, each input/update transaction represents more than one change to tables in the database. Mainframe computer transactions declined at a greater rate than ILS input/update transactions increased because duplicate data entry transactions were eliminated when multiple non-integrated systems were replaced by the ILS.

LIBRARY OF CONGRESS Salaries and Expenses

Library of Congress Library of Congress, Salaries and Expenses Analysis of Change (Dollars in Thousands)

	FY 2004	
	Agency Request	
	FTE	Amount
Appropriation, FY 2003	2,841	\$356,474
Minus: Rescission		- 2,330
Adjusted Appropriation, FY 2003		\$356,144
Non-recurring Costs:		
Lewis and Clark Exhibition	-	1,013
In-Process Arrearage Elimination	-	890
Louisiana Purchase Bicentennial Celebration	-	497
Inventory Management	-	135
Hands Across America	-	11,028
Western NC Telecommunications Project	-	9,935
Central Financial System Replacement	-	2,870
Total, Non-recurring Costs	-	26,368
Mandatory Pay and Related Costs:		
Comparability pay raise 2004		6,433
Annualization of pay raise 2003		2,423
Annualization of pay raise 2003 (foreign)		230
Within-grade increases		1,829
Annualization of FY 2003 FTEs	17	935
One Extra Day		855
Accident Compensation and Unemployment Comp		43
Total, Mandatory Pay and Related Costs	17	12,748
Price Level Changes		2,931
Program Increases:		
Physical Security:		
Police Staffing	54	4,841
Alternate Computer Facility	2	2,762
Public Address System		5,500
Security Enhancement Plan Requirements	1	2,077
[Police Command Center]	[1]	[1,077]
[Collections Security Controls]		[1,000]
Emergency Management	5	511
[Security - Office of Emergency Management] ..	[4]	[391]
[BSS - Medical Emergency Coordinator]	[1]	[120]
Collections Security and Management:		
NAVCC - Culpeper	8	11,060
[NAVCC - LS-Basic]	[4]	[9,704]
[NAVCC - OSH-TS]	[4]	[1,356]
Inventory Management		1,927
Arrearage Reduction	22	1,157
Core Programs:		
Mass Decidification		919
Integrated Library System (ILS)		384
Purchase of Library Materials - Foreign Law		310
Commercial Courier Services		50
IG Computer Security Audits	2	200
Space Management		1,300
Congressionally Mandated Programs:		
Veterans History Project	7	589
Meeting of the Frontiers	3	379
National Film Preservation Foundation Grant		250
Retail Activities Project	5	715
NDI/FP FTEs	11	0
Total, Program Increases	120	34,931
Net Increase/Decrease	137	\$ 24,242
Total Budget	2,978	\$380,386
Total Offsetting Collections	0	- 6,850
Total Appropriation	2,978	\$373,536

Library of Congress
Library of Congress, Salaries and Expenses

Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002	FY 2003	FY 2004	FY 2003/2004
	Actual	Enacted ¹	Request	Net Change
11 Personnel Compensation	\$167,790	\$177,885	\$194,677	+ \$16,792
12 Personnel Benefits	36,121	39,959	43,944	+ 3,985
13 Benefits for Former Personnel	110	104	148	+ 44
21 Travel	1,481	1,713	1,909	+ 196
22 Transportation of Things	757	942	912	- 30
23 Rent, Communications and Utilities	5,071	5,515	10,915	+ 5,400
24 Printing and Reproduction	4,338	4,924	4,973	+ 49
25 Other Contractual Services	62,274	62,838	69,836	+ 6,998
26 Supplies and Materials	2,724	3,453	3,768	+ 315
31 Equipment	43,166	36,405	48,303	+ 11,898
41 Grants	11,585	21,908	500	- 21,408
42 Insurance Claims and Indemnities	0	1	1	0
43 Interest	0	0	0	0
94 Finance Transfers	0	497	500	+ 3
Total, Budget	\$335,417	\$356,144	\$380,386	+ \$24,242

¹ Reflects the FY 2003 Enacted level, less the rescission.

OVERVIEW

The Library of Congress, Salaries and Expenses (LC, S&E) account supports several programs including the National Library, Office of Strategic Initiatives, Law Library and the Management Support Services (Office of the Librarian, Human Resource Services, Integrated Support Services, and Security).

FY 2004 BUDGET REQUEST

In FY 2004, the LC, S&E is requesting **\$380.386 million**, a net increase of \$24.2 million over FY 2003. Requested increase includes mandatory increases (\$12.8M), price level increases (\$2.9M) and program changes (\$34.9), offset by non-recurring costs (\$-26.4).

Program changes support a variety of initiatives including the National Audio Visual Conservation Center at Culpeper, Virginia, Physical and Collections Security, Space Management, Mass Deacidification Program, Veterans History Project, Meeting of the Frontiers Program, National Film Preservation Foundation, Inspector General staff capacity, and Retail Sales Activities. All projects support the programs and staff of the Library and enhance its products, services, and customer satisfaction.

Detailed funding tables and justifications for each of the LC, S&E programs are provided under the next nine tabs.

Library of Congress
Library of Congress, Salaries and Expenses
National Library - Basic
Analysis of Change
(Dollars in Thousands)

	FY 2004	
	Agency Request	
	<u>FTE</u>	<u>Amount</u>
Appropriation, FY 2003	1,824	\$170,814
Minus: Rescission		<u>- 1,096</u>
Adjusted Appropriation, FY 2003		\$169,718
Non-recurring Costs:		
Lewis and Clark Exhibition		- 1,013
In-Process Arrearage Elimination		- 890
Louisiana Purchase Bicentennial Celebration		- 497
Inventory Management		<u>- 135</u>
Total, Non-recurring Costs		- 2,535
Mandatory Pay and Related Costs:		
Comparability pay raise 2004		3,570
Annualization of pay raise 2003		1,510
Annualization of pay raise 2003 (foreign)		230
Within-grade increases		1,137
Annualization of FY 2003 FTEs	17	935
One Extra Day		<u>538</u>
Total, Mandatory Pay and Related Costs	17	7,920
Price Level Changes		812
Program Increases:		
National Audio-visual Conservation Center, Culpeper ..	4	9,704
Collections Security		1,927
Arrearage Reduction	22	1,157
Integrated Library System (ILS)		384
Mass Deacidification		919
Veterans History Project	7	589
Meeting of the Frontiers	3	379
National Film Presevation Foundation Grant		250
Retail Activities Project	<u>5</u>	<u>715</u>
Total, Program Increases	41	16,024
Net Increase/Decrease	<u>58</u>	<u>\$ 22,221</u>
Total Budget	1,882	\$191,939
Total Offsetting Collections	<u>0</u>	<u>0</u>
Total Appropriation	1,882	\$191,939

Library of Congress
Library of Congress, Salaries and Expenses
National Library - Basic

Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$104,779	\$110,360	\$118,841	+ \$8,481
12 Personnel Benefits	22,183	24,559	26,598	+ 2,039
13 Benefits for Former Personnel	65	59	64	+ 5
21 Travel	1,068	1,136	1,253	+ 117
22 Transportation of Things	664	820	786	- 34
23 Rent, Communications and Utilities	1,197	1,635	1,768	+ 133
24 Printing and Reproduction	2,823	2,945	2,956	+ 11
25 Other Contractual Services	15,223	16,954	19,277	+ 2,323
26 Supplies and Materials	1,901	2,606	2,825	+ 219
31 Equipment	8,022	7,202	16,571	+ 9,369
41 Grants	250	945	500	- 445
42 Insurance Claims and Indemnities	0	0	0	0
43 Interest	0	0	0	0
94 Finance Transfers	0	497	500	+ 3
Total, Budget	\$158,175	\$169,718	\$191,939	+ \$22,221

¹ Reflects the FY 2003 Enacted level, less the rescission.

OVERVIEW

The National Library's mission is to organize, preserve, secure, and sustain for the present and future use of the Congress and the nation a comprehensive record of American history and creativity and a universal collection of human knowledge. The services performed by the National Library include:

- Coordination of collection development policy for the Library of Congress and acquisition of materials from all over the world. Each year the Library acquires more than two million new items.
- Creation of the bibliographic records that not only assure access to the Library's vast collections, but also provide basic bibliographic information, in standard form, for libraries throughout the United States and the world.
- Creation, coordination, and dissemination of cataloging standards.
- Public service and collections management for both general and special format materials, such as manuscripts, rare books, prints, photographs, maps, atlases, music, motion pictures, sound recordings, videotapes, and materials in foreign languages.
- Development and distribution of Library products and services.
- Administration of the Library's preservation program (treatment of approximately 500,000 items a year), including the Mass Deacidification program.
- Administration of the National Film and Recording Preservation Boards.
- Management of the Library's educational, scholarly, visitor and interpretive programs, as well as the Center for the Book, and the American Folklife Center. The Library responds to over three-quarters of a million information requests a year, including more than 425,000 in-person requests in the 19 reading rooms, open to the public in Washington, DC. In addition, the Library responds to over 65,000 free interlibrary loan requests from across the nation as well as some 25,000 requests for book loans from the Congress each year.
- Coordination of services and programs on behalf of federal libraries and information centers. Approximately 1,200 Federal offices participate in the program, which saves the offices an estimated \$7.6 million annually in contract cost avoidance benefits and \$10.3 million more in products and services discounts.
- On-line guides to Internet resources for selective and authoritative electronic links that provide data by countries and regions of the world.
- Management of the Library's pioneering effort to share its unique collections and those of its collaborating partners with the nation's schools, libraries and others via new electronic technology (www.loc.gov). The internet-based systems of the Library now record more than two billion such transactions annually.

FY 2002 ACCOMPLISHMENTS

During FY 2002, the National Library's annual goals focused on digital strategy, arrears reduction, and collections security, using four internal controls criteria: bibliographic, inventory, physical security, and preservation controls.

- Commemorated the anniversary of the September 11 attacks with "Witness and Response: September 11 Acquisitions at the Library of Congress," an exhibit featuring the collections that the Library is amassing about the events of September 11; held a series of special free public programs called "Summon the Heroes" that included a panel discussion by the reporters who assembled the New York Times' Pulitzer-Prize winning series "Portraits in Grief"; sponsored gallery talks and concerts by renowned artists; and coordinated a "September 11, 2001, Documentary Project" that called upon folklorists and other ethnographers across the nation to audio-tape the thoughts and feelings expressed by average citizens.
- Received the "Site of the Year" award from Yahoo! for the September 11 Web Archive (September11.archive.org).
- Received 3,210 individual Veterans History Project collections. These multi-format collections, which represent the first submissions to the ongoing project, document the experiences of American war veterans through audiotaped and videotaped oral histories, photographs, letters, publications, military documents, maps, diaries, journals, and ephemera collected by a large number of individuals and groups from around the nation.
- Created website collections:
 - The Olympics 2002 Collection to preserve open access Web materials pertaining to the February Olympics.
 - The Election 2002 Collection—from July through November 2002- the Library selected and collected approximately 4,000 web sites for inclusion in the Election 2002 web archive.
- Released online, the complete Lincoln Papers that constitute approximately 20,000 items and 10,000 annotated transcriptions produced by the Lincoln Studies Center, Knox College, Galesburg, Illinois.
- Conducted, as part of the Library's national reading promotion theme for 2001-2003, the second *Telling America's Stories* event: "Celtic Roots: Stories, Songs and Traditions from Across the Sea." The program gave local school students the opportunity to learn firsthand about the Irish immigrants who arrived in America in the 1880's and brought their stories and traditions with them to contribute to the multi-textured fabric of America.

- Launched QuestionPoint, a new online reference service. The QuestionPoint service, available at www.questionpoint.org, provides libraries with access to a growing collaborative network of reference librarians in the United States and around the world.
- Completed the fifth expansion of the *Meeting of Frontiers* Website with additional items from the collections of the Library of Congress, the Russian State Library in Moscow, the National Library of Russia in St. Petersburg, and seven institutions in the West Siberian cities of Kemerovo, Novosibirsk, Omsk, and Tomsk. The site now contains over 6,800 Library items and over 111,000 digital items.
- Began cooperative work with the Royal Library in the Netherlands on a digital project dealing with the Dutch presence in North America in the 17th century and beyond.
- Signed an agreement with the National Library of Brazil to produce a "frontiers project" entitled "Brazil's Evolving Culture."
- Launched a new online international project called Portals to the World, a guide to Internet resources dealing with countries and regions of the world. Links to electronic resources in 85 countries are available and when the project is complete in 2003, there will be a portal page for every nation of the world. Typical categories are business, commerce, economy, culture, education, government, politics, law, history, libraries and archives.
- Prepared an authoritative and comprehensive catalog of rare Chinese maps from the Hummel Collection with the assistance of Professor Li Xiaocong of Beijing University.
- Preservation/conservation:
 - Awarded contracts to test the efficacy and viability of a new paper splitting technology and to develop collection storage equipment specifications.
 - Ensured the longevity of 150,000 books through mass deacidification treatment, completing the second year of a five-year contract that will enable the Library to treat 1,000,000 books and 5,000,000 sheets of unbound materials such as manuscripts.
 - Successfully installed the single-sheet mass deacidification chamber onsite in the James Madison Building and started treating manuscript materials.

- Developed Metadata Encoding and Transmission Standard (METS), a key component for digital repository management that is being rapidly taken up by digital projects worldwide, and began LC implementation projects.
- Upgraded the LC ILS to Voyager Release 2000.1.3. The Library implemented a new service, LC Authorities, which made the Library's authority records available via the Web. Completed the serials-check-in file conversion and a multi-year contract was awarded for the conversion of the manual shelflist data to create online item level holdings data to improve tracking and inventory control.
- Admitted 45 new libraries to NACO, the name authority component of the Program for Cooperative Cataloging. NACO trained 155 catalogers nationwide in name and series authority work and produced 162,363 new name authority records. Coordinated the contribution of 82,014 bibliographic records through BIBCO, the monograph bibliographic record component of the Program for Cooperative Cataloging, an increase of 12 percent over FY 2001.
- Doubled the number of publishers participating in the Electronic Cataloging in Publication (ECIP) program, to 2,222 participating publishers. The ECIP program dramatically shortens turnaround time for cataloging and eliminates postage costs for the Library and publishers.
- Linked directly to full electronic text of approximately 5,500 public-domain monographs through the LC Online Catalog.
- Enriched more than 70,000 bibliographic records in the LC Online Catalog with tables of contents that can be searched online by keyword.
- Published *World Treasures of the Library of Congress: Beginnings*, the first in a series of three volumes, in conjunction with the continuing "World Treasures" exhibition.
- Published *Motion Pictures, Broadcasting, Recorded Sound: An Illustrated Guide*. The guide surveys the Library's vast collections through a chronological narrative of technological, business, and artistic developments in various audiovisual industries.
- Published *The Library of Congress Civil War Desk Reference*, a comprehensive compendium of information on a broad spectrum of topics related to the war and its aftermath. This 949-page hardcover publication has more than 100 illustrations drawn from the Library's extensive collections.
- Commissioned historian Robert V. Remini to research and write a narrative history of the U.S. House of Representatives. This project was authorized by Congress in 1999 under the House Awareness and Preservation Act (P.L. 106-99).

- Opened "When They Were Young: A Photographic Retrospective of Childhood," an exhibit featuring compelling images of children, spanning the history of photography from daguerreotype to documentary. The exhibit examines the experience of childhood across time, different cultures, and diverse socioeconomic backgrounds.
- Opened "Roger Stevens Presents: Stage for a Nation," exhibit.

FY 2003 PRIORITIES

- Digital strategy (acquisition, conversion, access, services, and tools): Enable the National Library to carry out its mission in the digital age.
- Arrearage Reduction: Meet the revised total arrearage goals approved by Congress.
- Collections Security: Secure the Library's heritage assets during all phases of collections' life cycle using bibliographic, inventory, physical, and preservation controls.
- Off-site storage: Continue work on building storage facilities at Culpeper, and Ft. Meade and moving the collections to Ft. Meade.
- Preservation: Enable the cost-effective preservation of materials in all formats, including the mass deacidification of 200,000 books and one million sheets of non-book material as well as preparing, packaging and stabilizing select rare and special collections in advance of their relocation to the National Audio-Visual Conservation Center and Ft. Meade, Module 2.
- American Folklife: Implement operation vision, including the Veterans History Project.
- National Library Operations: Maintain a basic level of National Library ongoing operations, while undertaking phased business process improvements.
- Integrated Library System (ILS): Upgrade to Voyager 2001.2 and implement the new functionality contained in that release; and implement an interface between LC ILS and a warehouse management system.

FY 2004 PRIORITIES

In FY 2004, major priorities continue to be collections security, focusing on expanding the use of the ILS for effective inventory management, and preparing collections for transfer to off-site storage; arrearage reduction emphasizing bibliographic control at the earliest point of receipt; planning for additional off-site storage at Ft. Meade, Maryland and Culpeper, Virginia; increase development of the Veterans History Project;

continuation of the Meeting of the Frontiers initiative including the digital library project with the Royal Library of the Netherlands; preservation through the Mass Deacidification Program; and expansion of our retail sales activities.

FY 2004 BUDGET REQUEST

The National Library - Basic Program is requesting a total of **\$191.939 million** in FY 2004, a net increase of \$22.2 million over FY 2003. Included is \$8.7 million for mandatory and price level increases and \$16 million for program changes, offset by non-recurring costs of \$-2.5 million related to the Louisiana Bicentennial Celebration, Lewis and Clark Exhibit and other one-time or decreasing program costs. Total FTEs requested is 57.5 FTEs, including 17 annualized for positions, approved in FY 2003, for the packaging of collections for relocation to Fort Meade, Maryland and Culpeper, Virginia, and 40.5 new positions/FTEs for program changes.

PROGRAM CHANGES

\$16,024,000/40.5 FTEs

Culpeper

(\$9,704,000/4 FTEs)

In FY 2004, Library Services is requesting **\$9.704 million, in no-year authority, and four positions/FTEs** to support the Culpeper project. Funding is also being requested under the Office of Strategic Initiatives (OSI) budget for information technology support [\$1.356M/4 FTEs]. Please go to OSI's tab for a more detailed justification.)

Funding will support investment, relocation, and program costs. FY 2004 reflects the first year of transition planning. Additional funding will be needed in FY 2005 - 2008 for deployment and full operations.

NAVCC

The National Audio-Visual Conservation Center (NAVCC) in Culpeper, Virginia will be a world-class, state-of-the-art conservation center that will consolidate and integrate the Motion Picture, Broadcasting and Recorded Sound (MBRS) administrative, acquisitions, processing, storage, preservation, laboratory transfer and reformatting activities in one central facility, while also greatly increasing efficiencies and preservation throughput.

Currently these activities are dispersed among four states (Maryland, Virginia, Ohio, and Pennsylvania) and the District of Columbia. Once the NAVCC is opened, the Library, for the first time, will be able to consolidate all its audio-visual MBRS collections in a single, centralized storage facility. In addition, the facility is being built to provide storage space sufficient to house projected collections growth for 25 years beyond the NAVCC move-in date.

The NAVCC will provide storage and conservation facilities, significantly improving on the sub-standard conditions in which the Library's audio-visual

collections, meet and exceed current temperature and humidity storage standards for all moving image and sound media.

NAVCC - Non-Digital

The NAVCC will enhance preservation activities for video (magnetic media) materials – if preservation reformatting of all video media were to continue at the current rate, the percentage of the collections that would be preserved during the next ten years would be **less than 1%**. Within the NAVCC, the envisioned expansion of video preservation activities would lead to a projected percentage of **60% of the collections preserved by 10 years after move-in**. For Sound materials – if preservation reformatting of all MBRS sound recordings were to continue at the current rate, the percentage of total endangered material that would be preserved during the next ten years would be **5%**. The NAVCC Audio-Video Preservation Laboratory is being designed to significantly expand sound preservation throughput. Based on this envisioned expansion, MBRS projects that the percentage of endangered sound collections that would be preserved in the 10 years after move-in would be **50%**.

NAVCC - Digital Preservation System

The NAVCC infrastructure will also include a Digital Audio-Visual Preservation System (DPS), with research and development funding from the preservation component of the Library's Digital Future program, that will expand MBRS' capacity to perform laboratory preservation reformatting and carry out its digital access strategies. The NAVCC will preserve and provide research access to both newly acquired born-digital content, as well as analog legacy formats. The latter will be reformatted using the new paradigm of producing and managing computer-based digital data, replacing the current, unsatisfactory paradigm of analog-to-analog copying. The goal of this new Digital Preservation System, now referred to as Digital Culpeper, will expand MBRS' capacity to perform laboratory preservation reformatting and carry out its digital access strategies. It will also contribute to the Library's overall development of a digital content repository, and to the refinement of a number of other aspects of the institution's preservation capacity.

Library staff are working closely with representatives of the Packard Humanities Institute (PHI) to build the National Audio-Visual Conservation Center. The most recent planning schedule, from PHI, calls for the newly renovated Collections storage building to be ready for collections occupancy and use by the government in July 2004 and the new Nitrate storage vaults and Conservation (Laboratory) building to be ready during Summer 2005.

Requested funding includes \$8.721 million for non-digital activities and \$983 thousand for digital activities. Funding supports the following:

Non-Digital

- Staffing - 1 GS-14 Project Coordinator \$.108M
- 1 GS-15 Chief Technology Officer .127M
- A Project Coordinator to coordinate the Library NAVCC construction and programmatic activities with the PHI, work with the architectural and engineering firms, update plans and schedules for all work relating to the transition and deployment of operations.
- Information Technology Management: A full-time permanent Chief Technology Officer to serve as the principal control officer and coordinator for technical projects, ITS and outsourced services, with expertise in digital audio-video systems.
- Contractors - Human Resources Consultant \$.100M
- Environmental Management Consultant .025M
- Relocation Contractor .006M
- A Human Resources Consultant to handle job descriptions and transitions, union packages and negotiations, and to coordinate with contracted relocation contractor.
- An Environmental Management Consultant to evaluate the MARS Dayton operations existing program, which is managed through Wright-Patterson Air Force Base (AFB) in order to determine what is required for hazardous materials management and respirator protection program in Culpeper.
- Relocation Assistance: Initial services of a Relocation Contractor to provide consulting and advise on relocation matters.
- Investment Equipment and Material \$8.355M
 - Security System - The NAVCC complex includes the Collections building which will house the Library's vast audio-visual collections, a conservation building housing approximately 140 staff, and the silver nitrate film vaults to store film collections. Adequate security is critical to the successful preservation of the Library's unparalleled collections in this field. The security system to be acquired will include monitors, cameras, card readers, and system software for safety and hazard monitoring and control of access to buildings (\$694K).

- Collections Shelving - The Collections building is scheduled to be ready for use by the government in July 2004. The numerous individual vaults on the first and second floors this building will be outfitted with high-density, mobile compact shelving. This shelving will maximize storage capacity for the many moving image and recorded sound formats held by the MBRS Division. The shelving will need to be procured and installed early in FY 2004 in order to be ready for the movement of collections into the building late FY 2004. Installation includes the laying of tracks for the mobile shelving systems within the floors as the building is being constructed. The Library is requesting the initial installation of sufficient shelving to accommodate the relocation of all of its existing collections, plus an estimated 5-7 years of projected collections growth (\$3.6M).
- Nitrate film vaults shelving - The NAVCC will include 120 vaults for the safe storage of nitrate motion picture film. Procurement of the shelving required for these vaults is required in order to meet the installation requirements of the new construction. These shelves are a custom built product and it is estimated that they will take 10-12 months to be fabricated, and based upon an estimate provided in October 2001. Installation is scheduled to begin in December 2004 or shortly thereafter. (\$4.061M).

Digital

- Staffing - GS-15 Systems Specialist(3 years only) \$.127M
 - GS-13 Contract Specialist (3 years only) .91M

Reflects Library Services members on the Information Technology Infrastructure team - discussed in OST's budget.

- Equipment and Materials \$.765M

The Center will use new technology or technology which requires significant adaptation for the Library's application and includes building a testbed which brings together the risk elements for evaluation and testing. Funding is requested to purchase and evaluate equipment and software for a high-efficiency video digital reformatting system, a video processing workstation, an audio processing workstation and a video signal distributions. Additional funds will ensure appropriate evaluation through purchase of a test environment of associated servers, workstations and enabling software.

Cost Model for the Entire Project

The current baseline of MARS costs will continue to function at the Division's existing locations while investments are made to design, construct, outfit and test the facility in Culpeper during 2003 through 2006. As portions of the facility become available for use during this period, relocation costs will be incurred to move collections, personnel, equipment, and materials. When the location is complete, a new operational baseline will be established where 90% of operations are conducted in Culpeper and 10% (primarily reference and reading room services) in Washington, DC. Approximately 140-150 Library of Congress employees will be located at the NAVCC during its initial years of occupancy, with approximately 10-15 public service and reference staff remaining in Washington.

Future Fiscal Year Planning

FY 2005 Highlights: Construction on the NAVCC is currently projected to be completed during FY 2005. During this period, additional funds will be requested to relocate both the collections and the staff from Dayton, Ohio, and the Washington, DC area. Funding will also be sought to increase staff to necessary levels for deployment in the new facility. Other support will be requested to furnish the various offices, conference rooms, and laboratories at the facility. An infusion of funds will also be sought to purchase equipment necessary to complete the Culpeper facility (theaters, listening rooms, and screening rooms), as well as to outfit the greatly expanded audio-visual and film preservation laboratories.

FY 2006 Highlights: The funding request for FY 2006 will primarily involve completing the relocation of staff to the Culpeper facility and will address the need for additional staff to implement programs within the greatly expanded activities and capacity of the NAVCC facility. Funds will also be requested to continue equipment purchases necessary for the film and audio-visual laboratories.

FY 2007-2008 Highlights: At this point, the move to Culpeper will have been completed and requests will primarily involve the remaining staffing necessary to operate the programs and funds to continue the NAVCC's equipment refreshment cycle.

Projected Completion Timeline

For the facility as a whole, PHI is now projecting the following completion dates for each of the NAVCC's three building components:

- The existing Collections storage building: PHI renovation completion for use by the government in July 2004 and subsequent move-in anticipated during the first quarter of FY 2005 (approximately November 2004).
- The new Conservation building: Property transfer and AOC/LC acceptance for move-in anticipated during the third quarter of FY 2005 (approximately July 2005).
- The new Nitrate storage vaults: Property transfer and AOC/LC acceptance for move-in anticipated during the third quarter of FY 2005 (approximately July 2005).

Collection Security

(\$1,927,000/0 FTEs)

With the development of the Library of Congress' Security Plan in 1997, the acquisition of the integrated library system (LC ILS) in 1999, and the very recent work of the Copyright/Library Services Joint Issues Group on Labeling (JIG-L), the Library has embarked upon a multi-year, phased program to enhance collections security. The size of the collections (more than 126 million items), the expansive space in which collections are found, and finite resources (space, financial, and staff) available, have made a multi-year approach essential. A total of \$1.927 million is requested for contractor support services in FY 2004 for this on-going work.

Beginning in the late 1990's, the Library's budget requests concentrated on physical security initiatives, guided by the Library of Congress' Security Plan. In FY 2002, the program was expanded with initiatives related to inventory management, focusing on the non-rare monographs and serials already in the collections. The Library requested and received funding for an eight-year project to conduct a baseline inventory of the 17 million items in the general, Area Studies and Law Collections (**retrospective inventory**).

The LC ILS provides a tool for effective inventory management (bibliographic control, inventory control and tracking). However, as a tool, it can only function effectively if it is: 1) populated with data; and 2) once populated, updated to ensure the accuracy of the data as the status of an individual item changes. In the first case, if the database is not populated, the existence of an item is unknown; in the second, the information initially created becomes outdated and misleading, causing frustration to staff and researchers, and a situation totally unacceptable to our auditors.

In FY 2004, the Library will focus on current acquisitions of non-rare monographs and serials to ensure that inventory control is achieved at the earliest practical point after arrival (**incoming items**). In addition, we will address inventory management of the **special collections**, in the American Folklife Center; the Rare Book and Special Collections Division; and the Manuscript Division.

Inventory Management - Incoming Materials

Contract support funding of **\$1.5 million** will allow the following:

- Creation of item records for serials as individual issues are bound, and suppressing the individual issue display in the Online Public Access Catalog (OPAC). Simply stated, as individual issues of a serial title are received, these are checked in and appear in the OPAC for all to see. When individual issues are gathered together and bound, it is critical to: 1) create an item record for the bound volume which will be housed in the general collections; and 2) suppress the individual issues display from the OPAC. If this is not done when an item is bound, the online display will still direct readers and staff to the Newspaper and Current Periodical Reading Room for loose issues, when in fact, the item is bound, and the bound volume is in the general collections.
- Barcoding and linkage of each self-contained serial volume. Approximately 100,000 self-contained volumes come in to the Library annually (e.g., yearbooks, annual reports). These are very time-sensitive and serve a critical reference need. Each item needs to be barcoded and have an item record created prior to forwarding to the collections.
- Conversion of 10,000 Japanese, Chinese and Korean serial titles from manual visible file entries to online entries to permit online check-in. Currently, the entire file is on cards, resulting in a manual check-in process, and the inability to share this information with researchers and staff through a shared database.
- Start of barcoding and linkage of incoming non-rare monographs. Each new item arriving must have an Initial Bibliographic Control Record (IBC) created as well as a holding item record. Delaying this work will develop or increase arrearages and the most recent and most in-demand material will not be processed in a timely manner.
- Check-in of serial issues as they are received. More than 1,000,000 individual issues of serial titles arrive annually and must be checked in the LC ILS, or a significant backlog will result, making the issues unavailable to researchers and staff.

Inventory Management - Special Collections

American Folklife Center

A total of **\$100 thousand** in contract funds is requested for two years. Funding will support a cataloger and technician.

The purpose of this project is to prepare bibliographic records for 2500+ ethnographic collections to improve inventory control, tracking, awareness of the availability of these collections through the OPAC, and to enable them to be transferred to off-site storage at Ft. Meade.

The American Folklife Center plans to make effective use of off-site storage in Module 2 at Ft. Meade. To enable the Center to utilize that facility (and, consequently, to free up some storage space on Capitol Hill), the Library needs to barcode each manuscript box identified for transfer off-site. However, to create an item record for each box requires at least minimal-level bibliographic records for the 2500+ ethnographic collections in the Archive of Folk Culture. Unfortunately, at this point, no ILS bibliographic records exist on which to affix item-level holdings. By providing a cataloger who can help create at least minimal ILS records and a technician who can do the preparatory item-level work for moving the materials, on-line presence of the American Folklife Center's one-of-a-kind collections will be accelerated as well as allow the materials to be moved to more ideal storage facilities with good item-level controls.

Rare Book and Special Collections

A total of **\$227 thousand** is requested for contract support (\$200K) and for additional supplies and equipment (\$27K). Contract support is requested for three years; supply and equipment funding is a one-time cost.

The purpose of this project is to achieve effective tracking, circulation, and inventory control for the 850,000 items in the collections of the Rare Book & Special Collections Division.

This project is critical to the collections security plan of the Rare Book & Special Collections Division. It will establish a baseline physical inventory of these rare and valuable collections, and it will correct inaccurate holdings/item information currently in the LC ILS. Finally, it will allow the Division to exploit the capabilities of the LC ILS to manage internal circulation of its materials, thereby assuring precise tracking of materials, accurate patron data, and reliable data on collection usage.

Control is a cornerstone of the security plan for safeguarding the Library's rare collections. The components of the project include: 1) extracting data from the approximately 275,000 manual cards in the Rare Book shelflist, the Toner shelflist, and the Wilson Library card file to populate the LC ILS with holdings and item records containing accurate collection name, shelving location, and item-specific information; 2) assigning barcodes in the item records for all retrospective and newly-processed items; and 3) conducting a physical shelf compare project by printing out book flags containing printed barcodes, locating the associated item in the Rare Book stacks and inserting the new book flag (the Rare Book Cataloging Team will be responsible for this activity for all items and copies of items being processed on the team); deleting duplicate bibliographic records and all

unnecessary holdings and item records; and relinking bibliographic records for bound-withs and in-analytics to the appropriate holdings record. The project will be conducted intensively for three years, with problem resolution expected to continue for several years longer.

If funding is not received, the Library will continue to have inadequate and misleading holdings information about a substantial part of its rarest and most valuable materials, and it will continue to have no efficient and reliable method for tracking this material when it is circulated for Library or patron use. Public service, collections development efforts, and inventory management will all be seriously compromised. Lacking accurate holdings information, the Library is exposed to the dual possibility of spending significant amounts of money to purchase material already in its collections or in not acquiring rarely-available material that was once in the Library's collections, but has since disappeared.

Manuscript Division

A total of **\$100 thousand** in contract support is requested for five years.

The Manuscript project will prepare holdings records in the LC ILS for nearly 250,000 manuscript boxes, each of which would be considered one item for the purposes of item-level inventory control. At the conclusion of this project, every manuscript box will be barcoded and will be represented in the LC ILS by a holdings and item record.

The Manuscript Division has, for many years, recognized the contributions to improved service to the public, efficiency of record keeping, and enhanced security that electronic inventory controls with detailed holdings records and barcoded labels provide. The Division has already undertaken to implement such controls as time permits and thus far have approximately 10% of the Division's holdings inventoried and barcoded. The emphasis thus far has been on creating records for microfilm containers that circulate on interlibrary loan and for collections that have recently been processed or rehoused. This effort is slow and is undertaken only as time permits during lulls in reference and circulation services or by diverting staff from accessioning and organizing the unprocessed arrearage. Completing records for the remaining vast majority of the Division's holdings will require far too many years at the current rate of production. The likelihood of sending large numbers of containers to remote off-site storage also highlights the need for electronic controls to assure the accurate housing and delivery of containers not readily available to circulation and reference staff serving researchers visiting the Manuscript Reading Room or requesting assistance by telephone, fax, email, or via QuestionPoint and other collaborative reference services.

Arrearage Reduction**(\$1,157,000/22 FTEs)**

Funding is requested for 22 temporary positions/FTEs (NTE 4 years) to reduce the number of uncataloged items in the Library.

It has been more than a decade since the Library requested a sizeable infusion of new staff to help Library Services (LS) meet its obligation to reduce the arrearage. With the current level of staffing, the Library will not be able to meet the Congressionally mandated arrearage reduction goals which will affect our ability to meet the targets for FY 2004, as well as out-years. Despite past progress in arrearage reduction, reduction began to slow after some 500 staff were diverted for some portion of their time to plan for, be trained to use, and successfully implement the Library's new integrated library system (ILS). Since the successful implementation in FY 1999 - 2000, LS has recovered to a productivity output higher than pre-ILS environment. However, LS has not yet recovered from the two-year time period when these staff were diverted to ILS. In addition, in the past several years LS has experienced a high attrition rate due to staff reaching retirement age, with arrearage areas taking a particularly hard hit. Over the last four years, 69 Cataloging and 15 Public Service Collections staff members in arrearage positions have retired. The LS is currently in the process of filling 30 positions in arrearage areas, however, having lost the expertise of senior staff, new staff members will have to be trained, affecting production rates.

At the same time that staff was diverted to ILS and/or leaving, the Library also continued to acquire large special format collections, which added to the arrearage. Two examples of these collections were the papers of Daniel Patrick Moynihan (over 1.2 million items added to the Manuscript collections) and the Theodore Presser Archives (1 million items added to the Music collections). Finally, the close of the Library for one week due to the anthrax incident and the subsequent cessation of mail deliveries for five months only exacerbated the arrearage production rates.

As a consequence of all of these factors, the Library will not be able to meet the deadline of reducing non-rare print arrearage to zero by September 30, 2004 and the non-print arrearage to 7,127,925 (20% of the original 39,682,153 on hand in FY1989) by 2007. **Therefore, we are asking for a 3-year extension for each.**

The Library has also begun to consider "working backlogs" in the acquisitions units as part of the arrearage -- for security reasons initial bibliographic records must be added in the integrated library system as soon as possible. The 22 new positions, requested for the Acquisitions Directorate, will enable the Library to cope with the new workload that is due to including incoming receipts in the arrearage figures rather than allowing for a "working backlog" of new receipts as was done in the past.

ILS**(\$384,000/0 FTEs)**

The Library is requesting a total of \$1.289 million (no-year authority) in FY 2004 for the ILS program, **an increase of \$384K over FY 2003.**

FY 2004 is the last year of a Congressionally approved seven-year program. The total request for the seven years (\$17.7M) is consistent with the adjusted budget amount presented to and approved by Congress as part of the FY 2002 budget request.

As the primary work tool for approximately 1,000 of the Library of Congress' (LC) staff and contractors, the LC's Integrated Library System (ILS) supports the acquisitions, serial check-in and cataloging of approximately 3.25 million items per year and the circulation of approximately 1.5 million items.

The LC ILS also serves as the Library's primary bibliographic public access tool to over 19 million of current analog items in its collection, as well as 3.5 million digital items. For calendar year 2002, the Library received almost 321 million hits through the web. In addition, over 300 reference librarians, subject specialists and analysts rely on the LC ILS as a key reference source.

Total FY 2004 funding will support the following:

Object Class 24	\$ 12K	Printing of training and documentation materials associated with the annual ILS upgrade(s).
Object Class 25	\$989K	Annual maintenance to all modules of the Voyager software currently used at the Library. Annual maintenance includes the cost of upgrades and customer service (\$550K). Annual Sun Server maintenance (\$150K). Software development projects that will enhance the performance or efficiency of Voyager or extend functionality of Voyager as part of our congressional commitment to post-ILS Business Process Improvement efforts (\$285K). Internal Access and PC Software Maintenance (\$4K).
Object Class 26	\$ 3K	Automation Supplies.
Object Class 31	\$285K	Purchase and maintain bar code scanners and printers specific to the ILS (\$220K). PC related software associated with functional and performance testing of the ILS system (\$65).
Total	<u>\$1.289M</u>	

The following table outlines total costs for the seven year program.

Table 1: 7 year program costs (budget and projected actual)

Fiscal Year	FY98 Budget ¹	FY00 Budget ¹	Projected Actual ²
1998	\$5,584,000	\$5,584,000	\$5,584,000
1999	3,544,000	3,544,000	3,544,000
2000	2,077,000	2,347,000	2,347,000
2001	1,960,000	2,506,000	2,500,487
2002	1,199,000	1,580,000	1,517,903
2003	596,000	972,000	911,000
2004	827,000	1,188,000	1,289,000
Total Cost	\$15,787,000	\$17,721,000	\$17,693,390

Note 1: Upon concluding the vendor selection, the original 1998 budget was revised as part of the FY 2000 budget submission to reflect the actual Endeavor contract pricing. This table minus the last column was included as part of the FY 2000 budget justification.

Note 2: Projected actual column reflects actual received from Congress from FY 1998 thru FY 2003; and requested amounts for FY 2004.

Beginning in FY 2005, the Library will need approximately \$1.6 million a year to maintain ongoing costs for printing, maintenance, software upgrades, and equipment purchases.

Mass Deacidification

(\$919,000/0 FTEs)

Congress has approved the first three years (FY 2001-2003) of a 5-year scale-up of the deacidification activity which focuses on saving endangered books that are central to the Library's program. Funding is required to support the Library's 30-year (one generation) mass deacidification program plan. The FY 2004 funding is requested to continue the five-year \$18 million initiative to save one million endangered acidic books during the period of 2001-2005. **A total of \$4.79M is required in FY 2004, an increase of \$919 thousand over the FY 2003 level of \$3.871M.**

Based upon the Library's six-year experience with examining and treating books, it is estimated that 5.3 million existing books, as well as 100,000-plus volumes of new acquisitions (still printed on acidic paper), received each year, will need to be treated or deacidified. The FY 2004 request will allow the deacidification of 250,000 books and approximately one million sheets of valuable unbound manuscript materials. If fewer than the million pages of unbound materials are treated, the balance of funding will be

used to deacidify more than the projected 250,000 books. Costs include contract support, transportation of things, binding, laboratory supplies and equipment. The following table details the total cost and number of books deacidified by fiscal year:

Fiscal Year	Books Deacidified	Manuscript Sheets Deacidified	Total Cost of Program (by Fiscal Year)	Budget-Year-to-Budget-Year Increase *
2001	100,000	1,000,000+	\$1.213	\$1.213
2002	150,000	1,000,000+	\$2.919	\$1.705
2003	200,000	1,000,000+	\$3.871	\$.895
2004	250,000	1,000,000+	\$4.790	\$.919
2005	300,000	1,000,000+	\$5.738	\$.948
5-Year Totals:	1,000,000	5,000,000+	\$18.531	\$5.738

At the end of five years, it is expected that the base will remain at the FY 2005 level (\$5.7 million) to support a 30-year (one generation) mass deacidification program plan which will treat 300,000 books and one million manuscript sheets per year.

Veterans History Project

(\$589,000/7 FTEs)

The Library is requesting an increase of \$579 thousand for the Veterans History Project. Funding supports seven new positions/FTEs.

The Veterans History Project (VHP) was created by a unanimous act of Congress and signed into law in October 2000. The legislation directed the Library of Congress, American Folklife Center (AFC), to collect, preserve, and make available for research and presentation, the taped and written accounts of war veterans and those who served to support them.

In FY 2004, the program will have had just over two years of full operations. Additional support is needed to realize both the mandates of Congress and the full potential of this national project for the AFC and the Library. Support is requested to continue on-going work and to develop further three specific goals: to encourage public participation in the creation of the collection; to preserve these accounts and documents so that they constitute a valuable collection for researchers, historians, film makers, educators and family members; and to share this compelling material with the public. Without additional support, the project will be dependent on the varying abilities and motives of partner organizations to identify veterans and others who served, to conduct successful interviews, to collect documentary materials and preserve and present the collected materials to the public.

Requested funding includes \$454K for 7 FTEs and \$135K for other support costs as follows:

Personnel

- One GS-13 Web Master: Two major duties not covered elsewhere by project staff are: 1) to develop and maintain - with input from the project archivist and program officers, and in accordance with best practices in use nationwide - the "National Registry of Service" displaying war and, alphabetically, the names of all veterans covered within the Veterans History Project, deriving this data from the project's Access database; and 2) to develop and maintain, with consultation and assistance and advice from other specialists in the Library, the public interface for the project's Access database, thus enabling the public nationwide to search the database, which currently can be searched only within the Project.
- One GS-13 Education Officer: This specialist would develop and maintain a comprehensive classroom curriculum/application of this project, working closely with the U.S. Department of Education, national and state education groups, and national and state teachers organizations. The goal would be to present the project consistently nationwide, and adhere to current standards and best practices for similar initiatives, yet evolve as the project itself evolves.
- One GS-13 Training Officer: This specialist would coordinate with partner organizations nationwide the 200 interviewing/oral history training sessions funded by the project and provided, via the project's arrangement, by uniquely qualified national professional/education organizations, primarily the Oral History Association (OHA) and the American Folklore Society (AFS).
- Two GS-9 Junior Program Officers: These two staff are needed to more interactively reach out to the hundreds of state and regional veterans and educational organizations/repositories and individuals, and to maintain and support their active participation in the Veterans History Project—interviewing, public programs, education--by various modes particularly telephone, mail, on-site visits and on-site information sessions; and to monitor the progress and ensure the quality of the partner organizations' participation.
- Two GS-5 Library Processing Technicians: These two staff are needed to perform physical processing, arranging, marking, and copying of collections and their accompanying documentation.

Increased non-personal support funding is requested to: support preservation and long-term storage of audio and video recorded interviews as well as supplementary materials such as photographs, letters, diaries and other documents; procure recording and playback equipment to be used to create good to excellent-quality digital and audio recording interviews, demonstrate project methodology and technical points and collect VIP interviews on- and off-site; and to perform on-site visits at remote partner organizations, military reunions, schools and colleges, retirement communities,

professional oral history and folklore conferences and for special interviewing opportunities.

Archival supplies	\$ 95,000
Office supplies	5,000
Equipment	10,000
Travel	<u>25,000</u>
Total Support Costs	\$135,000

Meeting of the Frontiers Project **(\$379,000/2.5 FTEs)**

Meeting of Frontiers currently operates under a \$2 million no-year appropriation provided in the Library's FY 1999 appropriation. Of this amount, \$715 thousand remains unobligated and will be used to support the *Meeting of the Frontiers* project through FY 2003.

In FY 2004, the Library is requesting \$379 thousand to continue this program beyond FY 2003. Funding would support the following:

Staffing: \$166K/ 2.5 FTEs

When the program was first funded, no additional FTEs were provided to support this program. Library Services has absorbed this work by hiring temporary employees, using FTEs assigned to arrearage reduction. However, given the growing arrearage, Library Services can no longer defer filling arrearage positions. Therefore, three additional temporary positions are requested in support of the Meeting of the Frontiers program. Staff would consist of one GS-12 Librarian, 1 Expert, and 1 part-time GS-9 Librarian.

Travel: \$30K

Funding is needed to meet and supervise contractors who install and maintain equipment, to visit partner institutions and make selections of materials to be digitized, and to participate in educational and outreach projects in Russia, Alaska, and possibly other U.S. locations involving the use and further development of the Meeting of the Frontiers site.

Contract Support: \$183K

Supports the contracts and cooperative agreements through which work is accomplished.

The additional funding will allow the Library to: (1) continue using equipment already installed in Moscow, St. Petersburg, and Novosibirsk through the end of FY 2004, resulting in major additions to the site and access to U.S. students,

scholars, and the general public of rare material relating to U.S. and Russian history held in Russia; (2) expand scanning activities in Alaska to other repositories in the state; (3) fund processing of digital images from Russia for incorporation in the *Meeting of Frontiers* site; (4) fund selective enhancements of content relating to American frontier history (mainly from the collections of the Library of Congress), thereby sustaining a balance between the American and Russian elements of the project; and (5) continue educational outreach, including incorporation of educational materials developed by the FIE-ACR-Library of Congress workshops into the *Meeting of Frontiers* site.

National Film Preservation Program

(\$250,000/0 FTEs)

The National Film Preservation Program consists of two entities - the National Film Preservation Board (NFPB) and the National Film Preservation Foundation (NFPF). Currently, the Library allocates \$250 thousand, each, to these two organizations.

In FY 2004, the Library will be seeking funding/legislative changes for:

NFPB

- 10-year reauthorization of the Board and the NFPB program administered by the Librarian in consultation with the Board.
- Expansion of the NFPB from 20 to 22 members.
- **Continuation of \$250 thousand funding from the Library.**

NFPF (federally-chartered non-profit organization)

- Expansion of the Board of Directors from 9 to 12 members.
- Establishment of its principal office outside of Washington, D.C.
- **Increase in the Library's funding from \$250 thousand to \$500 thousand in FY 2004 - 2005 (an increase of \$250 thousand in the FY 2004 budget).**
- Authorization to increase federal matching funds up to \$1 million for FY 2006 - 2013. In addition, proposed legislation would seek authorization for another \$1 million annually for FY 2006 - 2013, for matching special cooperative programs administered by the NFPF, and approved by both the Foundation's Board and the NFPB.

National film preservation challenge. The Library's 1994 plan documented that American films are disintegrating faster than archives can save them. The types of motion pictures most at-risk are silent-era films, documentaries, avant-garde works, newsreels, home movies, and independent works. These are not

Hollywood movies belonging to the large studios, but "orphans" that fall outside the scope of commercial preservation programs and exist as one-of-a-kind copies in archives, libraries and museums.

NFPF fundraising success. PL 104-285 instructed the NFPF to raise funds and develop programs to help these organizations save American films that would be unlikely to survive without public support. It has had an impressive record in fulfilling this charge. As shown below, the NFPF has secured over \$5.4 million from foundations, corporations, individuals, and government funders as well as \$852 thousand in "in kind" donations.

Year	Grants and Cash Raised	Service and Product Donations	Total	PL 104-285 Funding	Total Secured
1997	\$ 195,199	0	\$ 195,199	0	\$ 195,199
1998	\$1,356,121	\$231,500	\$1,587,621	0	\$1,587,621
1999	\$1,102,346	\$278,488	\$1,380,834	0	\$1,380,834
2000	\$ 825,433	\$108,413	\$ 933,846	\$250,000	\$1,183,846
2001	\$1,000,116	\$ 80,745	\$1,080,861	\$250,000	\$1,330,861
2002	\$948,436	\$153,500	\$1,101,936	\$250,000	\$1,351,936
Totals	\$5,427,651	\$852,646	\$6,280,297	\$750,000	\$7,040,297

PL 104-285 authorizes \$250 thousand for FY 2000-03, to be made available to the NFPF to match contributions. To date, the NFPF has received \$750 thousand, which it has distributed through preservation grants to nonprofit and public organizations. The federal match provides an incentive for donors. The NFPF raises all operating funds from outside sources.

NFPF program achievements. The NFPF's highly successful programs have affirmed the vision of the Librarian's national film preservation plan.

- In five years of operation, the NFPF has supported film preservation in 84 nonprofit and public organizations across 30 states and the District of Columbia and helped save over 500 films and footage collections.
- Each NFPF grant includes resources to make preservation and public access copies and thus opens material to the public. Archives make copies available on-site and through screenings, loans, and the Internet.

- In addition to giving grants, the NFPF has led and secured outside funding for several national initiatives recommended by the Library's 1994 plan. These include the production of the nation's first archival DVD set for education, an international silent-film locator, the presentation of preserved films on national television, and two forthcoming guides to introduce film preservation to museum and library professionals. Free copies of NFPF publications are given to all state libraries.
- The Library's leadership in establishing and supporting the NFPF has won praise from professional organizations, such as AMIA and SAA, and in publications such as CLIR's *The Evidence in Hand* (2001).

Impact of NFPF grants. In the NFPF's recent comprehensive program assessment, completed by a UC Berkeley researcher, all recipients reported that the grants' value far exceeded the dollar amount. Most cited how grants validated the research value of their films and opened previously inaccessible materials to the public. Many leveraged the awards to secure additional resources.

- The New York Public Library's Donnell Media Center said that \$10 thousand in NFPF funding laid the groundwork for a \$533 thousand Carnegie Corporation Centennial Project grant to preserve 130 films and build a film vault.
- The Harry Smith Archives used a \$12 thousand NFPF grant to leverage \$190 thousand to preserve *Mahagonny*, the avant-garde epic of the New York art scene. The film has been exhibited at festivals on three continents.
- For the Alaska Film Archives, the recognition brought by NFPF support (\$14K) led the University to build a film vault and made possible grants from the NEH (\$70.2K to preserve films of Alaskan Natives) and the Rasmuson Foundation (\$497K to improve access).
- Thanks to the "stamp of approval" from NFPF grants (totaling \$16K), the University of Texas's Ransom Center is building a film vault and starting a sound recording preservation program, funded in part with donations.

Growth of preservation community. The Library's national study and plan listed 19 film repositories serving the American research community in 1993. Already the NFPF has identified and helped nearly 5 times that number. It has attracted, on average, 16 new organizations to film preservation each year. Interest is expected to grow, particularly with the new initiative, sponsored by the Andrew W. Mellon Foundation, to provide film preservation information to the

library and museum community. If growth continues at the present rate, the NFPF programs will serve over 160 organizations by 2007.

Why more resources are needed. With so many new organizations seeking preservation support, the resource needs are larger than envisioned in 1994.

- To support as many organizations as possible, the NFPF generally supports modest projects costing under \$10 thousand. In 2002, the mean grant was \$6.4 thousand. The Library of Congress received \$74 thousand in cash and services
- Film preservation, however, is expensive; the median cost for preserving a silent feature is \$32 thousand; sound films cost even more. This means that NFPF grants are currently too small to complete larger film projects.
- Among organizations already active in NFPF programs, 50% have more than 500 films of research interest; most report that at least 80% of their collections need preservation work to survive.
- For the largest nonprofit archives, the preservation backlog is staggering: 19.5 thousand titles at the George Eastman House, 85 million feet of newsreel and fiction film at UCLA, and 16.3 thousand titles at the Museum of Modern Art (including 420 nitrate negatives from Thomas Edison's studio and the complete film *oeuvre* of Joseph Cornell and Stan Brakhage). If one assumes a conservative cost of \$2.00 per foot to preserve just the works mentioned here, the cost runs several hundred million dollars.

Retail Sales Activities

(\$715,000/5 FTEs)

In FY 2003, the Senate directed the Library to develop a plan that would achieve the goal of generating profits from its retail activities. Based on this direction and the Government and Accounting Office's (GAO) study/recommendations on this subject, the Library is requesting funding and staffing as seed money to address and fund immediate infrastructure and marketing deficiencies needed to expand these programs into profit making enterprises. A total of \$715 thousand and five temporary positions/FTEs are requested in FY 2004.

Why Funding is Needed

The Library's primary retail sales venture, with profit potential, is the *Sales Shop*, which promotes the Library's collections, programs, and special events through the sale of books, sound recordings, prints, posters, calendars, stationery, toys, jewelry, and other gift items. Other sales programs that fall under the retail umbrella and show significant potential for increased sales are the *Photoduplication Service* and the *Motion Picture, Broadcasting, and Recorded*

Sound Recording Laboratory, which produce and sell copies of items from the Library's print, picture, moving image, and recorded sound collections.

To maintain maximum control over a process of incremental growth and change, the Library has chosen to focus initially on the operations of the Sales Shop and Photoduplication Service. The infrastructure building on which retail business improvements inevitably will depend, and the complementary push to drive down costs in order to increase profit margins, should lead over time to a sharing of functions among all of the revolving fund sales programs. Customer service, order processing and fulfillment, inventory management, website management, procurement and contracting, and fiscal and administrative management are likely to be integrated into a broad Library of Congress business support enterprise further down the road.

Central to any effort to increase the market for products and services is the development of an efficient means of communicating with a substantially broader (i.e., not primarily local) public, as well as having the opportunity to sell those products and services in a retail shop environment that is not immediately hampered by the square footage and physical security restrictions of Capitol Hill. An e-Commerce program, that builds on the Library's already substantial Internet traffic and includes linkages from other content and sales web sites, offers a straightforward and economical means to connect with yet untapped customer groups, while at the same time offering efficiencies in order processing, fulfillment, customer service, and inventory management. Methodical entry into the e-Commerce arena at the appropriate scale is key to the testing of whether sufficient profits can be generated to provide a new means of financial support for other Library priorities.

The Library's incremental approach to retail development involves a combination of planning, evaluation, and infrastructure-building activities, including marketing and new product development, that will begin to test for new sales opportunities. A preliminarily revamped retail sales website contracted through *Yahoo.Store!* (www.locstore.com) has revealed significant public interest, with more than 600,000 page views registered since May 15, 2002. Selections are being made now of interesting and unique, topical or thematic groupings of images from the Library's Rare Book and Special Collections and Prints and Photographs collections, of which framed and unframed reproductions will be offered on the Yahoo site. Map and atlas images from the collections of the Geography and Maps Division will follow. A marketing plan now is in the final stages of completion, and a consultant with private sector marketing and communications experience is working with the retail divisions on plans to transition them into an integrated, efficient, and more broadly focused e-Commerce enterprise. The consultant will work during this time with the marketing coordinator, Sales Shop and Photoduplication Service, and curatorial

divisions, as well, on the development and implementation of new product initiatives.

Outreach is the broad goal that the Library's sales functions traditionally have served, making the Library's collections and programs more readily accessible and widely known by offering reproductions at prices that just cover costs. The Library has provided financial support to these organizations only in providing them with rent-free physical space. At the same time, the sales divisions have been required to follow Library policy and procedures with respect to human resource management, purchasing and contracting, and financial management. They adhere to the GS schedule in the compensation of employees and must provide the same benefits packages (including the transit subsidy, for example). Annually mandated cost-of-living adjustments render them increasingly expensive to operate and unquestionably non-competitive in their current design. These minimally automated production operations function largely as they did when they were founded—in the case of the Photoduplication Service, as far back as the 1930's. With little to no advertising, they serve a relatively small mix of consumers and businesses. In recent years these operations have had difficulty generating sufficient revenue even to cover costs, a point illustrated by the GAO in their 2002 evaluation of profit potential.

Retooling is necessary to accommodate the projected increases in product demand, resulting from the greater web presence. Essential to any push to generate profits, at minimum, is immediate funding for software to integrate the customer relationship, web, and financial management functions.

What Funding Supports

- **Staffing:** \$375K/5 FTEs (NTE one-year)

Staff is required to add products to website, identify markets, and direct the product development, profit, and technology strategies. Staffing consists of:

One Marketing Assistant (GS 12)

One Product Development Specialist (GS 12) (part-time)

One Content Development Coordinator (GS 12) (part time)

One Web-linking and Metadata Specialist (GS 12)

One Systems Accountant (GS 12)

One Customer Service Database Coordinator (GS 11)

- **Infrastructure Development: \$20K**

Funding of \$20 thousand, to integrate the customer relationship, web, and financial management functions of the Photoduplication Service, will enable that division to strengthen its own retail capabilities, develop efficiencies, and take initial steps toward potentially providing like service to the Sales Shop.

- **Other support: \$320K**

Funding will offer the opportunity to add a critical mass of products to the sales website, identify markets, and further direct the product development and technology strategies. That sum will cover the production of high resolution digital masters, museum quality color printing services, and Sales Shop inventory. Costs include:

Digital Image Masters (700 high resolution images)	\$ 5K
Color Management Consulting Services	\$ 10K
Digital Printmaker	\$ 45K
Marketing Services	\$200K
Sales Shop Inventory	\$ 60K

One-year funding is requested to address immediate infrastructure and marketing needs in the Sales Shop and Photoduplication Service, foundation programs of a potentially expandable business enterprises organizational unit.

Library of Congress
Library of Congress, Salaries and Expenses
Purchase of Library Materials
Analysis of Change
(Dollars in Thousands)

	FY 2004	
	<u>Agency Request</u>	
	<u>FTE</u>	<u>Amount</u>
Appropriation, FY 2003	0	\$10,886
Minus: Rescission		<u>- 71</u>
Adjusted Appropriation, FY 2003		\$10,815
Non-recurring Costs		0
Mandatory Pay and Related Costs		0
Price Level Changes		421
Program Increases:		
Collection Development - Foreign Law		310
Commercial Courier Services		<u>50</u>
Total, Program Increases	0	360
Net Increase/Decrease	<u>0</u>	<u>\$ 781</u>
Total Budget	0	\$11,596
Total Offsetting Collections	<u>0</u>	<u>0</u>
Total Appropriation	0	\$11,596

Library of Congress
Library of Congress, Salaries and Expenses
Purchase of Library Materials
Summary By Object Class
(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation		\$0	\$0	\$0
12 Personnel Benefits		0	0	0
13 Benefits for Former Personnel		0	0	0
21 Travel		0	0	0
22 Transportation of Things		0	0	0
23 Rent, Communications and Utilities		0	0	0
24 Printing and Reproduction		0	0	0
25 Other Contractual Services		0	0	0
26 Supplies and Materials		0	0	0
31 Equipment	16,233	10,815	11,596	+ 781
41 Grants		0	0	0
42 Insurance Claims and Indemnities		0	0	0
43 Interest		0	0	0
94 Finance Transfers		0	0	0
Total, Budget	\$16,233	\$10,815	\$11,596	+ \$781

¹ Reflects the FY 2003 Enacted level, less the rescission.

OVERVIEW

The Purchase of Library Materials program provides for the acquisition of necessary research materials for the Library's collections. The program is administered by the Office of the Associate Librarian for the National Library in conjunction with the Law Library and the Collections Policy Committee. Materials purchased by the Library include essential publications, which are not available through copyright deposit; the Cataloging in Publication program; transfer from other federal agencies; gift, domestic and international exchanges; or by provisions of state and federal law. Given that most of these materials are foreign publications, the Library acquires the materials with the assistance and support of the overseas offices and arrangements with book dealers, agents, and publishers to ensure acquisition of current foreign publications of research value for the Congress and the scholarly community.

Each year the Library acquires more than two million new items in all formats for addition to its priceless collections, which are the largest of any library in the world. The collections, and the information they contain, are the foundation of the many services the Library provides to the Congress and the nation.

Notable acquisitions during FY 2002 included:

- *The Carte des Etats De L'Amerique Suivant le Traite de paix de 1783, Dediee et presentee a s. Excellence Mr. Benjamin Franklin*—one of the earliest maps to identify the United States as an independent country and includes extensive marginal text which reports the military events of the American Revolution.
- Papers of Jackie Robinson—comprehensive in scope, the collection of more than 7,000 items richly chronicles all aspects of his life.
- The Thomas Kane Library of Ethiopia, regarded as the most important body of works on Ethiopia.
- *Takvim-ut-Tevarih*, published in Istanbul in 1733 and one of the first books printed by Muslims (Turks) using movable type.
- Twenty-six rare Afghan monographs that were smuggled out of Afghanistan during the Taliban era.
- Over 1,000 tapes of Arabic music and folklore acquired on transfer from Voice of America.
- Rare titles from the Arthur Probsthain Collection, which includes rare materials of the Ming and Qing dynasties.

- Sixty-seven North Korean movies, the first North Korean videos acquired by the Library.
- The Aaron Zieglelman Foundation Collection, consisting of photographs, photographic negatives, letters, manuscripts, maps, videotapes, and ephemera that document a variety of cultural traditions and everyday life in the Jewish *shtetl* of Luboml, Poland, prior to the community's obliteration during World War II.
- The Neil V. Rosenberg Bluegrass Music Collection, the Julie McCullough Collection and the Fletcher Collins Manuscript Collection, which collectively document the expressive cultural traditions of the U.S. and other countries.
- The Lester Glassner Collection of 100 movie posters from the years 1920-80, including those for *Gone With the Wind*, *Meet Me in St. Louis*, *Snow White*, *Mildred Pierce*, and *All About Eve*.
- The Paul Rudolph Archive of some 90,000 of his architectural drawings and photographs.
- *Historia de Espana vindicada*, one of the greatest illustrated books produced in colonial South America.
- *Posada BroadSides* by the famous Mexican engraver Jose Guadalupe Posada.
- The papers of James Schlesinger—Presidents Richard Nixon and Gerald Ford's Secretary of Defense.
- Major additions to the collections of Presidents James Buchanan and Grover Cleveland, Charles Eames, Anthony Lewis, Daniel P. Moynihan, Jerome Kern, Thomas Truxtun, and the National Association for the Advancement of Colored People.
- The Prelinger Collection, containing more than 48,000 historical "ephemeral" motion pictures, which brings together a variety of American ephemeral motion pictures—advertising, educational, industrial, amateur, and documentary films depicting everyday life, culture, and industry in America throughout the 20th century.

FY 2003 - 2004 PRIORITIES

Acquire books, serials, maps and other material documenting the American experience that were published during the past five years. Acquire similar materials published in languages other than English and in other countries that complement materials published in the United States.

- Collection priorities in FY 2003 are:
 - New electronic resources, and
 - Any material documenting terrorism, United States foreign policy, and the United Nations.
- Collection priorities in FY 2004 are:
 - New electronic resources, and
 - Materials regarding the United States elections.

FY 2004 BUDGET REQUEST

The Purchase of Library Materials will require **\$11.596 million** in FY 2004. Funding includes \$421 thousand in price level changes and \$360 thousand in program changes.

PROGRAM CHANGES

\$360,000

Collection Development to Support Foreign Law Research

(\$310,000)

A total of **\$310K** in no-year authority is required to address critical deficiencies in monographs and new serials needed in responding to Congressional requests:

Monographs: Critical deficiencies in the monograph collections and new serials negatively impact the timeliness and the depth of responses to Congress. Research on topics of interest to Congress may cover up to 70 countries, addressing such topics as international terrorism, international taxation, human rights, international humanitarian law, arms control agreements, health law and bioethics, environmental law, and the International Criminal Court. Monographs aid in reducing the research time required to respond to Congressional requests and serve to expand the depth of the responses, i.e., the number of countries addressed in the response.

While the Law Library's book budget is adequate to cover the acquisition of on-going, basic legal materials, base funds are inadequate to cover the purchase of other more expensive, but essential, legal works needed from major countries in order to provide comprehensive and authoritative legal research for the Congress. For example, the *Enciclopedia Giuridica*, a comprehensive collection of Italian legislation, comprising all aspects of Italian law, serves as a practical index (and finding tool) for Italian law, with comparative analyses of Italian law with other countries' statutes. This expensive (\$4K), but frequently updated and essential collection is needed by the Law Library.

Recently, the Eastern Law Division was unable to respond to certain aspects/elements of a congressional inquiry involving political asylum in China due to insufficient legal resources for China. Similarly, for foreign law research on taxation, the Western Law Division had to rely on a fragmentation of resources in the absence of an authoritative, multi-volume (but expensive) text of tax law.

A total of **\$140K** is requested in FY 2004 to acquire critical monographs, \$90K of which is for the following jurisdictions: China, Japan, Germany, Italy, Spain, and Brazil. An additional \$50K is requested to purchase legal works from other regions and jurisdictions of increasing international importance to the United States, including the Middle East, the Central Asian republics, the Balkans and other areas of strategic importance.

In addition, a number of new countries have come into existence in the past decade. The Law Library's current limited acquisitions funds do not cover these new countries adequately, and an expansion of legal acquisitions is especially important to cover these new jurisdictions adequately.

Serials: The Law Library is requesting **\$170K** to purchase new serials. Legal periodicals, scholarly legal journals, and looseleaf publications are an essential source for legal research by the foreign legal specialists of the Law Library.

The following are recent examples of congressional requests that illustrate the Law Library's need for comprehensive and up-to-date legal resources immediately at hand in order to respond thoroughly, accurately and in a timely manner to the Congress:

- The legal framework for antiterrorism initiatives (22 European jurisdictions).
- Rules for determining corporate residence for tax purposes in other countries (9 foreign jurisdictions).
- Constitutional issues raised in foreign jurisdictions relating to the International Criminal Court.
- Taxation of former residents and estate taxation (4 foreign jurisdictions).
- Legal structure of the national security agencies (4 foreign jurisdictions).
- Laws and regulation relating to airline pilots carrying firearms (16 foreign jurisdictions surveyed, 7 reports submitted).

In order for the Law Library to be prepared at a moment's notice to provide the Congress with requested legal research and analyses such as those described above, the Law Library must have the resources needed to expand its acquisitions of legal serials and monographs.

Use of Commercial Courier Services**(\$50,000)**

Increasingly, the Law Library has been required to use commercial courier services to ensure the timely receipt of foreign law gazettes essential to congressional research. In the last year, the Law Library has subscribed to commercial delivery services for all foreign gazettes, major looseleaf publishers, all German, French and Italian legal materials. An increase of **\$50K** in no-year authority is requested to cover this increased and on-going cost.

Library of Congress
Library of Congress, Salaries and Expenses
Office of Strategic Initiatives
Analysis of Change
(Dollars in Thousands)

	FY 2004	
	Agency Request	
	<u>FTE</u>	<u>Amount</u>
Appropriation, FY 2003	337	\$86,949
Minus: Rescission		- 577
Adjusted Appropriation, FY 2003		<u>\$86,372</u>
Non-recurring Costs:		
Hands Across America		- 11,028
Western NC Telecommunications Project		- 9,935
Central Financial System Replacement		<u>- 2,870</u>
Total, Non-recurring Costs		- 23,833
Mandatory Pay and Related Costs:		
Comparability pay raise 2004		801
Annualization of pay raise 2003		340
Within-grade increases		255
One Extra Day		<u>118</u>
Total, Mandatory Pay and Related Costs		1,514
Price Level Changes:		470
Program Increases:		
National Audio-visual Conservation Center, Culpeper ...	4	1,356
Physical Security - Alternate Computer Facility	2	2,762
Physical Security - Public Address System		5,500
NDIIPP FTEs	<u>11</u>	<u>0</u>
Total, Program Increases	17	9,618
Net Increase/Decrease	<u>17</u>	<u>-\$12,231</u>
Total Budget	354	\$74,141
Total Offsetting Collections	<u>0</u>	<u>0</u>
Total Appropriation	354	\$74,141

Library of Congress
Library of Congress, Salaries and Expenses
Office of Strategic Initiatives

Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$22,536	\$24,398	\$26,079	+ \$1,681
12 Personnel Benefits	4,913	5,428	5,823	+ 395
13 Benefits for Former Personnel	0	0	0	0
21 Travel	182	224	226	+ 2
22 Transportation of Things	3	6	7	+ 1
23 Rent, Communications and Utilities	1,292	830	5,643	+ 4,813
24 Printing and Reproduction	123	174	176	+ 2
25 Other Contractual Services	18,639	18,868	20,970	+ 2,102
26 Supplies and Materials	325	306	311	+ 5
31 Equipment	12,885	15,175	14,906	- 269
41 Grants	11,335	20,963	0	- 20,963
42 Insurance Claims and Indemnities		0	0	0
43 Interest		0	0	0
94 Finance Transfers		0	0	0
Total, Budget	\$72,233	\$86,372	\$74,141	-\$12,231

¹ Reflects the FY 2003 Enacted level, less the rescission.

OVERVIEW

The Office of Strategic Initiatives (OSI) is responsible for leading the Library's execution of the National Digital Information Infrastructure and Preservation Program (NDIIPP) plan, continuing to develop the Library's very successful National Digital Library Program (including adding more online content), and providing oversight for the Library's Information Technology Services (ITS) unit.

In December 2000, Congress tasked the Library to develop a plan and lead an effort to make sure digital materials can be preserved for our national information reserve. The new digital technology offers great promise, but it also creates an unprecedented surfeit of data in a unstable and ephemeral environment. The Library's NDIIPP plan was submitted to the Congress on October 3, 2002, and envisions the establishment of a national network of committed partners, collaborating in a digital preservation architecture with defined roles and responsibilities. The plan was approved in December 2002, and over the next two to five years, the Library plans to seed practical projects and research advancing development of a national preservation infrastructure. Funding for the NDIIPP plan will be provided by existing no-year appropriations approved by the Congress and matching private sector contributions.

The National Digital Library Program's flagship American Memory Web site now freely offers millions of digitized public domain materials (or copyrighted content that the Library has received special permission to make electronically available). The Library plans to continue to expand online content and to explore ways to collect and make digital information accessible while adhering to copyright law.

ITS provides the best possible technical support to assist the Library's various Service Units in the fulfillment of their missions in support of Congress and the nation and provides a range of information technology services, including:

- Computing and storage services for all enterprise-level data collections.
- Voice and data communications services.
- Software application analysis and development support.
- End-user computing support.
- Business analysis support.
- Computer security policy and technical support.
- Web development services.

- High resolution digital still image scanning.
- Multimedia presentation design and development support.

FY 2002 ACCOMPLISHMENTS

- **National Digital Information Infrastructure and Preservation Program (NDIIPP)**
 - The primary focus of OSI, in FY 2002, was planning for the development and implementation of a congressionally approved NDIIPP.
 - Developing the NDIIPP plan began with a year-long, nationwide, fact-finding effort and included four major activities: consultation with stakeholders in the archival and information technology community, background research, scenario planning, and defining the components of the digital preservation infrastructure.
 - NDIIPP plan was completed in September 2002.
- **National Digital Library Program (NDLP)**
 - At year's end, more than 7.8 million items from the Library of Congress and other institutions were available online or in digital archives.
 - 14 new multimedia historical collections were added to the American Memory Web site, bringing the total to 116.
 - Nine existing collections were expanded with more than 380,000 digital items and new Library exhibitions were mounted on the Library's Web site.
 - The online exhibition "American Treasures of the Library of Congress" was periodically updated to include rotating collection items.
- **NDLP Collaborative Initiatives**
 - "Meeting of Frontiers" Russian-American bilingual Web site:
 - Contributed digitized historical materials to the project's digital library, expanding the story of exploration from Siberia to Alaska.
 - The Library partnered with the Open Society Institute (Soros Foundation-Russia) to sponsor a grant-awarding competition for the digitization of historical collections in Siberian institutions,

receiving more than 2,000 digitized items for addition to the digital library.

- The Library of Congress and the Staats- and Universitaets-Bibliothek (SUB) of Goettingen, Germany, concluded an agreement concerning digitization of SUB's famous Asch Collection for inclusion in the project.
- The "Meeting of Frontiers" digital library currently includes more than 6,800 bibliographic items with more than 100,000 digital files.
- "Parallel Histories" Web site:
 - Items from the Library of Congress's Sir Francis Drake Collection of rare books and the Hans P. Kraus Spanish American Documents manuscript collection have been digitized for use in the web site, with an update to the current site pending.
 - Library staff visited the National Library of Spain to continue strengthening the relationship between the two institutions.
 - Following an agreement with the National Library of Brazil, development began on a cooperative Web site between the United States and Brazil, called "Brazil's Evolving Culture: Mirror of the World."
- "The Atlantic World: American and the Netherlands" cooperative digital Library:
 - Initiated a partnership between the Library of Congress and the Koninklijke Bibliotheek, the national library of the Netherlands that builds on both the digitized American Memory collections and the similar Memory of the Netherlands collections.
- International Children's Digital Library (ICDL):
 - The Library agreed to participate in the ICDL and has contributed approximately 60 digitized items from its general and Rare Book collections, emphasizing in the selection well-known children's classics, the folk tales of many nations, and American culture.
- Library of Congress-Ameritech Collections:
 - Six award-winning Library of Congress-Ameritech collections debuted online this year, bringing the total to 22.

- Thirty-three institutions have now received \$1.75 million of support to digitize 23 projects.
- American Memory Collaborations:
 - OSI broaden access to the unique materials digitized for American Memory and encouraged interoperability among repositories of cultural heritage.
 - More than 120,000 records for items in nine American Memory collections have been made available for sharing with other institutions using the emerging standard of the Open Archives Initiative Protocol for Metadata Harvesting.
 - A total of seven collections have now been contributed to the Cultural Materials Initiative, a pooled resource being assembled by the Research Libraries Group from digital resources of participating members.

NDLP Educational Outreach

- "Today in History", "America's Library" and the "Learning Page" Web sites:
 - Today in History, which offered daily essays in American history for each day of the year, continued to add new content, notably an essay relating to the September 11 attacks on the United States.
 - America's Library to served children and their families with new stories based on the collections of the Library and new interactive activities for users of the site.
 - The Learning Page was entirely redesigned to increase its usability.
 - Eighteen new lesson plans, designed by teachers who have participated in the Library's American Memory Fellows Program, were made available.
 - The Learning Page is a companion site to American Memory, the Library's flagship Web site offering more than 7.8 million digital items from the collections of the Library and other repositories.
 - A new feature, "Immigration," was also added to the Learning Page to show students how immigrants have shaped America.

- A "Community Center" was developed as an interactive section of the Learning Page in order to conduct online discussion boards and live chats based on a series of themes.
- Adventure of the American Mind Summer Institute:
 - The Library held the third Adventure of the American Mind Summer Institute for teachers. Participants in the program attend a semester-long class at one of seven clusters, in the Carolinas.
 - The Library assisted Education and Research Consortium of the Western Carolinas (ERC) in presenting the Summer Institute in Asheville, N.C.
 - The institute also included a visit to the Library of Congress, the University of Virginia, and Monticello.

The Learning Center:

- Learning Center hosted 392 programs for 7,173 visitors.
- The Digital Reference Team designed several new workshops offered to educators and students either in the 16-seat computer classroom or off-site via video conference.
- 559 educators attended 38 in-house workshops and 2,038 educators participated in 82 video conference sessions.
- The Learning Center also offered 160 theater-style programs for 3,362 guests and 17 informal programs at the alcove workstations for 48 guests; 28 programs for 863 guests used a combination of spaces in the Learning Center.
- The Learning Center staff (Digital Reference Team) handled, via electronic mail, more than 7,300 requests for information about American Memory and the Learning Page - twice the number of such requests received the previous year.
- Seventy-nine video conferences with participants from across the country were held in the National Digital Library Learning Center.
- Learning Page staff exhibited and presented at the National Council for Social Studies Teachers annual conference; exhibited and presented at the American Association of School Librarians conference; led a workshop at the National Educational Computing Conference; presented and led a workshop at the Connecticut

Educators Computer Association; led an in-house workshop as part of the National Middle School Association conference; and led several workshops for local area teachers.

ITS

- Information Technology Services provided reliable and responsive support to the Library and its external customers in FY 2002. Gross numbers convey something of the degree to which the Library depended on ITS for fundamental support services. The Library's Web servers processed 2,039,268,542 transactions. The Digital Scan Center processed 22,500 images. The Hotline formally logged 10,445 requests and problem reports. Telephone operators responded to 59,720 telephone calls.
- Response time for users of the Library's primary Web pages was consistently excellent during FY 2002. At fiscal year's end the Library had completed its 54th consecutive week in the top ten of federal government Web sites as measured by Keynote, one of the leading commercial raters of Web site response times. Week to week the Library consistently ranked in the top three, in spite of the fact that responsiveness was maintained under load conditions which would strain many of the other top ranked sites. Use of the Library's Web site was enhanced by the usability-centered redesign of the major public Web pages and the addition of a powerful search engine. ITS provided templates for Library Web page designers to take advantage of redesigned Web site formats and the new search engine.
- The Library's popular THOMAS and American Memory Web sites were supported and enhanced by ITS staff. Two new sections, Presidential Nominations and Treaties, were added to THOMAS and the Status of Appropriations table, a frequently updated and heavily used resource, was redesigned. Fourteen new NDL collections were added to American Memory and eight others were significantly updated; Ameritech partners included the University of North Carolina, the University of Chicago, Michigan State University, Brigham Young University, the Chicago Historical Society, and the Mystic Seaport Museum. Appendix X of the *Annual Report* displays all new and updated American Memory collections. Other new Web sites designed by ITS during FY 2002 included Emergency Management Information for Staff, International Horizons, Voice Systems, and LC Ethics.
- ITS led a Library-wide effort to implement a new correspondence control system. The new system, from WorkDynamics Technologies Inc., provides electronic assignment, routing, and tracking of official correspondence and the development of draft responses. The system can accommodate traditional or electronic formats. Original documents

can be scanned for distribution with the original retained immediately by the Records Management Division. The implementation of this new paperless solution to the correspondence control problem occurred just as fears of paper correspondence heightened in the wake of the Legislative Branch anthrax crisis.

- The ITS Hotline realized a long held goal of providing 24 hours a day, 7 days a week support to Library staff. The Library now serves a customer base which is active around the clock. The many Library staff who support the electronic collections and systems are increasingly engaged in work out of normal business hours. Staffed primarily with contractor staff, the Hotline relies on a growing, online knowledge base to provide first line responses to callers. Having this constant presence of technically sophisticated staff provides the opportunity to identify system problems in a more timely manner and reduce the delay in affecting return-to-service.
- The Telecommunications Team was responsible for upgrading 1,582 network connections from Token Ring to Fast Ethernet technology in 2002. Logistical barriers to completion of this work in the Adams and Jefferson buildings have led to an evaluation of wireless network technologies as a solution in some instances.
- ITS completed its sixteenth year providing customized computer training to Library of Congress staff. This fiscal year featured courses in File Management, Windows 2000, WordPerfect 9.0, GroupWise 5.5, Quattro Pro 9.0, and Hewlett Packard Scanner Techniques. With the introduction in February of the new correspondence control system, CCM Mercury, ITS conducted training for over 200 staff. These staff received instruction in the use of both dedicated client software as well as the Web-enabled version. In all, approximately 530 staff benefitted from focused training sessions.
- Working with expert consultants, ITS completed a comprehensive analysis of commercial storage offerings to identify the product or products most appropriate to the Library's digital storage needs. The Library currently maintains 80 terabytes of online storage, and at year's end ITS was evaluating proposals to increase that base by at least 25 terabytes. During FY 2002, ITS upgraded its tape backup capabilities to ensure adequate levels of remotely stored backups of critical data. ITS added three new IBM RS/6000 servers to the enterprise computing facilities. These servers are all PS 690 models with 8-way POWER4 Turbo processors.
- ITS staff provided timely support to the Library's Emergency Management Team in the hectic weeks after 9/11 and the anthrax attacks. Telecommunications Administration Team staff provided extremely responsive support to the Senate Sergeant at Arms and the Office of the

Attending Physician as they rushed to set up a testing station at the Library's child care center in the wake of the anthrax attacks. Similarly, ITS staff provided effective support to the effort to prepare the Landover Annex facility as an emergency management center. Time and again during this eventful year, ITS staff performed responsively and effectively when called upon.

- In February, the Library accomplished a significant upgrade to the application software underlying the Integrated Library System (ILS) used by over 3000 staff members and thousands of public users. This upgrade required months of innovative and coordinated planning among Library stakeholders, vendor staff, and ITS with the challenging goals of minimizing downtime while ensuring that system integrity and functionality were upgraded correctly. This resulted in a very successful upgrade and a model for how to plan and conduct future upgrades.
- Working with a high-performance computing consultant, ITS and the ILS vendor conducted system performance analyses that resulted in a multi-year plan to meet the priority goal of providing improved access for ILS users, both inside and outside the Library.
- During this year, a new ILS database was set up for the Congressional Research Service (CRS), and an inventory management system for the offsite book storage system at Ft. Meade, Maryland, was being planned for coordination with data from the ILS.
- Several new application systems based on the Remedy software platform provide new levels of administrative controls over critical Library processes. The Office of the General Counsel now tracks all requests of depositions, briefs, and other legal services through a customized work tracking system built on this platform. The Law Library request tracking system, the Basic Activities Tracking System (BATS), has been expanded and enhanced so it can be integrated into the workflow across the Law Library. The Collaborative Digital Reference Service (CDRS) pilot project, conducted jointly by the Library and OCLC, was designed and operated on Remedy during its successful first phase. The pilot concepts of CDRS were then integrated into the expanded and renamed Question Point system. Applications for Library car pool parking spaces are now processed in a newly updated system. Capitalizing on the "reusability" of code and increasing staff experience with the Remedy productivity tool, ITS turned out new systems in previously unattainable time frames.
- The Library received special supplemental funds to create a remote alternate computing facility to ensure the continuance of computing and telecommunications service to the Congress and the nation if a disaster occurs on Capitol Hill. Working with staff in the House, Senate, the Architect of the Capitol's Office, and the General Accounting Office, ITS

evaluated many candidate sites for an Alternate Computing Facility (ACF). At year's end, a final decision was reached, and planning was underway for the installation of telecommunications services and computer room hardware. The ACF will provide a fully redundant facility for the continuance of computing services in the event of catastrophic failure on Capitol Hill.

- In March 2002, the Congressional Alert Service (CAS) was added to the Legislative Information System (LIS) to allow legislation tracking by congressional staff. Whenever a new bill or a change in bill status matches predefined criteria, an alert notice is sent via email. CAS was developed by integrating ITS developers with CRS automation staff to define the CAS requirements together at the outset of the project. As a result of this collaboration, the delivered system has been accurate and stable.
- The new CRS Products system completed its first installation phase at the end of FY 2002 and is on target for final implementation in early FY 2003. The system searches the summaries of CRS Products, rather than bibliographic records, and provides direct links to the full documents in a choice of formats, such as pdf and html. CRS Products fulfills CRS's goal of providing congressional staff with the most relevant CRS documents in an easy to use format.
- Infrastructure support for CRS and the Congress was increased with the relocation of the CRS office automation and quantitative analysis servers to the ITS computer room. The relocation brought these mission critical devices into an environment with conditioned and redundant power, dependable cooling, and card controlled access. Also worthy of note this year was the installation of router based encryption of email between CRS staff and their customers in the House and Senate.
- Departmental server and client support was improved with the development of a Windows 2000 domain that incorporates a software distributions network to automate deployment and maintenance of personal computers and access to the enterprise storage area network (SAN). This access allows the NT servers to utilize the same storage as the Unix servers and provides a path for regular automated backup to tape. Information Center Team staff installed and configured more than 1,000 personal computers throughout the Library, installing the most heavily used applications, and initiated support for a Microsoft IIS Web server for use on the Library's intranet. In addition to Microsoft Web server support, ITS also offers centralized support for small, local database applications using Microsoft Access. As these local applications grow in size and importance, ITS is providing a migration path to more robust hardware and software platforms such as Sun Solaris and Oracle. Small databases in this category include the inventory of materials

collected by the Veterans History Project as well as an inventory of multinational reference tools for the Law Library and a collection usage database for one of the reading rooms.

- The Library experienced no significant computer security incidents during FY 2002 and continued expanding protections safeguarding its information systems resources. An internal penetration study initiated by the Inspector General's Office revealed no significant holes in the Library's network or computer defenses. Online and instructor-led security awareness training was delivered to 1800 staff members. A pilot for online professional security training was initiated. An active publicity campaign included a successful Computer Security Day celebration, brown-bag lunch briefings, *Gazette* articles, and an expanded Web site. Service and support units continued to be heavily involved through the Computer Security Coordination Group. Email filtering software intercepted over 63,000 potential viruses. Email spam filtering software shielded staff from over 500,000 junk email messages. Additional firewalls were implemented and virtual private network (VPN) connections, providing secure access from remote sites, were extended locally and to overseas offices. On the policy front, a draft Library-wide information security policy document was submitted to the Deputy Librarian for initial review. This policy statement sets the foundation for the development of application specific security reviews.
- Support for the Copyright Office included the continuing development of a Web-based replacement for the COINS system; collaboration with the vendor, CNRI, for turnover of development work on the CORDS system to ITS; and participation by ITS staff in COP's business process re-engineering effort.
- Major accomplishments for the Licensing Division System (LDS) included the implementation of the refund subsystem which automates the process of authorizing, verifying, and issuing a refund to cable, satellite, and DART system operators who have overpaid their copyright royalty fees. The new subsystem allows for the online entry of a refund and up to three levels of verification (depending upon the amount to be repaid) in the examiner section before the refund is automatically transferred to the fiscal section for payment. Once it's time for fiscal to "do its thing," the new subsystem allows for the online entry and verification of a refund authorization, an actual refund, and in cases where a refund cannot be cashed, a refund cancellation. The existing application was converted to Oracle Forms 6i and the Windows 2000 platform. Also, new LDS user reports were developed and a cable name/address file was produced for the GPO contractor.
- With a total of twelve staff devoted to multimedia productions and growing awareness among the Library's managers of the desirability of making

events available on the World Wide Web, the development of programming for the Library's Web site increased significantly. ITS provided digital media products for an expanding "customer" base within the Library. Notable products included: providing an introductory video to explain the new online reference program, "Question Point"; coverage of the Benjamin Botkin conference for the Folklife Division, *The New York Times* Writers Panel on 9/11, and the Abraham Lincoln Institute; new entries to the growing body of the Globalization and Muslim Society Series; the Librarian's "Welcome" message for the National Book Festival.

- During FY 2002, the Digital Scan Center (DSC) continued to provide high-resolution digital imaging services to a wide cross-section of Library of Congress divisions and curatorial areas; approximately 5,000 collection-based items were scanned resulting in approximately 22,500 digital images. Both ad hoc and long-term, production-oriented scanning services were offered. Six new employees came from the National Digital Library to assist with the increased workload and expanding mission. The DSC continued to provide frequent tours of its facilities and consultations with representatives from visiting libraries and institutions. Major scanning projects included: the Miller Flute Collection, the International Children's Digital Library, "American Women," "I Hear America Singing," and the American Dialect Society. The DSC has steadily and significantly improved its digital imaging expertise and capability in order to satisfy, from within, the Library's continuously growing use of imaging for both preservation and distribution purposes.

FY 2003 - FY 2004 Priorities

All of OSI's digital priorities and goals are overarching, long-term initiatives that span more than one fiscal year. OSI will continue to sustain the Library's digital strategy by making its resources available and useful and to preserve collections of knowledge and creativity in the digital environment.

OSI's Digital Priorities for both FY 2003-2004, as identified in the Digital Strategic Plan, are:

1. Expand, manage, and communicate the Library's digital strategy and roles. Focusing on the external and internal leadership roles the Library must fulfill to achieve the vision.
 - The OSI will continue as a leader and catalyst in the Library's participation in external organizations, developing corresponding collaborations, keeping abreast of key trends and industry developments to influence standards, stimulating progress toward a national network of digital content, pursue mission-critical digital programs, managing these pursuits in an integrated and strategic manner, and implementing a

comprehensive, ongoing communication strategy to inform Congress and stakeholders of the Library's digital priorities and activities.

2. Manage and sustain digital content. Focusing on the life cycle management of digital assets.
 - OSI will develop a coordinated approach to digital life cycle management to achieve its mission. Within the resulting life cycle management framework, the Library will implement workable and sustainable solutions. Workable solutions will require awareness of evolving technical, legal, and economic environments, and the ability to adapt to those changing landscapes. The Library will ensure digital content is obtained, developed, maintained, secured, preserved, and made accessible in a way that maximizes its utility and accessibility to Congress and other users.

3. Manage and sustain mission-critical digital programs. Focusing on service-unit-specific digital operating capacities that enable successful mission accomplishments.
 - ITS will assist Library service units as appropriate to plan, design, and implement new digital projects and programs that support service-unit-specific missions, as well as sustain operations through the application of new or upgraded digital technologies.
 - ITS will focus significant resources on several major system objectives. The most critical ITS goals in FY 2003 will be :
 - The implementation of an Alternate Computing Facility/Disaster Recovery (ACF/DR) to ensure the continuance of service in spite of serious disaster to the Capitol Hill facilities. This ACF/DR will be a functional copy of LOC's Madison Primary Computer Center. ITS System Engineering Staff are setting up the major components of the business continuance/disaster recovery environment in the LOC's Madison facility which will allow creation, validation and testing to occur locally, before the environment will be relocated to the Site3 facility.
 - ITS will continue to support CRS through the LIS and Thomas online legislative systems for the 108th Congress. LIS and Thomas will be migrated to a more powerful server, and the search engine will also be upgraded. Additional development tasks include support of congressional committee video, enhancement of Bill Summary and Treaties with additional information and new displays, modification of the Congressional Record search strategy, improvement of Committee Reports, quality control, and processing

of early bills from the Clerk's Office for CRS's use in preparing bill summaries.

- Development of Security Programs, Policies, Continuity of Operations Plans (COOP), conducting risk assessment to ensure the LOC facilities, systems, and applications are secure.
- ITS will replace the legacy Copyright Imaging System (CIS), with an in-house designed and developed system to process and print Copyright claim registrations (approximately 6,000,000 annually). The replacement will utilize a web-based and client/server development tools and products running in a WINDOWS 2000 environment. The replacement system will initially accommodate upwards of 250 users (a major leap from the current limit of 25), with scalability to support a significantly larger customer base.
- The 2 phase replacement of the legacy Copyright Office In-Process System (COINS) will begin with the conversion and loading of active COINS data (currently stored on the Data General) to the "new" client/server based system. The second phase will be the conversion and migration of the inactive data.
- The ILS will undergo a major application upgrade; major server upgrade and the migration process of legacy systems for three customers.
- Multi-media will continue its coverage of live events at LC such as Books and Beyond, the Luminary Lecture series, and Kluge Center events. Plans are also underway for an expanded role in the National Book Festival, and a collaborative effort with Library Services in the production of collection enhancing materials.
- Digital Content Management support will increase collection of both content and metadata.
- Support of the Internet Operations Group will include an expansion of search engine coverage, and improved web statistics reporting.
- ITS' most critical goals in FY 2004 will be:
 - Continue the maintenance, licensing and support for the Alternate Computing Facility/Disaster Recovery (ACF/DR) site.
 - Provide a public address (PA) system for the three Library of Congress Capitol Hill Buildings (Madison, Jefferson, Adams). The PA system is required to effectively communicate in emergency and non-emergency situations, reach all areas throughout the LOC complex, provide accurate and timely information, appropriately

advise staff to mitigate risk and possible loss of life, and expeditiously evacuate buildings in an orderly manner.

- Continue the support, and maintenance of the Central Financial Management System project. The new system will support the Library's financial strategic objectives of providing improved program-based budgeting, which will align the Library's budget with full cost of programs, enhance financial management capabilities, improve processing efficiency, etc.
- Provide telecommunications support for National Audio-Visual Conservation Center (NAVCC). The two general purposes for the telecommunications cabling are internal wiring and external circuits. Internal wiring will provide wiring support for systems and staff. This includes wiring for workstations, the premise distribution system (PDS) and the connectivity between the Computer room and the Audio - Visual Lab. External circuits will provide the connectivity from the Culpeper facility to other LOC facilities (i.e. Site3 (ACF/DR) and Capitol Hill campus).

4. Obtain, Develop, and Sustain Specialized Expertise and Resources

- OSI will secure and/or develop the specialized expertise and resources needed to execute the Library's digital strategies and actions. This may include obtaining expertise and resources required for developing collections, collections security, business models, access service models, and digital preservation technical architecture; defining standards and best practices; and designing and implementing systems.

FY 2004 BUDGET REQUEST

The OSI is requesting a total of **\$74.1 million** in FY 2004, a net decrease of \$-12.2 million below FY 2003. Of this amount, \$2 million is for mandatory (\$1.5M) and price level (\$.5 million) increases, and \$9.6 million for program changes, offset by non-recurring costs (\$-23.8 million) related to Hands Across America, Western Telecommunications and the Central Financial Management System projects.

PROGRAM CHANGES

\$9,618,000/17 FTEs

Culpeper

(\$1,356,000/4 FTEs)

No-year funding is requested to continue work on building storage and laboratory preservation facilities at the National Audio-Visual Conservation Center (NAVCC) in Culpeper, Virginia. The project - which is discussed in more detail under the Library - Basic Tab in this document - is divided into two parts: non-digital and digital preservation system (DPS).

In FY 2004, funding is needed for design and development; specifically OSI-ITS requires funding for their members on the information infrastructure team and for basic cabling and telecommunications support. The basic infrastructure support must be in place prior to occupying the facility, which is scheduled to begin operations in late CY 2004 (FY 2005). High-speed connections to the ACF/DR and the James Madison Building on Capitol Hill must also be in place before operations can commence.

Of the funds requested, a total of **\$356 thousand will support 4 new positions/FTEs that are needed for three years**. The four positions support ITS members on the information infrastructure team and include an IT Team Leader (GS-15), IT Team Deputy (GS 13) and two IT team members (GS -11). Funding supports their salaries and benefits.

The **balance of \$1 million will support data communications (\$550K) and telecommunications cabling (\$450K)**. Prior to reconstruction of the facility, existing wiring was removed. During the reconstruction, infrastructure telecommunications conduit is being installed. This does not include telecommunications wiring. It is merely a path for the wiring. Therefore, significant internal wiring installation will be required prior to the occupancy of the facility. Voice and data telecommunications services cannot be provided until the wiring has been installed.

There are two general purposes for the telecommunications cabling. The first purpose is to provide **internal wiring** support for systems and staff. This includes wiring for workstations, the premise distribution system (PDS), and the connectivity between the Computer room and the Audio – Visual Lab (which are located in separate buildings).

The second purpose for the telecommunications cabling is for **external circuits**. This provides connectivity from the Culpeper facility to other Library of Congress (LC) facilities (i.e.: Site 3 and the Capitol Hill campus). This topology will incorporate the Culpeper facility in the existing voice, data (LAN) and SAN networks that is a requirement for LC remote sites.

This cabling includes:

- Work station wiring for telephones and data connections
 - Culpeper Computer room and Audio/Visual Lab wiring (fiber and copper)
 - Wire closet facilities (Premise Distribution System-PDS)
 - Telecommunications circuits-local/long distance to Public Switch Network (PSTN)
 - Telecommunications circuits-connectivity (tie lines) from Culpeper to Site 3
 - Telecommunication voice/data circuits from Culpeper to LC Capitol Hill
- Costs were derived by determining the required services and using past

experience to forecast projected pricing. It is estimated that 120 voice and data jacks will be required to support project staff.

The following reflects a detailed allocation of costs in FY 2004:

Staffing	\$351,000
Station wiring-voice/data	100,000
Computer room wiring (fiber and copper)	150,000
Wire closet facilities (Premise Distribution System-PDS)	150,000
Telecommunications circuits-local/long distance to Public Switch Network (PSTN) (2 T-1s)	50,000
Telecommunications circuits-connectivity (tie lines) from Culpeper to Site 3 (2 OC-48s)	450,000
Telecommunications voice/data circuits from Culpeper to LC Capitol Hill	<u>100,000</u>
Total costs	\$1,351,000

If funding is not approved:

- The digital aspects NAVCC will not be put in place, thus jeopardizing significant parts of the nation's cultural record.
- The Library will be unable to provide researchers with efficient access to moving image and recorded sound collections after these collections have been physically moved to Culpeper, Virginia.
- The Library could face potential embarrassment if the new Center at Culpeper opens without an operational digital capability.

Physical Security - Alternate Computing Facility (\$2,762,000/2 FTEs)

The Library of Congress is engaged in a joint effort with staff from the House, Senate and the Architect of the Capitol to plan and implement an Alternate Computing Facility (ACF)/Disaster Recovery (DR) complex. This ACF/DR will be a functional copy of LC's Computer Center and the Library is proposing to provide full mirroring of all mission critical, online data. The ACF/DR will provide for IT business continuity in the event of a catastrophic failure of the LC Computer Center. Even though the House, Senate and Library computer facilities will be housed in the same building, each agency will have its own secure space and provide its own equipment and supporting activities. Because ITS will be operating two data centers, rather than one, the new site must be staffed by full-time systems engineers to manage, operate, ensure security and maintain synchronization with the Madison data center. No-year funding requested in FY 2004 will support ACF equipment and staff costs. Requested funding is consistent with congressional direction:

House Committee on Appropriations Report 107-169 of July 26, 2001 to accompany H.R. 2647 directed the Librarian of Congress to review the Library's data storage infrastructure to ensure that it "...provides the same level of protection and capabilities of that employed by private sector industry leaders, leveraging remote mirroring technology and providing heterogeneous connectivity to the existing systems already owned by the Library." Public Law 107-117-Jan. 10, 2002, the Legislative Branch Emergency Response Fund, provides emergency expenses to respond to the terrorist attacks on the United States. In addition, Presidential Decision Directive PDD 63 requests Critical Infrastructure Protection and PDD 67 required federal agencies to develop Continuity of Operations Plans for Essential Operations.

The Library's FY 2002 request for supplemental funding to develop an ACF/DR was based on a straightforward evaluation of the hardware, software, and telecommunications facilities necessary to the provision of continuous support of essential system to the Congress and the nation. While congressional support remains the library's first priority, the provision of critical Copyright and bibliographic services are considered essential to the economic and research needs of the nation.

Currently, the Library serves far more users remotely than researchers and staff who access the system locally. Remote/local users access the Library's databases, catalogs, and services twenty-four hours a day, seven days a week. A disruption of the Library's online systems would impact service to the Congress and the sudden disruption of service to the citizenry would be disastrous.

Of the funds requested, **\$1.155 million supports equipment (hardware and software), \$1.4 million supports networking and telecommunications costs, and \$207 thousand supports two new positions/FTEs - GS-13 senior system and senior network engineers.** The engineers will independently manage, operate, test, apply software upgrades, maintain synchronization with the LC Madison computer center, and perform other related duties.

The following outlines detailed costs in FY 2004:

- **Equipment**

Software maintenance - includes upgrades, hotline support, licensing and maintenance fees.	\$ 500,000
Hardware maintenance - storage/server maintenance contracts including service calls, parts, etc.	<u>655,000</u>
Total equipment	\$1,155,000

- **Networking and Telecommunications**

Internet	\$ 250,000
Local calls	70,000
Long distance calls	30,000
Back-up internet	50,000
Network Service Charge	<u>1,000,000</u>
Total Networking and Telecommunications	\$1,400,000

- **Personnel**

2 Engineers (Salaries and Benefits)	\$207,000
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Physical Security - PA System

(\$5,500,000/0 FTEs)

Funding is requested to upgrade the Library's public address system.

Two major concerns during the events of September 11, 2001, were: lack of notification to staff and visitors and the limitations of the current communications capabilities throughout the Library of Congress Capitol Hill buildings. This caused considerable confusion beyond the immediate crises and potentially exposed staff to a greater risk due to inadequate information from the Library's management and emergency team. The current public address system is built into the existing fire alarm system maintained by the Architect of the Capitol (AOC). The AOC admits there is an incomplete and unacceptable coverage with this system. In some building areas, there is no audible coverage available. The AOC's agenda calls for an upgrade to the existing fire alarm system, which would include enhancements to the voice annunciation system. While welcome, these improvements do not adequately address the Library's mission in several areas. When the upgrade to the existing voice annunciation system is complete, the following Library of Congress operational requirements for a public address system will not be met:

- The planned improvements of the existing voice annunciation system will not be completed for five years.
- The AOC system's primary function is to present an audible alarm intended to evacuate the building. It is not voice quality. While such a system is appropriate for immediate evacuation requirements, it does not satisfy the need to communicate additional or alternate instructions.

- Following September 11, emergency management teams realized that communication with staff and visitors does not necessarily translate into evacuation; indeed, evacuating staff may put them in harm's way. The universal message of an emergency alarm is **evacuate the building** immediately. There is no choice, no decision, no alternative. While it is imperative that occupants be adequately informed, it is not always best to evacuate. In certain circumstances, the building provides the best protection.

This is not only the case in terrorism attacks, but may also be the best advice in natural disaster and weather emergencies.

- The planned AOC system has full building capability only. An additional Library requirement is to provide Collections Management Division (CMD) with the capability to locate and communicate to numerous deck attendant staff in the vast stack areas. The proposed system would provide this separate zone capability with direct access by CMD.

The proposed public address system is required to effectively communicate in all emergency situations. There are instances when additional communications are required above and beyond a simple alarm tone (i.e. detailed instructions to staff and visitors specifically stating the nature of the emergency and the required courses of action). For instance, if there was a terrorist attack outside of the Library of Congress buildings, many lives could potentially be saved by advising staff and visitors to remain inside. The Library of Congress needs a public address system to issue verbal instructions similar to other public buildings (i.e., schools, malls, airports). It is a simple and effective system and is easily maintained.

An AOC report states that the existing equipment is the cause of some loss of intelligibility and that, ideally, a voice system should be installed as a separate, parallel system. This would ensure the most adequate level of audibility while at the same time providing the highest level of voice intelligibility, providing appropriate protection to the staff, visitors and buildings.

If this funding is not approved, the safety of Library of Congress staff and visitors will be in jeopardy. The Library will **not** be able to:

- Effectively communicate in emergency and non-emergency situations.
- Reach all areas throughout the Library buildings.
- Provide accurate and timely information.
- Appropriately advise staff, mitigating risk and potential loss of life.
- Expeditiously evacuate buildings in an orderly manner.

NDIIPP Program Support

(\$0/11 FTEs)

In FY 2003, Congress provided the Library 14 of the 25 temporary FTEs required to support the NDIIPP program. The Library is requesting the remaining 11 FTEs in FY 2004. All positions/FTEs will be funded within the NDIIPP program, requiring no additional funds in FY 2004.

Staff are needed to support a series of collaborative initiatives, catalyzed by approved NDIIPP funding. The management, coordination, and execution of these initiatives require a high-level commitment of certain types of staff competencies that the Library doesn't have readily available to fully dedicate to NDIIPP. The Library requires primarily the time and expertise of individuals with curatorial, legal, financial, economic, and other program management and analytical skills. Work will include the following tasks:

Selection and development tasks:

- developing cooperative agreements between national libraries about the scope of collecting national materials, both Web-based and licensed,
- developing cooperative collecting agreements with libraries, archives, and other collecting institutions in the public and private sectors,
- convening experts to develop guidelines for assessing content for enduring value,
- convening experts to examine curatorial best practices for selecting dynamic objects, such as Web-based journals, GIS materials, interactive objects, and other genres,
- defining the boundaries of Web-based content for preservation purposes, and
- reviewing collection development policies, including those for best edition necessary for mandatory copyright deposit, in order to bring them up to date for digital materials.

Intellectual property policy research and development tasks:

- investigation of the options and authorities necessary for the Library of Congress to preserve digital content captured on the Internet,
- investigation of what are acceptable methods of access to digital content for educational purposes within a library setting,
- investigation of the implications of mandatory deposit for digital content,

- investigation of the implications of various security and technical protection devices for content preservation, and
- development of a better understanding of the international context of copyright, jurisdiction, responsibility, and reach of applicable law, possibly in cooperation with other national libraries and multinational publishing and media industries.

Business model development tasks:

- identification of incentives for institutions to undertake preservation,
- identification of incentives for creators to deposit content,
- development of metrics for costs and benefits of digital preservation,
- development of metrics for appraising digital works for purposes of insurance and tax, and
- development of model safe-harbor agreements for those materials that are preserved by commercial entities or others that may not be best positioned to ensure longevity.

Standards and best practice tasks:

- coordinating and documenting standards that support key preservation services, such as metadata and persistent identifier schemes,
- developing and fostering research and best practice recommendations for formats and encoding schemes,
- developing and fostering research and development of strategies, such as migration and emulation, that will ensure sustainability of digital content, and
- developing a communication strategy to track technology changes and their impact on preservation.

Library of Congress
Library of Congress, Salaries and Expenses
Cataloging Distribution Service
Analysis of Change
(Dollars in Thousands)

	FY 2004	
	Agency Request	
	<u>FTE</u>	<u>Amount</u>
Appropriation, FY 2003	40	\$7,350
Minus: Rescission		<u>48</u>
Adjusted Appropriation, FY 2003		\$7,302
Non-recurring Costs		0
Mandatory Pay and Related Costs:		
Comparability pay raise 2004		28
Annualization of pay raise 2003		0
Within-grade increases		0
One Extra Day		<u>0</u>
Total, Mandatory Pay and Related Costs		28
Price Level Changes		70
Program Increases		0
Net Increase/Decrease	<u>0</u>	<u>\$ 98</u>
Total Budget	40	\$7,400
Total Offsetting Collections	<u>0</u>	<u>- 6,500</u>
Total Appropriation	40	\$ 900

Library of Congress
Library of Congress, Salaries and Expenses
Cataloging Distribution Service

Summary By Object Class

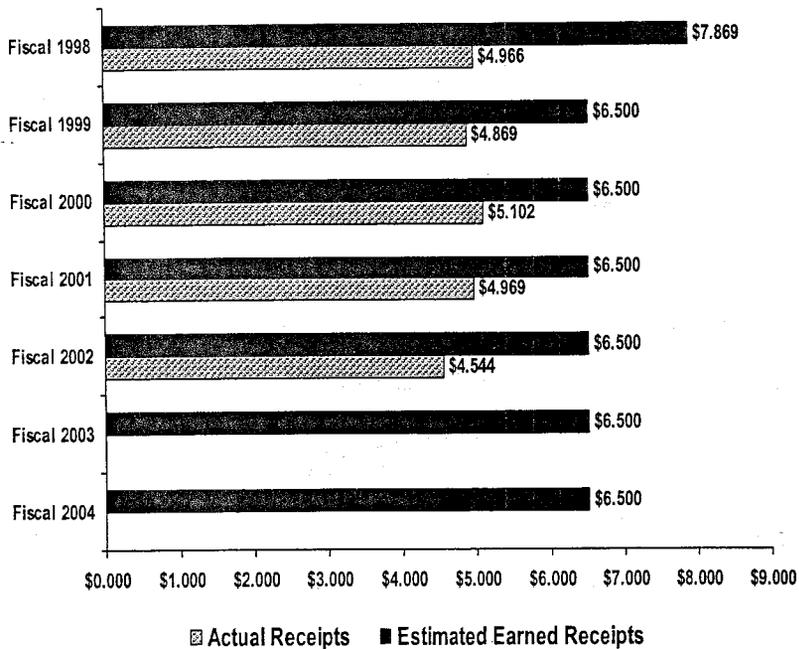
(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$2,619	\$2,216	\$2,240	+ \$24
12 Personnel Benefits	521	449	453	+ 4
13 Benefits for Former Personnel	0	0	0	0
21 Travel	15	29	29	0
22 Transportation of Things	82	100	102	+ 2
23 Rent, Communications and Utilities	202	261	265	+ 4
24 Printing and Reproduction	679	1,002	1,017	+ 15
25 Other Contractual Services	1,086	2,708	2,749	+ 41
26 Supplies and Materials	44	46	47	+ 1
31 Equipment	58	491	498	+ 7
41 Grants	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
43 Interest	0	0	0	0
94 Finance Transfers	0	0	0	0
Total, Budget	\$5,306	\$7,302	\$7,400	+ \$98

¹ Reflects the FY 2003 Enacted level, less the rescission.

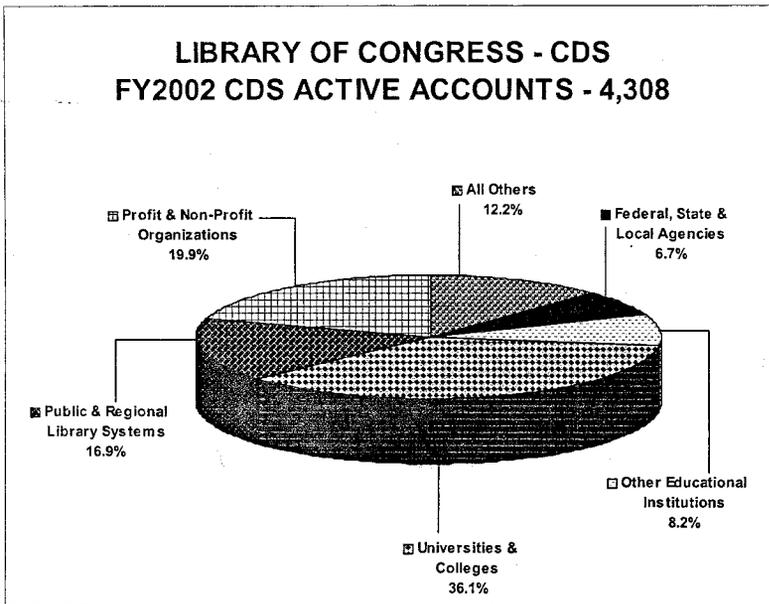
**Library of Congress
Library of Congress, Salaries and Expense
Cataloging Distribution Service**

Earned Receipts – FY 1998 - 2004



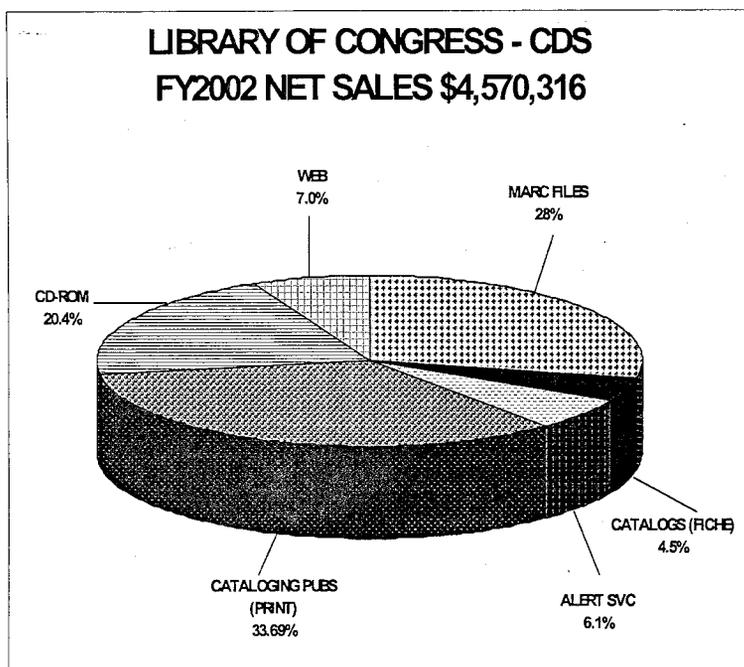
Library of Congress
Library of Congress, Salaries and Expenses
Cataloging Distribution Service

In FY 2002, a total of 4,308 accounts representing over 7,500 customers from CDS's database of active accounts received Library of Congress cataloging products and services from CDS. CDS accounts represent all segments of the information community, in both the United States and abroad, as illustrated by the following chart:



Library of Congress
Library of Congress, Salaries and Expenses
Cataloging Distribution Service

The Cataloging Distribution Service is the distribution arm for the Library's bibliographic, authority and technical data. CDS develops, produces, markets, and distributes products and services for the Library of Congress to the national and international library and information services communities. These products and services include Machine-Readable Cataloging (MARC) record files delivered to customers via Internet file transfer, cataloging data on microfiche, a bibliographic Alert service, and cataloging publications and standards in print and electronic formats. Total sales for FY 2002 reflect these categories in the following proportions:



OVERVIEW

For 100 years, libraries throughout the United States and the world have depended upon Library of Congress cataloging records and standards to process their materials, thereby avoiding expensive duplication of cataloging effort. Thousands of libraries purchase cataloging products and services from the Cataloging Distribution Service (CDS) in print and electronic formats. Additionally, libraries receive Library of Congress cataloging data in the form of value-added products through private sector vendors who have purchased the source files from CDS. The Library's machine-readable cataloging (MARC) for both bibliographic and authority records constitutes a core resource in the information industry.

CDS is required by law to charge for its products "a price which will cover their costs plus ten percentum added" (2 U.S.C. 150). This requirement to return cost plus ten percent is interpreted to apply across the sum of all products sold. Thus, on an annual basis, CDS management recommends product prices which, based on projected sales, will fulfill this statutory requirement while meeting the earned receipt requirement established through the congressional budget process. CDS's operating budget in FY 2004 will be based on earned receipts from outside customers and \$900 thousand in appropriations for products and services provided to internal Library customers.

FY 2002 ACCOMPLISHMENTS

In FY 2002, CDS celebrated the centennial of the Library's cataloging distribution services to the nation. In June 1902, President Theodore Roosevelt signed into law a bill providing the Library with statutory authorization (2 USC 150) to distribute its catalog cards and technical publications on a cost-recovery basis. The Library continues to provide other libraries and information concerns in the nation and the world with the broadest possible access to its cataloging records and standards through the distribution services of CDS. Today's catalog records are distributed as machine-readable data files, and cataloging standards and related technical publications are distributed in both print and electronic formats.

In FY 2002, CDS continued to develop plans and schedules for the transition of its legacy products and customer information management system to new technological environments. Major accomplishments included: 1) the completion of requirements for the migration of CDS's mainframe-based, machine-readable cataloging (MARC) record distribution and publication system to a server-based environment by December 2004, 2) the completion of requirements for an integrated, Web-based order processing and customer information management system, and 3) the successful introduction of *Classification Web*, a Web-based subscription service, to the national and international library community. *Classification Web* provides libraries worldwide with online access to Library of Congress Classification and Library of Congress Subject Headings on a fee-basis that recovers the cost of licensing fees for underlying software.

Other accomplishments included the publication of new editions of two popular Library training manuals: *Cataloging Concepts* (2002) and *MARC Content Designation* (2002).

CDS also published several new titles in the Serials Cataloging Cooperative Training Program (SCCTP) series. SCCTP titles are published by CDS in Portable Document Format (PDF) format and purchased by library networks that offer training courses to librarians and information specialists in their geographic areas. New SCCTP training manuals covered basic and advanced serials cataloging, as well as the cataloging of electronic serials. Additionally, CDS published a new edition of the five-volume *Library of Congress Subject Headings*, new editions of two classification schedules (Class BL-BQ and Class H), and cumulations of several looseleaf cataloging manuals. These and other CDS publications assist the national and international library community in organizing the world's knowledge and library collections for effective retrieval by users worldwide.

In FY 2002, CDS experienced significant delays in the receipt of orders and payments for its products and services. The delays resulted from the five-month suspension of U.S. Postal Service mail delivery to Capitol Hill following the anthrax attacks in October 2001. CDS's earned receipts for FY 2002 were 8.5 percent lower than in FY 2001. Careful monitoring of expenditures and revenue, along with a deferral of expenditures for capital investments, enabled CDS to sustain cost-recovery operations in FY 2002.

FY 2003 PRIORITIES

- Develop an implementation plan for migrating CDS's mainframe-based bibliographic databases and product processing to a server environment by December 2004.
- Develop an implementation plan for migrating CDS's legacy customer information management system to a Web-based platform for customer online ordering of CDS products and services.
- Develop a Web-based version of *Cataloger's Desktop*, a CD-ROM product containing the full text of virtually all Library of Congress cataloging manuals and related publications.
- Continue defining and implementing new business processes and approaches for disseminating the Library's cataloging databases, standards, and related technical publications to the worldwide library and information community.

FY 2004 PRIORITIES

- Implement the transition of CDS's bibliographic databases and product processing from the Library's mainframe computer to a server-based computing environment. This transition will enable the continuation of CDS's MARC distribution services and related products after the retirement of the Library's mainframe computer in December 2004.

- Implement a new, Web-based business and customer information management system for improved customer service and more timely delivery of products and services.
- Launch the Web version of *Cataloger's Desktop* to the worldwide library community.
- Continue defining and implementing new business processes and approaches for disseminating the Library's cataloging databases, standards, and related technical publications to the global library and information communities.

FY 2004 BUDGET REQUEST

The Library is requesting a total of **\$7.4 million** in FY 2004 to support the CDS program. This reflects an increase of \$98 thousand over FY 2003. Budget assumes earned receipts of \$6.5 million, the same as FY 2003.

Library of Congress
Library of Congress, Salaries and Expenses
Law Library
Analysis of Change
(Dollars in Thousands)

	FY 2004	
	Agency Request	
	<u>FTE</u>	<u>Amount</u>
Appropriation, FY 2003	104	\$12,638
Minus: Rescission		<u>- 82</u>
Adjusted Appropriation, FY 2003		\$12,556
Non-recurring Costs		0
Mandatory Pay and Related Costs:		
Comparability pay raise 2004		201
Annualization of pay raise 2003		85
Within-grade increases		64
One Extra Day		<u>29</u>
Total, Mandatory Pay and Related Costs		380
Price Level Changes		77
Program Increases		0
Net Increase/Decrease	<u>0</u>	<u>\$ 457</u>
Total Budget	104	\$13,013
Total Offsetting Collections	<u>0</u>	<u>- 350</u>
Total Appropriation	104	\$12,663

Library of Congress
Library of Congress, Salaries and Expenses
Law Library

Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$5,392	\$6,151	\$6,463	+ \$312
12 Personnel Benefits	1,082	1,303	1,371	+ 68
13 Benefits for Former Personnel	0	0	0	0
21 Travel	32	121	123	+ 2
22 Transportation of Things	1	1	2	+ 1
23 Rent, Communications and Utilities	23	28	28	0
24 Printing and Reproduction	34	33	34	+ 1
25 Other Contractual Services	3,020	4,737	4,808	+ 71
26 Supplies and Materials	38	38	38	0
31 Equipment	266	144	146	+ 2
41 Grants	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
43 Interest	0	0	0	0
94 Finance Transfers	0	0	0	0
Total, Budget	\$9,888	\$12,556	\$13,013	+ \$457

¹ Reflects the FY 2003 Enacted level, less the rescission.

OVERVIEW

The Law Library is the only comprehensive legal research library of the United States Government, with the largest collection of legal material in the world. Its staff, competent in more than 40 official languages and many of whom hold American and foreign bar membership, provides direct research service to the Congress in foreign, international, and comparative law. In addition to Members, committees of the Congress and the Congressional Research Service, the Law Library staff also provides officers of the legislative branch, Justices of the Supreme Court and other judges, staff of the Departments of State and Justice, and other federal agencies with bibliographic and information services, background papers, comparative legal studies, legal interpretations, and translations. Furthermore, when its congressional priorities permit, the Law Library makes its collections and services available to a diverse community of users – the foreign diplomatic corps, international organizations, members of the bench and bar, educational institutions, non-governmental libraries, legal service organizations, and the general public - serving more than 100,000 users annually.

FY 2002 ACCOMPLISHMENTS

During FY 2002, the Law Library's annual budget goals focused on providing legal research, analysis, and reference service to Congress; ensuring the law Library collections were developed, maintained, and preserved to maximize the availability of materials for research and analysis; and expanding the Global Legal Information Network (GLIN) as a major component of the Law Library's digital future.

- In the aftermath of September 11th and the anthrax threats, the Law Library:
 - Conducted a major study on the laws on terrorism in other major countries; and presented a full-day symposium on terrorism laws in selected countries.
 - Conducted a major research project on *European Legal Cooperation Against Terrorism*, the findings of which were considered in a special closed door hearing.
 - Assembled and embargoed a collection of key materials on terrorism for congressional use in the Law Library Reading Room.
 - Completed a major study on *Foreign Health Emergency Legislation* - following the anthrax contamination and threats in the US.
 - Conducted studies on preventive detention of those suspected of terrorism: registration and fingerprinting of aliens; arming airline pilots; and government insurance against damage caused by terrorism.

- Contributed, in support of the U.S. Department of State, to the restoration of the rule of law in Afghanistan through the digitization of two English-language compilations of the laws of Afghanistan - not available elsewhere. This material, compiled with other sources of laws of Afghanistan, was distributed throughout the country so that the people of Afghanistan would once more have access to their laws.
- Developed and implemented a plan to eliminate the four arrearsages under Law Library control (looseleaf materials, loose materials for binding, government transfers, and conversion of titles into the LC ILS).
- Awarded a complex, multi-year, multi-award contract to address library collections and support services. (Issued 12 task orders in FY 2002 valued at \$1.8 million - realizing over \$450 thousand in cost avoidances.)
- Acquired the transcript of the trial of Gandhi's principal assassin for the rare book and trials collections.
- Managed in-coming looseleaf receipts on a current basis (i.e., within five days of receipt).
- Prepared first 50,000 volumes for off-site storage at Fort Meade.
- Reviewed, evaluated, and redesigned the "portal" website, entitled *Guide to Law Online* -- over four thousand active links to foreign, international and US legal and legislative information resources.
- Digitized the unique Law Library collections relating to slavery and the courts. (This project, entitled *Slaves and the Courts*, consists of 105 rare pamphlet trials and is accessible through the *Century of Lawmaking* website.)
- Enhanced safety and security procedures in the aftermath of September 11th and the anthrax threats:
 - Reviewed and modified security procedures, established and equipped an emergency evacuation team, updated guidelines for the staff and contractors, and posted a security monitor at the LM240 entrance.
 - Revised and expanded business continuity contingency plans: identified critical collections, key staff, and essential equipment and supplies needed to ensure continued operations during emergency situations.
 - Responded decisively to Library-wide changes in mail handling and off-site processing/irradiation of letters, packages and boxes; modified procedures, acquired emergency supplies, trained staff for safer mail

handling -- in the use of gloves and masks, and participated in health services screening.

- Provided special facilities and services for the Pentagon Library, hosting one Pentagon Librarian for several months; and provided office facilities and special services for the Supreme Court.
- Hosted the 9th Annual Global Legal Information Network (GLIN) Directors' Meeting, the largest to-date, bringing together representatives from 17 nations; four of which (Belize, Costa Rica, El Salvador and Honduras) signed the GLIN charter - a necessary step in becoming a full member of the GLIN network.
- Conducted GLIN recruitment missions in Brazil, Russia, Japan and Canada and provided GLIN training for teams from Mali, Organization of American States, and all central America members including Honduras, Panama, Guatemala, El Salvador and Costa Rica.

FY 2003 PRIORITIES

In FY 2003, the Law Library will: (1) award a major contract and begin upgrades and enhancements to the Global Legal Information Network (GLIN) - to create a fully functional system with better security, multilingual search capabilities, and the ability to incorporate additional categories of legal information such as court decisions; (2) begin targeted recruitment of new member countries to bring the GLIN membership up to 40 nations that the Law Library has determined are in the interest of the U.S. Congress; and (3) implement the inventory control component of the Library's Collections Security Plan - to provide timely check-in for each serial piece at the point of entry and capture this data in Library of Congress Integrated Logistics System (LC ILS), and to ensure timely updating of records in LC ILS as changes (approximately 75,000 annually) occur.

FY 2004 PRIORITIES

In FY 2004, the Law Library will: (1) expand the use of commercial courier services to ensure timely receipt of foreign law gazettes and other titles most critical to foreign law research and reference service to Congress (also preventing damage caused by irradiation), and (2) expand the Law Library's acquisitions of materials critical for targeted jurisdictions, including China, Japan, Germany, Italy, Spain, and Brazil.

FY 2004 BUDGET REQUEST

The Law Library is requesting a total of **\$13.013 million** in FY 2004, an increase of \$457 thousand over FY 2003.

Library of Congress
Library of Congress, Salaries and Expenses
Office of the Librarian
Analysis of Change
(Dollars in Thousands)

	FY 2004	
	Agency Request	
	<u>FTE</u>	<u>Amount</u>
Appropriation, FY 2003	132	\$14,977
Minus: Rescission		<u>98</u>
Adjusted Appropriation, FY 2003		\$14,879
Non-recurring Costs		0
Mandatory Pay and Related Costs:		
Comparability pay raise 2004		994
Annualization of pay raise 2003		127
Within-grade increases		105
One Extra Day		47
Accident Compensation and Unemployment Comp		<u>43</u>
Total, Mandatory Pay and Related Costs		1,316
Price Level Changes		90
Program Increases:		
IG Computer Security Audits	<u>2</u>	<u>200</u>
Total, Program Increases	2	200
Net Increase/Decrease	<u>2</u>	<u>\$ 1,606</u>
Total Budget	134	\$16,485
Total Offsetting Collections	<u>0</u>	<u>0</u>
Total Appropriation	134	\$16,485

**Library of Congress
Library of Congress, Salaries and Expenses
Office of the Librarian**

Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$8,539	\$9,242	\$10,441	+ \$1,199
12 Personnel Benefits	2,683	2,736	3,013	+ 277
13 Benefits for Former Personnel	45	45	84	+ 39
21 Travel	54	84	85	+ 1
22 Transportation of Things	3	5	5	0
23 Rent, Communications and Utilities	180	196	200	+ 4
24 Printing and Reproduction	415	506	514	+ 8
25 Other Contractual Services	2,131	1,792	1,866	+ 74
26 Supplies and Materials	74	79	80	+ 1
31 Equipment	343	193	196	+ 3
41 Grants	0	0	0	0
42 Insurance Claims and Indemnities	0	1	1	0
43 Interest	0	0	0	0
94 Finance Transfers	0	0	0	0
Total, Budget	\$14,467	\$14,879	\$16,485	+ \$1,606

¹ Reflects the FY 2003 Enacted level, less the rescission.

OVERVIEW

The Office of the Librarian consists of the Librarian of Congress and his staff, the Congressional Relations Office; the Office of the General Counsel; the Office of the Inspector General; the Internal University; the Development Office; the Special Events Office; the Office of Communications; the Planning, Management and Evaluation Directorate; and the Financial Services Directorate. The offices have Library-wide responsibility for congressional and press relations; legal counsel; auditing and investigating; internal and external communications; private sector outreach fund-raising; guiding and facilitating strategic and annual planning; designing, developing, and administering training and career development programs; and the centralized accounting, budget, and disbursing activities for all of the Library's appropriations, gift and trust funds, and reimbursable activities. In addition, the infrastructure support units of Human Resources, Integrated Support Services, and Security report to the Office of the Librarian. These offices are presented elsewhere in the budget as separate program elements.

FY 2002 ACCOMPLISHMENTS

- The Office of the Librarian Service Unit continued its ongoing effort to serve Members of Congress their staff and committees by providing and responding to thousands of congressional inquiries about the Library's collections, activities, policies, and facilities. Drafted and coordinated the congressional enactment of legislation authorizing the use of the Capitol Grounds for the second annual National Book Festival.
- Worked closely with the Veterans History Project—coordinating all aspects of congressional activity, including congressional mailing, raising congressional awareness of the Project and aided in the Project's initial program to collect oral histories from Members who are war veterans.
- Reviewed and approved more than fifty acquisition agreements for the Library's collections, involving the papers of baseball legend Jackie Robinson, former Secretary of Defense and CIA Director James Schlesinger, journalist Anthony Lewis, and selected contents of the Victor Kamkin bookstore, whose books would have been destroyed without the personal intervention of James H. Billington, the Librarian of Congress.
- Worked collaboratively with other units in the Library to obtain rights clearances for use of Library collections of its world-renowned Internet site <www.loc.gov>, including Poet Laureate Billy Collins' Poetry 180 project directed to America's high school students, as well as the upcoming American Memory site on the 100th anniversary of the Wright Brothers' flight.
- The **Madison Council's fall meeting in October 2001** was held in conjunction with the inaugural Henry Alfred Kissinger Lecture on U.S. Foreign Policy and

International Relations, given by Dr. Kissinger himself. To date, Council members have given \$630 thousand of the \$4.2 million received for the Kissinger Endowment Fund. In April 2002, the **Council's spring meeting** featured a patriotic theme and included a special exhibition arranged along five themes. They were: *Rally Round the Flag, Documents of Freedom, Children and Democracy, Americans and War, and September 11*. Several items included in the exhibition, that were on loan, were purchased by Council members for the Library's collections.

- The Librarian hosted thirty-seven Madison Council members and their spouses and guests on the fifth Great Libraries of the World tour to **Russia**. Members helped to forge new and important bonds of friendship between the Library and their Russian hosts, including the first lady of Russia, Ludmila Putin. A meeting with Mrs. Putin ultimately led to her participation in the Library's second National Book Festival and her plans to host a similar event in Russia in 2003.
- Successfully planned and managed 484 events, including 105 Congressionally hosted lectures, symposia, policy meetings, film showings, dinners and receptions held in the Library's Great Hall, Members Room and other facilities. The Library absorbed \$29.6 thousand in personnel costs in support of a number of these Congressional events.
- Approved the use of Library facilities to thirty-two (32) outside organizations, resulting in an income of \$310 thousand to the Special Events Gift Fund, (used to support the salaries of the Special Events Office staff). The approved organizations had a connection to the Library's mission, programs and/or collections.
- Continued to develop electronic educational content for the Library's increasingly popular Web site. In FY 2002, the America's Library site, for kids and families, garnered 184.742 million hits. Through the Library's partnership with the Ad Council, the public service advertising on radio, television and the WEB of www.americaslibrary.gov totaled more than \$130 million in donated media since the campaigns inception in the Fall of 2000.
- Worked to simplify and streamline procedures to track the Librarian's Correspondence, which averages 1,000 pieces a month. Initiated an upgrade of the Library's electronic correspondence tracking system from ccmPlus to ccmMercury. Worked closely with ITS, ISS, and a contractor to customize, pilot, and implement a software upgrade, which resulted in a streamlined process for the Librarian's correspondence that: (1) allows original correspondence to be retained in the Correspondence Control Unit, with only electronic scans going forward; and (2) eliminates duplication of efforts. Designed an exception report to inform offices of overdue assignments vis-a-vis the Librarian's correspondence; and wrote and disseminated Librarian's Correspondence Procedures on ccmMercury to be used Library-wide.

FY 2003 PRIORITIES

In FY 2003, a major priority for the Office of the Librarian continues to be sustaining the capacity to conduct and improve effective and efficient priority program activities in order to meet the requirements of Congress and the nation. The Office will continue its public outreach initiatives through the 3rd annual National Book Festival and other programs and projects, including piloting an enhanced version of "LC Comes to Your Hometown". This project will reach out to congressional districts, and build upon the highly successful public awareness campaign with the National Advertising Council and the public relations campaign sponsored by the James Madison Council. In coordination with the James Madison Council, the Office of the Librarian will focus on re-energizing the James Madison Council, directing its focus and interests on new and challenging fund-raising endeavors.

FY 2004 PRIORITIES

In addition to assuring excellence in the administration of all Library programs, the Office of the Librarian will continue to focus on expanding projects that increase public educational awareness through national, international, scholarly and digital initiatives. The Office of the Librarian will continue directing the James Madison Council's focus and interests on new and challenging fund-raising endeavors. Finally, the Office of the Librarian will continue to play a leadership role in the digital arena and protect the Library's name and image, through oversight of internal and external representations of the Library of Congress, by commercial and non-commercial entities.

FY 2004 BUDGET REQUEST

The Office of the Librarian is requesting **\$16.485 million** in FY 2004, an increase of \$1.6 million over FY 2003. Of this amount, \$200 thousand is for program changes described below:

<u>PROGRAM CHANGES</u>	\$200,000/2 FTEs
<u>IG Computer Security Audits</u>	(\$200,000/2 FTEs)

Congress recently approved the plan for the National Digital Information and Infrastructure Preservation Program (NDIIPP). When implemented, NDIIPP will ensure electronic collection, preservation, and dissemination of information to the Library's users: the Congress, the Federal Government, and the American People. The Library's leadership role in preserving digital information, especially materials that are created only in digital formats, and ensuring their accessibility will require a substantial investment in IT security capabilities to safeguard the assets while protecting copyright, licensing, and contractual restrictions. Although some improvements have been made, the Library's IT security program is still inadequate. Documented security policies and procedures need to be implemented and enforced. Weaknesses have been identified

in logical access controls, application and system software security controls, and change control procedures.

The Office of the Inspector General (OIG) is requesting funding for two additional **IT auditor positions/FTEs (1 GS-14 and 1 GS-13)**. The auditors will provide oversight of the Library's IT Security program and ensure compliance with the Computer Security Act. The Act places responsibility on the Librarian for the integrity, confidentiality, authenticity, and availability of information and information systems. The Library currently is not in compliance with the Act and critical information systems have not been certified, accredited, or otherwise adequately assessed for risk. The OIG has not been able to devote sufficient audit resources to IT security due to administrative and financial and performance audits.

The OIG needs to oversee the implementation of appropriate policies, procedures, and control mechanisms sufficient to afford security protections commensurate with the risk and magnitude of harm resulting from the loss, misuse, or unauthorized access to or modification of information and information systems which would adversely affect the Library's programs. The OIG will perform a top-down audit of Library-wide policies, the IT security management structure, and system-level reviews that cover system-specific policy, procedures, and management including operational (people) controls and technical (computer) controls.

Library of Congress
Library of Congress, Salaries and Expenses
Human Resources Services
Analysis of Change
(Dollars in Thousands)

	FY 2004	
	Agency Request	
	<u>FTE</u>	<u>Amount</u>
Appropriation, FY 2003	87	\$9,252
Minus: Rescission		<u>60</u>
Adjusted Appropriation, FY 2003		\$9,192
Non-recurring Costs		0
Mandatory Pay and Related Costs:		
Comparability pay raise 2004		182
Annualization of pay raise 2003		84
Within-grade increases		58
One Extra Day		<u>27</u>
Total, Mandatory Pay and Related Costs		351
Price Level Changes		34
Program Increases		0
Net Increase/Decrease	<u>0</u>	<u>\$ 385</u>
Total Budget	87	\$9,577
Total Offsetting Collections	<u>0</u>	<u>0</u>
Total Appropriation	87	\$9,577

Library of Congress
Library of Congress, Salaries and Expenses
Human Resources Services

Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$4,996	\$5,542	\$5,824	+ \$282
12 Personnel Benefits	1,088	1,378	1,446	+ 68
13 Benefits for Former Personnel	0	0	0	0
21 Travel	18	31	32	+ 1
22 Transportation of Things	1	3	3	0
23 Rent, Communications and Utilities	57	66	67	+ 1
24 Printing and Reproduction	143	156	158	+ 2
25 Other Contractual Services	2,318	1,915	1,944	+ 29
26 Supplies and Materials	40	43	43	0
31 Equipment	39	58	60	+ 2
41 Grants	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
43 Interest	0	0	0	0
94 Finance Transfers	0	0	0	0
Total, Budget	\$8,700	\$9,192	\$9,577	+ \$385

¹ Reflects the FY 2003 Enacted level, less the rescission.

OVERVIEW

This budget funds Human Resources Services (HRS), the Office of Workforce Diversity (OWD), and administrative support to the Little Scholars Child Development Center, the Library's day care facility.

In partnership with the service and infrastructure units, HRS designs and implements the policies, procedures, and systems to build, develop, and manage the workforce needed to support the Library's mission and priorities. HRS consists of the following offices:

- The Office of Strategic Planning and Automation ensures alignment of human resources plans, programs, and systems to the Library's strategic goals and objectives, identifies and implements electronic solutions to human resources needs, conducts workforce transition plans to identify current and future required skill sets, and assists Library offices in succession and workforce planning initiatives.
- The Office of Workforce Acquisition recruits and hires the best and brightest staff through internal and external partnerships and ensures a diverse and talented workforce through the design of innovative strategies that emphasize speed and flexibility.
- The Office of Workforce Management supports the Library's goal of becoming a performance-based organization through the design of programs and policies and manages all aspects of labor and employee relations and performance management programs for the Library.
- The Office of Worklife Services Center provides a wide-ranging array of human resources services and information to Library managers and staff, maintains an Employee Service Center that will be the principal point of contact for human resources information for Library staff, and provides counseling in the areas of benefits, retirement, and employee assistance.

OWD increases the Library's capability through the creation of a diverse workforce where difference is valued and everyone is treated fairly. OWD manages the Library's affirmative action and special programs, dispute resolution, and equal employment opportunity complaints functions.

FY 2003 - 2004 PRIORITIES

During FY 2003, HRS will focus on improving the current merit selection process, providing Library managers with an on-line performance appraisal tracking and reporting system, and implementing a Web-based application to record employee time and attendance, and transmit certified data to the Library's payroll provider. OWD will focus on streamlining the Library's process for addressing internal EEO complaints to

make it more efficient, including the establishment of internal controls, performance measures, monitoring and accountability. OWD will also seek to enhance the Library's capability to address and resolve manager-employee conflicts at the earliest possible opportunity by maximizing the services of the Dispute Resolution Center.

During FY 2004, HRS will continue to streamline the merit selection process, implement an action plan to ensure an efficient and effective performance management program, and provide analysis and support to service units in succession and workforce planning. OWD will focus on enhancing the diversity of the Library's workforce by partnering with key stakeholders to address targeted recruitment and outreach efforts. OWD will also educate the Library's workforce in areas such as Rights and Responsibilities Under EEO Laws, Addressing and Resolving Problems in the Workplace, and Implementation of the Multi-year Affirmative Action Plan.

FY 2004 BUDGET REQUEST

The Library is requesting **\$9.6 million** for its HRS/OWD activities in FY 2004, an increase of \$385 thousand over FY 2003. The requested increase includes \$351 thousand for mandatory increases and \$34 thousand for price level increases.

Library of Congress
Library of Congress, Salaries and Expenses
Integrated Support Services
Analysis of Change
(Dollars in Thousands)

	FY 2004	
	Agency Request	
	<u>FTE</u>	<u>Amount</u>
Appropriation, FY 2003	159	\$27,747
Minus: Rescission		<u>182</u>
Adjusted Appropriation, FY 2003		\$27,565
Non-recurring Costs		0
Mandatory Pay and Related Costs:		
Comparability pay raise 2004		273
Annualization of pay raise 2003		116
Within-grade increases		87
One Extra Day		<u>40</u>
Total, Mandatory Pay and Related Costs		516
Price Level Changes		644
Program Increases:		
Physical Security - Medical Emergency Coordinator	1	120
Space Management		<u>1,300</u>
Total, Program Increases	1	1,420
Net Increase/Decrease	<u>1</u>	<u>\$ 2,580</u>
Total Budget	160	\$30,145
Total Offsetting Collections	<u>0</u>	<u>0</u>
Total Appropriation	160	\$30,145

Library of Congress
Library of Congress, Salaries and Expenses
Integrated Support Services

Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$7,760	\$8,342	\$8,837	+ \$ 495
12 Personnel Benefits	1,666	1,895	2,007	+ 112
13 Benefits for Former Personnel	0	0	0	0
21 Travel	73	59	65	+ 6
22 Transportation of Things	2	6	6	0
23 Rent, Communications and Utilities	2,072	2,431	2,852	+ 421
24 Printing and Reproduction	89	75	77	+ 2
25 Other Contractual Services	14,115	13,271	14,777	+ 1,506
26 Supplies and Materials	175	190	195	+ 5
31 Equipment	1,527	1,296	1,329	+ 33
41 Grants	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
43 Interest	0	0	0	0
94 Finance Transfers	0	0	0	0
Total, Budget	\$27,479	\$27,565	\$30,145	+ \$2,580

¹ Reflects the FY 2003 Enacted level, less the rescission.

OVERVIEW

The mission of Integrated Support Services (ISS) is to provide basic administrative support services to the Library as a whole. Integrated Support Services is comprised of five offices:

Contracts and Logistics Services: Provides acquisition support for supplies, materials, furniture and furnishings, and equipment (except those related to the collection); negotiated contracts and small purchases; as well as provides expertise and property inventory control for Library-owned furniture and equipment.

Facility Services: Plans, designs, and provides oversight of construction, alterations, and operation of the Library's buildings and grounds. The Facility Services group also coordinates the planning and use of remote facilities operated in northwest Washington, D.C., for the National Library Service for the Blind and Physically Handicapped; Wright-Patterson Air Force Base for nitrate film conversion; Landover, Maryland, for materials storage; and Boyers, Pennsylvania, for underground microfilm storage. Finally, Facility Services provides labor and custodial services, manages the food services program, and oversees the use and operation of public meeting spaces.

Health Services: Develops and administers the Library's occupational health program; manages workers compensation program; and advises the Library on public health and workforce health issues.

Office Systems Services: Administers the Library's records management program; transportation services; and printing, duplication, and composition functions; and provides mail and messenger services.

Safety Services: Manages the programs necessary to promote a safe and healthful environment, including industrial hygiene, accident prevention and loss control, fire prevention and protection, and emergency management planning and organization.

FY 2002 ACCOMPLISHMENTS

During FY 2002, ISS' annual goals focused on strengthening and institutionalizing a customer-focused culture; on further increasing effectiveness and efficiency in supporting the Library's cross-cutting initiatives, operations, and services; and on supporting the health and safety needs of Library and Congressional staff in the wake of the terrorist attack on the U.S. mail:

- Started, continued, or completed a number of facility actions and moves based on the FY 2002 portion of the comprehensive Library-wide space plan. These included completion of the Security Initiative Project and the Kluge Center in the Thomas Jefferson Building, preparation of space in the John Adams Building to support the Library's Baseline Inventory Project (BIP), and continuation of the James Madison Building furniture replacement program.

- Completed the first book storage module at the Fort Meade, Maryland campus by continuing to work closely with the Office of the Architect of the Capitol (AOC) and their contractors.
- Awarded an Indefinite Delivery/Indefinite Quantity (IDIQ) multiple award mega-contract that provides a flexible and broad approach to addressing support services for the Library's Service Units. Issued near the end of the 3rd quarter, this contract saved the Library well over \$500 thousand by the end of FY 2002.
- Initiated a continuous quality improvement plan within the Directorate to increase efficiency, effectiveness, and customer satisfaction. Elements of the plan include mapping and streamlining major processes, documenting standard operating procedures, and developing customer service standards in all divisions, as well as formal and informal training and development for all ISS staff.
- Participated in emergency management activities throughout the year, and with particular intensity following the anthrax attack of October that temporarily closed the Library and suspended the delivery of 1st class mail and flats for six months. These activities included: assisting the Office of the Attending Physician with anthrax testing and counseling, conducting numerous briefings for Library staff; conducting a ground-breaking study that examined the impact on staff of handling irradiated mail; developing and implementing an environmental testing and monitoring plan for Library Buildings that significantly reduced closure length and saved millions of dollars in lost work time; and establishing and assisting with the implementation of protocols for offsite receipt, irradiation, x-raying of all future incoming mail for the Library, House, and Senate, and working with the Congressional and Library of Congress Joint Task Force on Mail Solutions.

FY 2003 PRIORITIES

In FY 2003, ISS will concentrate on improving customer satisfaction by developing and implementing automation improvements using the Remedy database program Directorate-wide, STIX software to assure Health Insurance Portability and Accountability Act (HIPPA) compliance, and inventory management software to provide an online supply catalog. Timeliness in the provision of support services will be the focus of its process and service improvement program. ISS will also move forward with its re-engineering plan by reorganizing the Directorate for greater efficiency. With funding provided in FY 2003, ISS expects to implement the FY 2003 facilities plan, which includes ongoing support of safety and security upgrades for the Library, planning support for the Capitol Visitor Center, and planning support for off-site facilities at Ft. Meade and Culpeper; to initiate a five-year plan to upgrade materials handling equipment; and to continue support of the Library's health and safety programs and initiatives. As in FY 2002, ISS will support new and ongoing Library-wide emergency management projects, including preparation of a Comprehensive Emergency Management Plan, development of an Emergency Action Guide for employees,

development of a Communication and Emergency Response Team (CERT) program, and training in the use of the QuickMask. Finally, ISS will continue to handle and process mail off-site in conjunction with the Capitol Hill mail facility, and will continue its support of the joint Congressional and LC task force on mail solutions in order to assure that the mail remains safe.

FY 2004 PRIORITIES

In 2004, ISS will continue to provide high-quality service to its customers in support of Library initiatives and in response to emergency needs. This priority is demonstrated in specific goals and performance targets to expand the number of completed facilities projects, to continue support of projects at Ft Meade and Culpeper, and to support the implementation of the Capitol Visitor Center. ISS will continue its work with emergency preparedness issues, particularly the execution of table-top exercises. It will support of the Library's Health and Safety programs and initiatives, in particular implementation of the CERT teams. Finally, ISS will continue to assure safe delivery of the mail through participation on and support of the joint Congressional and LC task force on mail solutions.

FY 2004 BUDGET REQUEST

The Library is requesting **\$30.1 million** for its ISS activities, a net increase of \$2.6 million over the FY 2003. The required increase includes \$1.2 million in mandatory and price level increases, and \$1.4 million in program changes.

PROGRAM CHANGES

\$1,420,000/1 FTE

Physical Security - Medical Emergency Coordinator

(\$120,000/1 FTE)

The ISS is requesting a total of \$120 thousand for the salaries and expenses of a medical emergency coordinator position/FTE in the Health Services Office.

Why:

The Library is on heightened security alert. As one of the agencies that is open to the public, and given our proximity to the Capitol and Congress, the Library is at increased risk for terrorist attack. The Centers for Disease Control (CDC) have identified several substances that may be used as weapons of attack: biological, chemical, radiological, and nuclear. Countermeasures to these weapons demand increased knowledge/information of a scientific nature requiring extensive research, analysis, interpretation and then dissemination of that information. The Homeland Security Act focuses on four specific policy initiatives, two of which directly impact the planning taking place here at the Library.

The first is Supporting First Responders. The Homeland Security Act restates an already known principle: properly educated, trained, and equipped first responders have

the greatest potential to save lives and limit casualties. Capabilities to respond to potential terrorist attacks vary widely from agency to agency, region to region and state to state. Improving the Library's state of preparedness requires accurate information, planning, equipment, training and ongoing exercises/drills.

The second initiative is Defending Against Bio-terrorism. Defending against biological, chemical, radiological, and/or nuclear terrorism requires a dedicated, long-term strategy in the healthcare system including: enhancing disease surveillance capabilities to maximize the contribution to bio-defense, improve specialized Federal capabilities to respond in the event of a bio-terrorist incident and to meet the medical needs of our bio-terrorist response plan. The President's budget for 2003 will help the Nation develop an effective early warning system against a possible bio-terrorist attack, and mount an effective operational response to manage its medical consequences. These enhanced capabilities, once in place, will also enhance our ability to respond to outbreaks of naturally occurring diseases.

Title III, sec 301 of the Homeland Security Act states the Government will be conducting scientific research and development programs which will include developing national policy for and coordinating the Federal government civilian efforts to identify, devise, and implement scientific, technological, and other countermeasures to chemical, biological, radiological, nuclear attack and other emerging threats.

Library's Preparedness:

There was a ripple effect all over Capitol Hill last October when Anthrax was discovered in a letter in the Hart Building. Although the incident was in the Hart Building, many of our own employees were in the area and required testing and treatment. The Health Services Office at the Library of Congress provided testing and counseling to staff during the acute phase and provided education and counseling to potential "victims" long after the buildings were reopened. The Library's own medical officer spent long hours researching on the Internet and consulting in person and via telephone to get up to date information regarding weaponized anthrax signs and symptoms, treatment and treatment alternative for those with medical conditions or allergies that would prevent the use of traditional treatment modalities. Her activities also included collecting, analyzing, interpreting, and disseminating all other information regarding other possible diseases that could impact the health status of Library employees. This was a full time effort, necessary to reduce the risks to and liability of the Congress. However, this effort cannot continue without a dedicated position. Without this position, the Health Services Office will not be able to partner with the OEM Office and meet its obligations in providing occupational medical support through daily clinical services, education, counseling, response to emergencies and all other programs established to maintain a healthy and safe working environment at the Library.

This position will give the Library the ability to give adequate focus to its medical emergency preparedness resulting in: 1) compliance with regulations, including but not limited to, OSHA and the Homeland Security Act of 2002; 2) educated and/or trained

staff; and 3) decreased risk and liability of the agency in event of emergencies. Our current staffing pattern affords minimal attention to planning and coordination for emergencies, in this new era of heightened alert. Presently, staff are conducting research and attending seminars and training after hours and/or on weekends, resulting in a dramatic increase in stress, which in turn can have a direct influence on worker safety and health. In addition, there is an increased expense related to overtime.

A position of Medical Emergency Coordinator would provide the resource and focus needed to perform the many hours of ongoing research, analyses and interpretation needed by the medical officer to make timely and informed decisions, appropriate adjustment of policies and procedures, and dissemination to staff. Further, it will allow the medical staff to continue its focus on providing Occupational Medical support as required by law, and defined in the Library's current mission statement and regulations.

Staffing Request:

Funding supports the salaries and expenses of one GS-13 medical emergency coordinator position in the Health Services Office. The coordinator would report to and work closely with the Medical Officer, coordinate and administer various elements of medical emergency preparedness as well as provide clinical services and response as needed including:

- Disease tracking and researching, analyzing, interpreting, and disseminating information.
- Staff education.
- Medical field drills/exercises.
- Obtaining/maintaining equipment and supplies.
- Coordinate, administer and manage public access AED program.
- Training and retraining of personnel with regard to CPR and AED, oxygen administration, blood borne pathogens and first aid.
- Event documentation and support.
- Quality Assurance review of Medical Emergency Program.
- Attending meetings, seminars, training and briefings internally with the proposed Office of Emergency Management and any other related office, and externally with private and public offices and Agencies related to medical emergency preparedness, Homeland Security, and National Defense.

- Provide information that would enable the Medical Officer to devise and implement, or continue medical surveillance, biological monitoring, or other countermeasures.
- Liaison to proposed Office of Emergency Management.

In addition to salary costs (\$90K), support costs include: **Training and Travel** (\$10K); **Book and Journal Subscriptions** (\$3K); **Workstation** (\$7K); IT hardware (\$7K) - computer/printer set up and laptop computer; and **Mobile phone and Nextel service** (\$1K).

Space Management

(\$1,300,000/0 FTEs)

The Library is requesting a total of \$1.3 million for its Facilities Services Office. Funding is requested to improve Library-Wide space planning, design and construction.

Specifically, the Library is requesting \$800 thousand to expand its used of a nationwide GSA professional services contract for Facility Projects Support and \$500 thousand for in-house contract support in Facility Design and Construction.

Facility Projects Support Contract - \$800K

During the last several years, the Facility Services Office has not been able to execute all the projects requested by the service units. In FY 2001 and FY 2002, approximately 50% of the projects requested were deferred due to limited staff available for project assignment. This backlog, coupled with anticipated new projects in FY 2003, FY 2004 and beyond, not only effects the work of the Facility Services Office, but the work of the service units requesting the space changes.

To address this deficiency in FY 2004, Facility Services proposes expanded use of a nationwide GSA professional services contract. Current facility design and construction services will be supplemented by a full range of professional architecture and engineering services, on an as-needed basis. Use of the GSA contract will allow Facility Services to accomplish more work than can currently be handled internally and will provide more responsiveness and control of workload and schedules. If this initiative is not funded, Facility Services will continue to defer projects, impacting program, safety, and staffing initiatives.

Facility Services recommends a budgetary allowance of \$800K, in FY 2004, based on \$8.00 per square foot for up to 100,000 square feet of facility projects to be identified by the service units. The cost basis of \$8.00 per square foot is consistent with cost data sampled on facility projects accomplished by previous Facility Services contractors. The basis of 100,000 square feet for Library facility projects is consistent with a strategic plan funded by the Architect of the Capitol for routine space alterations, which also assumes up to 100,000 square feet per year. The budget amount is further substantiated by an informal assessment provided by an existing GSA schedule contractor for projects up to 10,000 square feet.

Facility Design Contract Support - \$500K

In a May 2002 OIG review of the Facilities Service Office, the OIG stated that GAO standards emphasize the importance of effective management to achieve desired results. According to GAO, "only when the right personnel for the job are on board and are provided the right training, tools, structure, incentives, and responsibilities is operational success possible."

In reviewing the OIG report and based on an ISS affinity process initiated two years ago, the ISS has developed a reorganization plan. The plan recommends in-house contract support to supplement the current FD&C staff. With the use of contract support, the FD&C Office will be able to segregate the project management function from the design function, a key recommendation in the management review.

A total of four support staff positions are proposed to be filled on a contractual basis. These positions are critical in achieving program effectiveness and customer satisfaction. Cost estimates were based on hourly rates from a GSA schedule contractor and are provided below. The four positions include:

- **Two project managers (\$308K)** - working under the supervision of the Senior Construction Coordinator, will allow the FD&C to better manage, on a full-time, hands-on basis, its planning, scheduling, construction administration, project management and COTR functions. Each project manager will be assigned at the inception of each project and will be responsible for the development and execution of each project plan, establishing the scope of work, cost estimates, schedule, deliverables and coordination of overall project resources. The project work plan will be coordinated with stakeholders and the design team before the project is designed.
- **CAD Production Assistant (102K)** - will support the FD&C facility managers, design staff, and the CAD Manager by responding to requests for updated CAD drawings and will perform routine drafting, survey work, plotting, printing and CADD file administration - work that is currently performed by senior designers. The CAD production assistant will also be available to provide CAD drawings as requested by the service units and other needing baseline facility information.
- **Office Automation Assistant (\$90K)** - will supplement existing support staff in accomplishing the expanding workload of the unit, particularly with the addition of the Senior Construction Coordinator and Project Managers and increased emphasis on the project management function. The automation assistant will also help with the expanding workload of PDT, document tracking, filing and clerical functions, primarily in support of facilities management, construction administration, and project related activities.

Basis of Hourly Rates – GSA Schedule Contract

Contract Staff/FD&C Support	GSA FY 2002 Hourly Rate	FY 2004 Budget Rate	FY 2004 Budget Annual Cost
Project Manager	\$737	\$77	\$154,000
Project Manager	\$ 73	\$77	\$154,000
CADD Production Assistant	\$447	\$50	\$102,000
Office Automation Assistant	\$ 43	\$45	\$ 90,000
Total			\$500,000

Library of Congress
Library of Congress, Salaries and Expenses
Security
Analysis of Change
(Dollars in Thousands)

	FY 2004	
	Agency Request	
	FTE	Amount
Appropriation, FY 2003	158	\$17,861
Minus: Rescission		<u>116</u>
Adjusted Appropriation, FY 2003		\$17,745
Non-recurring Costs		0
Mandatory Pay and Related Costs:		
Comparability pay raise 2004		383
Annualization of pay raise 2003		162
Within-grade increases		122
One Extra Day		<u>56</u>
Total, Mandatory Pay and Related Costs		723
Price Level Changes		313
Program Increases:		
Physical Security - Police Command Center	1	1,077
Physical Security - Emergency Mgmt Support	4	391
Physical Security - Collections Security Controls		1,000
Physical Security - Police Staffing	<u>54</u>	<u>4,841</u>
Total, Program Increases	59	7,309
Net Increase/Decrease	<u>59</u>	<u>\$ 8,345</u>
Total Budget	217	\$26,090
Total Offsetting Collections	<u>0</u>	<u>0</u>
Total Appropriation	217	\$26,090

**Library of Congress
Library of Congress, Salaries and Expenses
Security**

Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$11,169	\$11,634	\$15,952	+ \$ 4,318
12 Personnel Benefits	1,985	2,211	3,233	+ 1,022
13 Benefits for Former Personnel	0	0	0	0
21 Travel	39	29	96	+ 67
22 Transportation of Things	1	1	1	0
23 Rent, Communications and Utilities	48	68	92	+ 24
24 Printing and Reproduction	32	33	41	+ 8
25 Other Contractual Services	5,742	2,593	3,445	+ 852
26 Supplies and Materials	127	145	229	+ 84
31 Equipment	3,793	1,031	3,001	+ 1,970
41 Grants	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
43 Interest	0	0	0	0
94 Finance Transfers	0	0	0	0
Total, Budget	\$22,936	\$17,745	\$26,090	+ \$8,345

¹ Reflects the FY 2003 Enacted level, less the rescission.

OVERVIEW

The Office of Security and Emergency Preparedness' mission is to provide and maintain security for Library employees and visitors; safeguard Library facilities, collections, assets, and information; maintain an employment suitability and security clearance program; and execute criminal investigations and emergency preparedness programs.

The Director of Security and Emergency Preparedness is the Library's principal representative on all security, emergency preparedness and criminal investigations matters, and serves as the chair for the Library's Collections Security Oversight Committee. The Office of Security and Emergency Preparedness consists of three divisions (Protective Services Division, Personnel Security Office, Office of Investigations) and Emergency Preparedness and Program Management Sections.

The Protective Services Division includes:

- The Library of Congress Police: Protects the life and property of staff and visitors by maintaining law and order, and assists in the protection of Library property and collections.
- Electronic Security: Analyzes and evaluates requirements for electronic security applications, develops electronic security system designs, and oversees system installations.
- Physical Security: Addresses the effectiveness of Library systems, devices, procedures, and methods used for safeguarding information, property and materials, and assists Library managers.

The Personnel Security Office functions includes:

- Adjudicating investigations on applicants and appointees to determine employment suitability and/or eligibility for access to classified national security information.
- Maintaining the reinvestigations program.
- Conducting defensive security briefings and debriefings.
- Providing clearance certifications for agency employees and visitors who require access to classified information and establishing policies and procedures for indoctrinating and training cleared personnel in the safeguarding of classified information.
- Issuing and maintaining a *Library of Congress National Security Manual*.

The Office of Investigations is responsible for conducting criminal and non-criminal investigations involving persons and property under the charge of the Library of Congress, including incidents involving collections theft and vandalism.

The Emergency Preparedness section manages the Library's emergency planning program encompassing mitigation, preparedness, and response and recovery associated with emergencies and contingencies.

The Program Management Section performs all of the administrative functions that support the office, such as budget planning, formulation, and execution; personnel management, logistics, and training; and technical writing.

FY 2002 ACCOMPLISHMENTS

- **September 11, 2001 Terrorist Attack:** During FY 2002, the Office of Security and Emergency Preparedness' attention was focused on the aftermath of the September 11, 2001 terrorist attacks and subsequent anthrax incidents, which required an extraordinary response from the police in the form of expanded police services, resulting in significant overtime requirements. Emergency planning accelerated as well, under the aegis of the Emergency Management Team (EMT). The Office of Security and Emergency Preparedness participated with other Library entities in the EMT to provide a coordinated response to new challenges and to share information with staff at special Town Hall Meetings. The Office of Security and Emergency Preparedness took the lead in coordinating planning for the new Emergency Management Center, funded after the September 11 attacks under an emergency supplemental appropriation. The Office of Security and Emergency Preparedness also took the lead in coordinating enhanced communications between the Library and the U.S. Capitol Police and other law enforcement agencies.
- **Implementation of the 1999 Library of Congress Security Enhancement Plan:** The Office of Security and Emergency Preparedness continued implementation of the 1999 Library of Congress Security Enhancement Plan, a multiyear program of security upgrades to strengthen the Library's established minimum standards for police command and control, entry and perimeter security, and related security and law enforcement enhancements to conform with the overall Capitol complex objectives. The plan – part of the 1999 U.S. Capitol Police Board Security Enhancement Plan – is coordinated with the U.S. Capitol Police Board, the U.S. Capitol Police, the Architect of the Capitol (AOC), and supported by the Space and Naval Warfare Systems Center, a government engineering entity working under an interagency agreement to assist the Library in accomplishing the tasks in the plan. Specific fiscal 2002 accomplishments under this plan included: 1) initiated construction of a consolidated police communication center, which will integrate the Library's access control, intrusion

detection, security and environmental monitoring systems. This project is scheduled to be completed by June 2003; 2) instituted full staff entry screening with X-ray machines and metal detectors and began installation of perimeter security enhancements, including barriers, exterior monitoring cameras and lighting, and garage and parking lot safeguards. This phase of the perimeter security plan is scheduled for completion by the end of 2003.

- **Collections Security Program:** Continued implementation of the 1997 Library of Congress Security Plan in coordination with the Collections Security Oversight Committee (CSOC), chaired by the Director of Security. Specific accomplishments included: installation of enhanced electronic and physical security systems in the John W. Kluge Center; the Business and Science Reading Room; the European and Latin American Acquisitions Division; two Area Studies divisions; and the Collections, Access, Loan and Management Division. Upgraded security controls were also installed to protect several permanent and temporary exhibits, including the *World Treasures* and *Margaret Meade* exhibits in the Thomas Jefferson building. Electronic access controls were also installed to enhance the protection of *gold* collections in Prints and Photographs, Geography and Map, and Serial and Government Publications divisions. The CSOC's Operations Subcommittee implemented a Site Assistance Visit initiative, to ensure compliance with collections security policies and procedures, in which on-site visits led by an Office of Security and Emergency Preparedness technical expert joined by a senior librarian will be conducted in all Library divisions over a two-year cycle. The CSOC's Security Awareness Subcommittee launched patron and staff Library security Web sites, designed to offer a wide array of information addressing the Library's multifaceted collections security program, including the Library's Reader Registration System and the policy/procedures with regard to the personal belongings restrictions.
- **Security Services:** Law Enforcement support was provided for eighty-five major Congressional Leadership events; eleven State or official visits (including foreign heads of state); thirty corporate events; and thirty five Library-sponsored events, including the Madison Council and exhibit openings held in the Library's buildings. The Library's background investigations program year-end statistics reflected 603 case openings, in line with the 620 in fiscal year 2001, yet still 10% higher than fiscal 1999; and 619 case closings, up 4% from last fiscal year, and 28% higher than fiscal 1999 figures. Contractor cases continue to represent a significant share of the workload - 45% of initial cases and 51% of closed cases. Administrative action resulted from twenty background investigation cases, which generally involved issues of material falsification, adverse employment, or criminal history. Year-end statistics for criminal investigations showed that forty-one investigative inquiries were conducted that related to reports of suspected theft and mutilation of collection material, thirty-eight of which were closed; and

thirty-six investigations related to the theft of government property and violations of Library regulations, fifteen of which were closed.

FY 2003 PRIORITIES

For FY 2003, the Office of Security and Emergency Preparedness priorities are to: continue to improve the physical security of the Library's buildings, assets, and staff through the sustained implementation of the Library's Security Enhancement Implementation Plan; continue to implement the collections security controls outlined in the Library's 1997 Security Plan through an updated, integrated schedule of actions addressing policy, standards, operations, security awareness, and resources; continue to provide professional and timely security services pertaining to physical security, criminal investigations, background investigations, and other police/security events as necessary and continue with implementation of the Library's Emergency Preparedness Program. Specifically the Office of Security and Emergency Preparedness will:

- Continue to manage the Police Communications Center consolidation, which will integrate the two existing command centers in the James Madison and Thomas Jefferson buildings into one upgraded center located in the Thomas Jefferson building.
- Continue to manage the integration of the new and upgraded intrusion detection system.
- Monitor AOC construction and installation of improved entry/perimeter security, which includes bollards, curb walls, police shelters, vehicle barriers, modifications to building entrances to accommodate enhanced security screening, additional exterior CCTV, and improved exterior lighting around the Library's Capitol Hill buildings. Prepare quarterly progress reports for Library management, the Capitol Police Board, and congressional committees as required.
- Monitor and achieve milestones outlined in the collections security program working documents.
- Continue to provide professional and timely security services pertaining to physical security, criminal investigations, background investigations, and other police/security events as necessary.
- Work with the Capitol Police in the development of a police merger plan.
- Develop further the emergency management program.

FY 2004 PRIORITIES

The Office of Security and Emergency Preparedness will continue to improve the physical security of the Library through the sustained implementation of the Library's Security Enhancement Implementation Plan, which will include continuing to improve the Library's entry/perimeter security, which will be complete by the close of FY 2004, and includes the installation of bollards, curb walls, police shelters, and vehicle barriers; and, continue the installation and construction of physical upgrades, and include modifications to building entrances to accommodate expanded entry screening, and additional exterior closed circuit television monitoring (CCTV) and exterior lighting around Capitol Hill buildings, and includes additional police posts; hire police to cover new posts, reduce overtime and meet standards; continue to work with the Capitol Police on the police merger plan; improve police communications; continue implementation of the Library's collections security controls; and continue to provide professional and timely security service as required and in support of the Library's mission. In addition, the Office of Security and Emergency Preparedness will complete a realignment of functions and formally establish an emergency management program to assume it's new and expanded responsibilities for emergency preparedness.

FY 2004 BUDGET REQUEST

A total of **\$26.1 million** is requested for the Security Office and Emergency Preparedness in FY 2004. Funding includes \$1.04 million for mandatory and price level increases, and \$7.3 million and 59 positions/FTEs for program changes.

<u>PROGRAM CHANGES</u>	\$7,309,000/59 FTEs
<u>Physical Security - Police Command Center/Intrusion Detection System</u>	(\$1,077,000/1 FTE)

In 1999, a total of \$5 million was provided to the Library to fund its *Security Enhancement Implementation Plan*, Tasks 11.1 and 11.2, Command Centers Consolidation, Intrusion Detection Systems (IDS) Enhancement and to improve police communications. However, the FY 1999 appropriation was based on FY 1998 estimates. Due to new unforeseen requirements, new technology not being available in FY 1998, and the time lag in implementing the plan, additional funding of \$1.075 million is required for the completion of these tasks. Funding supports the following:

- 1) Police crash telephone system \$350,000**
The Crash Telephone System for Perimeter Physical Security Upgrade was underestimated by \$350 thousand.
- 2) Design and reconfiguration of police space \$500,000**
Design and reconfiguration of space to: consolidate administrative functions; and

provide male and female police supervisor locker rooms; a uniform and equipment storage room; a Lost and Found office; a secured evidence storage room, conference room, file room, and related furnishings.

3) ITS cabling and wiring \$50,000

Cabling and wiring is required to provide CATV in the new PCC for monitoring of major news networks, i.e., CNN, C-Span, etc.

4) Furnishings and equipment for Police Operations \$50,000

New furniture is required to complete the consolidation of the police operations in LJ G-40.

5) System Administrator \$92,000

One position/FTE (GS-13) is required to manage the operation and maintenance of the new and expanded primary intrusion detection system. The Library does not currently have the resources to perform this function, which will constitute a new program requirement. The System Administrator will configure, operate and maintain the C-Cure 800 Access Control and Alarm Monitoring System being installed pursuant to PL 105-277, the 1999 Omnibus Emergency Supplemental Appropriations Act.

6) A Secondary (alternate) Emergency Management facility . \$35,000

A back-up facility is needed in the Thomas Jefferson building to back-up the primary Emergency Management Center (EMC) in the James Madison building currently under design. A back-up facility is needed in the event the primary EMC is rendered unusable or otherwise inaccessible due to a severe emergency situation in the James Madison building. The requirements for this secondary center are minimal but do necessitate acquisition of large viewing screens, communications and video links to the PCC, and CATV.

Physical - Security - Emergency Management (\$391,000/4 FTEs)
Support

The unprecedented threat of terrorist attacks against the United States and its institutions has dramatically increased the need for government agencies to strengthen their emergency preparedness posture. The Library of Congress has embarked on an aggressive program to develop the capability to mitigate, prepare for, respond to, and recover from all types of emergencies. The Library has made significant progress in emergency planning and preparedness through a series of initiatives accomplished by a cadre of temporary and part-time staff. However, it is critical that the Library acquire a full-time, professionally experienced, staff and associated resources to establish a viable emergency preparedness program that parallels other federal government and Capitol Hill agencies capabilities.

Library's Hazards, Threats, and Preparedness:

The Library conducted a threat and preparedness analysis, polling members of the Emergency Management Team, on their view of how likely the Library would be affected by natural and man made disasters. This information was cross-referenced to the District of Columbia hazard analysis for accuracy. In addition to the hazard and preparedness analysis, a facility threat assessment (based upon Department of Justice guidelines) was completed to assess the likelihood of any of the Library's Capitol Hill buildings being a terrorist target.

Based upon the hazard threat analysis, the Library of Congress has a natural disaster score of 3.2 and a man made disaster (including terrorism) score of a 4. This was based on a 0 to 5 scale (0 being no hazard, 5 being the highest threat of hazard).

The Library's overall preparedness is a 2 based on a 0 to 5 scale (0 being not prepared and 5 being well prepared).

The Library's terrorism threat assessment, scored a 10, on a scale of 1 to 12 (12 being the most vulnerable). This assessment was based upon the Department of Justice Terrorism Threat Assessment Guidelines of criticality, visibility, value, access, threat of hazard, site population, and collateral mass casualties.

In previous years, the Library's Emergency Management Team has coordinated emergency management mitigation, preparedness, response, and recovery. The team is made up of various management personnel at the Library of Congress with emergency management planning and incident coordination as an additional and/or collateral duty to their already heavy workload. In the wake of the 9/11 attacks as well as the anthrax incidents, it has been determined that it is necessary to supplement existing resources with people who specialize in mitigation, preparedness, response and recovery. This is due in part to the time it takes to plan and train for emergency and disaster response, form relationships with other response agencies, and keep abreast on the latest trends and technology in the emergency management and Homeland Security field. In addition to emergency management duties, assigned personnel will coordinate Business Recovery Planning, Continuity of Operations and Continuity of Government planning. Currently, most agencies contract for these services, which is not very cost effective and contractors do not always have the best interest of the agency in mind. Most high-visible government agencies employ full-time emergency management personnel. For example, the House of Representatives has established an Office of Emergency Preparedness, Planning, and Operations and the Senate Sergeant-at-Arms has established an Office of Emergency Preparedness.

Not funding this initiative could severely impact the Library's ability to coordinate with the appropriate federal, state, and local agencies and with its ability to prepare for, respond to, and recover from, even the most minor emergency or disaster. If the Library

cannot adequately recover from an emergency or disaster, no matter how small, it could adversely affect the well being of our staff, visitors, national treasures as well as have a negative impact on the continuity of government operations.

Staffing Request:

Funding supports the salaries and expenses of four new positions (FTEs). Staffing levels were based on an analysis of the different duties required by the office. The general duties of the office include planning, training and exercises, operations (response and recovery), administrative, interagency coordination, and management. Request for four positions is based upon projected workloads and staffing levels of similar offices in federal agencies and in state and local emergency management agencies.

Funding includes \$316K for salary and benefits and \$75K for other support costs as follows:

- **Emergency Management Program Manager - GS 14**

Responsible for the coordination of staff training, exercises, plan review and development, incident response and recovery to include managing the Library's Emergency Management Center, and attendance at meetings and conferences as necessary. The manager would serve as the principal LOC liaison to other outside agencies (FEMA, the Capitol, District of Columbia, etc.) on emergency management matters.

- **Two Emergency Management Officers (EMO) GS 12/13**

Responsible for staff training, exercises, plan review and development, incident response and recovery, rotational on call, and attendance at meetings and conferences as necessary.

- **One Emergency Management Technician (EMT) GS 9/11**

Responsible for administrative support and assistance with staff training, Emergency Management Center and incident response and recovery, and attendance at meetings and conferences as necessary.

- **Travel - \$10K - Travel to various conferences on emergency management. This is based upon five, five-day trips totaling approximately \$2.5K per trip.**

- **Communications - \$18K - Mobile Phones, radios, pagers and service - To be reachable in the event of an emergency and for incident coordination and communication.**

- **Training/Conference Fees - \$8K** - Assumes ten conferences, local and long distance, at \$1K per conference.
- **Furniture and Equipment - \$39K** - Supports desktop computer with monitors, and laptop computers with docking stations; a secure telephone unit to speak to other government agencies in a secure manner regarding national security

Physical Security - Collections

(\$1,000,000/0 FTE)

A total of \$3 million (\$1 million each in FY 2004 - 2006) is requested to continue the Library's program of enhancing collections security. Funding will address the remaining electronic access control and primary intrusion detection systems needs identified by the 1997 Plan's risk framework. Full funding will also enable the Library to complete approximately 86% of all physical security needs established in the 1997 Plan.

The Library's Security Plan published in October, 1997 and approved by the Congress in early 1998, focused on the critical need for effective access control: "Access gained by staff and readers shapes the threat of theft, attempted theft, and mutilation of the collections." Electronic access and timely intrusion detection controls significantly enhance traditional mechanical lock and key controls by:

- Eliminating vulnerabilities created by the loss of keys. (The Office of Security and Emergency Preparedness can immediately deactivate a lost electronic key card and not be forced to change multiple mechanical locks and reissue keys.)
- Enabling "time of entry" controls, precluding access by unauthorized staff and members of the public. Enables system-wide control and flexibility in programming access for standard work hours, all hours, and special access requirements.
- Compartmentalizing staff access, ensuring that only staff members with established access needs may gain entry to select locations.
- Facilitating the control of access by the police and other initial responders during emergencies.
- Tracking "record of use," facilitating the identification of users on a 24-7 basis.
- Alerting the police to intrusions by unauthorized personnel.

The FY 2004 budget cycle offers the first opportunity for the Library to "build out" the remaining unmet electronic systems security requirements established in the Security Plan. The current AOC managed electronic systems in-place (Vikonics) will be replaced by an LC administered Sensomatic system. (The Library is committed to adopt by Memorandum of Understanding electronic systems compatible with those employed by the USCP.). While the Library anticipates that the AOC will transfer some fraction of

costs the AOC currently expends in the repair, maintenance, and replacement of the Vikonics intrusion detection system, at best, the AOC will only transfer funds associated with the Vikonics systems in place. The AOC cannot be expected to cover costs associated with additional systems that will be installed as part of the Library's Security Enhancement Implementation Plan. The Library's deferred requesting funding for this initiative because of the pending transition from Vikonics to Sensomatic systems. The activation of the Library's Office of Security and Emergency Preparedness administered Sensomatic systems in late FY 2003 will enable the Library to address remaining electronic security systems needs as first identified in the FY 1997 Security Plan.

This initiative will expand electronic access controls and intrusion detection systems by installing card readers, intrusion detection sensors, and magnetic locks in selected locations in Library Services, the Copyright Office, Law Library, and the Congressional Research Service (CRS). Specific areas and items include: Library Services' *platinum* and *gold* collections items in several divisions including: Geography and Map, Manuscripts, Prints and Photographs, Music, Rare Book and Special Collections, Motion Picture and Recorded Sound, and Conservation.

To ensure a seamless integration with the ongoing consolidated Police Communications Center construction, the Library is requesting \$1 million each for three years, enabling an orderly build-out of the access control systems.

Full funding of approximately \$3 million would support the following:

- Card readers - 275 @ \$6,600 each - **\$1.815M**
- Door alarm contacts - 292 @ \$1,200 each - **\$350K**
- Motion detectors - 571 @ \$1,400 each - **\$799K**
- Magnetic locks - 54 @ \$5,600 each - **\$302K**

Once completed, recurring costs would total approximately \$327 thousand a year or 10% of the initial purchase, for annual repair and maintenance costs.

If disapproved, the Library will continue facing higher risks to the security of its priceless collections. Inadequate controls in place significantly heighten the Library's exposure to the risk of theft and mutilation of the collections. State of the art electronic access and intrusion detection controls will enable the Library to manage effectively, risks posed by insiders as well as the million plus visitors. Eliminating vulnerabilities created by the loss of keys; enabling "time of entry" controls; compartmentalizing staff access; facilitating the control of access by the police during emergencies; tracking "record of use"; and timely detection of unauthorized entry are critical components of the Library's plan. Failure to fund this initiative will preclude the timely reduction of risk to the Library's

priceless assets. Without the funding, the Library will also fail to address vulnerabilities that could be exploited by staff or visitors with the criminal intent to harm persons, steal valuable items, or damage/destroy LC facilities.

Physical Security - Police Staffing

(\$4,841,000/54 FTEs)

A total of 108 new police positions/FTEs are needed to meet the Library's growing security responsibilities. In FY 2004, funding is requested for **54 positions/FTEs or 50% of the total requirements, with the balance requested in FY 2005.**

Pursuant to PL 105-277, the Library of Congress Security Enhancement Implementation Plan resulted in an expansion of the Library of Congress Police Force. However, since the September 11, 2001, terrorist attacks, the Library has experienced an unprecedented challenge in providing additional security measures to protect it's facilities, staff, researchers, visitors, and collections while remaining an open and accessible institution. New posts had to be established, with existing posts augmented with additional police officers and/or hours. The additional staffing requirements created several problems in FY 2002 including:

- Excessive police overtime.
- Erosion of officer and staff safety by reduction of minimum staffing levels at key posts.
- Curtailment of interior/exterior roving patrols to satisfy fixed posts staffing.
- Low police officer morale due to mandatory excessive overtime, compromise of officer safety, denial of annual leave requests, and constant days-off schedule changes.
- Increase in complaints against overextended police officers.

Effective September 2002, the Library police returned to three eight-hour shifts (vs two twelve-hour shifts). Police management's target is to limit police office overtime to a range of 10-15 percent about the base eight-hour work shift as compared to the 16-40 percent rate in FY 2002. Coverage will be limited to posts already staffed and reductions in hours and post closings in FY 2002 will not be restored in FY 2003, impacting staff and visitors accessibility of the Library's buildings and collections.

The Library is requesting additional police positions to: 1) meet minimum staffing levels at all public building entrances to ensure office safety; 2) staff new and enhanced fixed exterior posts; and 3) ensure an overtime rate that does not exceed the 10-15 percent above the standard 40-hour workweek. Examples of new police posts include staffing

pop-up security barriers, the reconfigured Thomas Jefferson building southeast door, expanded building patrols, and the reconfigured loading dock and garages.

The total annual man-hours required to staff posts is 276,526. In order to meet the minimum staffing requirements, an additional 104 police FTEs and 4 civilian FTEs are required. The number of required FTEs is calculated by dividing the number of minimum man-hours required to meet annual staffing requirements by 1,572 (the average number of hours an officer is available for duty per year) 276,526 man-hours divided by 1,572 available hours per officer equals 176 FTEs. The current authorization for new privates is 91. Therefore, an additional 85 private FTEs are required to fulfill minimum staffing. With the increase in private FTEs, additional management/supervisory and administrative FTEs are necessary to facilitate a span of control which will promote an efficient and effective discharge of duties and responsibilities.

Non-approval of the police staffing increase request would result in:

- Inability to staff three newly installed exterior police shelters with controls to operate vehicle pop-up barriers.
- Unsafe staffing level at building entrances and at current exterior access control points, e.g., garages, loading docks.
- Further reduction of police interior patrols thereby placing the collections at risk to frequent environmental hazards.
- Elimination of dedicated exterior patrols for three principal buildings.
- Reduction of supervision and oversight of police operations.
- Pressure to increase police overtime to meet minimum staffing.
- Shut-down of selected police posts.
- Inability to fulfill requests for police support of Library special events.
- Accelerated attrition of on-board officers faced with little or no relief.

The costs associated with these additional FTEs are as follows:

Pay:

<u>Position</u>	<u>FTE</u>	<u>Total Salary & Benefits Cost</u>
Private SP-01	38	\$2,143
Sergeant SP-08	7	505
Lieutenant SP-10	2	170
Captain SP-12	1	93
Inspector SP-14	2	216
Deputy Chief SP-16	1	131
Program	2	181
Specialist GS-13		
Training	1	76
Specialist GS-12		
Overtime		525
Differential Pay		105
Transit Subsidy		65
Sub-total, Pay	54	\$4.210M

Non-Pay:

Mandatory Travel (\$1.5K X 38)	\$ 57
Telephone	\$ 5
Printing/Copier	\$ 7
FLETC Instructor Reimbursement Costs	\$ 20
Mandatory Training (\$2.5K X 38)	\$ 95
Security Investigations (\$3.15K X 38)	\$ 120
Consultant Support - Selection Process	\$ 100
Cleaning and Laundering (\$300 X 51)	\$ 15
Uniforms (\$1.5K X 51)	\$ 76
Office Supplies	\$ 5
Automation Equipment (\$3K X 9)	\$ 27
Furniture and Workstation (\$3K X 9)	\$ 27
Security Equipment (\$1.5K X 51)	\$ 77
Sub-total, Non-Pay	\$.631M
Total FY 2004 REQUEST	\$ 4.841M

LIBRARY OF CONGRESS

Copyright Office

Salaries and Expenses

**Library of Congress
Copyright Office, Salaries and Expenses
Analysis of Change
(Dollars in Thousands)**

	FY 2004	
	Agency Request	
	FTE	Amount
Appropriation, FY 2003	530	\$39,226
Minus: Rescission		<u>255</u>
Adjusted Appropriation, FY 2003		\$38,971
Non-recurring Costs		0
Mandatory Pay and Related Costs:		
Comparability pay raise 2004		743
Annualization of pay raise 2003		314
Within-grade increases		237
One Extra Day		<u>109</u>
Total, Mandatory Pay and Related Costs		1,403
Price Level Changes		166
Program Increases:		
Appropriation Restoration		5,650
IT Reengineering		<u>2,100</u>
Total, Program Increases	0	7,750
Net increase/Decrease	<u>0</u>	<u>\$ 9,319</u>
Total Budget	530	\$48,290
Total Offsetting Collections	<u>0</u>	<u>-29,664</u>
Total Appropriation	530	\$18,626

**Library of Congress
Copyright Office, Salaries and Expenses**

Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$25,766	\$22,693	\$28,472	+ \$5,779
12 Personnel Benefits	5,578	5,187	6,460	+ 1,273
13 Benefits for Former Personnel	31	18	18	0
21 Travel	150	272	277	+ 5
22 Transportation of Things	5	28	28	0
23 Rent, Communications and Utilities	654	876	889	+ 13
24 Printing and Reproduction	426	587	597	+ 10
25 Other Contractual Services	4,213	6,960	9,163	+ 2,203
26 Supplies and Materials	233	380	386	+ 6
31 Equipment	601	1,968	1,998	+ 30
41 Grants	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
43 Interest	0	2	2	0
94 Finance Transfers	0	0	0	0
Total, Budget	\$37,657	\$38,971	\$48,290	+ \$9,319

¹ Reflects the FY 2003 Enacted level, less the rescission.

**Library of Congress
Copyright Office, Salaries and Expenses**

**Estimated Value of Materials Transferred
to the Library of Congress in FY 2002**

(Dollars in Thousands)

Category of Work	Registered Works	Deposit- Only Works	Total Items Transferred	Average Unit Price	Value of Items Transferred
Books ¹	198,745	68,945	267,690	\$47.33	\$12,670
Serials ²	197,565	313,363	510,928	15.75	8,047
Computer-related works	7,143	2,858	10,001	277.46	2,775
Motion Pictures ³	8,932	448	9,380	579.37	5,434
Music	45,134	1,262	46,396	33.03	1,532
Dramatic Works, Choreography, and Pantomimes	978	0	978	58.41	57
Other Works of the Performing Arts	199	0	199	33.03	7
Sound Recordings	42,344	3,166	45,510	13.41	610
Maps	2,320	11	2,331	33.94	79
Prints, Pictures, and Works of Art	2,994	97	3,091	27.43	85
Total	506,354	390,150	896,504		\$31,296

¹ 60 percent of "Books" are selected for the collections; 40 percent are used for the Library's exchange program.

² 60 percent of "Serials" are selected for the collections.

³ Includes 537 copies selected by the Library under motion picture agreements.

**Library of Congress
Copyright Office, Salaries and Expenses**

Income and Obligations - FY 1999 - 2004

(Dollars in Thousands)

	1999	2000	2001	2002	2003 Estimate	2004 Estimate
Income:						
Fees credited to appropriation	\$16,000	\$20,800	\$21,759	\$19,684	\$23,321	\$23,321
Royalties credited to Licensing appropriation from Cable, Satellite and DART	2,766	2,989	3,261	3,396	3,515	3,650
Royalties credited to CARP appropriation from Cable, Satellite and DART	632	729	1,116	742	2,636	2,693
Estimated value of materials selected by the Library	36,435	32,310	31,857	31,296	32,052	32,694
Total Income	\$55,833	\$56,828	\$57,993	\$55,118	\$61,524	\$62,358
Obligations:						
Salaries	\$26,965	\$28,577	\$29,830	\$31,375	\$27,898	\$34,950
Other Obligations	4,740	6,122	6,837	6,282	11,073	13,340
Total Obligations	\$31,705	\$34,699	\$36,667	\$37,657	\$38,971	\$48,290
RATIO of Income to Obligations	176%	164%	158%	146%	158%	129%

OVERVIEW

The Copyright Office has three major budgetary activity areas: Basic, Licensing, and Copyright Arbitration Royalty Panels. Functions include:

- Processing claims for copyright registration, documents for recordation, and works deposited under the mandatory deposit provisions of the law; creating public records of these actions; and providing copies of deposited works for the Library's collections.
- Assisting congressional committees in drafting and analyzing legislation relating to intellectual property and providing information to the U.S. Trade Representative, the State Department, the Commerce Department, the public and other customers on domestic and international copyright laws.
- Administering the national compulsory licensing provisions of P.L. 94-554, the Audio Home Recording Act of 1992, and the Satellite Home Viewers Act. Approximately \$200 million in royalty fees are collected annually, from cable television systems, importers and manufacturers of digital audio recording equipment and media, and from satellite carriers who retransmit copyrighted television broadcasts across the United States.
- Convening Copyright Arbitration Royalty Panels (CARPs) to determine distribution of royalties and adjusting royalty rates for the various compulsory licenses and statutory obligations of the Copyright Office.

FY 2002 ACCOMPLISHMENTS

- Continued progress on an intensive multi-year effort to re-engineer principal Copyright Office public services – registering claims, recording documents, acquiring works for the Library of Congress, answering public requests, maintaining records, and accounting – including, where possible, online availability of these services. Implementation was addressed on four fronts – process, organization, facilities, and information technology. The re-engineering program proceeded on schedule, involving many staff in the redesign of Copyright Office work processes, and engaged in cooperative efforts with divisions of the Library of Congress in areas of shared interest. These efforts moved the Office toward the implementation phase, scheduled for FY 2003 - 2005.
- Registered more than 520,000 claims and transferred almost 900,000 works, valued at over \$31.3 million, to the Library.
- Reduced works on hand, to be examined, by 75% since the beginning of the reduction project in FY 2001, reducing the time required to issue a certificate.

- Reduced works on hand, to be cataloged, by 57%, making registration records more rapidly available via the internet.
- Recorded 10,506 documents containing nearly 218,000 titles.
- Revised fees for several copyright services.
- Provided advice and assistance to Congress on (1) the Intellectual Property Restoration Act regarding state sovereign immunity and copyright, (2) the Office's Digital Millennium Copyright Act section 104 report regarding specific digital issues, (3) Copyright Arbitration Royalty Panel reform, and (4) the Technology, Education and Copyright Harmonization (TEACH) Act regarding digital distance education and copyright.
- Assisted in preparation of the respondent's brief to the Supreme Court in *Eldred v. Ashcroft*, a case challenging the constitutionality of the Sonny Bono Copyright Term Extension Act of 1998.
- Issued final, interim or proposed rules in such areas as postal mail disruption, group registration of contributions to periodicals, and certain compulsory and statutory licenses.
- Launched a new Web site (www.copyright.gov) that provides enhanced access to frequently-requested pages, a new way to search the office's public records, a step-by-step guide to registration, and a streamlined look that makes locating information easier and faster. Logged 13 million hits to key pages of the Web site, an 8% increase, and responded to 358,604 in-person, telephone, and e-mail requests for information.
- Initiated use of Pay.Gov, a form of EFT for internet-based royalty payment, increasing electronic fund transfers (EFT) to over 90% of royalty remittances.
- Distributed \$110 million in royalty fees to copyright owners.
- Administered eight CARP proceedings; five were rate adjustment proceedings and three distribution proceedings. Four of the rate adjustment proceedings involved setting rates and terms for the digital performance right in sound recordings (17 U.S.C. 114), and the statutory license for the making of ephemeral recordings to facilitate these transmissions (17 U.S.C. 112). The fifth proceeding involved setting rates and terms for the statutory license for the use of certain copyrighted works in connection with noncommercial broadcasting (17 U.S.C. 118). The distribution proceedings dealt with cable royalties and digital audio recording.

FY 2003 PRIORITIES

- Lay final groundwork for FY 2004-2005 re-engineering implementation along four fronts: process, organization, facilities and information technology. Complete analysis of the "Administer Licenses" process; prepare a space design study; complete an organization package; bargain with labor organizations; let contracts and begin IT systems development; and implement the initial phase of a training plan.
- Advise and assist Congress on legislative initiatives in the areas of CARP reform, webcasting, re-authorization of the section 119 license for satellite transmissions, and other intellectual property areas that arise. Advise and assist the executive branch regarding the World Intellectual Property Organization (WIPO) treaty on the rights of broadcasting organizations.
- Conduct a rulemaking pursuant to 17 U.S.C. §1201 of the Digital Millennium Copyright Act (DMCA) to determine whether any particular classes of works may be exempt from the general prohibition on circumvention of technological measures used to protect copyrighted works.
- Complete the bulk of work on an evaluation of the Vessel Hull Design Protection Act.

FY 2004 PRIORITIES

- Begin implementation of reengineered processes through facility reconfiguration and construction, new organizational structure, staff training, and intensive development of integrated IT systems to replace multiple legacy systems.
- Issue final rules pursuant to 17 U.S.C. §1201 of the Digital Millennium Copyright Act (DMCA).
- Complete, present to Congress, and disseminate an evaluation of the Vessel Hull Design Protection Act.
- Advise Congress on legislative initiatives in the areas of CARP reform, webcasting and other intellectual property areas that arise.

FY 2004 BUDGET REQUEST

At the start of FY 2003, the Copyright Office had approximately \$3.85 million in its no-year account, of which it plans to spend \$1.821 million for re-engineering activities, leaving a balance of \$2.029 million in the account.

In FY 2004, the Copyright Office proposes to use \$1.821 million, from its no-year account, for two purposes: (1) to partially fund the IT Initiative (\$1.441M) and (2) to

continue implementing business process re-engineering (\$380K). The balance of \$200K will be left in reserve.

The FY 2004 budget request of the Copyright Office is **\$48.29 million**, an increase of \$9.3 million over FY 2003. The increase includes mandatory increases (\$1.4M), price level increases (\$166K), and program changes (\$7.8M).

PROGRAM CHANGE **\$7,750,000**

Appropriation Restoration **(\$5,650,000)**

The Copyright Office is requesting the restoration of \$5.65 million in base funding. In FY 2002, the Office was provided \$7.5 million in supplemental funding to cover potential receipt shortfalls due to the disruption of U.S. mail delivery following the anthrax incidents. Once all the mail was processed, at the end of FY 2002, \$5.6 million of the funds remained available and was subsequently used to offset the FY 2003 appropriation, requiring the Copyright Office to use its remaining no-year funds for basic operations in FY 2003. Restoration of funds is needed to support the Copyright Office's ongoing operations and re-engineering project.

IT Re-engineering **(\$2,100,000)**

Funding is requested for increased contractor support to build information technology systems. The FY 2004 request for \$2.1 million, in new net appropriations and spending authority, is part of a total of \$4.61 million funding to build integrated information technology systems for re-engineered Copyright Office processes.

The additional funds for IT re-engineering will come from receipts in the Office's BASIC fund no-year account (\$1.441 million) and (\$1.069 million) in the base. The Office will be designing its IT systems to improve public services and meet the demand for online delivery of services. The Copyright Office online services will be a major source for the deposit of digital works to the Library of Congress.

The Copyright Office formed a Re-engineering Program Office to oversee implementation, which is expected to be completed in FY 2005. The multi-year effort to re-engineer Copyright Office processes called for a new technology infrastructure, both hardware and software. In 2001-2003, the Copyright Office:

- Developed a comprehensive IT strategy.
- Completed an information technology requirements analysis, including logical systems components and candidate software packages, and received IBM's recommendations of changes needed for information technology to support re-engineered business processes.

- Planned the sequencing of IT components such as workflow management, document management, scanning, fiscal processing, etc.

The Copyright Office has explored government-wide agency contracts (GWACs) for IT systems development and several potential offerors on those GWACs to determine the optimum procurement path. A task order contract has been awarded to build and integrate the Copyright Office's information systems. The Office expects that most, or all, of the work will be done through outsourcing tasks to contractors skilled in building state of the art systems. The bulk of the systems development effort will occur during late FY 2003 and 2004.

Development of the solutions will follow generally accepted system life cycle phases. For each required process there will be an *analysis phase* during which the developer will study the findings from the requirements analysis and refine them through more detailed analysis and discovery. This will be followed by a design phase to match the requirements with either off-the-shelf or custom software or some combination of the two, all of which must be compatible with the Library's data center environment. Following the design will be the building, buying, and/or modifying of the software and then the testing and implementation.

In FY 2004-2005, the Office will begin to move into its redesigned process, organization and facilities, supported by a robust, integrated IT system architecture.

Detailed funding tables for the Copyright Office's activities in Basic, Licensing and CARP funds are presented under the next three tabs.

Library of Congress
Copyright Office, Salaries and Expenses
Basic
Analysis of Change
(Dollars in Thousands)

	FY 2004	
	Agency Request	
	<u>FTE</u>	<u>Amount</u>
Appropriation, FY 2003	492	\$33,035
Minus: Rescission		<u>- 215</u>
Adjusted Appropriation, FY 2003		\$32,820
Non-recurring Costs		0
Mandatory Pay and Related Costs:		
Comparability pay raise 2004		668
Annualization of pay raise 2003		282
Within-grade increases		213
One Extra Day		<u>98</u>
Total, Mandatory Pay and Related Costs		1,261
Price Level Changes		116
Program Increases:		
Appropriation Restoration		5,650
It Reengineering		<u>2,100</u>
Total, Program Increases	0	7,750
Net Increase/Decrease	<u>0</u>	\$ 9,127
Total Budget	492	\$41,947
Total Offsetting Collections	<u>0</u>	<u>- 23,321</u>
Total Appropriation	492	\$18,626

**Library of Congress
Copyright Office, Salaries and Expenses
Basic**

Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$23,794	\$20,423	\$26,087	+ \$ 5,664
12 Personnel Benefits	5,148	4,653	5,900	+ 1,247
13 Benefits for Former Personnel	29	18	18	0
21 Travel	140	255	259	+ 4
22 Transportation of Things	4	21	21	0
23 Rent, Communications and Utilities	644	848	861	+ 13
24 Printing and Reproduction	348	446	453	+ 7
25 Other Contractual Services	3,358	3,956	6,115	+ 2,159
26 Supplies and Materials	219	362	367	+ 5
31 Equipment	561	1,837	1,865	+ 28
41 Grants	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
43 Interest	0	1	1	0
94 Finance Transfers	0	0	0	0
Total, Budget	\$34,245	\$32,820	\$41,947	+ \$9,127

¹ Reflects the FY 2003 Enacted level, less the rescission.

**Library of Congress
Copyright Office, Salaries and Expenses
Licensing Division
Analysis of Change
(Dollars in Thousands)**

	FY 2004 Agency Request	
	<u>FTE</u>	<u>Amount</u>
Appropriation, FY 2003	32	\$3,538
Minus: Rescission		<u>23</u>
Adjusted Appropriation, FY 2003		\$3,515
Non-recurring Costs		0
Mandatory Pay and Related Costs:		
Comparability pay raise 2004		62
Annualization of pay raise 2003		26
Within-grade increases		20
One Extra Day		<u>9</u>
Total, Mandatory Pay and Related Costs		117
Price Level Changes		18
Program Increases		0
Net Increase/Decrease	<u> </u>	<u>\$ 135</u>
Total Budget	32	\$3,650
Total Offsetting Collections	<u>0</u>	<u>- 3,650</u>
Total Appropriation	32	\$ 0

**Library of Congress
Copyright Office, Salaries and Expenses
Licensing Division**

Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$1,659	\$1,868	\$1,963	+ \$ 95
12 Personnel Benefits	358	412	433	+ 21
13 Benefits for Former Personnel	2	0	0	0
21 Travel	10	13	13	0
22 Transportation of Things	0	1	1	0
23 Rent, Communications and Utilities	10	27	27	0
24 Printing and Reproduction	27	40	41	+ 1
25 Other Contractual Services	751	1,011	1,026	+ 15
26 Supplies and Materials	14	16	17	+ 1
31 Equipment	40	126	128	+ 2
41 Grants	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
43 Interest	0	1	1	0
94 Finance Transfers	0	0	0	0
Total, Budget	\$2,871	\$3,515	\$3,650	+ \$135

¹ Reflects the FY 2003 Enacted level, less the rescission.

**Library of Congress
Copyright Office, Salaries and Expenses
Copyright Arbitration Royalty Panels
Analysis of Change
(Dollars in Thousands)**

	FY 2004	
	Agency Request	
	<u>FTE</u>	<u>Amount</u>
Appropriation, FY 2003	6	\$2,653
Minus: Rescission		<u>- 17</u>
Adjusted Appropriation, FY 2003		\$2,636
 Non-recurring Costs		 0
 Mandatory Pay and Related Costs:		
Comparability pay raise 2004		13
Annualization of pay raise 2003		6
Within-grade increases		4
One Extra Day		<u>2</u>
Total, Mandatory Pay and Related Costs		25
 Price Level Changes		 32
 Program Increases		 0
 Net Increase/Decrease	<u> </u>	 <u>\$ 57</u>
 Total Budget	6	\$2,693
Total Offsetting Collections	<u>0</u>	<u>- 2,693</u>
Total Appropriation	6	\$ 0

**Library of Congress
Copyright Office, Salaries and Expenses
Copyright Arbitration Royalty Panels**

Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$313	\$402	\$422	+ \$20
12 Personnel Benefits	72	122	127	+ 5
13 Benefits for Former Personnel	0	0	0	0
21 Travel	0	4	5	+ 1
22 Transportation of Things	1	6	6	0
23 Rent, Communications and Utilities	0	1	1	0
24 Printing and Reproduction	51	101	103	+ 2
25 Other Contractual Services	104	1,993	2,022	+ 29
26 Supplies and Materials	0	2	2	0
31 Equipment	0	5	5	0
41 Grants	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
43 Interest	0	0	0	0
94 Finance Transfers	0	0	0	0
Total, Budget	\$541	\$2,636	\$2,693	+ \$57

¹ Reflects the FY 2003 Enacted level, less the rescission.

Library of Congress
Congressional Research Service

Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$56,208	\$60,722	\$64,856	+ \$4,134
12 Personnel Benefits	11,454	12,489	13,840	+ 1,351
13 Benefits for Former Personnel	6	8	8	0
21 Travel	170	304	371	+ 67
22 Transportation of Things	4	7	7	0
23 Rent, Communications and Utilities	736	814	826	+ 12
24 Printing and Reproduction	145	125	127	+ 2
25 Other Contractual Services	9,186	6,837	9,800	+ 2,963
26 Supplies and Materials	1,703	3,209	3,257	+ 48
31 Equipment	2,023	1,872	3,175	+ 1,303
41 Grants	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
43 Interest	0	0	0	0
94 Finance Transfers	0	0	0	0
Total, Budget	\$81,635	\$86,387	\$96,267	+ \$9,880

¹ Reflects the FY 2003 Enacted level, less the rescission.

OVERVIEW

The mission of the Congressional Research Service (CRS) is to work exclusively and directly for all Members and Committees of the Congress in support of their legislative and oversight functions. CRS provides high quality research and information services that are authoritative, timely, objective, nonpartisan, and confidential. The Service's expert staff support the Congress' decision making by addressing public policy issues in a multi-disciplinary, integrative manner. CRS also works cooperatively with other congressional support agencies – the Congressional Budget Office and the General Accounting Office – and with other formal entities of the Congress.

To carry out its mission, CRS offers a broad range of multi-disciplinary research services directly related to the public policy deliberations of the Congress. These include confidential, individual policy consultations and memoranda; analytic reports; econometric and computer – simulated modeling; risk assessments; and a secure CRS Web site available only to the Congress. CRS experts assist Members and their staff as they address public policy problems by analyzing the extent of the problems, options for addressing the problems, and the consequences of those options. This assistance is provided throughout the legislative process – from the development of legislative proposals; through the design and content of congressional hearings; during Member deliberations in committee, on the floor, and in conference; and as policy is implemented and evaluated.

FY 2002 ACCOMPLISHMENTS

The CRS FY 2002 Operating Plan consisted of three primary strategic goals and twenty-three subsidiary annual targets. In the successful achievement of those goals, CRS managers and staff provided a full range of analysis and information support services to assist the Congress in its work, maintained and enhanced the systems and resources – personal and non-personal – which, support those services, and planned strategically for the future. A summary review of CRS' FY 2002 performance follows:

- **Goal 1 - Provide non-partisan legislative analysis and information support that the Congress needs as it addresses policy issues.**
 - In FY 2002, CRS provided 811,467 research responses and services to the Congress. This represents an increase of 99,855 items – a 14 per cent increase over FY 2001. These included responses to 83,000 requests for analysis, information, and research resulting in: approximately 2,100 custom, confidential memoranda; more than 42,000 responses by telephone; and nearly 2,200 in-person briefings and consultations. Members and staff visited CRS research centers more than 33,000 times and accounted for over 10,000 participations in CRS seminars and training events. CRS prepared over 800 new reports and issues briefs in FY 2002 and maintained many of the 4,000 products it made available to the Congress throughout the year. CRS provided special assistance to congress as it deliberated over a large

number of current legislative issues. For 140 such issues, CRS maintained Web services providing ready access to products developed and maintained to meet evolving congressional needs. Over 500 products were incorporated in this Current Legislative Issues (CLI) system which is featured on the CRS Home Page. In FY 2002 congressional uses of CRS Web services exceeded 668,000.

- The nation's response to terrorism dominated the legislative agenda and was reflected throughout the most prominent legislative issues, including the global anti-terrorist campaign, laws governing intelligence gathering and the legal implications of that activity, war powers and the role of Congress (military action in Afghanistan and proposed action against Iraq), creation of a Department of Homeland Security, bio-chemical terrorism possibilities, border and transportation security, and other issues related to catastrophic terrorism preparedness and response. Additional issues of national concern included the deterioration of the economy, return to deficit financing, corporate integrity and accountability, Medicare and Social Security reform, and election reform. CRS assisted the Congress throughout its deliberations on these critical issues – as well as a myriad of other legal, economic, social, technical, and financial issues – through a wide array of means ranging from customized analysis to analyses offered to the general congressional audience. Analysts conducted confidential in-person briefings, prepared analytic memoranda and technical assessments, wrote new reports and updated hundreds of others. CRS also continued its development of Web-based analytic products, including clustering its report offerings on active legislative issues; offering analysis of 13 appropriations bills, supplementals, and congressional budget issues; and maintaining a selected group of electronic briefing books.
- The September 11, 2001, terrorist attacks and subsequent Hill-wide anthrax-related problems gave new urgency to work already underway to test and implement disaster recovery technology, work which has been closely coordinated with other legislative branch agencies and aligned with the subsequent proposal for a legislative branch alternative computing facility. Continuous enhancements to the Legislative Information System (LIS) included a new LIS Alert Service to notify users of new bills introduced and to track changes in their status, implementation of software to detect inadvertent or unauthorized alteration of files, and the development of real-time searching and hot links to the LIS. Despite an increase in threats and attempted intrusions, the CRS internal network was not compromised. Development of a high-availability, secure hardware environment to support directly the CRS Web-presence is well underway and scheduled for completion in FY 2003. All 4000+ CRS products made available to Congress in FY 2002 were provided electronically, via the Internet, in a variety of access methods and in print. Work begun in 2002 will expand dramatically the procurement of, management of, and access to large external databases in the conduct of

legislatively-relevant research and analysis, particularly in the fields of health and social services. This work will continue over the next several years.

- In addition to a series of public policy and legislative process orientation programs for congressional staff, a new self-subscribe Web-based system was introduced to notify Members and staff about CRS workshops and seminars on legislative policy issues. Live Webcasting of selected seminars was introduced and initial work was begun on development of a survey plan with which to assess client needs and satisfaction with CRS products and services.

Goal 2 - Ensure the intellectual capacity of CRS to continuously meet the changing needs of Congress and fulfill the CRS mission.

- Progress toward bringing on new permanent hires was slowed during the first half of FY 2002 due to the implementation of a new hiring process. However, from April through September of 2002, recruitment was conducted for 61 positions and 27 staff were hired. CRS maintained capacity to meet these hiring challenges and to satisfy the needs of the Congress via the following mechanisms: (1) contracts to acquire expertise in rapidly-evolving and/or highly-specialized disciplines/issues and areas in which CRS had major gaps in capacity, and to provide temporary capacity in advance of the completion of hiring actions; and (2) external research partnerships with universities, foundations, and sister agencies to produce research to supplement that of CRS.
- Mindful of the transformation of the role of librarians and other information professionals that is occurring in parallel to the global expansion of digital resources and processes, CRS initiated a functional review of such information positions. This effort, as well as the work completed in 2002 to update the position descriptions for all policy analysts and legislative attorneys, was in support of a target to develop and maintain the competencies critical to providing legislative support in an increasingly interdisciplinary and technology-based congressional environment.

Goal 3 - Develop and sustain an effective internal infrastructure to support CRS in effectively fulfilling its mission.

- In light of the security issues derived from the September 11 events and the anthrax contamination closures on Capitol Hill, CRS gave increased priority to ongoing efforts to maintain a secure, reliable, and accessible internal technological environment. In addition to implementing multiple Business Contingency Continuity Plan tasks, planning was initiated and funding is being sought (in this request) for a redesign of Inquiry Status and Information System (ISIS), the primary request tracking system, to permit portability to alternative computer facilities and to support remote access. All internal

servers were upgraded to assure high quality end-use computing performance.

- The security of communication with Congress, which is a critical and mandated requirement for CRS, was enhanced by installing network routers that encrypt email as it travels between CRS and the House and Senate. These security measures allowed for the first time the direct exchange of analysis between CRS and the Congress through the email system. To ensure uniformity of service, CRS announced the availability of this more secure system after the installation and configuration was completed for both chambers.
- While CRS continued to make refinements and improvements to the system that provides text analysis capability to identify relationships among bills, resources were also devoted to a broad initiative to identify software that can support CRS needs for text analysis of materials other than legislation.

FY 2003 PRIORITIES

In early October 2002, the Director held an executive management retreat to clarify business priorities and finalize the Service's FY 2003 Operating Plan. The FY 2003 plan carries forward from FY 2002 three strategic goals with updated performance targets. During the first quarter of FY 2003, the Service devoted significant resources to bringing on board the remaining new staff planned for FY 2002. In addition, CRS expects to lose more than 50 staff during the year and will devote the resources necessary to rehire a commensurate number given the long-term priority to preserve and maintain the research capacity that CRS has worked so hard to build. The specific positions selected for FY 2003 hiring are based upon anticipated gaps in issue areas (to meet the needs of the Congress) and capacity shortfalls in the Service's internal infrastructure (to ensure ongoing and seamless day-to-day operations).

By the end of FY 2003, CRS expects to have onboard over 700 full-time equivalents (FTEs). The projected net increase of over 20 FTEs from FY 2002 actual FTE usage reflects an aggressive level of effort in FY 2003 to rebuild the Service's permanent capacity during a period when a significant number of veteran staff are retiring. Based upon an analysis of the workforce profile, the Service's FY 2003 Operating Plan will propose adjusting its FY 2003 (and FY 2004) FTE ceiling to 729. The analysis reassessed the mix between permanent research staff and interim contract capacity and projected the salary and benefits costs of retaining the high level of expertise required to meet the needs of the Congress along with the need and cost to employ an expert technology infrastructure. While capacity shortfalls have been overcome in recent years using interim contractors, the Service's long-term needs in many public policy areas are better met with permanent staff. The Service expects to reach the 729 FTE ceiling by mid FY 2004 – a permanent staffing level not realized since 1994 – as it continues its efforts to rebuild.

During this year of staff recovery, CRS will focus on mentoring the staff and integrating their skills and abilities into the existing workforce to enhance the overall legislative analysis and information support to the Congress. CRS will continue to focus its work on the legislative needs of the Congress by increasing the sophistication of analysis and the accessibility of products and services.

FY 2004 PRIORITIES

In FY 2004, CRS is requesting additional resources to fund a number of initiatives that improve business processes and workforce practices in order to promote accomplishment of its mission and strategic goals:

- **Developing Efficient and Responsive Business Processes**
 - *Strengthening safeguards against the ongoing threat of terrorism.* The tragic events of September 11, 2001, mandate different and additional organizational procedures for every business entity, in both the public and private sectors, to confront and guard against the ongoing threat of terrorism. The Service's Technology Office has partnered with the Library of Congress' Information Technology Services (ITS) and the Architect of the Capitol (AOC) to plan and implement an Alternative Computing Facility and Disaster Recovery (ACF/DR) site. CRS will plan, design, and implement a backup facility that can support CRS and the Congress by mirroring the current technical environment. The ACF/DR will provide the functionality to permit CRS to resume service to Congress in the event that the Madison Building computer facilities are no longer available to the Service. Additionally, like most government information technology organizations, CRS has mission-critical applications that need to be available 24 hours a day and 7 days a week (24/7) under a variety of threat scenarios. ISIS is a CRS mission-critical application that is used to receive requests from Congress, assign the work to CRS analysts, track the work status through completion, and provide managers with key performance statistics and indicators. The current architecture of the ISIS application does not lend itself to secure 24/7 access from remote locations when the Library's computer facilities are not available, shortcomings that we intend to have corrected by the end of FY 2004 if funded. CRS will contract to reprogram the current ISIS application code to achieve system protability.
 - *Accessibility to information and research systems.* H.R. 5121, which was incorporated by reference into P.L. 108-7, "Making further continuing appropriations for fiscal year 2003," included language, directing CRS and the Library to take steps to ensure that the Service's materials are available to Congress whenever and wherever they may be required. Meeting this congressional mandate requires that CRS staff be as mobile as Congress and be able to work from a variety of places, other than their own offices. This need can arise in a number of different circumstances - including normal

work situations as well as emergencies. Under normal circumstances, for example, a CRS staffer working closely with a conference committee late at night in the Capitol may require secure access to statistical data that the committee needs to decide the final version of a distribution formula for a particular program. An example of an emergency situation is the anthrax incident that occurred in October 2001 and forced the evacuation of a number of congressional buildings, including the Library of Congress. CRS staff must have access to their research materials and to their systems for creating products so that they can perform analysis and disseminate that analysis to the Congress. CRS will implement technical solutions that ensure access – regardless of location – by the Congress to CRS products and by CRS staff to research materials and systems.

- **Reforming Workforce Policies and Practices**

- In FY 2002, CRS began evaluating workforce opportunities and authorities to improve the productivity, efficiency, and attractiveness of CRS as an employer. This encompasses continuing to provide the requisite work tools that staff need to produce the highest quality product for the Congress and supporting a work environment that enables CRS to attract, compete for, acquire, and retain a highly skilled, well-trained, motivated staff. In FY 2004, CRS will continue to match capacity to the changing needs of the Congress and find ways to ensure that CRS is a first choice research service-provider to the Congress and a first choice workplace for current and prospective staff.
- Realigning work assignments to maximize efficient use of CRS knowledge, skills, and abilities. The Congress relies increasingly on the Service's quantitative analysis to support its legislative deliberations. CRS analysts have been required to expend increasing amounts of time in data management activities at the sacrifice of some of their analytic work. These activities include data acquisition (e.g., locating and receiving data, tracking the release of periodically-updated data sets, and converting data formats), data library functions (e.g., cataloging, storage, retrieval, and searching) and data preparation (e.g., error corrections, file structure changes, data modification, and data set merging). CRS will develop the capacity to handle these fundamental data management tasks by assigning them to individuals whose skills and salaries are better matched to undertake these responsibilities, thereby freeing up the time of senior researchers to perform their analytic work.
- Improving retention and training programs. CRS, like much of the rest of the Federal government, has been facing a brain drain, with a large number of retirements expected over the next four years (54 percent of CRS research and analytical staff will be eligible to retire by FY 2007; 40 percent are expected to retire). At the same time, congressional demands for more

complex analysis are increasing, requiring highly sophisticated analytic skills and expertise.

In recent years, the Congress has supported the Service's workforce management initiatives – namely succession planning. To safeguard that investment, CRS is now moving into the next phase of its succession planning effort and will focus on retaining the staff hired over the last few years, accelerating their growth and development, and preparing them to assume senior positions and leadership roles in the future. To retain and develop its employees, CRS is proposing to pilot a Library of Congress program that reduces the student loan debt of a majority of its recent hires. CRS is also requesting an increase in the base allocation for training, travel, and incentive awards to support these efforts as well as increased training demands emanating from the influx of new staff.

FY 2004 BUDGET REQUEST

The Congressional Research Service is requesting a total of **\$96.267 million** in FY 2004. This represents an increase of \$9.9 million over FY 2003, and is comprised of \$5.3 million for mandatory and price level increases, and \$4.6 million in program changes to develop and implement innovative business processes and practices that will position CRS with the resources needed to support the Congress with high quality research and information services at any location, at any time, and in any state of emergency.

PROGRAM CHANGES **\$4,617,000**

Alternate Computing Facility/Disaster Recovery Site **(\$1,436,000)**

The no-year funding request provides for acquisition of hardware and software; contract staff to plan, design, and establish data linkages with the Madison Building Computer Center and to implement the CRS portion of the proposed Alternate Computing Facility/Disaster Recovery (ACF/DR) site; contract staff to plan, operate, manage, and periodically test the system, apply security patches, upgrade software and hardware components, and address all of the related tasks to be conducted at the ACF/DR site, as well as remotely in support of the ACF/DR environment; and upgraded hardware maintenance to ensure a four-hour response time. The ACF/DR site complement of hardware and software will not be a *one-for-one* replication of the CRS technical infrastructure in the Madison Building. While the ACF/DR site will provide access to all current data and functions, the hardware requirements are less due to the fewer number of simultaneous staff that will have to be supported, as well as the nature of the connections.

The Service's ability to develop, implement, and maintain an ACF/DR site is contingent upon additional FY 2004 funding for procurement and implementation. If these funds are not provided, CRS will not be able to place equipment in the ACF/DR site and link them to

the existing Madison Building Computer Center to ensure the continuity of CRS functions in the event of a disaster at the Library's Madison Computer Facility.

ACF-Inquiry Status and Information System (ISIS) **(\$427,000)**
Reprogramming

ISIS is a CRS mission-critical application that is used to receive requests from Congress, assign the work to CRS analysts, track the work status through completion, and provide managers with key performance statistics and indicators. In support of the security requirements that have become so salient since September 11, 2001, CRS needs the capacity to: 1) mirror ISIS at the ACF/DR site; 2) move ISIS rapidly to other IT environments and locations (i.e., make portable) if necessary; and 3) provide secure remote access to the system via the World Wide Web. Funding of \$427 thousand in no-year funds will allow contractors to reprogram the ISIS application code.

Access to Information and Research Systems **(\$1,460,000)**

CRS staff need to be as mobile as Congress and to be able to perform their work from any location – as may be dictated by the needs of Congress – which could be at a site removed from their own office. This mobility/access need can arise in a number of different circumstances, including normal work situations as well as emergencies. In both normal and emergency work situations, CRS staff need secure access to the full range of information and research systems currently available through the Library's computer center and the Services's technical infrastructure. Wherever they might be located, staff need to be able to receive and track requests that Members and Committees place by phone or via the CRS Web site. To respond to these requests, staff need access to the full text of their research materials, including data sets and databases to which the Service subscribes or which it builds in-house and maintains on internal servers. CRS staff need to be able to create reports and other products that respond to congressional requests, and they need to be able to upload them to a Web site or include them in a secure email message for delivery.

With additional funding in FY 2004, CRS will develop and implement technical solutions that provide its staff with remote access from alternative work sites to its electronic information resources so that research and analysis can be conducted from wherever CRS staff may have to work and be delivered to Members and Committees wherever they may need it. In addition, CRS will develop a system that enables staff to create reports and other products via the Web, and then upload them to the CRS Web site or deliver them via email. The current CRS system is limited in its ability to support authoring, editing, and publishing to the Web from alternative work sites.

Realigning Work Assignments to Maximize Efficient Use of Knowledge, Skills, and Abilities (\$759,000)

CRS relies increasingly on quantitative analysis to support its work for Committee and Member offices. Over the last decade, the Congress has increasingly relied upon CRS to identify, verify, and maintain data that had been traditionally collected by executive branch agencies in order to analyze the impact of federal policy. Examples of some of the Service's most recent efforts include the analysis of caseload data in the Temporary Assistance to Needy Families (TANF) program, the simulation of alternative policy options for child care tax credits, and an historical analysis of foreign aid. To meet this growing demand most efficiently, CRS must build the capacity to assign basic data collection, acquisition, maintenance, cataloging, data manipulation, and processing tasks to staff at the appropriate grade level.

Funding supports the salary and expenses of a permanent GS-12 Data Librarian to perform the on-going cataloging, storage, retrieval, and searching functions and the cost of contract staff to perform the changing/technical functions. This approach ensures continuity for data acquisition and cataloging while permitting maximum flexibility as the specific policy areas requiring quantitative analysis change over time.

Enhancing CRS Retention (\$535,000)

To retain and to continue to develop its employees, CRS is requesting funding to initiate a pilot program that provides for the repayment of higher education loans – as is currently done in the Executive Branch and at the General Accounting Office – as a retention incentive. CRS is also requesting an increase of ten percent in the base allocation for training, travel, and incentive awards. The Service's ability to meet the expectations of this highly talented and motivated new generation is a critical retention tool for staff members with less than five years of tenure. An attendant benefit of this small investment is to provide new staff with ongoing training experiences that foster their ability to assume quickly the responsibilities and levels of expertise of the veteran staff that they are replacing.

LIBRARY OF CONGRESS

Books for the Blind and Physically Handicapped

Salaries and Expenses

Library of Congress

Books for the Blind and Physically Handicapped, S&E

Analysis of Change

(Dollars in Thousands)

	FY 2004	
	Agency Request	
	FTE	Amount
Appropriation, FY 2003	128	\$50,963
Minus: Rescission		- 331
Adjusted Appropriation, FY 2003		\$50,632
Non-recurring Costs		- 994
Mandatory Pay and Related Costs:		
Comparability pay raise 2004		225
Annualization of pay raise 2003		95
Within-grade increases		72
One Extra Day		<u>33</u>
Total, Mandatory Pay and Related Costs		425
Price Level Changes		643
Program Increases:		
Procurement of Machines - Appropriation Restoration		<u>1,000</u>
Total, Program Increases	0	1,000
Net Increase/Decrease	<u>0</u>	<u>\$ 1,074</u>
Total Budget	128	\$51,706
Total Offsetting Collections	<u>0</u>	<u>0</u>
Total Appropriation	128	\$51,706

Library of Congress
Books for the Blind and Physically Handicapped, S&E

Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$6,497	\$6,834	\$7,183	+ \$ 349
12 Personnel Benefits	1,306	1,349	1,424	+ 75
13 Benefits for Former Personnel	0	3	3	0
21 Travel	193	226	229	+ 3
22 Transportation of Things	37	52	53	+ 1
23 Rent, Communications and Utilities	1,049	2,205	1,252	- 953
24 Printing and Reproduction	1,188	1,173	1,190	+ 17
25 Other Contractual Services	4,509	4,856	4,929	+ 73
26 Supplies and Materials	2,190	2,293	2,328	+ 35
31 Equipment	36,892	31,641	33,115	+ 1,474
41 Grants	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
43 Interest	0	0	0	0
94 Finance Transfers	0	0	0	0
Total, Budget	\$53,861	\$50,632	\$51,706	+ \$1,074

¹ Reflects the FY 2003 Enacted level, less the rescission.

OVERVIEW

The Library of Congress, as authorized by Public Law 89-522, administers a national reading program for blind and physically handicapped residents of the United States and for all U.S. citizens living abroad. Under the management of the National Library Service for the Blind and Physically Handicapped (NLS), books and magazines in braille and recorded formats, as well as specially designed playback equipment, are produced and distributed through a network of state and locally supported libraries. Program policy is to provide handicapped readers with access to a broad collection of general interest reading material in adequate quantity and scope, in appropriate language and reading level, and with careful attention to quality control of all products. Advisory committees, which include consumer and library representatives, provide recommendations for program additions and enhancements. In addition, research and evaluation are conducted to improve the quality of books, equipment, and service.

Background

A free national library program of braille and recorded materials for blind and physically handicapped persons is administered by the NLS. NLS selects and produces full-length books and magazines in braille and on cassette. Reading materials are distributed to a cooperating network of regional and sub-regional (local) libraries where they are circulated to eligible borrowers. Reading materials and playback machines are sent to borrowers and returned to libraries by postage-free mail. Established by an act of Congress in 1931 to serve blind adults, the program was expanded in 1952 to include children, in 1962 to provide music materials, and again in 1966 to include individuals with other physical impairments that prevent the reading of standard print. In 1996, the U.S. Copyright Law was amended to allow NLS to produce audio and braille books without the requirement to gain permission from the copyright holder.

Eligibility

Anyone who is unable to read or use standard printed materials as a result of temporary or permanent visual or physical limitations may receive service. A survey sponsored by NLS found that two million persons with some type of visual impairment may be eligible and another million with physical conditions such as paralysis, missing arms or hands, lack of muscle coordination, or prolonged weakness could benefit from the use of reading materials in recorded form.

Book Collection

Books are selected on the basis of their appeal to a wide range of interests. Bestsellers, biographies, fiction, and how-to books are in great demand. A limited number of titles are produced in Spanish and other languages for readers whose primary language is not English. Registered borrowers learn of new books added to the

collection through two bimonthly publications, *Braille Book Review* and *Talking Book Topics*. Through a union catalog available on microfiche, CD-ROM, and on-line, every network library has access to the entire NLS book collection and to the resources of several cooperating agencies.

Magazines in audio and braille formats are offered through the program. Readers may request free subscriptions to *U.S. News and World Report*, *National Geographic*, *Consumer Reports*, *Good Housekeeping*, *Sports Illustrated*, *Sports Illustrated for Kids*, *People*, *Rolling Stone*, *PC World*, *Smart Computing*, *Bon Appétit*, *the Women's NBA schedule*, and many other popular magazines. Current issues are mailed to readers at the same time the print issues appear.

Volunteer Services

Free correspondence courses leading to certification in braille transcribing (literary, music, and math braille) and braille proofreading are offered. Voice auditions and informal training are given to volunteer tape narrators affiliated with local recording groups. A directory of volunteer groups that produce books for libraries and individuals is published biennially. Volunteers may call on NLS staff for their expertise in braille transcription and recording techniques.

Research and Development

The NLS research program is directed toward improving the quality of reading materials and related equipment, controlling program costs, and reducing the time required to deliver services to users. Significant research activities include development of a digital talking book player and the methods for producing and distributing digital audio books and periodicals.

FY 2002 ACCOMPLISHMENTS

- More than 23.46 million audio and braille books and magazines were circulated to the blind and physically handicapped readership. This demonstrated no degradation of service over FY 2001.
- Cassette book machines were available to all new patrons and existing patrons requiring replacement units.
- NLS completed a five-year collaborative effort, under the auspices of the National Information Standards Organization (NISO), to develop a national digital talking book standard. NISO voting members approved the document in December 2001 and the American National Standards Institute (ANSI) ratified ANSI/NISO Z39.86-2002 on March 6, 2002.

- Under the sponsorship of the Industrial Designers Society of America (IDSA), NLS held a national design competition, challenging undergraduate students to help design prototypes for the first generation of talking-book playback machines to use digital technology. The prize-winning entries were selected June 7, 2002, in Washington, D.C. when six judges convened at NLS to evaluate 146 submissions from 28 design schools around the country.
- Issued on May 1, 2002, a new report on the talking-book program conversion to a digital format brings up-to-date information on the progress of this major undertaking. The 54-page volume, *Digital Talking Books: Progress to Date—May 2002*, updates the digital project's first report, *Digital Talking Books: Planning for the Future*, issued in July 1998. Its publication coincided with the adoption of the ANSI/NISO standard.
- The Digital Long-Term Planning Group created in FY 2001, met twice during FY 2002. At these meetings, consumer representatives and network librarians, along with appropriate NLS staff, contributed to planning for the deployment of digital information technologies throughout the NLS network. The group will meet once or twice a year through the next five years to guarantee continuity and responsiveness to ever-changing digital prospects.
- The NLS website was redesigned during the fiscal year aimed to improve usefulness, accessibility, and ease of navigation for target audiences – NLS patrons and potential patrons, librarians and service professionals in the NLS network and members of the public interested in learning about the free library service. In addition to a dramatic change in the appearance of the home page, which now presents a clear set of electronic links, created with text browsers in mind, it anticipates the interests of most visitors, whether newcomers or seasoned patrons; it answers fundamental questions about NLS; and it directs visitors to essential resources within the site and beyond.
- Web-Braille on the Internet has grown to allow access to more than 4,175 digital braille book files. At the close of FY 2002, 2,078 users had signed up for the new Internet service. The free online braille program provides a direct channel to thousands of electronic braille files for individuals, schools, and libraries with Internet connections and braille output devices such as braille embossers or refreshable braille displays. The Web-Braille program continues to grow in both patron use and collection size. Since July 2000, the NLS *International Union Catalog* has links for braille, audio, and music materials to Web-Braille. As a result, Web-Braille materials may now be accessed directly from the catalog by using author, title, subject, language, keyword, and other search parameters.
- NLS has designed and programmed a digital talking book player that runs on a personal computer. This simulation enables NLS to test concepts developed during the NISO standards process and to build production tools.

- The *International Union Catalog* now holds more than 357,000 catalog records. During the year, over 7,000 braille titles were donated by the Jewish Braille Institute.
- NLS joined Mystic Seaport, Connecticut's famed seventy-three-year-old Museum of America and the Sea, in a major initiative from January 1, 2002 through December 31, 2003, to advance accessibility for blind and physically handicapped individuals and provide materials in special formats.
- The twenty-second biennial National Conference of Librarians Serving Blind and Physically Handicapped Individuals was held in Richmond, Virginia. More than 175 participants gathered to discuss approaches and activities beyond traditional service patterns.

FY 2003 PRIORITIES

- With cooperation from the network of libraries serving blind and physically handicapped individuals, strive to maintain current level of service to library patrons, while simultaneously providing basic service to eligible individuals entering the program as new users;
- Maintain a level of sound reproduction machines able to satisfy basic users' requirements while developing no waiting lines;
- Support for development of audit recommended control systems; and
- Explore digital technological possibilities to the point of considering adaptations of a cost effective, efficient, internationally acceptable, user-friendly delivery system through implementation of the NISO/ANSI/ISO process.

FY 2004 PRIORITIES

- Continue priorities noted in FY 2003; and
- Initiate implementation of a program designed to bring an audio and braille digital delivery system to fruition.

FY 2004 BUDGET REQUEST

The Library is requesting a total of **\$51.706 million**, in FY 2004, to support the National Library Service for the Blind and Physically Handicapped program. This reflects an increase of \$1.1 million above FY 2003 for mandatory and price level increases. It also reflects the restoration of \$1 million to the procurement of machines accounts offset by the non-recurring cost of \$1 million (\$-994K) for the one-time funding of the National Federation of the Blind NEWSLINE.

<u>PROGRAM CHANGES</u>	\$1,000,000
<u>Procurement of Machines - Restoration of Funds</u>	(\$1,000,000)

The Library is requesting the restoration of the FY 2003 one-time reduction of \$1 million for Talking Book Machines. Without the restoration, approximately 3,300 Talking Book Machines required for public service to blind and physically handicapped Library patrons would not be available for distribution.

LIBRARY OF CONGRESS

Reimbursable Program

Salaries and Expenses

Library of Congress

Reimbursable Funds

Analysis of Change

(Dollars in Thousands)

	FY 2004	
	Agency Request	
	FTE	Amount
Obligational Authority, FY 2003	38	\$5,977
Minus: Rescission		- 39
Adjusted Obligational Authority, FY 2003		\$5,938
Non-recurring Costs	- 33	- 5,500
Mandatory Pay and Related Costs		23
Price Level Changes		11
Program Increases	1	592
Net Increase/Decrease	- 32	- \$4,874
Total Obligational Authority, FY 2004	6	\$1,064

**Library of Congress
Reimbursable Funds
Summary By Object Class
(Dollars in Thousands)**

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$1,619	\$2,254	\$360	- \$1,894
12 Personnel Benefits	374	559	91	- 468
13 Benefits for Former Personnel	26	0	0	0
21 Travel	161	147	12	- 135
22 Transportation of Things	4	0	0	0
23 Rent, Communications and Utilities	473	500	0	- 500
24 Printing and Reproduction	1,068	970	0	- 970
25 Other Contractual Services	250	285	601	+ 316
26 Supplies and Materials	1,083	1,169	0	- 1,169
31 Equipment	629	53	0	- 53
41 Grants	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
43 Interest	0	0	0	0
44 Refunds	4	1	0	-
Total, Obligational Authority	\$5,691	\$5,938	\$1,064	- \$4,874

¹ Reflects the FY 2003 Enacted level, less the rescission.

OVERVIEW

Under authority of the Economy Act (31 U.S.C. 1535-1536), the Library provides reimbursable services to organizational units within the Library and to other Federal government agencies when it is determined by both parties that the Library can provide the service in a more economical and cost-effective manner. In each instance, the Library and the customer enter into an interagency agreement which sets forth the scope and cost of the service. Funds are transferred from the customer agency and credited to the Library's accounts to pay for all of the direct and indirect costs. Any funds transferred to the Library in excess of the actual costs are returned to the customer-agency at the end of the performance period.

In FY 2004, the Library is requesting obligational authority of **\$1.064 million** for its reimbursable program. The requested authority is for the Library's interagency agreements.

The Library's interagency reimbursable customers include:

- **The Immigration and Naturalization Service** – for legal research, opinions, and advisory support from the Library's Law Library.
- **The Congressional Budget Office and the Office of Compliance** – for financial management, administrative support, and mainframe computer processing services from the Library's management support organizations.
- **The Open World Leadership Center Trust Fund** – for financial management, legal assistance, event planning, administrative support, and mainframe computer processing services from the Library's management support organizations.
- **The Abraham Lincoln Bicentennial Commission** – for financial management, legal assistance, event planning, administrative support, and mainframe computer processing services from the Library's management support organizations.

LIBRARY OF CONGRESS

Revolving Funds

Salaries and Expenses

Library of Congress

Revolving Funds

Analysis of Change

(Dollars in Thousands)

	FY 2004	
	Agency Request	
	FTE	Amount
Obligational Authority, FY 2003	151	\$103,952
Minus: Rescission		- 676
Adjusted Obligational Authority, FY 2003		\$103,276
Non-recurring Costs	- 7	- 1,542
Mandatory Pay and Related Costs		432
Price Level Changes		884
Program Increases	2	1,475
Net Increase/Decrease	- 5	\$ 1,249
Total Obligational Authority, FY 2004	146	\$104,525

**Library of Congress
Revolving Funds
Summary By Object Class
(Dollars in Thousands)**

Object Class	FY 2002 Actual	FY 2003 Enacted ¹	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$7,314	\$8,759	\$8,917	+ \$ 158
12 Personnel Benefits	1,688	2,597	2,398	- 199
13 Benefits for Former Personnel	15	8	8	0
21 Travel	100	149	150	+ 1
22 Transportation of Things	190	194	242	+ 48
23 Rent, Communications and Utilities	728	337	442	+ 105
24 Printing and Reproduction	388	599	396	- 203
25 Other Contractual Services	29,692	38,133	38,563	+ 430
26 Supplies and Materials	1,275	1,410	1,446	+ 36
31 Equipment	31,547	50,961	51,892	+ 931
41 Grants	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
43 Interest	0	0	0	0
44 Refunds	311	129	71	- 58
Total, Obligational Authority	\$73,248	\$103,276	\$104,525	+ \$1,249

¹ Reflects the FY 2003 Enacted level, less the rescission.

OVERVIEW

The Library of Congress administers several revolving fund activities under the authority of 2 U.S.C. 160 and 2 U.S.C. 182 a-c, as amended. These activities support the acquisition of library materials, preservation and duplication of the Library's audio-visual collections, special events and programs, classification editorial work, research and analysis, and retail sales. All of these activities further the work of the Library and its services to its customers and the general public.

A total of **\$104.525 million**, in obligational authority, is requested for the Library's revolving fund programs, an increase of \$1.249 million over FY 2003. Reflects an increase of \$1.290 million in non-pay costs, offset by non-recurring costs of \$41 thousand in pay-related costs.

Program increases reflect adjustments in the activities of the Cooperative Acquisitions Program, Duplications Services Fund, Document Reproduction and Microfilm Services, Duplication Services, Special Events and Public Programs, FEDLINK, and the Federal Research Program. Program decreases reflect adjustments in Gift Revolving Fund activities, Decimal Classification Development program, and Gift Shop Operations. Adjustments were the result of continued efforts to consolidate operations, reduce staff, and/or re-engineer business practices.

OBLIGATIONAL AUTHORITY

Obligational authority is requested as follows:

2 U.S.C. 160

- The **Verner Clapp Publishing Fund** sells facsimiles of historic and rare materials in the Library's collections in the form of books, pamphlets, and related items. In FY 2004, the Library is requesting obligational authority of **\$171 thousand** for the publishing program.
- The **Traveling Exhibition Fund** supports the loan and display of select, major exhibitions, prepared by the Library, to municipal and private museums throughout the world. In FY 2004, the Library is requesting obligational authority of **\$55 thousand** for these touring exhibition activities.
- The **Cafritz Foundation Scholarly Activities Fund** covers expenses related to the publication of the Library's exhibit catalogs, posters, and related exhibitions. In FY 2004, the Library is requesting obligational authority of **\$3 thousand** for publication activities.
- The **Elizabeth Hamer Kegan Fund** promotes the activities of the American Folklife Center through publication and/or distribution of folklife-related

publications, recordings, crafts and art objects. In FY 2004, the Library is requesting obligational authority of **\$4 thousand** for the Center's activities.

- The **DaCapo Fund** supports publications, concerts, lectures, and other special projects, using the Music Division's collections. In FY 2004, the Library is requesting obligational authority of **\$5 thousand** for Music Division activities.

2 U.S.C. 182

- The **Cooperative Acquisitions Program** secures hard-to-acquire research materials on behalf of participating U.S. research libraries. These materials are obtained by the Library's six overseas offices, which purchase additional copies of items selected for the Library's own collections based on the individual subject and language profiles supplied by the participating institutions. Each program participant pays for the cost of the publications, shipping, binding, and a surcharge that recovers the Library's administrative costs of providing this service. Materials are acquired from 43 countries on behalf of more than 104 research institutions. Some **500,000** pieces were acquired through this program in FY 2002. In FY 2004, the Library is requesting obligational authority of **\$2.672 million** for the Cooperative Acquisitions Program.

2 U.S.C. 182a, as amended by PL 107-68, SEC. 207

- The **Duplication Services Revolving Fund** provides preservation and duplication services for the Library's audio-visual collections, including duplication services for motion pictures, videotapes, sound recordings, and radio and television broadcasts. This fund also provides access to copies of these collections for on-site, public-viewing purposes and preservation services to other non-profit archival institutions, for the acquisition of historically and culturally important audio-visual materials for the Library's collections. In FY 2004, the Library is requesting obligational authority of **\$1.005 million** for the activities of the Duplication Services Revolving Fund.

2 U.S.C. 182b, as amended by PL 107-68, SEC. 208

- The **Decimal Classification Development** program finances editorial work performed by the Decimal Classification Division, which produces and maintains editions of the *Dewey Decimal Classification (DDC)* and other related Dewey products, including the Abridged Edition 14 scheduled to be published in 2004. In FY 2004, the Library is requesting obligational authority of **\$419 thousand** for editorial activities.
- **Gift Shop Operations** supports retail sales activities of the Library. In FY 2004, the Library is requesting obligational authority of **\$1.898 million** for retail sales.

- **Document Reproduction and Microfilm Services** provides preservation microfilming services for the Library's collections. It also provides photocopy, microfilm, photographic, and digital services to other libraries, research institutions, government agencies, and individuals in the US and abroad. In FY 2004, the Library is requesting obligational authority of **\$3.754 million** for these activities.
- The **Special Events and Public Programs Revolving Fund (SEPP)** supports staff expenses and other costs associated with the coordination of Library events and/or congressional and outside organization events, such as the National Book Festival Gala, co-hosted by the first Lady of the United States, and the annual Henry Alfred Kissinger Lecture. In FY 2002, SEPP successfully coordinated 484 events, including 105 Congressionally hosted events, and are planning for approximately 500 events in FY 2004. In FY 2004, the Library is requesting obligational authority of **\$1.446 million** for Library of Congress special events and programs.

2 U. S. C. 182c

- **Federal Library and Information Network (FEDLINK)** supports more than 1,200 federal offices, providing cost-effective training and a centralized procurement process for the acquisition of books, library support services, serials, and computer-based information retrieval services. The consolidated purchasing power permits the Library to negotiate economical contracts with more than 100 vendors. In FY 2004, the Library is requesting obligational authority of **\$89.953 million** for the FEDLINK program.
- **Federal Research Program (FRP)** provides customized research reports, translations, and analytical studies for entities of the Federal government and the District of Columbia on a cost-recovery basis. The products derived from these services make the Library's vast collections available to analysts and policy makers throughout the Federal and District of Columbia governments, maximizing the utility of the collections through the language and area expertise of the FRP staff. In FY 2004, the Library is requesting obligational authority of **\$3.140 million** for FRP.

RETAIL ACTIVITIES

In FY 2003, the Senate directed the Library to develop a plan that would achieve the goal of generating profits from its retail activities. Based on this direction and GAO's study/recommendations on this subject, the Library has included a request of \$708 thousand in appropriated funds (under the Library Services - Basic program) as seed money (capital) to address and fund immediate infrastructure and marketing deficiencies needed to expand these programs into profit making enterprises.

LIBRARY OF CONGRESS
Appropriated / Gift and Trust Funds
Joint Projects

Joint Projects
Appropriated/Gift and Trust
Analysis of Change
(Dollars in Thousands)

	FY 2004					
	Appropriated		Gift and Trust		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
FY 2003 Base	6	\$3,343	22	\$17,764	28	\$21,107
Non-recurring Costs		- 1,291	- 5	- 8,483	- 5	- 9,774
Mandatory Pay and Related Costs		0		57		57
Price Level Changes		0		0		0
Program Increases	<u>14</u>	<u>1,339</u>	<u>1</u>	<u>2,114</u>	<u>15</u>	<u>3,453</u>
Net Increase/Decrease	14	\$ 48	- 4	-\$6,312	10	-\$6,264
Total Joint Projects	20	\$3,391	18	\$11,452	38	\$14,843

**Library of Congress
Joint Projects
Appropriated/Gift and Trust
Summary By Object Class
(Dollars in Thousands)**

Object Class	FY 2002 Actual ¹	FY 2003 Enacted	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$1,153	\$1,412	\$1,324	- \$ 88
12 Personnel Benefits	247	324	337	+ 13
13 Benefits for Former Personnel	3	4	4	0
21 Travel	110	268	326	+ 58
22 Transportation of Things	13	9	94	+ 85
23 Rent, Communications and Utilities	41	51	50	- 1
24 Printing and Reproduction	361	545	566	+ 21
25 Other Contractual Services	5,706	5,059	5,340	+ 281
26 Supplies and Materials	30	389	401	+ 12
31 Equipment	1,072	5,958	895	- 5,063
33 Investments	1,459	0	0	0
41 Grants	354	3,130	2,114	- 1,016
42 Insurance Claims and Indemnities	0	0	0	0
43 Interest	0	0	0	0
44 Refunds	1,400	615	1	- 614
Total, Budget ²	\$11,949	\$17,764	\$11,452	- \$6,312

¹ Reflects Gift and Trust funds only.

² Does not include NDIPP obligation estimates.

OVERVIEW

The Library of Congress is authorized to maintain gift and trust fund activities under the authority of 2 U.S.C. 154-163, 175; 20 U.S.C. 2106; P.L. 106-554; and 31 U.S.C. 1321. Under these provisions, the Library of Congress is authorized to receive gifts, bequests, and/or devices of property for the benefit of or in connection with the Library, its collections, or its services. And it is within these provisions that the Library administers its Joint Appropriated/Gift and Trust Fund Projects.

The purpose of the Joint Appropriated/Gift and Trust Funds is to provide financial support to the Library by leveraging appropriated resources with private contributions and trust fund income.

In FY 2004, the Library estimates obligating **\$3.391 million** of appropriated funds and **\$11.452 million** of investment income and private contributions, for a total of **\$14.843 million** for joint projects. A total of 28 joint projects are expected to have program obligations (exclusive of investment obligations) of \$100 thousand or more in FY 2004, demonstrating the public's continuing support for the Library's programs. A description of these joint projects, by program, follows:

NATIONAL LIBRARY PROGRAM

The National Library is the Library's largest program and is responsible for acquisition; cataloging; research, reference and reader services; preservation and conservation of print, electronic, and audio-visual materials; development of standards; digital planning and content building; and promotion of reading and outreach programs that encourage knowledge and use of the Library's collections.

In FY 2004, National Library programs enhanced by the support of gift and trust funds with estimated obligations of \$100 thousand or more include:

- The **Veterans History Project (VHP)**, created by a unanimous act of Congress and signed into law in October 2000, calls upon the American Folklife Center at the Library of Congress to collect, preserve, and provide for research and presentation, the taped and written accounts of war veterans and those who served to support them. In FY 2003, the Congress appropriated \$476 thousand to continue the VHP, and the Library is requesting an increase of \$589 thousand in FY 2004. In addition, the Library also received \$46 thousand from the Disabled American Veterans to create VHP instructional materials in large print and audio format for disabled veterans. Further, the Library received a private funding pledge for \$3 million, provided over a three-year period, from AARP, in support of the project. In FY 2004, the Library expects to obligate **\$1.315 million** of appropriated funds and **\$991 thousand** of gift funds, a total of **\$2.306 million**.

- **American Folklife Center - Save Our Sounds Gift Fund (AFC-SOS)** supports the preservation and digitization of endangered heritage sound recordings located at the Library of Congress. The objectives are to process, describe, and create databases for AFC Sound collections; to create contracts with commercial sound studios for preservation and digitization; and to continue efforts to raise private matching funds for the "Save Our Sounds" preservation project. In FY 2004, the Library expects to obligate **\$27 thousand** of appropriated funds and **\$166 thousand** of gift funds, a total of **\$193 thousand**.
- A FY 2001 donation established the **John W. Kluge Center at the Library of Congress** and the **John W. Kluge Prize in the Human Sciences Endowment**. The endowment supports scholarly research in the Library's multilingual, multimedia collections by funding scholars for the five Kluge Chairs, post-doctoral fellows, the scholars' council, and the **\$1 million** John W. Kluge Prize in the Human Sciences, a lifetime achievement award in the intellectual arts. In FY 2004, the Library estimates obligating **\$350 thousand** of appropriated funds and **\$2.287 million** of endowment income and privately donated funds, a total of **\$2.637 million**, for the Center's activities.
- The **Henry Alfred Kissinger Endowment** funds two annual appointments, The Kissinger Chair and The Kissinger Lecturer, as well as the annual Kissinger Lecture programs. The purpose of the appointments and the lectures is to ensure that the subject of foreign affairs receives reflective and considered treatment in Washington, D.C., by distinguished, experienced scholars and practitioners. In FY 2004, the Library estimates obligating **\$35 thousand** of appropriated funds and **\$213 thousand** of endowment income and privately donated funds, a total of **\$248 thousand**.
- The **Papamarkou Chair in Education Endowment** funds an annual appointment of a scholar specializing in education. In FY 2004, the Library estimates obligating **\$33 thousand** of appropriated funds and **\$202 thousand** of endowment income, a total of **\$235 thousand**.
- The **Luce Foundation Gift Fund** supports fellowships in East and Southeast Asian studies and enhances the Library's collections through the acquisitions of Chinese books and Library materials. In FY 2004, the Library estimates obligating **\$18 thousand** of appropriated funds and **\$111 thousand** of privately donated funds, a total of **\$129 thousand**.
- The **Rockefeller Islamic Fellowship Gift Fund** supports the Rockefeller Resident Fellowship in humanities at the Library. The fellowship program is designed to examine the impact of globalization on Muslim societies worldwide as they affect each other, and as they affect the non-Muslim world. In FY 2004, the Library estimates obligating **\$24 thousand** of appropriated funds and **\$146 thousand** of privately donated funds, a total of **\$170 thousand**.

- The **European Division, Yukos Gift Fund** supports long-term fellowships for Russian scholars and students in the Library's European Division. In FY 2004, the Library estimates obligating **\$27 thousand** of appropriated funds and **\$167 thousand** of privately donated funds, a total of **\$194 thousand**.
- The National Digital Library Program (NDLP), in conjunction with the **National Digital Library Trust Fund**, continues the Library's efforts to provide free access, via the Internet, to millions of historically significant items within the Library's and its collaborating partners' digital collections. In addition, the NDLP's FY 2004 non-appropriated efforts will ensure integration of the National Digital Library Program retrospective conversion efforts with the Library-wide Digital Future Initiative. This includes support for digital repository architecture and metadata activities, enhanced access to the digital library collections, and collaboration with other great repositories, government, and commercial partners. In FY 2004, the Library estimates obligating **\$133 thousand** of appropriated funds and **\$868 thousand** of trust income and privately donated funds, a total of **\$1.001 million** in support of the National Digital Library Program.
- The **James Madison National Council Trust Fund (JMNC)** receives support from a national private sector advisory body that provides counsel to the Librarian of Congress. The JMNC alerts the Librarian to activities that may offer new opportunities to better serve the Congress and the American people. The JMNC membership is committed to enriching the Library's collections, making those collections better known and more accessible to the nation and throughout the world, and encouraging major gifts in support of Library initiatives, programs, and projects. In FY 2004, the Library estimates obligating **\$295 thousand** of appropriated funds and **\$1.931 million** of trust income and privately donated funds, a total of **\$2.226 million**.
- The **Library of Congress 3rd Century Trust Fund** supports the Library's educational and/or other related outreach activities. In FY 2004, the Library estimates obligating **\$31 thousand** of appropriated funds and **\$203 thousand** of trust income and privately donated funds, a total of **\$234 thousand**.
- **National Library, Gifts to the Nation - Acquisitions Gift Fund** (in conjunction with the James Madison National Council Trust Fund) continues to support the Library's Bicentennial celebration initiative by acquiring special collections and library materials. This fund also supports locating and restoring the Thomas Jefferson Library materials destroyed by fire. The "Gifts to the Nation - Acquisitions" initiative is an on-going effort that involves fund-raising efforts for some 80 items and collections, ranging from \$7.5 to \$30 million. In FY 2004, the Library estimates obligating **\$31 thousand** of appropriated funds and **\$190 thousand** of gift funds, a total of **\$221 thousand**.

- The **Science Classics/Rare Book Gift Fund** supports the acquisition of antiquarian titles that are classics in the history of science. In FY 2003, eight rare items, important in the history of science, from the Library's list of greatest desired materials were purchased from a rare book dealer for a total of \$150 thousand. In FY 2004, the Library estimates obligating **\$41 thousand** of appropriated funds and **\$250 thousand**, a total of **\$291 thousand** depending upon the availability of the material.
- The **Documents Expediting Project (DocEx)** is a centralized acquisition service for obtaining U.S. government publications for 87 universities, public and special libraries, and other organizations. By special arrangement with the Central Intelligence Agency (CIA), DocEx also supplies 98 institutions or individuals with the *CIA Reference Aids Series*. In FY 2004, the Library estimates obligating **\$24 thousand** of appropriated funds and **\$151 thousand** of gift funds, a total of **\$175 thousand**.
- **Caroline and Erwin Swann Memorial Fund** created the Caroline and Erwin Swann Memorial Exhibit facility at the Library of Congress. Funds support the perpetual maintenance of the facility; ongoing Swann programs are dedicated to preserving, processing, exhibiting, publishing, and acquiring original works of caricature, cartoon, and illustration art, including work related to the *Art Wood* collection. In FY 2004, the Library estimates obligating **\$48 thousand** of appropriated funds and **\$298 thousand** of trust fund income and privately-donated funds, a total of **\$346 thousand**.
- The **Bob Hope Endowment** provides support for presentation and maintenance of the Bob Hope Collection and permanent exhibit room in the Library as a tribute to Bob Hope and American entertainment, *The Bob Hope Gallery of American Entertainment*. In FY 2003, the Library anticipates obligating \$272 thousand to support a Bob Hope Centennial Event in celebration of Bob Hope's 100th birthday. In FY 2004, the Library anticipates obligating **\$16 thousand** of appropriated funds and **\$100 thousand** of endowment income and privately donated funds, a total of **\$116 thousand**.
- The **Huntington Equipment and Maintenance Endowment** supports the promotion and upkeep of the Hispanic Reading Room and its collections, and the Poetry Office. In addition, the fund provides partial support for the Poet Laureate. In FY 2004, the Library estimates obligating **\$24 thousand** of appropriated funds and **\$150 thousand** of trust fund income, a total of **\$174 thousand** to support Hispanic and poetry activities
- The **Waldseemuller Map Activities Gift Fund** supports the exhibition, preservation, and research related to the 1507 Waldseemuller World Map. In FY 2003 the Library estimates obligating \$300 thousand for preparation of a display case and apparatus to allow permanent display of the map. In FY 2004, the Library estimates obligating **\$32 thousand** of appropriated funds and **\$200 thousand** of gift funds, a total of **\$232 thousand** for maintaining the permanent display of the 1507 world map.

- The **David and Lucile Packard Foundation Gift Fund** supports staff costs related to the preservation of nitrate film and the restoration of motion picture film. This work is important since theatrical films produced before 1950 were created on nitrate-base film, an unstable, flammable material that begins to deteriorate soon after manufacture and can self-combust. While modern film is more stable, it also has various problems that affect its shelf life. The Library's film preservation program is currently centered at Wright-Patterson Air Force Base in Dayton, Ohio. In FY 2004, the film preservation program estimates copying and preserving 800 thousand feet of deteriorated film, obligating **\$55 thousand** of appropriated funds and **\$342 thousand** of gift funds, a total of **\$397 thousand** in support of this effort. The Packard Humanities Institute (PHI) is building The National Audio-Visual Conservation Center (NAVCC) at Culpeper, VA., and PHI plans to donate the NAVCC to the U.S. Government in 2005. Future gift budgets will contain more information about this major joint project.
- Through the **Leadership Development Trust Fund**, the Library of Congress provides training that enhances its employees' development and diversity programs and helps support a succession plan for future leaders within the library profession. In FY 2004, the Library estimates obligating **\$462 thousand** of appropriated funds and **\$209 thousand** of trust income and privately donated funds, a total of **\$671 thousand** for the Leadership Development program.
- The **McKim Endowment** funds the commission of violin and keyboard works by American composers; the performance, broadcast, and recording of those works, including films; interactive multimedia products; and other items for educational purposes. In FY 2004, the Library estimates obligating **\$28 thousand** of appropriated funds and **\$175 thousand** of endowment income, a total of **\$203 thousand** for these outreach activities.
- The **Just Endowment** supports classical chamber music concerts, broadcasts, and recordings. In FY 2004, the Library estimates obligating **\$26 thousand** of appropriated funds and **\$158 thousand** of endowment income, a total of **\$184 thousand** for these activities.
- The **Ira and Lenore S. Gershwin Trust Fund** supports Library activities relating to American music, including American musical theater, jazz, popular music, and classical concert music, to perpetuate the name and work of the Gershwin brothers. Support of various Music Division activities is carried out in consultation with the trustees of the Gershwin Trusts, and includes commissions, concerts, recordings, broadcasts, publications, exhibits and other activities. In FY 2004, the Library estimates obligating **\$52 thousand** of appropriated funds and **\$320 thousand** of trust income and privately donated funds, a total of **\$372 thousand**.
- The **Gertrude Clarke Whittall Foundation Endowment** maintains the collection of Stradivari instruments and Tourte bows given to the Library by Gertrude Clarke Whittall. The endowment also funds music programs within the Library in which those instruments are featured, and funds concerts and broadcasts. In FY 2004,

the Library estimates obligating **\$16 thousand** of appropriated funds and **\$100 thousand** of endowment income, a total of **\$116 thousand**.

The Library is currently fund-raising for exhibits and programs which are planned for FY 2004. Several of the major exhibits include:

- **Churchill and the Great Republic**, a major exhibition about the long and active life and career of Sir Winston Churchill, drawing from the collections of the Library of Congress and the Churchill Archives Centre as well as other collections. In FY 2004, the Library estimates obligating **\$77 thousand** of appropriated funds and **\$474 thousand**, a total of **\$551 thousand**.
- **American Treasures of the Library of Congress**: Reinstallation and maintenance of American Treasures Gallery to include the installation of the Waldseemuller map and a special presentation, featuring the Brown v. Board of Education. In FY 2004, the Library estimates obligating **\$81 thousand** of appropriated funds and **\$500 thousand**, a total of **\$581 thousand**.
- **World Treasures of the Library of Congress**: The exhibit **Encounters** examines contact between various cultures and civilizations throughout history through the Library's collections of images and the written and printed word. Opening: fall 2004. Location: Northwest Galleries. In FY 2004, the Library estimates obligating **\$49 thousand** of appropriated funds and **\$300 thousand**, a total of **\$349 thousand**.
- **From Haven to Home: A Library Exhibition Marking 350 Years of American Jewish Life**. The exhibition would trace American Jewish history from its initial settlement in 1654 until today through a diverse set of Library materials. In FY 2004, the Library estimates obligating **\$41 thousand** of appropriated funds and **\$250 thousand**, a total of **\$291 thousand**.

Other Library projects include:

- The **Doris Duke Charitable Foundation** donated funds to acquire the entire Martha Graham archive, to produce and present performances of up to five choreographic works, and to create video documentation of those works. In FY 2003, the Library completed the Graham project activities and continued the acquisition of the Katherine Dunham collection. Working with the Dunham Center, the Library will stabilize their operations, enabling the development of educational programs at the center. In FY 2003, the Library estimates obligating \$474,000 thousand, the balance of the gift, to complete the Dunham project.
- The **Waldseemuller Map Acquisition Gift Fund** supports the Library's portion of the acquisition of the 1507 World Map by Martin Waldseemuller. In FY 2003, the Library anticipates obligating \$5 million of gift funds to complete the map purchase.

- The **National Geographic Society Gift Fund** supports the Library's District of Columbia Bicentennial Map project. Activities include map cataloging and preservation, publication of computer-enhanced and facsimile versions of the L'Enfant Plan, the preparation of an atlas of maps of the District of Columbia 1791-2003, and support for a symposium and exhibition. In FY 2003, the Library anticipates obligating \$143 thousand of gift funds.
- In December 2000, the Congress tasked (P.L. 106-554) the Library to develop a plan and lead an effort to ensure digital materials can be preserved for our national information reserve. The new digital technology offers great promise, but it also creates an unprecedented surfeit of data in an unstable and ephemeral environment. The Library's **National Digital Information Infrastructure and Preservation Program (NDIIPP)** plan was submitted to the Congress on October 3, 2002, and envisions the establishment of a national network of committed partners, collaborating in a digital preservation architecture with defined roles and responsibilities. The plan was approved in December 2002, and over the next two to five years, the Library plans to seed practical projects and research advancing development of a national preservation infrastructure. The Congress approved the use of \$35 million of appropriated funds (\$20 million in unmatched funds and \$15 million in matched funds), and \$15 million of gift funds, for a total of \$50 million over the next two to five years. Projected obligations by fiscal year, including FY 2004, were not available at the time the budget was prepared.

CONGRESSIONAL RESEARCH SERVICE

The Congressional Research Service (CRS) provides the Congress with comprehensive and reliable legislative research, analysis, and information services that are timely, objective, non-partisan, and confidential, thereby contributing to an informed national legislature. The foundation funding noted below enhances CRS resources.

- The **Robert Wood Johnson Foundation Gift Fund** provides funding to enhance the analytical capacity of CRS and to enrich the resources available to Members of Congress and congressional staff on issues relating to health policy. In FY 2003, the Library estimates obligating \$216 thousand, the balance of the gift, in support of this important public policy issue.
- The **Henry Luce Foundation Gift Fund** supports the CRS New Member Seminar for the 108th Congress. In FY 2003, the Library estimates obligating \$159 thousand, the balance of the gift, in support of this project.

OVERVIEW

The Architect of the Capitol (AOC) is responsible for the structural and mechanical care and maintenance of the Library's buildings and grounds, which are critical components of the Library's infrastructure.

Projects are submitted to the AOC as part of the Library's multi-year capitol budget plan, based and prioritized in accordance with the Library's Strategic Plan. The focus of the Library's FY 2004 capital improvement projects continues to be support of the Fort Meade and Culpeper projects, collections security and programmatic space modifications.

FY 2004 BUDGET REQUEST**\$4,226,000**

The following describes each of the Library's projects in detail:

Logistics Warehouse Facility**(\$750,000)**

A total of \$750 thousand is being requested in the Architect of the Capitol's (AOC) budget, for the design of the Logistics Warehouse Facility. This facility is a part of the AOC's FT. Meade Library of Congress Master Plan, and will be the largest building planned for the FT. Meade campus. The building will consist of 200,000 sq. ft. and when constructed, will replace the Library's Landover Center Facility.

The Landover Center Facility, which covers approximately 220,000 sq. ft., has been occupied by the Library since 1976 and continues to be a problem environmentally, jeopardizing the Library's stored materials. The air-conditioning equipment, which is more than 25 years old, is maintained by GSA and continues to require ongoing maintenance and replacement of components. In addition, the Library has used some of the warehouse space for collections storage, because of delays in the availability of permanent collections storage space, which jeopardizes both the collections and stored materials. The new facility warehouse will not only be used for the receipt, storage and distribution of Library materials, supplies, equipment and furniture, but also will be used for the disposal of surplus property, requiring a "selling area" for the viewing of excess materials by other agencies and the public. In addition, the new facility will include administrative space of approximately 3,000 sq. ft. and may include hazardous material storage holding areas, as well as a secured storage vault.

The project timetable assumes a design phase in FY 2004, construction in FY 2006, and occupancy in FY 2007.

If this project is not funded, the Library will continue to house its furniture, equipment, and supplies in inadequate and inefficient leased space. The Library has adopted a policy of vacating long-term leased space for government-owned space to reduce costs, which the Congress continues to support. In addition, due to the environmental conditions of the Landover facility, continued storage of furniture and equipment at the

facility could ruin their condition, and therefore, use of the furniture and equipment. Replacing the furniture and equipment would be an added cost and burden to the Library's programs and staffs.

Specifications of the facility include:

Narrow aisle storage concept	forklift charging area
Minimum ceiling height of 22 feet	3000 sq. ft. administrative area
Six (minimum) to eight (preferred) dock doors	Staff break area
One dock to be large enough to house an entire tractor/trailer	
Moveable dock ramps and exterior lights at each dock door	
Climate controlled for all seasons	
Secured storage spaces	
Hazardous materials storage area with special fire protection systems	
Cold storage holding room	
Security door access card systems	
DSL service	
Trash compactor area	

Collections Security

(\$1,713,000)

In addition to an off-site security vault or "safe haven" for the Library's treasures, the Library is requesting funding for 12 secure storage vaults within its three Capitol Hill buildings to house high-risk platinum and gold collections. This is one, of a series, of requests based on findings from a study conducted for the Library and in compliance with the Library's Collections Security Plan, which was approved by Congress. The AOC has already requested and received funding, on behalf of the Library, for the design of the 12 vaults. Current funds will also support the construction of two vaults in FY 2003. All vaults are needed to meet minimum standards for temperature and relative humidity conditions.

Scientific research has shown the benefits of cool temperatures (50 degrees F) and moderate relative humidity (30% RH), in extending the life of library collections. However, at present, the Library does not have the capacity to provide these conditions for its most valuable collections which must stay on Capitol Hill due to security and fragility. The installation of vaults, with improved temperature and relative humidity control, will extend the life of these collections five to six times over current conditions. Environment control is a critical component and the most cost effective tool in preserving the collections, especially the targeted platinum and gold collections, which are the most priceless and one-of-a-kind items in the Library's collections.

The on-site vaults are not in competition with nor do they duplicate the off-site treasures vault, but rather will complement the off-site vault. The on-site vaults acknowledge that some parts of the Library's collections must be housed in environmentally sound conditions at all times. Hence, the vaults will be placed in divisions which acquire and catalog the materials as well as the curatorial divisions responsible for the permanent safeguarding of the collections.

Funding requested in FY 2004 will support the construction of an additional six vaults. The four remaining vaults will be constructed in FY 2005, the final year funding will be requested for this project.

If funding is not provided for the completion of the vaults, significant gold level collections will not be stored in a manner consistent with the Congressionally-approved standards. Without the funding to reduce the temperature conditions in the four vaults, containing the Library's platinum and selected gold collections, the life of these most valuable and important items is expected to be about 20% of what it would be if stored under proper conditions.

LOC Room and Partition Modifications **(\$500,000)**

The Library has identified a number of critical space modifications that require AOC support in FY 2004. These space modifications accommodate organizational changes as well as a number of long-standing projects that were delayed during the renovation of the Jefferson and Adams Buildings. The work includes the relocation and installation of partitions, fire protection equipment, and electrical materials and fixtures. The scope of the work remains at an increased level due to compliance requirements for the relocation of sprinkler heads and other life safety issues.

Culpeper Operation and Maintenance **(\$1,263,000)**

Pursuant to Public Law 105-144, the Packhard Humanities Institute (PHI) purchased property and is designing and constructing a new National Audio-Visual Conservation Center (NAVCC) in Culpeper, Virginia for the Library of Congress. The establishment of the new center is the result of a generous gift from the Packhard Humanities Institute with specific legislative authority from Congress. It is anticipated that the property will be turned over to the Architect of the Capitol when the construction is complete. The Architect of the Capitol (AOC) will be responsible for the long-term operation and maintenance of the new facility after it is turned over from the PHI.

The National Audio-Visual Conservation Center will be a world class, state of the art storage and conservation center that will consolidate and integrate the Motion Picture and Recorded Sound administrative, acquisitions, processing, storage, preservation, laboratory transfer and reformatting activities in one central facility. These activities are currently dispersed among four states (Maryland, Ohio, Virginia and Pennsylvania) and the District of Columbia.

The most recent schedule provided by the Packhard Humanities Institute indicates an occupancy of the initial facility in the summer of 2004 and the remainder of the facility in early 2005. This is a significant facility at almost 400,000 square feet with highly sophisticated storage, fire protection and environmental systems. Early preparation is essential to a smooth transition from the Packhard Humanities Institute to the AOC and the AOC is working very closely with the Library of Congress on the NAVCC.

Traditional facilities operational and maintenance services are currently divided between the Architect of the Capitol and the Library of Congress as defined by legislation and current agreements/practices. The Architect of the Capitol provides all grounds maintenance, structural, mechanical (electrical, mechanical, plumbing etc.) and vertical transportation operation and maintenance services to the Library of Congress facilities. The Library of Congress performs all remaining operational services including work related to security, custodial, labor, furniture, floor covering, recycling, trash collection and disposal. It is anticipated that the same division of responsibilities will remain in place for this new facility.

The Superintendent of the Library Buildings and Grounds will perform the operation and maintenance of the new NAVCC facility using a professional facilities maintenance contractor. With oversight from the Architect of the Capitol, the facilities maintenance contractor will perform all routine preventive maintenance on all equipment. The contractor will also respond to all demand work in accordance with the current division of labor between the Architect of the Capitol and the Library of Congress. It is anticipated, that a multi-year contract will be developed, using the same facilities maintenance contractor for five years (if their performance is acceptable).

LIBRARY OF CONGRESS
Administrative Provisions

**Library of Congress
FY 2004
Administrative Provisions**

1. Section 206 - Obligational Authority for Reimbursable and Revolving Fund Activities

The Legislative Branch Appropriations Act of 1994, P.L. 103-69, requires that obligations for any reimbursable and revolving fund activities performed by the Library of Congress are limited to the amounts provided in appropriation acts. The Library requests obligational authority, consistent with this provision:

Reimbursable Funds	\$1,064,000
Revolving Funds	\$104,525,000

Further justification for these amounts is provided in the Reimbursable and Revolving Fund sections of this document. The following is the proposed administrative provision:

Sec. 206. (a) For fiscal year 2004, the obligational authority of the Library of Congress for the activities described in subsection (b) may not exceed **\$105,589,000**.

(b) The activities referred to in subsection (a) are reimbursable and revolving fund activities that are funded from sources other than appropriations to the Library in appropriations Acts for the legislative branch.

(c) For **fiscal year 2004**, the Librarian of Congress may temporarily transfer funds appropriated in this Act under the heading "LIBRARY OF CONGRESS—Salaries and Expenses" to the revolving fund for the FEDLINK Program and the Federal Research Program established under section 103 of the Library of Congress Fiscal Operations Improvement Act of 2000 (Public Law 106-481; 2 U.S.C. 182c): Provided, That the total amount of such transfers may not exceed \$1,900,000; Provided further, That the appropriate revolving fund account shall reimburse the Library for any amounts transferred to it before the period of availability of the Library appropriation expires.

2. The Library of Congress, Salaries and Expenses appropriation language changes:

*Provided further, That of the total amount appropriated, \$1,380,000 is to remain available until September 30, 2008 for the acquisition and partial support for implementation of a **Central Financial Management System**.*

Provided further, That of the total amount appropriated, \$11,060,000 is to remain available until expended for support of the National Audio-Visual Conservation Center in Culpeper, Virginia.

Provided further, That of the total amount appropriated, \$1,289,000 is to remain available until expended for acquisition and partial support for the implementation of the Integrated Library System (ILS).

Provided further, That of the amount appropriated \$11,596,000 million is to remain available until expended for the acquisition of books, periodicals, newspapers and all other materials...

Provided further, That \$2,762,000 is to remain available until expended for the development and maintenance of the Alternate Computer Facility.

3. Congressional Research Service, Salaries and Expenses appropriation language changes:

Provided further, That \$1,863,000 is to remain available until expended for the development and maintenance of the Alternate Computer Facility.

4. Other - Information Only

The Library's FY 2004 mandatory and price level increases were based on the following assumptions:

- Pay raise factor of 3.7 percent based upon the actual 3.2 percent Employment Cost Index (ECI) for FY 2002 plus .5 percent, which is consistent with the Defense Authorization Act.
- Inflation factor of 1.5 percent for non-personnel items, except for the purchase of library materials and library overseas field offices.

The Library's budget does not include funding related to the Administration's proposals to 1) fully fund health and retirement benefits, and 2) allocate embassy construction costs to all department/agencies that have overseas employees.

WEDNESDAY, APRIL 9, 2003.

CONGRESSIONAL BUDGET OFFICE

WITNESSES

DOUGLAS HOLTZ-EAKIN, DIRECTOR, CONGRESSIONAL BUDGET OFFICE

BARRY B. ANDERSON, DEPUTY DIRECTOR, CONGRESSIONAL BUDGET OFFICE

OPENING REMARKS

Mr. CULBERSON. We are now going to take up the fiscal year 2004 budget for the Congressional Budget Office, and I am delighted to have with us today the new Director of the CBO, Mr. Douglas Holtz-Eakin. On February 5, 2003, he became the new Director of the Congressional Budget Office. The Subcommittee will take this opportunity to congratulate you on your new assignment. Thank you very much for being here.

Before we proceed, Mr. Holtz-Eakin, please introduce the members of your staff that have accompanied you today.

Mr. HOLTZ-EAKIN. Barry Anderson, the Deputy Director, is here—and Sandy Davis, Dan Zimmerman, and Polly Hodges.

Mr. CULBERSON. We are delighted to have you. Thank you very much. I am pleased to have you here. I also want to be sure to congratulate you on Syracuse's victory.

Mr. HOLTZ-EAKIN. You are a gentleman.

Mr. CULBERSON. Thank you.

We are glad to have you here, and the request that we will consider today for fiscal year 2004 is almost \$34 million (\$33,993,000), which is an increase of 6.6 percent, or \$2,101,000 above the fiscal year 2003 enacted level. I want to make sure that you know, Mr. Holtz-Eakin, that your prepared statement has been distributed to the Subcommittee Members and will be entered into the record. Certainly, we would welcome your summary of that testimony.

[The statement submitted for the record follows:]

CBO TESTIMONY

**Statement of
Douglas Holtz-Eakin
Director**

Appropriation Request for Fiscal Year 2004

**before the
Subcommittee on Legislative
Committee on Appropriations
U.S. House of Representatives**

April 9, 2003

This document is embargoed until 4:00 p.m. (EST), on April 9, 2003. The contents may not be published, transmitted, or otherwise communicated by any print, broadcast, or electronic media before that time.



**CONGRESSIONAL BUDGET OFFICE
SECOND AND D STREETS, S.W.
WASHINGTON, D.C. 20515**

Mr. Chairman and Members of the Subcommittee, I am pleased to present the fiscal year 2004 budget request for the Congressional Budget Office. The mission of CBO is to provide the Congress with the objective, timely, nonpartisan analysis it needs about the economy and the budget, and to furnish the information and cost estimates required for the Congressional budget process.

Overview of CBO's Budget Request for Fiscal Year 2004

The Congressional Budget Office's fiscal year 2004 budget continues to be driven by the need to be competitive in a specialized labor market with the added challenge of completing and maintaining an effective disaster recovery process. We are requesting \$33,628,000 for CBO's operations during fiscal year 2004, an increase of 5.5 percent over 2003. In addition, funding CBO's portion of the cost of operating the Federal Accounting Standards Advisory Board (FASAB) adds 1.1 percent (or \$365,000) to our request, but this expense should be offset by cost reductions for other sponsoring agencies—Treasury, GAO and OMB—whose annual contributions will decrease. Together, these requirements total \$33,993,000 or a 6.6 percent increase over our appropriation for fiscal year 2003.

Of the 5.5 percent increase needed for CBO operations, 3.8 percentage points represent a current services baseline, while the remaining 1.7 percentage point increase would fund three new positions and allow us to focus more resources on improving our economic forecasts and baseline projections of tax receipts. Mandatory personnel cost increases alone would have required a 5.2 percent baseline budget increase, but these were offset somewhat by a 1.4 percent decrease resulting from savings in technology spending and other operating costs.

In fiscal year 2004, CBO will focus on its core functions of scorekeeping, budget analysis and economic and revenue forecasting. Our request will allow us to fund 236 positions—the same level originally requested for 2003. The three additional positions along with some reallocation of existing positions will allow us to increase the level of effort applied to improving our receipts baseline and enhancing our responsiveness to the Congress. We will also continue our visiting scholars program for post doctoral fellows and mid-career academics with expertise in areas such as health economics, financial analysis, and macroeconomics. And we will continue to pursue a number of internal management initiatives to improve our human resources management, technology, publication quality, facilities and business processes.

Specifically, the fiscal year 2004 budget would:

- Support a workload estimated at 2,300 legislative cost estimates and mandate cost statements, 30 major analytical reports, and 40 other publications, and allow us to meet our obligations for Congressional testimony.
- Fund 236 FTEs, adding three positions for staff and visiting scholars to improve our ability to make economic forecasts and project tax receipts.
- Provide a pay adjustment of 3.7 percent for staff below the level of senior analyst, consistent with the increase requested by other legislative branch agencies and providing parity with the military pay raise.
- Fund a combination of promotions and merit increases for staff; and provide performance-based pay increases for managers and senior analysts who no longer receive automatic annual across-the-board increases.
- Continue to support process redesign and automation initiatives in publishing, human resources, financial management, and other areas.
- Enable us to complete tasks related to our disaster recovery strategy, including purchasing some equipment and moving mission critical servers and other IT infrastructure to the Legislative Branch Alternative Computing Facility early in fiscal year 2004.

This request also includes a change in our legislative authority that would allow our appropriation to be available to pay an appropriate share (\$365,000) of the costs of operating the Federal Accounting Standards Advisory Board.

Summary of CBO's Budget Request for Fiscal Year 2004

	Staff	Amount (\$ in 000's)
Calculation of Base		
Appropriation, FY 2003	233	32,101
Plus Supplementals		0
Minus Reversions		(209)
Budget Base, FY 2003	233	31,892
Proposed Changes for FY 2004		
Mandatory Pay and Related Costs		1,668
Price Level Changes		89
Program Type Changes		
Legislation:	0	0
Workload:		
Improve revenue estimates	3	519
FASAB expenses		365
Net of other changes		(518)
Equipment, Alterations, Maintenance, Repairs, etc.		(22)
Total Proposed Changes	3	2,101
FY 2004 Budget Request	236	33,993

Note: Columns and rows may not add up to totals because of rounding.

The total fiscal year 2004 budget request in this table is \$543,000 higher than the amount submitted to OMB for inclusion in the President's budget as a result of information available after the OMB deadline. CBO will submit an amendment to OMB to reflect the change in our request.

Accomplishments in Fiscal Year 2002

In fiscal year 2002, as part of its contributions to the Congressional budget process, CBO issued in January, our annual report on the budget and economic outlook which was based on the first of three sets of baseline budget projections prepared during the year. The outlook was followed by an analysis of the President's budget proposals.

CBO also prepared about 750 formal cost estimates during 2002 and an even larger number of informal estimates for proposals or options being considered by the Congress. Legislation with a significant budgetary impact included the Economic Security and Assistance for American Workers Act of 2001; the Farm Security and Rural Investment Act of 2002; the Bob Stump National Defense Authorization Act for Fiscal Year 2003; the Medicare Modernization and Prescription Drug Act of 2002; the Terrorism Risk Insurance Act of 2002; and the Energy Policy Act of 2002.

At the request of the Senate Budget Committee, we prepared a special analysis of the estimated cost of activities related to the military operations in Afghanistan. In addition, we developed estimates of the cost of possible military operations in Iraq. We assisted the budget committees in their development of proposals for a Congressional budget resolution for fiscal year 2003.

Our staff also responded to numerous committee requests during 2002 on the status of obligations and outlays for funding provided in 2001 for homeland security and for assistance to New York in the aftermath of the September 11, 2001, terrorist attack.

We also provided regular economic forecasts and detailed analyses of the state of the economy and of the Administration's economic forecast to the House and Senate Budget Committees as well as to other committees. A major focus was on how changes in taxes affect the economy.

CBO testified before the Congress 16 times in fiscal year 2002 on a variety of budget and economic issues. A few examples are the *Budget and Economic Outlook* for the House Budget Committee; *Projections of Medicare and Prescription Drug Spending* for the Senate Finance Committee; and *Social Security: The Challenges of an Aging Population* for the Senate Special Committee on Aging.

Responding to requests from Congressional committees for analyses of budgetary, economic, and programmatic issues is an important function of the agency. CBO studied a broad range of policy initiatives and legislative proposals in 2002 and issued 23 program analysis reports and more than 40 other publications.

Medicare and Other Health Issues - This area continues to put great demands on CBO, particularly work related to Medicare reform and prescription drug benefit for seniors and low-income individuals. To respond, we have reallocated resources from elsewhere in CBO. In 2002, we increased the number of analysts working full-time on health care from 19 to 21 and concentrated more effort on Medicare reform and prescription drug issues. We also increased contractual support and spending for data. We now have 24 analysts devoted to health care and are working to increase this number to 27 (a net gain of eight analysts over 2001). We will also continue to shift more of the health staff to Medicare and drug-related work and by year-end will have nearly doubled the resources devoted to these priority areas as compared to 2001.

In fiscal year 2002, a major effort was the examination of several complex proposals to add a new prescription drug benefit to Medicare, “modernize” other features of Medicare’s benefit package, and promote competition among providers of Medicare services. Information was provided to committee staffs in both the House and Senate on the impacts of these options on both federal costs and the consequences for other parties. CBO also presented testimony on prescription drug spending and prepared an important study on *Issues in Designing a Prescription Drug Benefit in Medicare*, which was released in early 2003.

We also analyzed several other important health issues including 1) proposals to reform market exclusivity rules in the prescription drug market to promote quicker entry by generic drugs; 2) the federal costs and revenues and the effects on malpractice and health insurance premiums of options to reform the nation’s medical malpractice tort system; and 3) the federal budgetary and private-sector effects of proposals to regulate the operation of private health plans and health insurance providers (e.g., “patients’ bill of rights” legislation and parity in the coverage of mental health and medical/surgical benefits.)

Social Security - In fiscal year 2002, CBO continued to develop an analytical framework for examining proposals to restructure and partially privatize Social Security. In addition to using standard actuarial projection techniques (such as those employed by the Social Security Administration), we made significant progress in constructing a dynamic micro-simulation model to produce long-term budget projections. The model contributed to the preparation of several *Fiscal Policy Briefs*, to prepare Congressional testimony on the long-run budget outlook, and to analyze long-term options for CBO’s 2003 *Budget Options* volume.

National Security - Defense-related accomplishments included support to the Congress through direct assistance and published reports, including: 1) an analysis of *The Long-*

Term Implications of Current Defense Plans for the Senate Defense Appropriations Subcommittee; 2) an analysis of the *Estimated Costs and Technical Characteristics of Selected National Missile Defense Systems*; 3) a study responding to a request from the Senate Armed Services Committee on alternatives for *Increasing the Mission Capability of the Attack Submarine Force*; 4) a paper for the House Budget Committee assessed alternatives for implementing *Accrual Budgeting for Military Retirees' Health Care*; 5) an analysis of *Estimated Costs of a Potential Conflict with Iraq* for Senator Conrad and Congressman Spratt; and 6) a concepts paper on *The Budgetary Treatment of Leases and Public/Private Ventures*.

Domestic Economic, Tax, and Financial Issues - Significant publications in this area included, 1) a policy brief examining the sharp drop in revenue collections experienced in 2002; 2) two reports that reviewed effects of the September 11, 2001, terrorist attacks on the insurance industry, and analyzed proposals for federal reinsurance risks from both terrorism and natural disasters; 3) a review of recent productivity growth in the economy, its relationship to improvements in computer technology, and the prospects for such growth in the future; 4) estimates of future investment needs for drinking water and wastewater infrastructure; 5) the risks facing U.S. banks from their exposure to foreign financial losses; and 6) the implications for banks and depositors of raising the limit on federal deposit insurance coverage.

Priorities for Fiscal Years 2003 and 2004

CBO's primary objectives will, as always, be to provide technical assistance and analytical support to the Congress in its work on annual budgets. That effort will include the preparation of baseline spending and revenue projections, analyses of the condition of the economy, cost estimates for authorization and direct spending legislation, and outlay estimates for appropriation bills. CBO will undertake studies of budgetary, economic, and programmatic issues that meet the needs of individual committees. During the next two years, CBO will also undertake major efforts to improve its baseline projections of tax receipts, to become more responsive to our Congressional clients, and to continue internal management improvements, including strengthening our planning process.

Improving Economic Forecasts and Baseline Projections of Tax Receipts - The drastic swings in federal revenues over the past decade have placed a premium on improving the state-of-the-art in receipts forecasting. Over the second half of the 1990s, as receipts rose faster than anticipated, and in the early 2000s, when the opposite occurred, CBO labored, along with other forecasters, to revise its revenue models and estimating methods. But, we were hampered, along with others, by the long lags

between revenue collections and the availability of useful data on the nature of these collections, and by the fact that relationships between incomes and tax collections are more complex than previously appreciated. During 2003 and 2004, we plan further efforts toward improvement and will add at least three staff years in 2004, through permanent hiring, adding expert consultants, reallocating resources, and utilizing visiting scholars. We will:

- Review our current revenue models and estimating methods to determine if better procedures are available and identify areas for further development.
- Acquire additional expertise in the areas of revenue estimating and related macroeconomic issues through additional hiring, visiting scholars and consulting with outside experts.
- Attempt to get better and quicker access to IRS tax data, and utilize private-sector financial information to improve our understanding of how changes in the economy and the markets influence federal receipts.
- Consult broadly with federal, state, and private forecasters who are working on the same problem. For example, we will explore bringing in a visiting scholar who has experience with projecting tax receipts in a large state such as New York or California.

We will emphasize transparency in all our analyses, estimates and projections, but particularly in the revenue area, so that external experts can understand and critique our methods.

Responsiveness and Communications With Congressional Committees - Another area we will begin to emphasize in 2003 will be our direct assistance to the Congress. We plan to do this in several ways:

- Assigning a senior analyst with a broad knowledge of budget analysis and the budget process to provide liaison to the Congressional committees with whom CBO works.
- Involving the Budget, Appropriations, House Ways and Means, and Senate Finance Committees, as well as other frequent users of CBO's services, in substantive discussions during our planning process.

- More generally, taking careful note of the timing and information needs of all our customers, working very hard to meet delivery dates, and keeping all committees for whom we work advised of the status and progress of projects of interest to them.

Strategic Planning - During the past few years we have experimented with a variety of planning approaches for our mission work, as well as for our internal management agenda. The results of those planning efforts, as well as the resulting accomplishments, have been reflected in internal plans and to some extent in our annual budgets, appropriation testimony, and the fiscal year 2002 operating plan. During the next six months, we will begin a more deliberate strategic planning process that will involve (1) a comprehensive and careful assessment of customer needs, (2) a deliberate weighing of customer priorities in relationship to CBO's mission and capabilities, (3) the selection of broad work areas and individual projects, and (4) the setting of supportive internal management goals. We expect to have our plan available for inclusion with the submission of our 2005 budget.

Specific Work Priorities for Fiscal Years 2003 and 2004

Medicare and Other Health Issues - Reforming the Medicare program appears to be a continuing focus of Congressional interest. We expect to analyze a wide range of legislative proposals both to expand Medicare benefits and to modify existing program rules. Topics are likely to include adding a prescription drug benefit to Medicare, promoting greater competition among health plans in the program, and modifying Medicare's payments to providers in the traditional fee-for-service sector. With Medicare's long-term budgetary difficulties gaining greater prominence, we also plan to focus efforts on developing a long-range model for estimating Medicare's future costs.

Options for expanding health insurance coverage are likely to be a major focus of legislative interest. We will issue a report providing alternative estimates of the number of people without coverage, and we expect to be called upon to analyze a range of specific proposals in the areas of tax inducements for insurance coverage, expanding Medicaid and the State Children's Health Insurance Program, reforming rules regulating private health insurance, and requiring employers to offer coverage.

Social Security and Employment Policy - CBO continues to develop its capacity to produce cost estimates and impact analyses of Social Security for both current law and reform proposals. With recent extensions of temporary unemployment benefits and the scheduled reauthorization of the Workforce Investment Act, CBO expects to continue

to provide the Congress with analyses of legislative options to extend unemployment insurance (UI) benefits.

Homeland Security - Providing for homeland security and the creation of the Department of Homeland Security remain challenges faced by the Congress and priorities at CBO. We will continue to track homeland security spending through the budget and appropriations processes and will assist the Congress in making such spending transparent. We will also examine a number of issues related to public spending for homeland security and the provision of incentives to the private sector to mitigate risks associated with terrorist attacks.

National Security - Current work is focused on several broad themes and individual projects as follows:

- *Expeditionary Forces* - Analyze alternative approaches to replacing current overseas forward basing of U.S. forces with so-called expeditionary forces.
- *Aftermath of a Conflict with Iraq* - Assess the implications of a long-term occupation of Iraq for active- and reserve-duty U.S. military force structure.
- *Army Transformation* - Examine the Army's plans to transform its forces to meet 21st-century threats and alternatives that might mitigate technical and budgetary risks.
- *Long-Range Strike Capacity* - Analyze the cost-effectiveness of alternatives to improving the ability to strike large numbers of targets at long range.

We will also study the effects of reform initiatives on aircraft logistics management and analyze the budgetary implications of trends in the use of contractors to perform military support functions.

Tax Issues - Work on federal tax policies will examine and report on a wide variety of issues in the efficiency, complexity, and equity of the income tax system, including the growing effect of the alternative minimum tax, and the use of tuition tax credits versus other alternatives for supporting higher education.

Other Domestic Economic and Financial Issues - Examples of current and planned work are:

- *Climate Change* - A report on the economics of climate change will be issued soon, while on-going work examines the macroeconomic effects of reducing greenhouse gas emissions.
- *Resources for Baby Boomers in Retirement* - This report will describe sources of funds available to this group in retirement and put in context concerns over Social Security and Medicaid cost.
- *Transportation* - A report is being prepared on passenger rail options. Work will support Congressional committees as they reauthorize federal highway, transit, and aviation programs.
- *Administrative Costs of Private Retirement Accounts* - Nearing completion, this paper analyzes how program design can raise or lower the administrative costs of private accounts intended to supplement or replace Social Security.
- *The Internet and Intellectual Property* - Two studies are on-going. The first analyzes policy proposals to speed deployment of high-speed Internet connections. The second looks at possible changes to copyright law in light of the growth of digital technology.
- *Tort Reform* - Study topics include the economic costs and benefits of the tort system, the implications of tort reform for economic growth, and an assessment of the economic effects of state-level tort reforms undertaken from the mid-1980s to the present.

**Internal Management Strategy: Progress and
Priorities for Fiscal Years 2003 and 2004**

In addition to focusing directly on its mission, CBO, like any successful organization, must devote resources to attracting talented people, developing their skills, and properly equipping them. It must also organize its key work processes to be as efficient as possible and capitalize on technology whenever possible.

Enhancing Recruitment and Retention

During fiscal years 2003 and 2004, we will continue to pursue the same goals and initiatives in order to identify, hire, and retain a highly talented and diverse workforce.

1. **Strengthen Recruitment Strategy - *Our goal has been to focus our efforts on quickly filling key vacancies, particularly in hard-to-attract disciplines, while building a more diverse workforce.***

Our emphasis here stems from the general difficulty of filling very specialized positions with highly qualified staff, and from the experience of the late 1990's, when the agency experienced an unusual number of vacancies and was unable to quickly replace employees. As a result, we devised a recruitment and retention strategy that allowed us to fill vacancies more quickly and begin meeting our annual staffing goals. To achieve this we raised offering salaries for new Ph.D. and Master's candidates; simplified our application process and drastically shortened the time from application to job offer; more aggressively advertised critical vacancies; began the use of recruitment bonuses in hard-to-fill specialties; and implemented an awards program for outstanding performers.

In fiscal years 2003 and 2004, our college and university recruitment program will remain focused on graduate students in economics, public policy, and related programs at a variety of schools and continue to add more schools with diverse student populations. We will also:

- continue to develop and expand our competitive "scholars" focusing on hard-to-staff areas such as macroeconomics, financial economics, tax, and health economics;
 - provide training to managers and staff on effective recruitment techniques and interviewing skills; and
 - add an online job application module and additional job information to our website.
2. **Improve CBO's Training Program - *Our goal is to improve management and job skills by investing in our people through training, education, and professional development.***

CBO has always invested in the job skills of its employees, but the amount spent on job training and professional development has been far less than that of other high-impact organizations, and much less than recommended by management and training experts. In recent years we increased our training expenditures by 30 to 40 percent, while eliminating less cost-effective training and providing skill training to a much higher percentage of our staff. In fiscal year 2002, roughly 70 percent of CBO employees

received training. And during the last three years we have provided more than two-thirds of our managers with leadership and communications skills training.

During fiscal years 2003 and 2004, we will:

- continue to provide management training to our senior staff, and provide management development training to up to a dozen high-performing analysts with leadership potential;
 - develop training plans for new employees, and develop ways to deliver critical skills training to newer employees, more quickly.
3. **Modernize and Revitalize the Working Environment - *Our goal has been to reconfigure and renovate much of our space to use it more efficiently and provide a quality work environment for new employees and those who were in inadequate space.***

Most of CBO's space was configured shortly after the agency's creation over 25 years ago - in a building designed primarily for file storage. At that time, there were no desktop computers, many more support staff, less specialization, and a less competitive employment marketplace. Consequently, a significant percentage of our space was configured for clerical staff, and many analysts had work space that was in passageways or open bays. In cooperation with staff of the Architect of the Capitol and the Superintendent of House Office Buildings, we developed strategies to address our space problems with modest expenditures. Thus by the end of December 2002, we had completed the reconfiguration of roughly 57 percent of our usable floor space. The result is about 134 offices renovated, with a net gain of 47 private offices and three additional conference rooms with modern audio/visual equipment.

During fiscal years 2003 and 2004, we plan to renovate another 50 offices, and in the process essentially eliminate remaining substandard offices while realizing a net gain of 10 additional private offices.

Streamlining Operations and Redesigning Key Processes

As mentioned above, we have also devoted significant attention to automating and modernizing our internal processes.

4. **Process Redesign and Automation - *Our goal has been to modernize and automate key internal processes to provide better services and information electronically, while reducing the time needed to use and support administrative functions.***

In fiscal year 2002, we began a major thrust to modernize our work processes, with a wide range of process redesign and automated system development efforts. Several new systems were completed during the year, including a project tracking system, a web-based supply ordering system, a conference room reservation system, and an applicant tracking system. We also implemented an innovative Intranet site which is now our primary information source for internal policy guidance, new application programs, internal services, data bases, and internet-based journals and research tools.

In fiscal years 2003 and 2004, we will:

- develop and implement a new publication distribution system;
- design and implement a Human Resources Information System (HRIS);
- install an asset management system;
- implement a service request software system for computer assistance; and
- upgrade our financial management system in co-operation with the Library of Congress.

Publishing and Communications Priorities

The value of CBO's work to the Congress and the public derives from the quality, readability, and availability of its publications. Although the demand for printed publications remains strong, the use of electronic versions is growing every year.

5. **CBO's Publications and Production Processes - *Our goal is to produce high-quality publications that are easily identifiable as CBO products and to reengineer our production processes to become more timely and efficient.***

As usage of CBO's Web site has increased, we have been able to print fewer copies of reports and reduce inventory costs. Increasingly, we are targeting the distribution of our reports to put them in the hands of policymakers and other interested readers, but avoid excess printing. Instead, we are relying more on electronic notification and

distribution. To provide Congressional offices with advance access, we began e-mailing them some shorter publications and Internet links to some longer documents. We also finished modernizing the format and production process for our reports so that they all have a consistent and professional look readily identified with CBO. We also designed and began issuing a new product line—Policy Briefs—which capture the important aspects of major policy issues, such as the budgetary impact of society’s aging population, in just a few pages, which can be read by busy staff and Members.

In fiscal years 2003 and 2004, we will implement a PC-based report distribution system to replace the current mainframe system. The new distribution system will target distribution more precisely, to those who want specific kinds of publications; improve staff productivity; and support e-mail notification and distribution of reports. We also plan to further improve our graphics production process, take advantage of the improved print quality made possible by printing directly from electronic files, and eliminate some production rework. We will also expand the use of Policy Briefs to cover more areas of CBO work and issue them more frequently. Finally, we plan to survey CBO document users to glean suggestions for additional improvements in our written products.

6. CBO’s Web Site - *Our goals are to respond to the growing demand for electronic products and to enhance the site’s functionality and accessibility.*

Use of CBO’s Web site continues to increase dramatically year to year, from about 2.3 million page requests in 2001 to about 4.9 million last year. Although the site was quite serviceable. We undertook a comprehensive redesign. Based on users’ suggestions developed a better search function, recatalogued of publications, and improved navigation.

In fiscal years 2003 and 2004, www.cbo.gov will continue to evolve. Anticipated improvements include adding new sections, such as one with extensive information on the federal budget, a notification system for job applicants, and a comprehensive searchable archive of all CBO publications dating back to 1975. This archive will make available on-line and on CD, approximately 1,100 reports and nearly 900 testimonies, and will allow us to “print on demand” hard copies at the request of Members, staff, and the public. Our redesign of the on-line versions of our various publications will also be completed.

Technology

Highly effective organizations must build a skilled staff and then provide them with the technology they need to do their work. This is critical to CBO because the broad scope of our work and often quick turnaround requirements for our work necessitate modern information and computing tools.

7. **Maintain our Technological Edge - *Our goal is to use the best technology systems economically available to support the agency's mission while improving the performance of those systems and raising employee productivity and satisfaction.***

In fiscal year 2002, we replaced the oldest desktop systems, upgraded network infrastructure, and improved network security. To reduce timesharing costs, we moved most statistical processing and data storage from the Library of Congress to an in-house platform. We also made substantial progress in replacing our more than 20-year old mission-critical Budget Analysis Data System with a PC-based application. This will provide improved capability and yield operating cost savings.

In fiscal years 2003 and 2004, we plan to:

- complete the redesign and implementation of the Budget Analysis Data System during 2003; and
- consolidate a variety of existing data backup processes into one enterprise-wide backup system.

We will also continue to replace our oldest workstation hardware and software, upgrade important routers and switches, replace some high speed printers, and continue to support process redesign and automation efforts with programming assistance.

8. **Prepare for Disaster Recovery - *Our goal is to refine existing plans and develop resources which would allow the prompt restoration of CBO's mission-critical support to the Congress.***

The events of September 11, 2001, and the closure of the Ford House Office Building the following month, re-emphasized the importance of disaster recovery. This caused us to rethink our response strategy. The nature of the Ford building closing left our network, systems, and data intact, permitting us to quickly restore essential services to the Congress, but with considerable difficulty. In 2002, we improved our data system

backup, moved surplus IT equipment to off-site storage and devised a robust emergency recovery strategy.

In fiscal years 2003 and 2004, we will complete implementation of that strategy as we:

- mirror our CBO Web site, our internal intranet, and other mission-critical databases and programs at a secure off-site facility;
- provide staff with highly secure remote access to e-mail, application programs, analytical data, and the CBO Intranet which contains hundreds of journals, research tools and useful Internet links;
- strengthen our emergency wireless communication capabilities; and
- upgrade our email and network operating systems to be more fault-tolerant.

We will also complete planning for and make the move to the Legislative Branch Alternative Computing Facility, establish reciprocal agreements for emergency work centers with the Library of Congress and other federal entities, and increase the quantity of off-site emergency-use hardware we have available.

9. ***Enhance Network Security - Our goal is to strengthen network security for the core network and for the separate network established to store and process sensitive data from IRS, Social Security, and Health and Human Services.***

Some of the data CBO uses for its analysis and model development require access to sensitive government data. Generally this forces us to adhere to strict security procedures dictated by the providing agency. As our use of sensitive data has grown, so has our need to increase security measures.

In fiscal year 2003, we plan to substantially complete this effort by 1) implementing automated auditing of secure data access to assure that we are complying with all data use agreements; 2) completing an internal audit of network security and addressing any issues identified; and 3) verifying that remote work sites are adequately safeguarded. We will then periodically perform data security audits.

Conclusion

Mr. Chairman, during recent years CBO has worked very hard to meet the needs of the Congress and to rebuild its staff during a period of great competition in the labor market. To do this, we have raised starting salaries for new graduates and undertaken a variety of efforts to make CBO a more desirable employer for talented economists and policy analysts. The recent budget increases this committee provided, along with our extensive efforts to reduce our nonpayroll costs, have allowed us to return to full strength, while modernizing our products, processes, technology and facilities.

Nonetheless, we continue to have the same concerns of all federal employers—our salaries are not always competitive, many new graduates shun government service, anticipated retirements are worrisome, and replacing staff in high-demand disciplines is neither easy or quick. Our new recruitment and retention initiatives for which we need your continued support—for the visiting scholars' program, performance and recruitment bonuses, training and professional development authority and student loan repayment—will provide us with additional tools we can use in our efforts to attract the best and the brightest to serve the Congress.

Finally, the additional staff resources requested are critical to my efforts to improve our economic forecasts and revenue estimating processes.

OPENING STATEMENT

Mr. HOLTZ-EAKIN. Well, thank you for the opportunity to be here, and I am pleased to present our request for fiscal year 2004. I will not take a lot of your time. You have had obviously a long day. But let me briefly say two things about our request, and I am happy to answer questions in detail.

The first is on the overall request, the 6.6 percent increase really has two important components. One part is a request for our participation in the Federal Accounting Standards Advisory Board, and that \$365,000 represents our contribution, but that contribution is not a net increase for the government as a whole. It will replace contributions made by GAO or Treasury.

So if you take that part out, our request is really 5.5 percent, of which 3.8 is for current services, and 1.7 represents new initiatives at CBO.

The second point I would like to make is that if you take a glance at the CBO budget, in the end it is really about the people there. And our budget request centers on our attempts to configure the Congressional Budget Office so that the people who work there can respond to their congressional duties in a timely fashion—in a way that is responsive to the needs of the Congress; to allow us to have sufficient communications to strategically employ our people and not waste their time doing things that are not useful in Congress; and, in the end, to provide some support in terms of technologies so that they can do their job in a high-quality fashion and fulfill the duties that are required of the CBO.

So I won't belabor the point. That is the nature of the request in the main, and I would be happy to answer any questions.

THE MISSION OF CBO

Mr. CULBERSON. Mr. Holtz-Eakin you are just coming on board as the new Director. The previous 18 months you served as Chief Economist for the President's Council of Economic Advisers. Before you came to the CBO you served with President Bush?

Mr. HOLTZ-EAKIN. Yes.

Mr. CULBERSON. And the President appointed you. In what capacity were you serving before the President appointed you?

Mr. HOLTZ-EAKIN. Technically, it wasn't a Presidential appointment. I was the Chief Economist at the Council of Economic Advisers, which I did at the request of the Chairman of the Council. Prior to that I was at Syracuse University for 12 years where—

Mr. CULBERSON. You came straight from Syracuse?

Mr. HOLTZ-EAKIN. I came from Syracuse. I have been department chairman and a variety of things there.

Mr. CULBERSON. Could you describe the mission of the Congressional Budget Office and in what direction you would like to take the agency.

Mr. HOLTZ-EAKIN. Sure. The mission of the Congressional Budget Office is to support Congress in its budgetary deliberations, and in doing that, first and foremost, we provide cost estimates of the budgetary consequences of the different pieces of legislation on the outlay side. The Joint Committee does the tax side. We also in a standard budget cycle do our January baseline outlook for the

budget, our analysis of the President's budgetary proposals, and a midsummer update to the budget outlook, and every other year, we put out a budget options document to give Congress and others a flavor of the kinds of options that exist to alter the budgetary outlook.

And my main goal at CBO is to build on its tradition of high-quality, nonpartisan advice and to enhance it in any way that I can. And that main mission will not change.

DYNAMIC SCORING

Mr. CULBERSON. In the fiscal year 2003 appropriation, Congress provided additional funding to the Joint Committee on Taxation to address the issues of dynamic scoring. I know this was of interest to the Budget Committee during the current selection process of the new director of the CBO. For the benefit of the Subcommittee, could you give us your views regarding this issue?

Mr. HOLTZ-EAKIN. I have 4½ hours of material on this.

Briefly, my view as an economist: Dynamic scoring is scientifically correct. As an economist, when I analyze a policy, I would like to look at the world without the policy, look at the world in the presence of the policy, and compare all the changes in between. That strikes me as good science, and I have always said I would have to turn in my union card if I didn't come down there.

On the other hand, in translating that to the Federal budgetary arena, I think a couple of points should be made: Number one, sometimes the science is not up to the task, and dynamic scoring is not yet ready to be, in my view, the main part of the budget process. I think it is appropriate to have it as a supplement, additional information to Congress at this point. I like dynamic scoring as supplementary information because it forces me to think about the economy underneath the policy and how it reacts to the policy, not just the budget in isolation, and I view that as a good exercise in thinking about policy development.

So to the extent that it is introduced, at this point, I think it should be regarded as providing supplementary information at best. And then I would hasten to add two other things. Number one, my views are actually not really all that important. What matters is what the Budget Committees and the Congress in general find useful and timely in their deliberations, and I look forward to working with everybody in providing the information that people find useful. And to the extent that this supplementary information for which we have undertaken some initial efforts is useful, we are going to work with people and try to make sure we tailor it to the needs.

THE CURRENT DEFICIT

Mr. CULBERSON. Speaking of dynamic scoring, how would you describe the causes of the current deficit that we face, and what impact, if any, the President's tax cuts have had on the deficit?

Mr. HOLTZ-EAKIN. Well, broadly speaking, CBO has done previous decompositions of changes in the surpluses. As a matter of course, there are decompositions into economic, technical, and legislative changes in the surplus outlook, and if you go back over the last couple of years, broadly speaking, the largest source of declines

in the surplus has been the economy. And of the residual, it is about 50–50 between spending increases and decreases in receipts. I think that is a characterization of the evolution of the Federal surplus that CBO has documented pretty well, and it is shared by other analysts as well.

Mr. CULBERSON. So roughly 50–50.

Mr. HOLTZ-EAKIN. The dominant source has been the economy.

Mr. CULBERSON. A decline in receipts is the dominant source of the deficit?

Mr. HOLTZ-EAKIN. As the economy goes down, you get declines in receipts. You also get increasing outlays from automatic programs, such as unemployment insurance, even absent legislative initiatives. The stock market fed into this particular receipts downturn in a large way. And so those economic factors are the dominant source of declines in receipts and some increases in outlays. That has been the single largest source of changes in the surplus. Legislative actions of about 50 percent on the spending side and 50 percent on the tax side account for the remainder.

Mr. CULBERSON. Can you quantify what percentage of the decline in receipts has been a result of the President's tax cuts?

Mr. HOLTZ-EAKIN. This is a year-old thing. We go back and bring you up to date, but as of the—

Mr. ANDERSON. Frequently, the question is asked relative to the baseline we did just before the President's tax cut. Under that baseline, the January 2001 baseline, which was not a forecast, but a projection under current law, we had a projection of \$5.6 trillion worth of surpluses for the period 2002 through 2011. We are now at a level after the appropriation of about a \$400 billion deficit over the same period. So that is about a \$6 trillion decline.

Forty-five percent of that decline, as the Director just said, came from economic changes. Of the 55 percent that is remaining, 21 percent came from the President's tax cut, 21 percent came from spending increases, and the remainder was debt service on the tax cut and the spending increases. So the amount that the President's 2001 tax cut contributed to the decline of the surpluses is matched by the amount of noninterest spending increases.

Mr. HOLTZ-EAKIN. It is about \$1.2 trillion; I think that is the number.

Mr. CULBERSON. And that is over a 5-year period?

Mr. ANDERSON. Ten-year period.

Mr. CULBERSON. Excuse me. Over a 10-year period.

If there is a surplus, is it accurate to say there is a tax surplus? Why don't I just refer to it as a tax surplus?

Mr. HOLTZ-EAKIN. It is the—I am maybe missing the question, but—

Mr. CULBERSON. If there is a surplus in the Federal Treasury, since all the money we have in the Treasury is tax collections, I am just asking in terms of terminology, could you call it a tax surplus?

Mr. HOLTZ-EAKIN. Standard terminology would be receipts from all sources minus outlays from all sources gives you surplus.

Mr. CULBERSON. And I am just asking in terms of terminology, wouldn't it be also accurate to call it a tax surplus since all the revenue in the Treasury is taken from tax receipts?

Mr. HOLTZ-EAKIN. Oh, I am sure we could define this to death in the end, because there are other sources besides just taxes.

Mr. CULBERSON. That is a fine and a healthy way to think of it and refer to it, because it is a tax surplus and not a budget surplus—it is tax revenue and not our money, I wanted to ask you for definition purposes.

WASTE, FRAUD AND ABUSE

I also wanted to ask you, as the Chairman has been asking this question of all of the witnesses and all of the agencies that have been appearing before us, about waste, fraud and abuse within the CBO. I want to be sure to ask you if you could describe for us the safeguards that are at your disposal to assure that you are, as well as can be expected, protected against the potential of waste, fraud and abuse.

Mr. HOLTZ-EAKIN. Well, I can name a couple of specifics. We, CBO, did have an outside contractor come in and take a look at our internal controls, and this is leading to an improved asset management system and to an improved accounts payable system. We will undertake our financial audit for fiscal year 2003 and use that to guide us in the future.

And more generally, and Barry is better equipped to speak to this, I can testify that under the tenure of Dan Crippen, the administrative structure of the Congressional Budget Office was improved dramatically with an eye toward both bringing financial management up to what I think of as the state of the art and ensuring in the human resources department that our people are, in fact, reviewed for their performance, that they are awarded according to whether it is appropriate performance or not, where those who are not performing well are informed of that fact.

As I mentioned earlier, the budget is people, and so the better we use our people, the less likely we are to waste resources.

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

Mr. CULBERSON. I note that in your appropriations request, you are asking legislative authority to allow you to pay the CBO's share of the budget for the operations of the Federal Accounting Standards Advisory Board. You are seeking \$365,000, to pay for an appropriate share of the costs of operating the board. This is a new line item in the budget, and I just wanted to ask you to explain the request and the CBO's connection to the Board.

Mr. HOLTZ-EAKIN. I think Barry is best equipped to handle this.

Mr. ANDERSON. The Federal Accounting Standards Advisory Board was set up in 1990, and CBO was one of the charter members of that Board and was on that Board up until last year when there was an effort to get more private sector representatives involved in terms of setting standards for Federal agencies.

In the process of doing that, CBO was originally removed from the Board, but it was not the intent of the principals of the board, GAO, OMB, or Treasury, to do that. After some discussions with them over the past year, we worked out a method where CBO was added back to the Board, but as a partner with GAO, OMB, and Treasury.

As a partner, however, we were responsible for paying a fair share, and that line item that you see there is really just our fair share of the costs of the Board.

But as the Director said in his introductory statement, it is not new money. Rather, GAO, OMB, and Treasury will pay just a little bit less, and then we will pay approximately one-fourth of the cost to the Board, because now we are a partner with the other three.

Mr. CULBERSON. What is the effect on the accounting profession in the United States of America from the standards?

Mr. ANDERSON. It affects accounting for the Federal Government only. The Federal Accounting Standards Advisory Board, or FASAB, is frequently confused with the Financial Accounting Standards Board, or FASB. FASB has been the Board that sets accounting standards for all of the private accounting throughout the country, and its standards have come into question many times over the past, particularly with the variety of the accounting issues that have arisen recently. But that is not FASAB.

The Federal Accounting Standards Advisory Board does only for the Federal Government. Treasury just issued financial statements for the Federal Government as a whole. FASAB had direct input into those financial standards and to what the agencies reported to Treasury.

Mr. CULBERSON. This \$365,000 request is a new line item in your budget.

Mr. HOLTZ-EAKIN. For us.

Mr. ANDERSON. For us, but not for the government.

Mr. CULBERSON. I understand.

I often get the question from constituents, why doesn't the Federal Government use the same accounting standards, the Generally Accepted Accounting Procedures, that are used in the private sector. Why is that? It seems to me to be good sense. Why don't we use the same standards as the private sector?

Mr. ANDERSON. We are different. No other accounting entity has the ability to print money. No other accounting entity has the ability to get in the front of the line for credit.

When borrowers go to Wall Street or any other financial market to borrow, the Federal Government is always in the front of the line and doesn't borrow for specific purposes as do all other models.

In addition, because we don't have a profit and loss statement, because we do things for public purposes, there is reason to consider the importance of cash accounting without trying to disregard GAAP principles and the long-term consequences of cash accounting—but the importance of cash accounting, because it provides a tighter discipline on the political process. It is worth noting, I think, that virtually all over, Federal governments in the world use cash accounting or some kind of specific standards that apply to them and not GAAP standards that apply to the private sector.

So I really think it would be fair if we were to say that we are really different here. I spent much of my career at the Office of Management and Budget, and when new administrations and Members would come in, I would take them figuratively, not literally, down to the basement of the Treasury and show them the printing process, and I would say even Microsoft doesn't have one

of these. It does make a difference, and it does require a different set of accounting standards.

Mr. CULBERSON. Of course, the people I represent often believe that a big part of the problem is that you are different. I am committed to a balanced budget. I would like to see a balanced budget. That is a separate issue, but it is a difference that you have outlined, and we appreciate it.

I want to be sure Mr. Price has an opportunity to ask questions.

DYNAMIC SCORING/METHODS AND APPROACHES

Mr. PRICE. Thank you. Welcome. We appreciate you being here, and appreciate your testimony.

You have responded, I think, in a very balanced way on the dynamic scoring issue, which is the main reason you and your office have been in the news lately, as there has been speculation all around about, whether you might or might not be changing your way of producing analysis and what the implications of that might be. One reason this was judged newsworthy is that some of the predicted results didn't quite pan out. That is not so much a result of your analysis as that of other dynamic scoring purveyors who came up with a wide array of findings about the effects of the President's tax cut, for example, which seemed to suggest that the dynamic scoring could cover a multitude of methods and approaches, and that all of those wouldn't necessarily produce the same results.

For example, Macroeconomic Advisers in St. Louis released a dynamic score of the President's new tax cut proposal. They found a short-term effect boosting the size of the economy, but found those positive effects would soon turn negative. They found that 17 would actually have shrunk the economy by .3 percent while raising long-term interest rates by .75 percent, and that the deficit by then would be \$300 billion more than the traditional static score would have predicted.

Is this an outline, or is this typical, you think, of the kind of findings we might expect, given that most of the predictions have expected that static scoring would give a much more rosy view of the effects of these particular economic issues?

Mr. HOLTZ-EAKIN. Well, I won't speak to the details of Macroeconomic Advisers' analysis, but I will point out that it is not comparable to the work that we did. What the CBO did in its analysis of the President's budgetary proposals was to look at macroeconomic impact of the budget as a whole. Those proposals consisted of roughly \$1.5 trillion worth over 10 years in receipts policies, reductions in receipts, and \$2.2 trillion in outlay policies, including \$400 billion for Medicare, prescription drugs, and a lot of other things.

Our analysis was designed to complement the traditional CBO analysis by taking those budgetary proposals as a whole and looking at the macroeconomic consequences in a variety of different settings and assumptions.

So it was neither an analysis of the President's tax proposals, nor was it a comment on dynamic scoring per se. It was an analysis of these particular budgetary proposals on the whole and doesn't really speak to any individual policy. It reflects the balancing ef-

fects. So it is an apples and oranges comparison. It is commonly made, and I have seen lots of that, but it is not strictly correct.

Mr. PRICE. For clarification, you are not proposing that the official, so to speak, way of analyzing or of presenting budgetary projections, budget deficits, related debt, be changed? You are not proposing presenting those in a way that differs from past practices?

Mr. HOLTZ-EAKIN. We put in our analysis all of the past practice, the traditional macroeconomic analysis that CBO and others have done. We took the President's budgetary proposals at their word that they were assertions, that they were macroeconomic activity, and we have examined that. You can't look at one proposal in isolation. It is a budgetary proposition as a whole, and we analyzed that.

Our view is we look forward to working with the committees. It is a first step. If it is useful and helps to illuminate the budgetary process; then we will be happy to fine-tune it in the future.

I guess the way I think about it is this: What CBO does as a matter of course, and has done as long as I have known that CBO has been in existence, is produce a budgetary baseline each January, a projection under current law of the economic budgetary outlook. And this analysis in doing that would take into account the economic impacts of any policy that would be in place come January 1st, and that is standard operating procedure.

What this essentially did was imagine the President's proposals as enacted as a whole and redid the baseline, just imagined that they were put into law and that we were asked the question, what would a baseline look like in the presence of these proposals? And that is the analysis that we did, and it struck us that an additional piece of information about those budgetary proposals might be informative and useful, and we did it as quickly as we could. But I will point out that it was an enormous effort, and if you have read the report, you can see there are a lot of possibilities in terms of the way the analyses could be done.

I viewed it personally as a first step, hardly the final statement about dynamic analysis or macroeconomic impacts in any way, and, you know, where we go from here is something that I am eager to work with Congress on.

RESPONSIBLE BUDGETING

Mr. PRICE. I think most people's inclination is to think that more information is better than less, more alternatives are better than less, but that is not necessarily always true. They are not necessarily always what we are looking for in terms of responsible budgeting. We also, I think, look to CBO for some considered judgment about what is most reliable, what is most accurate, what is responsible to base a policy on, because if we don't have that, I think there is a tendency to pick the most optimistic scenario, the most optimistic possible projection, and to hang our hat on that. And that is, I think, not the way we should proceed.

And so I think with the generating of these alternative models and alternative ways of looking at the budget reality, I would hope Congress would also look to your office to offer a reality check and to render your best judgment as to what is truly reliable or what the most reliable numbers look like. Do you accept that?

Mr. HOLTZ-EAKIN. I understand the responsibility of CBO to produce nonpartisan, high-quality analysis of the budgetary outlook, and I would hasten to point out that your judgment about whether more information is better or worse we can discuss. The quality of the macroeconomic analysis that I am quite proud of we produced. I think it is a very professional job that fits the proud legacy of CBO as a nonpartisan entity. And the fact that there is a range of estimates is not, in my view, a statement that we don't know what will come down. It is, rather, a matter of the technology of modeling, that different models emphasize different aspects of economic reality. And we thought it useful to show people that if you emphasize the business cycles, these are the kinds of effects you can expect to see. If you are more interested in the long-run supply cycle of an economy, these are the kinds of impacts you might see. To the extent that that information proves not useful to the readers, well, then, a lesson learned, and we can move forward in the future.

Mr. PRICE. How much of your staffing needs, in your budget requests, is linked to the kind of expansion of capacity we are talking about? Is it a factor, or are you able to do this out of existing resources?

Mr. HOLTZ-EAKIN. We did it out of existing resources. But the heart of our budgetary requests in terms of people is to improve wherever possible the quality of our baseline estimates of receipts. As I think everyone in this room is aware, over the past couple years, forecasting receipts has been a great professional challenge at CBO and elsewhere. But that challenge lies at the intersection of macroeconomics finance, given the large role of the stock market, and the stock market-related variable compensation, bonuses, options, and then the tax role. As it turns out, in hiring professional economists, those are some of the hardest areas. And so we are trying to hire in the area of finance, which is difficult, bringing more capacity there, and our approach is to try to build a capacity through visiting scholars and through our fellowship program, perhaps by reaching out to some of the State-level analysts in States where those sources of receipts are important, California and New York. And so the request is really centered on the receipts baseline more than anything else.

FISCAL REVERSAL

Mr. PRICE. Well, finally, let me just ask you to revisit briefly the rough breakdown you gave regarding the components of the fiscal reversal we are looking at here. I think you said \$6 trillion.

Mr. ANDERSON. Well, we started, as I said, 2 years ago—

Mr. PRICE. Given the estimates of 2 years ago, and then you gave a breakdown—

Mr. ANDERSON. We went from \$5.6 trillion—an approximately \$5.6 trillion surplus, covering the years 2002 through 2011, to approximately a \$400 billion deficit in total over those 10 years.

Mr. PRICE. A \$6 trillion reversal?

Mr. ANDERSON. Right. And of that \$6 trillion reversal, approximately 45 percent of it, or \$2.7 trillion of it, was because of economic changes at—

Mr. PRICE. Is that a reduction in the flow of revenues? Is it increases in entitlement spending, or is it both?

Mr. ANDERSON. Both. By far most of it is the reduction of flow of revenues, but when the economy didn't perform as well as it was forecasted 2 years ago, there was also an increase in food stamps, unemployment benefits, and other entitlement spending.

Mr. PRICE. So you are calling that an economic factor rather than putting it under the spending category?

Mr. ANDERSON. I am calling it an economic factor. One can break out economic to both revenue and spending, but, right, I am putting it under economic.

Mr. PRICE. So you are saying 21 percent is attributable to the President's tax cut?

Mr. ANDERSON. Correct.

Mr. PRICE. And the past tax cut—

Mr. ANDERSON. The one in 2001.

Mr. PRICE [continuing]. Plus a certain amount of debt service for savings—

Mr. ANDERSON. Twenty-one percent for the President's tax cut. Twenty-one percent for new spending. Most of that spending was discretionary, but there was also spending for the Farm Bill and for other various laws that have been passed over the past 2 years. And that total spending, not counting the debt service, also equals 21 percent.

Mr. PRICE. So that breakdown does not show the new tax cut proposal.

Mr. ANDERSON. Correct.

Mr. PRICE. Does it assume that the 2001 tax cut proposal will be permanent?

Mr. ANDERSON. No. But, again, this only goes through 2011, so the expiration of the tax cut applies only to 1 year.

Mr. PRICE. But that is still a fairly good chunk of—

Mr. ANDERSON. A hundred and some billion dollars, right.

Mr. PRICE. Does it assume any fix to the alternative minimum tax?

Mr. HOLTZ-EAKIN. No. Only—as a projection of current law. It does not anticipate any legislative action.

Mr. PRICE. Does it assume the renewal of things like the research and development tax credit? Are those—

Mr. HOLTZ-EAKIN. Current law.

Mr. PRICE. All right. So, therefore, the 21 percent figure is pretty low if you assume one or more of these additional elements might be part of the mix. And the estimate of the fiscal reversal is low by that same token, correct?

Mr. ANDERSON. I am sorry. The estimate—

Mr. PRICE. You would be underestimating fiscal reversal—if by taking these additional factors into account, the hole could be dug deeper, in other words.

Mr. ANDERSON. It could be.

Mr. PRICE. All right. Well, thank you.

Thank you, Mr. Chairman.

CONGRESSIONAL DIRECTION OF CBO

Mr. KINGSTON [presiding]. I wanted to ask you a couple of questions. You have 236 employees. How many of those are experienced personnel who are intimately familiar with the CBO and have weathered a few political changeovers of philosophy in party?

Mr. HOLTZ-EAKIN. In my 2 months on the job, I didn't learn that, so I am now—

Mr. KINGSTON. Let me restate, because this isn't a trick question. There have been many different philosophies on the CBO, and there is always the suspicion that the Majority Party is really manipulating and squeezing things, no matter who the Majority is. Within your 236 employees, are there some people with good, omniscient institutional knowledge that can predict and intercept these changes?

Mr. ANDERSON. Absolutely.

Mr. HOLTZ-EAKIN. That is a characteristic of the organization, not just a few people.

Mr. KINGSTON. Have they been able to provide direction? It appears to me that every 2 to 3 years Congress tries to change the tide and maybe some of these folks have some sage advice to share with us on a bipartisan basis.

Mr. HOLTZ-EAKIN. I will just give personal testimony at this point, from having arrived only 2 months ago. The experience I have had on every issue is that when I discuss with the staff what is at play, what the issues are, I get top-notch economic analysis, top-notch budgetary implications, and top-notch counsel telling me, "This is the way it will look to everybody involved—you should be aware of all these factors." And I can't speak highly enough about it, the degree to which all the points are laid out.

Mr. KINGSTON. However, it is still possible that Congress is moving you in a direction that might not be a great idea. We are coming in and saying, no, you need to do this or that, whether the debate of the day is dynamic scoring or another argument. It is still possible that you are politically or philosophically manipulated by either party or the dynamics of the town.

Mr. HOLTZ-EAKIN. Again, let me speak from my point of view on that. I am the first the CBO Director ever to go from a White House staff position to the CBO, and for that reason have been placed squarely on notice about the CBO's legacy of nonpartisanship. What I can tell you is that, number one, in the end if the CBO gets pushed one way or the other, it will be my responsibility, and it is not my intention for that to happen. When I complete my term, 4 years from now, what I hope people look back and see is that it was a first-rate place with the best analysis in town, and that it did its job.

And I will tell you the second thing, which is one of the reasons that I think it is entirely possible to fulfill that goal, is that the staff works very hard to make it possible for a Director to do that.

Mr. KINGSTON. That is something this Committee is interested in—a variety of scientific or economic purity.

Mr. HOLTZ-EAKIN. I am very interested in that.

CBO'S EXPERTISE

Mr. KINGSTON. Looking at some of the things the CBO studies, is it possible that you spread your expertise too thinly? We think about the implications of this pending bill or this tax bill, and yet you become involved in all kinds of things, including military advice which seems just outside of what you should be doing.

Mr. HOLTZ-EAKIN. Well, in our written submission, one of the things you will see in there is the notion—the dual notions of communications and a strategic plan. My view is that our studies are done at the request of Congress, so that the areas in which we end up working are ones in which Members have displayed an interest in more analysis.

But I think there is always a payoff to building into our planning a more formal and enhanced planning process where we formalize what has gone on for a long time. The staff meet with Congressional staff to talk about the issues that are going forward. We focus our results on those issues and turn them into the CBO projects and deploy people to meet those needs.

Mr. KINGSTON. Why should this Committee spend money on you researching the long-term implications of occupation. That is DOD's job, and should be out of DOD's budget, not out of the CBO's.

Mr. HOLTZ-EAKIN. I think——

Mr. KINGSTON. I believe if you are the only guy in town studying it, then that is a great thing to do. However, it seems that if you have a really good study, you are still going to be trumped by DOD's study, especially given the propensity of Pentagon types to prefer their own.

Mr. HOLTZ-EAKIN. If you go back to what I believe is the original intent of the 1974 Budget Act, which put the CBO into existence, it was to have an independent estimate of the budgetary consequences of different activities and not to rely solely on those produced by the administration or Federal agencies. We end up doing things of that nature for exactly that reason, providing independent estimates and to give insight into the budgetary consequences of that particular——

Mr. ANDERSON. If I may, Mr. Chairman, let me give you an example. We provide cost estimates of the Defense Appropriation Bills to the Appropriations Committee. The Defense Department, through the Office of Management and Budget, through this administration and previous administrations, takes the amount of budget authority that the Congress provides and gives Congress an estimate of the outlays. We do that, too. Over the years, the differences between the administration's estimate of the outlays and the CBO's estimate of the outlays sometimes have been very, very large. We are very proud of our estimates. As opposed to being trumped by the Department, if you look at the history, we have come out much closer to the actual figures than what the Department does.

But for us to do that job well, we have to take a look at the analysis of how the Department spends its money, but we certainly don't give policy advice with respect to how to do that.

NATIONAL MISSILE DEFENSE

Mr. KINGSTON. How relevant were the technical characteristics of last year's study on the National Missile Defense System, for example, in the defense debate in Iraq or North Korea?

Mr. ANDERSON. There were a number of factors in National Missile Defense proposals that were being taken into account in terms of Congress's consideration. We looked at not only information that was publicly available to others, but also tried to use our expertise, which is considerable, on the cost estimates of this so that when the Department or other proponents of the National Missile Defense came up with estimates to say this is what it would cost, we would be able to comment and give our own independent, objective, nonpartisan view on that.

I can't speak to the real relevance of that study right now, because I think the debate still going on, but I know that the Department pays a lot of attention to what we say, that its staff are very interested and, in fact, very often really try to help us, help us perhaps in the way of trying to persuade or convince us of the wisdom of their ways, because our independent stature matters.

Mr. KINGSTON. They don't lend any FTE's to the effort.

Mr. ANDERSON. Oh, no, no.

UTILIZING RESOURCES ON RELEVANT ISSUES

Mr. KINGSTON. Have you ever tracked how relevant some of your analysis work is? I don't want to see you wasting your resources.

Mr. HOLTZ-EAKIN. I will give you a particular example. CBO did an analysis last year at the request of Senator Conrad on the potential cost of the war in Iraq, and those estimates were—it was possible to derive those estimates only because the experts in this area knew of the potential range of strategic plans that could be deployed, a heavy air scenario, a heavy ground scenario, which turned out to be the one that went on. They knew all the details about logistics and supply lines. They knew the corps capacity in Kuwait and that how fast you could get men in and out literally is a matter of the constraints. They knew the available aircraft and ships. It took an enormous range of expertise to put those cost estimates together. They were dead on.

Mr. KINGSTON. What were their estimates?

Mr. HOLTZ-EAKIN. The estimates were about \$14 billion to deploy the troops, \$10 billion for the first month of combat, and \$8 billion for every month thereafter, \$9 billion redeploy the troops back here, and a range of 1 to \$4 billion per month for occupation. If you look at the request in the Supplemental, we have reconciled it nearly perfectly with those estimates that were done quite awhile ago.

And as Barry pointed out, our estimates of the outlay effects, of how fast that, say, \$60 billion into Department of Defense budget authority will turn into outlays, is different than what we get from the Department of Defense, and I would judge in the end will be better.

Mr. ANDERSON. We did those estimates when some others in government were quoting estimates that were wildly different, wildly different.

Mr. KINGSTON. My concern is I want to see you utilizing your resources on things that are relevant to policy decisionmaking and not because you can do it.

What is your scorecard over time when you predict the effects of a tax or spending bill? Do you keep a scorecard, because your critics outside the CBO say, "Well, they are always wrong." It would be nice to see "Here is what we predicted, and here is what happened." People can blast CBO, of course, but we could defend you with a good scorecard or we could try to find out if there is a different way to conduct CBO's business.

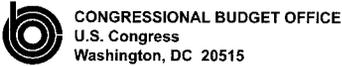
Mr. HOLTZ-EAKIN. CBO has a very good track record, and I would be happy to walk you through what is a regular compilation of the enormous amount of evidence on this front. I would point out, so that people understand the terms of the debate, that we don't really get to predict things. We project current law, and if people change the law, then we will be wrong. It is our mandate by statute to do projections in that fashion.

However, to inform people of the ability for us to be wrong for reasons like that, CBO has made a standard part of its projections what we refer to as fan charts, which show the band of uncertainty that surrounds the number and the degree to which there is a wide band of uncertainty or a fairly tight one. And so we tried to be very clear both about our record. And I think if you look at a January baseline, you will see a discussion of CBO's forecasting record.

We also, in presenting our results, present the range of uncertainty so readers can consume them intelligently and recognize those places where we have tight priorities about how accurate it is going to be and those where we are not quite so sure.

Mr. KINGSTON. I would like to follow up with you on that.

[CLERK'S NOTE.—The following information was provided for the record.]



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas Holtz-Eakin, Director

April 24, 2003

Honorable Jack Kingston
Chairman
Subcommittee on Legislative
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman,

During my April 9, 2003, testimony, you asked about our “scorecard over time” in predicting federal tax revenues and government spending. At the time, I noted that we do not really attempt to predict either tax revenues and spending or the future course of the economy in the way that private forecasters do. Rather, we project revenues and spending over a 10-year period, assuming that current laws do not change. It is our mandate by statute to construct budget projections in that way in order to provide the Congress with a baseline against which to measure the impact of new tax and spending proposals. When the Congress subsequently changes tax and spending laws then our numbers must necessarily be revised. And, of course, when the economy evolves in unpredictable ways, our numbers must change as well.

As noted during our discussion at the hearing, we review our record periodically as part of the ongoing effort to improve our baseline projections. We also analyze the impact of subsequent changes in tax and spending laws and in the economic environment to account for the nature and extent of any revisions needed. This kind of analysis of the uncertainty surrounding our projections is included with our *Budget and Economic Outlook* every January, as well as in other technical publications produced specifically to document our forecasting record.

Given your interest and the importance of your question to our mission, this letter describes our track record in some detail and elaborates on our current plan to enhance our estimating capabilities. It describes the three major analytical components that make up our budget projections—namely, forecasting the path of the economy, estimating federal outlays, and projecting revenues—and reviews our track record for each.

Forecasting the Path of the Economy

To make its 10-year budget projections, CBO starts with a forecast of the course of the economy. CBO’s track record compares favorably with those of the various Administrations and with those of a broad range of private economic forecasters. Specifically, during the past two decades, for forecasts of economic activity over a two-year horizon (the forecast window that is most relevant

Honorable Jack Kingston

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to the Congress's consideration of the budget year), on average, CBO has been about as accurate as the various Administrations and as the average of the 50 or so professional forecasters that have made up the *Blue Chip* survey. For example, for the years from 1982 to 2000, the average error in the predicted nominal growth rate of output over a two-year period was 0.1 percent for CBO compared with 0.3 percent for the Administration and 0.1 percent for the *Blue Chip* forecasters. Details of other comparisons of forecasts are shown in the enclosed table excerpted from our November 2002 report entitled *CBO's Economic Forecasting Record*.

Estimating Federal Outlays

CBO uses its forecast in combination with current law to make outlay estimates. For the most part, our estimates of government spending are quite reliable. During the past two decades, our projections for the current year and the budget year have on average differed from actual outlays by only 1.4 percent and 2.1 percent, respectively. We also track the accuracy of outlay estimates provided to the Congress prior to passage of appropriation acts, and in this setting our errors are even smaller. Over the past 10 years, the average error in our discretionary outlay estimates for the budget year has been one-half of one percent. Our estimates for defense spending have averaged slightly below the actuals, while those for domestic spending have averaged slightly more. CBO's spending estimates were typically more accurate than those of the Administration; there are no comparable private sector estimates for comparison.

Projecting Revenues

In the same fashion as outlays, CBO uses its 10-year economic forecasts as the basis for projecting receipts in the federal budget. Receipts, however, are influenced by much more than the level of economic activity. Recent experience has especially highlighted the role of equity market performance, income distribution, retirement distributions, and evolving compensation practices regarding pensions, stock options, and other income. In near-term projections, receipts are also very sensitive to the timing of taxpayers' payments of tax-year liabilities across fiscal years. During the rapid growth of the 1990s and the more recent contraction of the U.S. economy, those factors combined to generate greater than usual errors in our (and most other forecasters') revenue projections. The upshot is that over the past two decades, the average errors in our January estimates of current year and budget year revenues average 1.9 percent and 4.6 percent of revenues, respectively.

There are reasonable explanations for those misestimates, including the fact that good information on what causes changes in tax collections is unavailable for a year or more after such changes occur. Nonetheless, we plan to continue to increase our efforts to improve in this area. The three additional staff included in our budget request will contribute to this endeavor, but the actual level of additional effort devoted to this research will not be limited to these particular staff. For example, in addition to those already working on this issue, we recently hired a senior tax analyst with experience with the methodology used to make revenue baseline projections. We are recruiting for another revenue estimator, an economic policy fellow who can bring state-of-the-art knowledge and skills to bear on this problem, and financial economists to deepen our

Honorable Jack Kingston

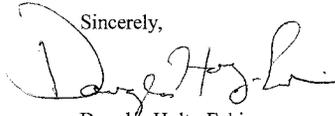
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resources in key areas. We are also investigating additional ways to exploit existing industry-specific information and the experience of large state governments, whose revenues are likewise heavily influenced by factors that have proved important at the federal level—New York (bonus income) and California (stock option income) come immediately to mind.

I also believe it is important to acknowledge the larger context in which you raised the issue of the accuracy of our estimates—namely, the relevance of our work to the needs of the Congress. We share your desire to make our work as useful as possible, and as I mentioned at the hearing, we are embarking on an enhanced planning process emphasizing better communication with our Congressional clients. We will carefully incorporate the information requirements of the Congress and work hard to see that the information the Congress needs from us is available when it is needed.

We appreciate your interest in our work and would be happy to discuss these or other matters at your convenience.

Sincerely,

A handwritten signature in cursive script, appearing to read "Douglas Holtz-Eakin".

Douglas Holtz-Eakin
Director

Enclosure

cc: Honorable James P. Moran
Ranking Member

Table 1.
Summary Measures of Forecast Performance (In percentage points)

	CBO	Administration	Blue Chip
Two-Year Averages			
Growth Rate for Real Output (1982-2000)			
Mean error	-0.6	-0.4	-0.6
Mean absolute error	1.0	1.1	1.0
Root mean square error	1.3	1.4	1.2
Growth Rate for Nominal Output (1982-2000)			
Mean error	0.1	0.3	0.1
Mean absolute error	1.1	1.2	1.0
Root mean square error	1.4	1.5	1.2
Inflation in the Consumer Price Index (1982-2000)			
Mean error	0.5	0.4	0.5
Mean absolute error	0.7	0.8	0.8
Root mean square error	0.9	1.0	1.0
Nominal Interest Rate on Three-Month Treasury Bills (1982-2000)			
Mean error	0.4	-0.1	0.3
Mean absolute error	1.0	0.9	0.9
Root mean square error	1.3	1.1	1.1
Nominal Long-Term Interest Rate (1984-2000)			
Mean error	0.2	-0.3	0.3
Mean absolute error	0.7	0.9	0.6
Root mean square error	0.7	1.0	0.7
Real Interest Rate on Three-Month Treasury Bills (1982-2000)			
Mean error	-0.1	-0.5	-0.2
Mean absolute error	0.8	0.8	0.8
Root mean square error	1.1	1.0	1.0
Change in Wage and Salary Disbursements Plus Corporate Book Profits as a Share of Output (1980-2000)			
Mean error	0.1	0.2	*
Mean absolute error	0.9	0.8	*
Root mean square error	1.1	1.1	*
Five-Year Averages			
Growth Rate for Real Output (1979-1997)			
Mean error	-0.3	0.1	-0.3
Mean absolute error	0.6	0.9	0.6
Root mean square error	0.9	1.0	0.8
Growth Rate for Nominal Output (1982-1997)			
Mean error	0.6	0.7	0.7
Mean absolute error	0.9	0.9	0.9
Root mean square error	1.1	1.1	1.1

SOURCES: Congressional Budget Office; Office of Management and Budget; Aspen Publishers, Inc., *Blue Chip Economic Indicators*; Department of Commerce, Bureau of Economic Analysis.

NOTES: The values reported here are derived from Tables 2 through 10.

* = not applicable.

RECONSTRUCTION OF IRAQ

Mr. KINGSTON. Mr. Moran.

Mr. MORAN. Jack, you have explored the questions that need to be explored. Our main concern is that we have nonpartisan, objective, professional response to information provided to CBO. I have every reason to believe that it will be all of those criteria.

Mr. Price has asked a number of those questions about dynamic scoring, which we see as something that could be abused. It doesn't necessarily have to be. As long as it gets fully explained and not relied upon and not used for partisan purposes, we don't object to it. We just don't want it to be used to mask the real costs of undertaking the tax cuts.

The only thing I would ask, the margins—here is your estimate of cost for reconstruction—in other words, total cost—was so right on in terms of the initial cost being consistent with the supplemental request. What is your cost for the rest of the carrying out the full objective of rebuilding Iraq?

Mr. HOLTZ-EAKIN. I don't have that number, but what I can tell you is consistent with the details that go into the other estimates, the staff is undertaking thinking about this in two very different ways to see how the two approaches would give the same answer. One is to look at roughly per capita reconstruction costs in places like Bosnia and Kosovo. In the other, they mapped out in tremendous detail what they felt would be the strategic targets that would be bombed, their scale, and as a result the cost of reconstructing them building by building by building, and they are adding those numbers up as we speak.

Mr. MORAN. Well, we would be very interested in seeing those numbers, because as DOD said, they have no idea what the cost would be. But the fact is your estimate was consistent for several months, and it turns out to have been right on target. It would save them a lot of grief if they had just at least shared with us. CBO's estimate at least was done in a professional, objective manner.

But I don't want to belabor the hearing. I don't have any problems with Mr. Holtz's statement at this point, Mr. Chairman, and I hope they get their budget request.

CLOSING REMARKS

Mr. KINGSTON. I have been in the Majority, I have been in the Minority. When you set the law, set the speed limit, you can be as partisan as you want if you control the Majority but I want my speedometer in my car and I want the radar detector of the State patrolman to be nonpartisan. I think that you are that guy. You absolutely have to be a sanctuary of nonpartisanship, and that goes not just to the charge of your agency, but to the charge of your employees. If you speculate someone is grinding a political ax, and you discover you are right, you should squeeze them out, because your name should be above the fray as CBO. We need to have legislative counsel that is—and I mean the legal body, as well as general—to be counted on for impartiality. We need to have nonpartisan sanctuaries as fountains of information for accurate studies. I think we are all in agreement on that.

ESTIMATES OF THE POTENTIAL COSTS OF A MILITARY CONFLICT WITH
IRAQ

We thank you for your time. I apologize I had to leave earlier, but there was a last-minute change. I had to handle something on the Floor. Best of luck. Please send us your summary of the war costs. I believe all of our offices would be interested in that.

Mr. HOLTZ-EAKIN. Yes.

[The information follows:]



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas Holtz-Eakin, Director

April 14, 2003

Honorable Jack Kingston
Chairman
Subcommittee on Legislative Appropriations
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

During my April 9, 2003 testimony, we had a discussion regarding the Congressional Budget Office's (CBO's) work related to the defense budget. You mentioned that it would be useful to see *Estimates of the Potential Costs of a Military Conflict with Iraq*, which CBO developed in September 2002 at the request of Senator Conrad and Congressman Spratt. That document, which is enclosed, is a good example of the work that CBO performs to support Congressional consideration of defense issues.

At the time CBO's estimates were developed, there was widespread speculation within and outside the government regarding the potential costs of a war with Iraq. Figures cited for the costs of combat and occupation ranged from several tens to several hundreds of billions of dollars, with higher estimates predominating. The basis for those figures ranged from pure guesswork to rough analogies to the 1991 Gulf War. By contrast, the estimates developed by CBO were based on its detailed understanding of the capabilities of U.S. military forces, the allocation of those forces in past planning exercises for fighting major wars, likely changes to those plans given both increases in U.S. military capability (for example, much greater usage of precision munitions) and reductions in Iraqi capability, the components of U.S. forces that are deployed using sealift and airlift, current U.S. sealift and airlift capabilities, and the capacities of the airfields and ports in the Persian Gulf region—to name just a few of the many details that CBO considered. CBO also recognized that there were substantial uncertainties about which particular forces would actually be used and how a war and the subsequent stabilization and occupation phases would unfold. Therefore, CBO did not develop a single point estimate of the war's costs; rather, it provided a range of costs reflecting those key uncertainties. Although provided as a range, CBO's estimates can be (and were)

Honorable Jack Kingston

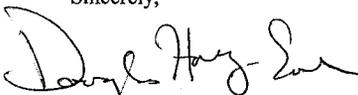
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used to show that for fiscal year 2003 the costs of combat and occupation were likely to be significantly less than many of the speculative figures cited last fall.

How do CBO's estimates compare to what has occurred? In particular, how do those estimates compare with the request for supplemental appropriations totaling \$74.7 billion submitted recently by the Administration? To develop its September 2002 estimates, CBO considered two representative forces that might be used in a war with Iraq—one emphasizing ground forces (called Heavy Ground) and one emphasizing air forces (called Heavy Air). The Heavy Ground force that CBO postulated is close in almost all components to the forces currently in or being deployed to the Persian Gulf (see enclosed Table 1). CBO has monitored those deployments and updated its September 2002 estimates to account for what has actually occurred (see enclosed Table 2). Assuming one month of combat and a sizable occupation continuing through this September, CBO's revised estimates imply fiscal year 2003 costs of about \$55 billion for the deployment of forces to the Persian Gulf, combat in Iraq, the redeployment of forces to their home bases, and occupation. Of the Administration's total supplemental request, about \$58 billion appears to be for the costs of deployment, combat, redeployment, and occupation.

Preparing estimates of the costs of a war with Iraq represents one aspect of CBO's core mission to support Congressional deliberations on the federal budget. CBO was able to meet its obligations only because it maintains a small but highly qualified and experienced staff of analysts who collectively understand all the key elements of military planning and operations, military forces, defense programs, and defense budgets. I look forward to working with you to maintain that expertise and comparable expertise in other areas that affect the budget. As I noted in my testimony, the quality and diverse skills of CBO's analysts are critical to ensuring the agency's continued ability to perform its mission.

Sincerely,



Douglas Holtz-Eakin
Director

Enclosures

Honorable Jack Kingston
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cc: Honorable Ray LaHood
Vice Chariman

Honorable James P. Moran
Ranking Member

Honorable Todd Tiahrt

Honorable John Abney Culberson

Honorable Mark Steven Kirk

Honorable David E. Price

Honorable James E. Clyburn

Liz Dawson
Tom Forhan

TABLE 1. U.S. AND U.K. FORCES USED IN DESERT STORM, ASSUMED FOR CBO'S HEAVY GROUND FORCE, AND CURRENTLY DEPLOYED

Major Force Element	Desert Storm	CBO's September 2002 Heavy Ground Force	Current Force
Army Divisions ^a	7 $\frac{2}{3}$	5 $\frac{1}{3}$	6 $\frac{2}{3}$
Marine Corps Divisions ^a	2 $\frac{2}{3}$	1	1 $\frac{1}{3}$
Marine Air Wings	1	1	1
Navy Carrier Air Wings	6	5	5
Navy Carrier Battle Groups ^b	6	5	5
Navy Amphibious Ready Groups ^b	7 ^c	1	4
Navy Surface Action Groups ^b	2	1	0
Air Force Fighter Wings ^d	9 $\frac{2}{3}$	5 $\frac{1}{3}$	4 $\frac{2}{3}$
Air Force Bombers	65	72	70
U.K. Divisions ^a	1	$\frac{2}{3}$	1 ^e
U.K. Fighter Wings	1	$\frac{2}{3}$	$\frac{2}{3}$

SOURCE: Congressional Budget Office.

- a. Fractions of divisions represent additional brigade-sized elements (armored cavalry regiments or Marine expeditionary brigades) deployed with combat divisions.
- b. By the end of Desert Storm, more than 100 Navy battle force ships had participated in that conflict. For the Heavy Ground force, CBO estimated that the United States would deploy 60 Navy battle force ships.
- c. Thirty-one amphibious ships participated in Desert Storm, carrying two Marine expeditionary brigades and one Marine expeditionary unit. That total is roughly equivalent to seven amphibious readiness groups (as those forces are organized today).
- d. Air Force deployment levels are measured in tactical fighter wing equivalents (TFEs). Each TFE represents a force with sufficient aircraft to ensure that 72 combat planes can be sustained and supported. Fractional numbers of TFEs represent additional squadron-sized elements (24 combat aircraft sustained and supported). Marine air wings and carrier air wings are not directly comparable with Air Force TFEs because of differences in size and composition.
- e. The United Kingdom's troop commitment includes one air assault brigade and one overstrength armored brigade—equivalent to three U.S. brigades, or one division.

TABLE 2. ESTIMATED COSTS OF DEPLOYMENT TO, COMBAT OPERATIONS IN, AND OCCUPATION OF IRAQ ACCOUNTING FOR CURRENTLY DEPLOYED FORCES (In billions of 2003 dollars)

Cost Element	Deployment (Three months)	First Month of Combat	Subsequent Months of Combat (Per month)	Redeploy- ment (Three months)	Occupation (Per month)
Personnel and Personnel Support ^a	4.6	1.7	1.7	5.0	n.a.
Operations Support ^b	6.3	7.6	5.9	1.8	n.a.
Transportation ^c	<u>3.4</u>	<u>0.8</u>	<u>0.8</u>	<u>1.9</u>	n.a.
Total	14.3	10.1	8.4	8.6	1.4 to 3.8 ^d
Percentage Increase from CBO's September 2002 Estimate	14.0	9.0	11.0	18.0	n.a.

SOURCE: Congressional Budget Office.

NOTE: n.a. = not applicable.

- a. "Personnel" includes pay for reserve personnel called to active duty as well as special payments, such as hazardous duty pay, for both reserve and active-duty personnel. The category also covers subsistence items, such as food and water. CBO's estimate also includes those costs for reserve and National Guard personnel called to active duty in support of the Persian Gulf operations and to fill in for positions left vacant by troops deploying to the Gulf. "Personnel support" includes clothing and personal items as well as medical support.
- b. "Operations Support" includes all incremental costs related to the operation and maintenance of air, land, and sea forces involved in the conflict. It includes costs associated with the incremental increase in flying hours and steaming days, such as costs for increased fuel consumption and repair parts. The category also includes the costs of equipping and maintaining ground troops and purchasing equipment, as well as the costs associated with command, control, communications, and intelligence. In addition, the category covers force reconstitution, which includes the replacement of munitions stocks and repair or replacement of damaged equipment—and the incremental cost of increased depot maintenance for items such as aircraft, tanks, and ships.
- c. "Transportation" includes the costs of moving personnel and equipment to the theater of operations from the continental United States and from bases around the globe. Those costs are incurred by the U.S. Transportation Command, which operates the Department of Defense's heavy-lift aircraft and Navy sealift, and which contracts for commercial air and shipping.
- d. This estimate is based on an average cost per U.S. Army peacekeeper for occupation forces ranging from 75,000 to 200,000 personnel. The estimate could be significantly larger if the occupation included heavy construction, such as building bases, bridges, and roads. If the United States limited its role to providing logistical support to other nations' occupying forces, costs could be significantly lower.

**Estimated Costs
of a
Potential Conflict with Iraq**

Congressional Budget Office

September 2002

Summary and Introduction

Estimates of the total cost of a military conflict with Iraq and the conflict's aftermath are highly uncertain and depend on many unknown factors including the actual force size deployed, the duration of the conflict, the strategy employed, the number of casualties, the equipment lost, and the need for reconstruction of Iraq's infrastructure. Of the many force-level options being discussed, CBO examined two representative examples. Both alternatives are based to some extent on the forces that the Department of Defense (DoD) had previously indicated it would require for a major theater war. Using those forces, CBO employed various methods to develop its estimates. As appropriate, it used cost data from prior and current military operations—most notably, the operations in the Balkans, Afghanistan, and Desert Shield/Desert Storm. In addition, CBO estimated costs using categories similar to those in DoD's annual reports on the Overseas Contingency Operations Transfer Fund—personnel and personnel support, operations support, and transportation.

Under the assumptions incorporated in its examples, CBO estimates that the incremental costs of deploying a force to the Persian Gulf would be between \$9 billion and \$13 billion. (See the explanation below of “incremental costs.”) Prosecuting a war would cost between \$6 billion and \$9 billion a month—although how long such a war may last cannot be estimated. After hostilities end, the costs to return U.S. forces to their home bases would range between \$5 billion and \$7 billion, CBO estimates. Further, the incremental cost of an occupation following combat operations would vary from about \$1 billion to \$4 billion a month. The estimates of monthly costs incorporate no assumptions about the duration of the conflict or the occupation. And CBO has no basis for estimating any costs for reconstruction or for foreign aid that the United States might choose to extend after a conflict ends.

The first of CBO's examples emphasizes ground forces. Called the Heavy Ground option in this report, it includes about five U.S. Army divisions and five U.S. Air Force tactical fighter wings. The second option relies more on air power. Termed the Heavy Air option, it comprises two and one-third U.S. Army divisions and 10 U.S. Air Force tactical fighter wings. (Details of the options are displayed in Tables 1 and 2.) CBO estimates that the cost of deploying the Heavy Ground force to the Persian Gulf would be about \$13 billion; after that, the incremental cost of prosecuting a war in Iraq would reach just over \$9 billion during the first month of combat and subsequently fall to about \$8 billion a month (see Table 3). Similarly, the cost of deploying the Heavy Air force to the Persian Gulf would be \$9 billion, and the

incremental cost of prosecuting a war would reach \$8 billion during the first month of combat and then fall to \$6 billion a month (see Table 4). Eventually, forces deployed to the conflict from other locations would return to their home stations. CBO estimates that the costs to redeploy those forces would be approximately \$7 billion for the Heavy Ground force and \$5 billion for the Heavy Air force.

CBO's estimates represent the incremental costs that DoD could incur above the budgeted cost of routine operations. As a result, the estimate excludes items such as the basic pay of active-duty military personnel but includes the monthly pay for reservists recalled to full-time duty. Similarly, the estimates reflect only the costs of aircraft flying hours and ship steaming days above those normally provided in DoD's regular appropriations. CBO has no basis for estimating the number of casualties from the conflict or for analyzing the effects of Iraq's possible use of weapons of mass destruction; thus, the estimates in this report exclude those considerations. Neither is there a basis for estimating the costs associated with activities conducted under the National Foreign Intelligence Program because the details of its activities are highly classified.

CBO's Assumptions About Forces

As the basis for its estimates, CBO assumed that forces would be significantly smaller than those DoD has previously proposed for fighting a major theater war (MTW). In DoD's plans, an MTW force included about five active Army divisions, 10 Air Force tactical fighter wings, five to six Navy aircraft carriers with associated support ships, and one to two Marine Corps expeditionary forces (MEFs).¹ In its estimate, CBO examined one option that emphasizes ground forces—Heavy Ground—and another that relies more on air forces—Heavy Air (see Tables 1 and 2); both of those options are subsets of the MTW force, and both are significantly smaller than the forces used to fight the Desert Storm campaign.

The Heavy Ground Option. In estimating costs for this option, CBO assumed the use of five Army divisions, but limited tactical air forces to half of those planned for an MTW, or about five wings, on the assumption that the bases available to U.S. and allied air forces might be limited or that extensive

1. A Marine expeditionary force consists of one Marine division and one Marine air wing.

use of precision munitions might make the use of a smaller number of aircraft feasible. CBO also assumed that this force would include one MEF. In total, CBO estimates, the U.S. force would include about 370,000 military personnel deploying to the Persian Gulf region (270,000 active-duty service members and 100,000 reserves). About another 70,000 reserves would be required to fill stateside and other positions left vacant by deploying active-duty troops. The U.S. force would also comprise up to 1,500 aircraft, 800 attack and transport helicopters, 800 tanks, and 60 battle force ships.

Which allied forces might participate in a conflict with Iraq is uncertain; only the British have thus far indicated their intention to contribute troops. Thus, CBO assumed that two-thirds of a British heavy armored division and two-thirds of a British air wing would be part of the Heavy Ground force, as well as a British naval contingent of 21 ships, as in Desert Storm. CBO's estimates of the costs incorporate the assumption that the United States will provide limited logistical support to those forces similar to the support it provided during Desert Storm.

The Heavy Air Option. In its estimates of an option emphasizing air forces, CBO limited U.S. Army forces to two and one-third divisions and increased the number of tactical air wings to 10. That force structure assumes an increased reliance on air power to compensate for the smaller ground force. For this option, CBO assumed the use of about one-third of a MEF. In total, CBO estimates, the U.S. force would include about 250,000 military personnel deploying to the Persian Gulf region (200,000 active-duty service members and 50,000 reserves). Another 55,000 reserves would be required to fill stateside and other positions left vacant by deploying active-duty troops. The Heavy Air force would also comprise up to 2,500 aircraft, 500 attack and transport helicopters, 300 tanks, and 60 battle force ships.

CBO assumed that one-third of a British heavy armored division and one British air wing would be part of the Heavy Air force, as would the same British naval contingent of 21 ships assumed for the Heavy Ground estimate. Again, the United States would provide limited logistical support to those forces similar to the support provided during Desert Storm.

Incremental Costs for Deploying and Operating Forces

Detailed below are CBO's estimates of the incremental costs for operations by the two representative force structures during both the potential conflict in Iraq and its aftermath.

The Heavy Ground Option. CBO estimates that building up and deploying a U.S. force composed of approximately five Army divisions, approximately five Air Force wings, five Navy aircraft carriers with associated escort and support ships, and one Marine Corps expeditionary force would cost almost \$13 billion over a three-month deployment phase. For that phase, costs for operations support constitute 43 percent of the estimate, or over \$5 billion (see Table 3). Operations support includes the costs associated with operating and maintaining all air, land, and sea forces assembled in the region before the conflict commences; the costs associated with the incremental increase in flying hours and steaming days, such as the costs for increased fuel consumption and repair parts; the costs of equipping and maintaining ground troops and purchasing equipment; and the costs associated with command, control, communications, and intelligence.

Costs for personnel and personnel support during the deployment phase constitute another 34 percent of the estimate's total, or \$4 billion; they include the costs for reserve personnel called to active duty as well as special payments, such as hazardous-duty pay, for both reserve and active-duty personnel. Costs for transporting troops and equipment into the theater would be \$3 billion, or 22 percent of the estimate, and are based on tonnage levels and costs for Desert Shield and Desert Storm, and DoD's planning factors for supplies associated with each deployed soldier. In addition, they take into account the personnel, equipment, and supplies already in and around the Persian Gulf.

CBO estimates that once combat begins, the costs for prosecuting the war, including the cost to replace expended munitions and damaged or destroyed equipment, would total \$9 billion over the first month of combat. The costs associated with replacing expended munitions account for 41 percent of that estimate. The cost of operations support (less the cost of expended munitions) accounts for 36 percent; personnel, personnel support, and transportation costs account for another 23 percent. CBO assumes that in the first month of the conflict, 50 percent of the targets assigned to aircraft would be attacked with precision-guided munitions, such as the Joint Direct

Attack Munition (JDAM). CBO assumes that in the second and subsequent months of combat, 10 percent of the targets would be attacked using precision munitions. The war's monthly cost would in turn decline by almost 20 percent, to \$8 billion a month.

At the end of hostilities, the cost to return the Heavy Ground force units to their home bases would be about \$7 billion, CBO estimates. That figure includes the cost of returning about 25 percent of the total tonnage of equipment and supplies shipped to the region (after accounting for the fuel and ammunition consumed during the conflict) and all of the personnel initially sent to the area. On the basis of DoD's experience in Desert Storm, CBO assumed that the redeployment phase would last about three months. The costs for personnel and personnel support and for operations support for that period are estimated at \$4 billion and \$2 billion, respectively.

The Heavy Air Option. CBO estimates that building up and deploying a U.S. force composed of two and one-third Army divisions, 10 Air Force tactical air wings, five Navy aircraft carriers with associated support ships, and about one-third of a Marine expeditionary force would cost \$9 billion. For the deployment phase, costs for operations support constitute 48 percent of that estimate, or \$4 billion (see Table 4). Personnel and personnel support costs account for another \$3 billion (31 percent), and transportation costs account for the remaining \$2 billion (21 percent).

CBO estimates that once combat begins the costs for prosecuting the war, including the cost to replace expended munitions and damaged or destroyed equipment, would total about \$8 billion over the first month of combat. The costs associated with replacing expended munitions represent 45 percent of that estimate. The cost of operations support (less the cost of expended munitions) accounts for 36 percent; personnel, personnel support, and transportation costs account for another 19 percent. CBO again assumed that 50 percent of the targets assigned to aircraft in the early phase of combat would be attacked with precision munitions. In the second and subsequent months, CBO assumed, 10 percent of the targets would be attacked using precision munitions, and the war's monthly cost would decline by about 20 percent, to \$6 billion a month.

At the end of hostilities, the costs to redeploy the Heavy Air force would total about \$5 billion. Included in that estimate are the costs for returning about 25 percent of the total tonnage of equipment and supplies

shipped to the region (after accounting for the fuel and ammunition consumed) and all of the personnel initially sent to the area. As it did for the Heavy Ground option, CBO assumed that the redeployment phase would last about three months. The costs for personnel and personnel support and for operations support for that period are estimated at \$3 billion and \$1 billion, respectively.

Occupation. The costs associated with an occupation force for Iraq remain highly uncertain, varying from about \$1 billion to \$4 billion a month, depending on the assumptions used about force size and operations. Some military experts suggest that a force of up to 75,000 peacekeepers might be needed; another plan discussed by the U.S. Central Command calls for up to 200,000 troops. For its estimate, CBO used an average cost for a U.S. Army peacekeeper consistent with experiences in Bosnia and Kosovo, and assumed that U.S. force levels would range between 75,000 and 200,000 troops. It also assumed that replacement occupation personnel and equipment would be periodically rotated to the theater in a manner similar to that used in recent peacekeeping activities. However, current Army forces would be unable to support those rotations for a prolonged 200,000-person occupation.

Costs for an occupation could be significantly higher if that operation included the construction of bases, bridges, and roads. On the other hand, if the United States limited its role to providing logistical support to another country's peacekeeping forces, costs for an occupation could be significantly lower.

Uncertainties and Unknowns

Estimates of the total cost of a military conflict with Iraq and such a conflict's aftermath are highly uncertain. For example, many other force structures—both smaller and larger than the two examples CBO used in its estimates—could be fielded. A plausible, larger U.S. force might be composed of the ground forces assumed in the Heavy Ground option and the air forces assumed in the Heavy Air option. Such an alternative force would approach the strength of DoD's MTW force (discussed earlier), but would still be smaller than the force used for Desert Storm. The personnel associated with that larger force would number 470,000; its deployment and monthly operations costs would be greater than any of the costs displayed in Tables 3 and 4.

Whatever forces are used, unknown factors abound in considering how a conflict with Iraq would actually unfold. On the one hand, if the Iraqi leadership or selected elements of its military forces quickly capitulated, ground combat could be of short duration, as in Desert Storm. On the other hand, if the leadership and military chose to fight, Iraq's use of chemical or biological weapons (CBW) against regional military or transportation facilities could extend the war, as could the need to engage in protracted urban fighting. Given those uncertainties, CBO's estimates of the monthly costs of operations exclude expenditures for decontaminating areas or equipment affected by CBW attacks. CBO also has not attempted to estimate the number of potential casualties, including those that might result from the enemy's use of CBW or from protracted urban fighting.

A war could lead to substantial costs in later years that are not included in CBO's estimates, either because their magnitude could not be assessed even roughly or because they depend on highly uncertain decisions about future policy. The United States might leave troops or equipment in Iraq, which could require the construction of new military bases. Sustaining the occupation over time could require either increases in active-duty and reserve end strength or major changes in current policies on basing and deployment. The United States might provide Iraq with funds for humanitarian assistance and reconstruction. Aid could be provided in the future to allies and other friendly nations in the region, and levels of assistance could be substantial.

Some analysts have speculated that the proceeds from Iraqi oil sales could be used to offset the costs of reconstruction and occupation. However, Iraq is already a major exporter of oil and until recently has been producing at close to its peak sustainable production capacity of 2.8 million barrels a day (BPD).² Currently, about 80 percent of Iraq's oil production is being used to purchase imports under the United Nations Oil for Food Program or for domestic consumption. And, in the near term, Iraqi oil exports cannot be expanded without large-scale investment and development of infrastructure. Thus, the primary source of additional funds for reconstructing Iraq would be the proceeds from the legitimate sale of the approximately 400,000 BPD that are currently smuggled out of the country to pay for the importation of items

2. According to data from the Department of Energy's Energy Information Administration and the Organization of Petroleum Exporting Countries (in its *Annual Statistical Bulletin*, Washington, D.C., 2000). Iraq produced an average of 2.8 million BPD in 2000 and 2.4 million BPD in 2001. Its peak surge capacity is about 3.1 million BPD.

that violate United Nations sanctions.³ Assuming that a postconflict Iraq complied with all U.N. resolutions and removed the basis for the current economic sanctions, and assuming also that its oil production infrastructure was undamaged, Iraq could pay for reconstruction costs by using funds generated from that 400,000 BPD of oil and still have enough to pay for its country's current level of imports. At today's oil prices, production at that level would amount to approximately \$3 billion a year.

3. Oil is smuggled through Syria (180,000 to 250,000 BPD); Jordan (75,000 to 110,000 BPD); Turkey (40,000 to 80,000 BPD); and other Persian Gulf states (30,000 to 40,000 BPD). See General Accounting Office, *Weapons of Mass Destruction: U.N. Confronts Significant Challenges in Implementing Sanctions against Iraq*, GAO-02-625 (Washington, D.C., May 2002).

 TABLE 1. UNITED STATES FORCES USED IN DESERT STORM AND ASSUMED FOR CBO'S HEAVY GROUND AND HEAVY AIR OPTIONS

Major Force Element	Desert Storm	Heavy Ground	Heavy Air
Army Divisions ^a	7 $\frac{2}{3}$	5 $\frac{1}{3}$	2 $\frac{1}{3}$
Marine Corps Divisions ^a	2 $\frac{2}{3}$	1	$\frac{1}{3}$
Marine Air Wings	1	1	1
Navy Carrier Air Wings	6	5	5
Navy Carrier Battle Groups ^b	6	5	5
Navy Amphibious Ready Groups ^b	7 ^c	1	1
Navy Surface Action Groups ^b	2	1	1
Air Force Fighter Wings ^d	9 $\frac{2}{3}$	5 $\frac{1}{3}$	10
Air Force Bombers	65	72	72

SOURCE: Congressional Budget Office.

- a. Fractions of divisions represent additional brigade-sized elements (armored cavalry regiments or Marine expeditionary brigades) that would be deployed with combat divisions.
 - b. By the end of Desert Storm, more than 100 Navy battle force ships had participated in that conflict. For both the Heavy Ground and Heavy Air options, CBO estimates that the United States would deploy 60 Navy battle force ships.
 - c. During Desert Storm, Navy amphibious forces were not organized into amphibious readiness groups (ARGs). Thirty-one amphibious ships participated in Desert Storm, carrying two Marine expeditionary brigades and one Marine expeditionary unit. That total is roughly equivalent to 7 ARGs as they are organized today.
 - d. Air Force deployment levels are measured in tactical fighter wing equivalents (TFEs). Each TFE represents a force with sufficient aircraft to ensure that 72 combat planes can be sustained and supported. Fractional numbers of TFEs represent additional squadron-sized elements (24 combat aircraft sustained and supported). Marine air wings and carrier air wings are not directly comparable with Air Force TFEs because of differences in size and composition.
-

TABLE 2. UNITED STATES PERSONNEL ASSOCIATED WITH DESERT STORM AND ESTIMATED FOR CBO'S HEAVY GROUND AND HEAVY AIR OPTIONS (In thousands)

Service	Desert Storm	Heavy Ground	Heavy Air
Army			
Active	206	125	55
Reserve	99	88	38
Subtotal	305	213	93
Marine Corps			
Active	87	40	25
Reserve	6	5	0
Subtotal	93	45	25
Navy			
Active	84	63	63
Reserve	1	0	0
Subtotal	85	63	63
Air Force			
Active	47	26	47
Reserve	10	8	13
Subtotal	57	34	60
Special Operations Forces ^a	N.A.	12	12
Total Personnel Deployed			
Active	424	266	202
Reserve	116	101	51
All Personnel	540	367	253
Reserve Backfill ^b	115	72	55
Total Personnel Required			
Active	424	266	202
Reserve	231	173	106
All Personnel	655	439	308

SOURCE: Congressional Budget Office.

NOTE: N.A. = not available.

- a. Special-operations forces (SOF) personnel are not displayed by service for the Heavy Ground and Heavy Air options because all SOF forces are managed, funded, and provided by Special Operations Command.
- b. Personnel required for backfill would not deploy to the theater of operations but would instead fill stateside or other positions left vacant by deploying active-duty troops.

TABLE 3. ESTIMATED COSTS OF DEPLOYMENT TO, COMBAT OPERATIONS IN, AND OCCUPATION OF IRAQ: HEAVY GROUND FORCE OPTION
(In billions of 2003 dollars)

Cost Element	Deployment (Three months)	First Month of Combat ^d	Subsequent	Redeploye	Occupation (Per month)
			Months of Combat ^e (Per month)	nt (Three months)	
Personnel and Personnel Support ^a	4.3	1.4	1.4	4.3	n.a.
Operations Support ^b	5.4	7.1	5.4	1.5	n.a.
Transportation ^c	<u>2.8</u>	<u>0.7</u>	<u>0.7</u>	<u>1.5</u>	n.a.
Total	12.5	9.2	7.5	7.3	1.4 to 3.8 ^f

SOURCE: Congressional Budget Office.

NOTE: n.a. = not applicable.

- a. "Personnel" includes pay for reserve personnel called to active duty as well as special payments, such as hazardous duty pay, for both reserve and active-duty personnel. The category also covers subsistence items, such as food and water. CBO's estimate also includes those costs for reserve and National Guard personnel called to active duty in support of the Persian Gulf operations and to fill in for positions left vacant by troops deploying to the Gulf. "Personnel support" includes clothing and personal items as well as medical support.
- b. This category includes all incremental costs related to the operation and maintenance of air, land, and sea forces involved in the Persian Gulf conflict. It includes costs associated with the incremental increase in flying hours and steaming days, such as costs for increased fuel consumption and repair parts. Operations support also includes the costs of equipping and maintaining ground troops and purchasing equipment, as well as the costs associated with command, control, communications, and intelligence. In addition, the category covers force reconstitution, which includes the replacement of munitions stocks and repair or replacement of damaged equipment—and the incremental cost of increased depot maintenance for items such as aircraft, tanks, and ships.
- c. "Transportation" includes the cost of moving personnel and equipment to the theater of operations from the continental United States and from bases around the globe. Those costs are incurred by the U.S. Transportation Command, which operates DoD's heavy-lift aircraft, Navy sealift, and contracts for commercial air and shipping.
- d. CBO assumes that in the first month of combat, 50 percent of the targets will be attacked by precision-guided munitions (PGMs).
- e. CBO assumes that if combat operations continue beyond one month, 10 percent of the targets would be attacked by PGMs.
- f. This estimate is based on an average cost per U.S. Army peacekeeper for occupation forces ranging from 75,000 to 200,000 peacekeepers. The estimate could be significantly larger if the occupation included heavy construction, such as building bases, bridges, and roads. If the United States limited its role to providing logistical support to other nations' occupying forces, costs could be significantly lower.

TABLE 4. ESTIMATED COSTS OF DEPLOYMENT TO, COMBAT OPERATIONS IN, AND OCCUPATION OF IRAQ: HEAVY AIR FORCE OPTION
(In billions of 2003 dollars)

Cost Element	Deployment (Three months)	First Month of Combat ^d	Subsequent Months of Combat ^e (Per month)	Redeploy- ment (Three months)	Occupation (Per month)
Personnel and Personnel Support ^a	2.7	0.9	0.9	2.7	n.a.
Operations Support ^b	4.2	6.2	4.7	1.1	n.a.
Transportation ^c	<u>1.9</u>	<u>0.5</u>	<u>0.5</u>	<u>1.0</u>	<u>n.a.</u>
Total	8.8	7.6	6.1	4.8	1.4 to 3.8 ^f

SOURCE: Congressional Budget Office.

NOTE: n.a. = not applicable.

- a. "Personnel" includes pay for reserve personnel called to active duty as well as special payments, such as hazardous duty pay, for both reserve and active-duty personnel. The category also covers subsistence items, such as food and water. CBO's estimate also includes those costs for reserve and National Guard personnel called to active duty in support of the Persian Gulf operations and to fill in for positions left vacant by troops deploying to the Gulf. "Personnel support" includes clothing and personal items as well as medical support.
- b. This category includes all incremental costs related to the operation and maintenance of air, land, and sea forces involved in the Persian Gulf. It includes costs associated with the incremental increase in flying hours and steaming days, such as costs for increased fuel consumption and repair parts. Operations support also includes the costs of equipping and maintaining ground troops and purchasing equipment, as well as costs associated with command, control, communications, and intelligence. In addition, the category covers force reconstitution, which includes the replacement of munitions stocks and repair or replacement of damaged equipment, and the incremental cost of increased depot maintenance for items such as aircraft, tanks, and ships.
- c. "Transportation" includes the cost of moving personnel and equipment to the theater of operations from the continental United States and other bases around the globe. Those costs are incurred by the U.S. Transportation Command, which operates DoD's heavy-lift aircraft, Navy sealift, and contracts for commercial air and shipping.
- d. CBO assumes that in the first month of combat, 50 percent of the targets will be attacked by precision-guided munitions (PGMs).
- e. CBO assumes that if combat operations continue beyond one month, 10 percent of the targets would be attacked by PGMs.
- f. This estimate is based on an average cost per U.S. Army peacekeeper for occupation forces ranging from 75,000 to 200,000 peacekeepers. The estimate could be significantly larger if the occupation included heavy construction, such as building bases, bridges, and roads. If the United States limited its role to providing logistical support to other nations' occupying forces, costs could be significantly lower.

QUESTIONS FROM CHAIRMAN KINGSTON FOR THE RECORD

REQUEST FOR THREE FULL-TIME EQUIVALENT POSITIONS

Question. You are requesting three FTEs and \$519,000 to address your economic forecasts and baseline projections for tax receipts. For the record, can you elaborate on the need for the positions and why this is an area of particular concern?

Answer. Recent fluctuations in federal receipts and the difficulty that we and most other forecasters experienced in projecting revenues under the circumstances highlighted the problem. Given the importance of this information to the budget and appropriations processes, we believe it is imperative that we enhance our capabilities in this area. Although we will shift additional resources internally to do so, the three FTEs requested are our best estimate of the minimum additional resources needed.

For a more detailed discussion of the difficulty in creating the receipts baseline and the resources needed to solve the problem, see the April 24, 2003, letter to the Chairman on this topic that is inserted earlier in this hearing record.

IMPROVING PROJECTIONS OF TAX RECEIPTS

Question. In your justification, you state that during the next two years, CBO will undertake major efforts to improve its baseline projections of tax receipts. What are the improvements that you hope to achieve? How many of the three FTEs requested will be devoted to this issue? What do you see as CBO's shortcomings in this area.

Answer. While CBO uses its 10-year economic forecasts as the basis for projecting revenues, various factors beyond the level of economic activity influence the level of receipts. Over the past two decades, the average errors in our January estimates of revenues have averaged 1.9 percent for the current year and 4.6 percent for the budget year. While there are reasonable explanations for those misestimates, we need to increase our efforts to improve in this area. The three additional staff included in our budget request are critical to this effort.

A more detailed explanation of CBO's forecasting record and plans to improve it can be found in the April 24, 2003, letter to the Chairman on this topic that is inserted earlier in this hearing record.

IMPORTANT BUDGET INITIATIVES

Question. The CBO wants to devote resources to attract talented people, develop their skills, properly equip them, organize key work processes, and capitalize on technology. What are your plans to achieve all of these initiatives?

Answer. We plan to achieve these initiatives by building on progress made in recent years. During fiscal year 2004, we will continue to pursue the goal of identifying, hiring, retaining, and equipping a highly skilled and diverse workforce. To accomplish this goal, we have developed a comprehensive plan that includes:

- Broad and more aggressive recruiting to attract permanent staff and scholars with term appointments, with an emphasis on hard-to-staff areas such as macroeconomics, financial economics, tax, and health economics.
- Increasing our investment in building employees' skills, professional development, and management training including the implementation of standardized training plans for typical positions.
- Equipping our staff with a modern work environment and advanced technology at an economical price by working with the Architect of the Capitol to upgrade our space and by replacing aging hardware and software and strengthening our network security and reliability.
- Upgrading internal systems like ones for job applicant tracking and financial management to improve internal service delivery and support the efforts outlined above.

More information about these initiatives may be found in the CBO testimony provided for the record.

PUBLICATION DISTRIBUTION SYSTEM

Question. Another issue that CBO wants to address in FY 2003 is to develop a new publication distribution system. What are your plans for the new system? For the record, provide a listing of routine recipients of your publications.

Answer. The system will replace a very old legacy system that must be run off-site by a contractor. The system is serviceable but inflexible and does not integrate well with Web-based publishing. As the use of the Web (versus paper) distribution of products has grown, this has become a serious drawback, and modifying this sys-

tem accordingly would be prohibitively expensive. The new system will allow us to store and use email addresses, apply addresses automatically to documents reproduced in-house, and import custom mailing lists appropriate to individual reports—and therefore to easily tailor distribution. All in all, it should save time, considerable labor and money. It should facilitate the movement toward electronic distribution and allow us to inexpensively make system changes in the future. By tailoring distribution, we have already been able to reduce distribution where appropriate, but this system will allow us to do it more quickly and with less effort.

As regards our routine distribution, the only typical distribution is to all Members and selected Congressional staff for mandated reports or other important reports that are of general interest to the Congress. For less visible reports that we have been asked to undertake by a committee, we also distribute to the requesters and their committee staff and other committees of jurisdiction (and any affected agencies). Finally we have a set of federal agency staff, for example, at GAO and CRS, who want most CBO publications; and we have mailing lists of private citizens who request publications on selected topics. We periodically cull the latter, and we have generally been reducing the size of these public mailing lists as more of our business shifts to the Web.

[CLERK'S NOTE.—The justification of the budget request submitted by the Congressional Budget Office follows:]



THE CONGRESSIONAL BUDGET OFFICE

Budget Justification:

Fiscal Year 2004 Request for Appropriations

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Overview of CBO's Budget Request for Fiscal Year 2004

The Congressional Budget Office's fiscal year 2004 budget continues to be driven by the need to be competitive in a specialized labor market with the added challenge of completing and maintaining an effective disaster recovery process. We are requesting \$33,628,000 for CBO's operations during fiscal year 2004, an increase of 5.5 percent over 2003. Funding CBO's portion of the cost of operating the Federal Accounting Standards Advisory Board (FASAB) adds 1.1 percent (or \$365,000) to our request, but this expense should be offset by reductions in the costs incurred by the other sponsoring agencies—Treasury, GAO and OMB—whose annual contributions will decrease. Together, these requirements total \$33,993,000 or a 6.6 percent increase over our appropriation for fiscal year 2003.

Of the 5.5 percent increase needed for CBO operations, 3.8 percentage points represent a current services baseline, while the remaining 1.7 percentage point increase will fund three new positions and allow us to focus more resources on improving our economic forecasts and baseline projections of tax receipts. Mandatory personnel cost increases alone would have required a 5.2 percent baseline budget increase, but these were offset somewhat by a 1.4 percent decrease resulting from savings in our technology spending and other operating costs.

In fiscal year 2003, CBO will focus on its core functions of scorekeeping, budget analysis, and economic and revenue forecasting, while emphasizing improvements in our forecasting methodologies for tax receipts, and making efforts to be more responsive to our Congressional clients. We expect to produce important policy studies on national security, health, economic trends, tax proposals, financial institutions, retirement and other issues. We will also devote some additional resources to enhancing our ability to maintain operations in any future emergency. This work will be supported by 233 full-time-equivalent (FTE) positions and a budget of \$31,892,000. In keeping with past practice, and given the recent guidance of the Congress, we will provide a 4.1 percent across-the-board pay raise for other than senior-level employees.

In 2003, we will complete work to replace BADS (Budget Analysis Data System), our primary budget tracking system, with a PC-based client server application which will be maintained in-house. This system upgrade accounts for a significant portion of our cost savings for fiscal year 2004. In response to report language accompanying the 2002 legislative branch appropriation, we will also complete implementation of a new system which will provide our staff with remote access to computer software applications and data files.

In fiscal year 2004, our request will allow us to fund 236 positions—the same level originally requested for 2003. The three additional positions along with some reallocation of existing positions will allow us to increase the level of effort applied to improving our receipts baseline and enhancing our responsiveness to the Congress. We will also expand our visiting scholars program for post doctoral fellows and mid-career academics with expertise in areas such as health economics, financial analysis, and macroeconomics.

Specifically, the fiscal year 2004 budget would:

- Support a workload estimated at 2,300 legislative cost estimates and mandate cost statements, 30 major analytical reports, 40 other publications, and a heavy schedule of congressional testimony.
- Provide a pay adjustment of 3.7 percent for staff below the level of senior analyst, consistent with the increase requested by other legislative branch agencies and providing parity with the military pay raise.
- Fund 236 FTEs, adding three positions for staff and visiting scholars to improve our ability to forecast tax receipts.
- Fund a combination of within-grades, promotions, and merit increases for staff below the level of senior analyst.
- Provide necessary performance-based pay increases for managers and senior analysts who no longer receive automatic annual across-the-board increases.
- Provide \$365,000 to pay CBO's share of the budget for the Federal Accounting Standards Advisory Board.
- Use reductions in spending for technology and equipment to offset the cost of the three new positions and a portion of projected price increases for administrative expenses.

This request also includes a change in our legislative authority that would allow our appropriation to be available to pay an appropriate share of the costs of operating the Federal Accounting Standards Advisory Board. This change is explained in detail at the end of this section on page 33 and legislative language is included as an appendix.

Summary of CBO's Budget Request for Fiscal Year 2004

	Staff	Amount (in 000's of \$)
Calculation of Base		
Appropriation, FY 2003	233	32,101
Plus Supplementals		0
Minus Recissions		(209)
Budget Base, FY 2003	233	31,892
Proposed Change for FY 2004		
Mandatory Pay and Related Costs		1,668
Price Level Changes		89
Program Type Changes		
Legislation:	0	0
Workload:		
Improve revenue estimates	3	519
FASAB expenses		365
Net of other changes		(518)
Equipment, Alterations, Maintenance, Repairs, etc.		(22)
Total Proposed Changes	3	2,101
FY 2004 Budget Request	236	33,993

Note: Columns and rows may not add up to totals because of rounding.

The total fiscal year 2004 budget request in this table is \$543,000 higher than the amount submitted to OMB for inclusion in the President's budget. CBO will submit an amendment to OMB to reflect the change in our request that resulted from new information available after the OMB deadline.

CBO's Role in Support of the Congress

The Congressional Budget Act of 1974 established CBO as a nonpartisan Congressional support agency. Its mandate was to provide the Congress with accurate, nonpartisan analysis and information on matters of budgetary and fiscal policy.

Under that act, CBO is charged with the production of specific work products, including the annual *Budget and Economic Outlook*, which includes spending and revenue baseline projections; five year cost estimates for legislation reported from committee, and the report *Unauthorized Appropriations and Expiring Authorizations*. In addition to these specific duties, CBO has three more-general statutory functions: to provide to the House and Senate Budget Committees information on all matters within their jurisdiction and reports as may be necessary and appropriate to assist them in the performance of their functions; to provide information to the House and Senate Appropriations Committees, the Senate Finance Committee, and the House Ways and Means Committees that will assist them in the discharge of matters in their jurisdictions; and, to the extent practicable, provide information to any other House or Senate Committee, upon their request.

The Balanced Budget and Emergency Deficit Control Act of 1985 (the Deficit Control Act), assigned additional statutory duties to CBO. CBO continues to be responsible for issuing Low Growth Reports under the act. In furtherance of the deficit control purposes of the act, CBO estimated the cost of all legislation passed by Congress and prepared a Preview, Update, and Final Sequestration Report each year. The usefulness of the sequestration reports was extinguished with the expiration of the underlying enforcement provisions of the Deficit Control Act. However, CBO continues to provide to the Budget Committees the estimated cost of all legislation passed by the Congress for Congressional enforcement and informational purposes.

The Unfunded Mandates Reform Act of 1995 imposed three additional duties on the Congressional Budget Office. First, CBO is required to prepare mandate cost statements on reported legislation that imposes intergovernmental mandates (enforceable duties imposed on state, local, and tribal governments) where those governments' compliance costs are estimated to equal or exceed \$50 million in any year. Second, CBO is required to prepare similar mandate cost statements on legislation that imposes mandates on the private sector where that sector's costs of compliance are estimated to be at least \$100 million in any year. Third, upon request and to the extent practicable, CBO must conduct studies of legislative proposals containing federal mandates (whether intergovernmental or on the private sector) and assist committees in analyzing the budgetary or financial impact proposed legislation may have on state, local, or tribal governments or the private sector.

Accomplishments in Fiscal Year 2002

In fiscal year 2002, CBO continued to satisfy its primary functions relative to the Congressional budget process. In January, we issued our annual report on the budget and economic outlook which was based on the first of three sets of baseline budget projections prepared during the year. The outlook was followed by an analysis of the President's budget proposals.

CBO prepared about 750 formal cost estimates during 2002 and an even larger number of informal estimates for proposals or options being considered by the Congress. Legislation with a significant budgetary impact included the Economic Security and Assistance for American Workers Act of 2001; the Trade Adjustment Assistance for Workers, Farmers, Communities, and Firms Act of 2001; the Farm Security and Rural Investment Act of 2002; the Bob Stump National Defense Authorization Act for Fiscal Year 2003; the Medicare Modernization and Prescription Drug Act of 2002 (and several other competing proposals for providing a new prescription drug benefit under Medicare); the Terrorism Risk Insurance Act of 2002; the Veterans Health Care Funding Guarantee Act of 2002; and the Energy Policy Act of 2002.

At the request of the Senate Budget Committee, we prepared a special analysis of the estimated cost of activities related to the military operations in Afghanistan. In addition, we developed estimates of the cost of possible military operations in Iraq. Those estimates provided a likely range of incremental monthly costs for deploying a force to the Persian Gulf, prosecuting a war, and occupying Iraq following combat.

We also assisted the budget committees in their development of proposals for a Congressional budget resolution for fiscal year 2003. Staff were also in frequent communication with numerous committees to brief them and answer questions on cost estimates, to obtain information about legislative proposals and committee timetables, and to provide information about federal programs and other budgetary issues. For example, staff responded to numerous requests during 2002 on the status of obligations and outlays for funding provided in 2001 for homeland security and for assistance to New York in the aftermath of the September 11, 2001, terrorist attack.

We also provided regular economic forecasts and detailed analyses of the state of the economy and of the Administration's economic forecast to the House and Senate Budget Committees as well as to other Congressional committees. A major focus was on how changes in taxes affect the economy. We also did work on the macroeconomics of taxes, and continued work on the effect of the aging of the population on the long-run outlook for the budget and the economy.

CBO testified before the Congress 16 times in fiscal year 2001 on a variety of budget and economic issues. A few examples are *The Budget and Economic Outlook* for the House Budget Committee; *Projections of Medicare and Prescription Drug Spending* for the Senate Finance Committee; *Social Security: Long-Term Budget Implications* for the House Budget Committee; and *Social Security: The Challenges of an Aging Population* for the Senate Special Committee on Aging. For the House Budget and House Rules Committees, CBO also testified on *Federal Budget Estimating*. With the packed agenda of the 108th Congress, we expect the number of appearances to grow in 2003.

An important part of the agency's mandate is the preparation of regular economic forecasts and detailed analyses of the state of the economy and of the Administration's economic forecast. This effort is supported by the advice of a distinguished panel of advisers who represent a wide spectrum of economic views. Explaining our analytical methodologies is a long-standing

practice at CBO and in fiscal year 2002, we prepared several analyses of CBO's past record of budget and economic forecasts.

Responding to requests from Congressional committees for analyses of budgetary and programmatic issues is an important function of the agency. As the following discussion shows, CBO studied the economic and budgetary impacts of a broad range of policy initiatives and proposals in 2002.

Medicare - In fiscal year 2002, a major effort was the examination of several complex proposals to add a new prescription drug benefit to Medicare, "modernize" other features of Medicare's benefit package, and promote competition among providers of Medicare services. Information was provided to committee staffs in both the House and Senate on the impacts of these options on both federal costs and the consequences for other parties. CBO also presented testimony on prescription drug spending and prepared an important study on *Issues in Designing a Prescription Drug Benefit in Medicare*, which was released in early 2003.

Other Health Issues - During fiscal year 2002, we analyzed several other important health proposals in addition to Medicare options:

- *Hatch-Waxman Reform* - CBO analyzed legislative proposals to reform market exclusivity rules in the prescription drug market to promote quicker entry by generic drugs (so-called Hatch-Waxman reform). Our cost estimates relied on detailed databases that capture an array of information on prescription drugs, and they were prepared after extensive consultation with industry experts both inside and outside of government.
- *Medical Malpractice Reform* - We examined options to reform the nation's medical malpractice tort system by imposing limits on litigation and capping damage awards. In addition to providing Congressional committees with estimates of the effects of these options on federal costs and revenues, we also provided information on the effects on both medical malpractice premiums and overall private health insurance costs.
- *Regulation of Private Health Plans* - We provided estimates of the federal budgetary and private-sector effects of several legislative proposals that would have imposed regulations on the operation of private health plans and health insurance providers. Topics included bills to modify the rights and legal remedies of patients in their dealings with managed care plans ("patients' bill of rights" legislation), and bills that would require parity in the coverage of mental health and medical/surgical benefits.

Social Security - In fiscal year 2002, CBO continued to develop an analytical framework for examining proposals to restructure and partially privatize Social Security. In addition to using standard actuarial projection techniques (such as those employed by the Social Security Administration), we made significant progress in constructing a dynamic micro-simulation model to produce long-term (75 year) budget projections. We used the model in the preparation of several *Fiscal Policy Briefs* issued by CBO, to prepare Congressional testimony on the long-run budget outlook, and to analyze long-term options for CBO's 2003 *Budget Options* volume.

National Security - In fiscal year 2002 and early 2003, defense-related accomplishments included support to the Congress through direct assistance and published reports as follows:

- In January 2002, responding to a request from Senators Daschle, Levin, and Conrad, CBO prepared an analysis of *Estimated Costs and Technical Characteristics of Selected National Missile Defense Systems*.
- In a March 2002 study responding to a request from the Senate Armed Services Committee, CBO analyzed alternatives for *Increasing the Mission Capability of the Attack Submarine Force*.
- In a March 2002 paper responding to a request from the House Budget Committee, CBO assessed alternative approaches for implementing *Accrual Budgeting for Military Retirees' Health Care*.
- In September 2002, at the request of Senator Conrad and Congressman Spratt, CBO developed *Estimated Costs of a Potential Conflict with Iraq*.
- In a January 2003 study, CBO responded to a request from the Senate Defense Appropriations Subcommittee for an analysis of *The Long-Term Implications of Current Defense Plans*.
- As part of its continuing analysis of federal budget concepts, in February 2003 CBO assessed *The Budgetary Treatment of Leases and Public/Private Ventures*.

We also provided informal support and information to the Armed Services, Budget, and Foreign Affairs/International Relations Committees and reviewed all bills dealing with national security, international relations, and veterans benefits to determine whether they contained private-sector mandates.

Domestic Economic, Tax, and Financial Issues - In fiscal year 2002, CBO provided budgetary and economic analyses on numerous economic, tax, and financial issues. Major subjects of analysis include the effects of aging of the population on the long-run outlook for the budget and the economy, the effects of changes in taxes on the economy, and the effects of federal intervention in private markets. Specific work in fiscal year 2002 included the following:

- *Effects of Economic Stimulus* - Issued a publication discussing general economic principles that underlie fiscal stimulus and assessing several proposed changes in tax policy intended to boost demand in the short term.
- *Falloff in Federal Receipts* - Issued a policy brief examining the sharp drop in revenue collections experienced in 2002.
- *Federal Reinsurance for Terrorism and Natural Disasters* - Issued two reports that reviewed effects of the September 11, 2001, terrorist attacks on the insurance industry

and that analyzed proposals for federal reinsurance of risks from both terrorism and natural disasters.

- *Technology and Growth* - Issued a report that reviewed recent productivity growth in the economy, its relationship to improvements in computer technology, and the prospects for such growth and improvements in the future.
- *Water Infrastructure Needs* - Issued a report and testified on estimates of future investment needs for drinking water and wastewater infrastructure.
- *Financial Institutions* - Issued two reports on banking issues, the first on risks facing U.S. banks from their exposure to foreign financial losses and the second on the implications for banks and depositors of raising the limit on federal deposit insurance coverage.

Priorities for Fiscal Years 2003 and 2004

CBO's primary objectives will, as always, be to provide technical assistance and analytical support to the Congress in its work on annual budgets, and to prepare estimates for legislative proposals with budgetary impact. That effort will include the preparation of baseline spending and revenue projections, projections of the condition of the economy, cost estimates for authorization and direct spending legislation, and outlay estimates for appropriation bills. CBO will also undertake policy studies on budgetary, economic, and programmatic issues that meet the needs of individual committees of the Congress. During the next two years, CBO will also undertake major efforts to improve its baseline projections of tax receipts, become more responsive to and communicate better with our Congressional clients, enhance our planning process, and continue our internal management improvement efforts including strengthening our planning process. These priorities are discussed below.

Improving Economic Forecasts and Baseline Projections of Tax Receipts - The drastic swings in federal revenues over the past decade have placed a premium on improving the state-of-the-art in receipts forecasting. Over the second half of the 1990s, as receipts rose faster than anticipated, and in the early 2000s, when the opposite occurred, CBO labored, along with other macroeconomists and forecasters, to revise its revenue models and estimating methods. But, we were hampered, along with other forecasters, by the long lags between revenue collections and the availability of useful data on the nature of these collections, and by the fact that relationships between incomes and tax collections appear to be more complex than previously appreciated. During 2003 and 2004, we plan to further increase the level of effort devoted to improvement in this area. To do so we will:

- reconsider our current revenue models and estimating methods to determine if better procedures are available and identify areas for further development;
- acquire additional expertise in the areas of revenue estimating and related macroeconomic issues through additional hiring and other strategies;

- attempt to get better and quicker access to IRS tax data, and utilize private-sector financial information to improve our understanding of how changes in the economy and the markets influence federal receipts; and
- consult broadly with federal, state, and private forecasters who are working on the same problem. For example, we will explore bringing in a visiting scholar who has experience with projecting income tax receipts in a large state such as New York or California. And we will hold a series of meetings with other experts on aspects of creating our revenue baseline.

We will emphasize transparency in all our analyses, estimates and projections, but particularly in the revenue area, so that external experts can understand and critique our methods. We will also continue to disseminate our analyses of the reasons for past inaccuracies in our receipts baseline. And our staff will continue to focus on a wide range of related methodological issues. In fiscal year 2004, we will increase the resources devoted to this effort by at least three staff years through a combination of permanent hiring and expert consultants, reallocation of resources, and greater utilization of our visiting scholars program.

Responsiveness and Communications With Congressional Committees - Another area we will emphasize in 2003 and 2004 will be our direct assistance to the Congress. We plan to do this in several ways:

- Assigning a senior analyst with a broad knowledge of budget analysis and the budget process to assist the Director by providing liaison to the principal Congressional committees with whom CBO works.
- Involving the Budget, Appropriations, House Ways and Means, and Senate Finance Committees, as well as other frequent users of CBO's services, in substantive discussions during our planning process. For example, we would consult with committees planning major reauthorizations to identify their information needs well in advance and then strive to complete our work to be of maximum usefulness.
- More generally, taking careful note of the timing and information needs of all our customers and working very hard to meet delivery dates related to those needs, particularly for work directly related to the legislative process.
- Keeping all committees for whom we work advised of the status and progress of projects of interest to them.

Strategic Planning - During the past few years we have experimented with a variety of planning approaches for our mission work, as well as for our internal management agenda. The results of those planning efforts, as well as the resulting accomplishments, have been reflected in internal plans and to some extent in our annual budgets, appropriation testimony, and the fiscal year 2002 operating plan.

During the next six months, we will begin a more deliberate strategic planning process that will involve (1) a broad and careful assessment of customer needs, (2) a deliberate weighing of customer priorities in relationship to CBO's mission and capabilities, (3) the selection of broad work areas and individual projects, and (4) the setting of supportive internal management goals. The result should be a clear idea of how CBO can best allocate our general goal of becoming more responsive to the needs of Congress and is expected to result in a written plan available to Congress and the public. That plan will guide our future efforts and we will work to have it available for inclusion with the submission of our 2005 budget.

Specific Work Priorities for Fiscal Years 2003 and 2004

Medicare - Reforming the Medicare program is likely to become an even greater focus of Congressional interest in 2003 and 2004 than in the past. We expect to analyze a wide range of legislative proposals both to expand Medicare benefits and to modify existing program rules. Topics are likely to include adding a prescription drug benefit to Medicare, promoting greater competition among health plans in the program, and modifying Medicare's payments to providers in the traditional fee-for-service sector.

With Medicare's long-term budgetary difficulties gaining greater prominence, we also plan to focus efforts on developing a long-range model for estimating Medicare's future costs and to integrate that model into the long-term micro-simulation model we are developing for Social Security. We anticipate using the model to produce projections of Medicare and other health spending over the next 75 years under both current law and proposed alternatives.

Other Health Issues - We will also work on several other important health topics in 2003 and 2004. Options for expanding health insurance coverage are likely to be a major focus of legislative interest, and we expect to be called upon to analyze a range of proposals. Topics include options to provide tax inducements for insurance coverage, expand Medicaid and the State Children's Health Insurance Program, reform rules regulating private health insurance, and require employers to offer coverage. Efforts also are likely to continue to be made to alter the prescription drug market by reforming current "market exclusivity" rules governing the entry of generic drugs into the market.

Social Security - CBO plans to continue development of its long-range model to produce cost estimates and impact analyses of Social Security for both current law and a number of reform proposals. We will expand and enhance our actuarial and micro-simulation models for estimating Social Security over the long term (75 years), and incorporate a similar model (discussed above) for estimating Medicare's long-term financial status. Our agenda includes integrating analysis of the long-term macroeconomic effects and fiscal (budgeting) implications into the long-range model.

Unemployment Insurance and Workforce Investment - With recent high levels of unemployment and the scheduled reauthorization of the Workforce Investment Act, CBO expects to continue to provide the Congress with analyses of legislative options to extend unemployment

insurance (UI) benefits and to reform federal job training programs to promote the more rapid return to work by jobless workers.

Homeland Security - Providing for homeland security and the creation of the Department of Homeland Security remain challenges faced by the Congress and priorities at CBO. The Budget Analysis Division will continue to track homeland security spending through the budget and appropriations processes and stands ready to assist the Congress in making transparent spending for homeland security. CBO's program divisions are examining a number of issues related to the effectiveness of public spending for homeland security and the provision of adequate incentives to private sector actors to mitigate the risks associated with attack by foreign or domestic terrorists.

National Security - Our current work on National Security has been focused on several broad themes which will dominate our efforts and reporting in fiscal years 2003 and 2004. These themes and some major anticipated products are as follows:

- *Expeditionary Forces* - Analyze alternative approaches to replacing current overseas forward basing of U.S. forces with so-called expeditionary forces based in the United States and deployed on a rotational basis to selected bases overseas.
- *Aftermath of a Conflict with Iraq* - Assess the implications of a long-term occupation of Iraq for active- and reserve-duty U.S. military force structure.
- *Army Transformation* - Examine the Army's current plans to transform its forces to meet 21st-century threats and alternatives that might mitigate the technical and budgetary risks associated with those plans.
- *Efficiencies in Defense Aircraft Logistics* - Study the effects of reform initiatives on aircraft logistics management.
- *Military Use of Contractors* - Analyze the budgetary implications of trends in the use of contractors to perform military support functions.
- *Long-Range Strike* - Analyze the cost-effectiveness of alternative approaches to improving the ability of the United States to strike large numbers of targets at long range.

Other Domestic Economic, Tax, and Financial Issues - In fiscal years 2003 and 2004, work will be done on the following economic and budget policy issues:

- *Climate Change* - A report on the economics of climate change will be issued; on-going work examines the macroeconomic effects of reducing greenhouse gas emissions.
- *Tax Issues* - A report was issued early in fiscal year 2003 on the effects of allowing non-itemizers to deduct charitable contributions. A policy brief was issued that outlined the

basics of capital gains taxation in the context of estimating individual income tax receipts. Additional work will examine the use and economic effects of tax-preferred retirement savings programs, the growing effect of the alternative minimum tax, and the use of educational tax credits.

- *Federal Investments in Private Securities* - A report was issued that evaluated economic and budgetary effects of federal investments in corporate stocks and other private securities.
- *Corporate Average Fuel Economy Standards* - A report was issued comparing policy options to reduce gasoline consumption. On-going modeling work will quantify costs that consumers and producers would bear as a result of increasing CAFÉ standards.
- *Transportation* - A report is being prepared that provides background on passenger rail and reviews options for the future. On-going work will support staffs of Congressional committees as they consider legislation reauthorizing federal highway, transit, and aviation programs.
- *The Internet and Intellectual Property* - Two studies are on-going. The first analyzes policy proposals to speed deployment of high-speed Internet connections. The second looks at possible changes to copyright law in light of the expansion of digital technologies.
- *Tort Reform* - A study is under way in the general area of tort reform. Study topics include the economic costs and benefits of the tort system, the implications of tort reform for economic growth, and an assessment of the economic effects of state-level tort reforms undertaken from the mid-1980s to the present.

Internal Management Strategy: Progress and Priorities for Fiscal Years 2003 and 2004

In addition to focusing directly on its mission, CBO, like any successful organization, must devote resources to attracting talented people, developing their skills, and properly equipping them. It must also organize its key work processes to be as efficient as possible and capitalize on technology whenever possible. During 2003 and 2004, CBO will continue to pursue many of the same goals it has in recent years, although the emphasis will change to reflect past progress and emerging needs.

Enhancing Recruitment and Retention

During fiscal years 2003 and 2004, we will continue to pursue the same goals and initiatives in order to identify, hire, and retain a highly talented and diverse workforce. Human resources studies indicate that the success of recruitment and retention efforts are influenced in the earliest stages of the employee's relationship with the organization. In addition to good compensation and opportunity, important factors in retention include employees developing a sense of attachment quickly and having an understanding of their contribution.

1. **Strengthen Recruitment Strategy - *Our goal has been to focus our efforts on quickly filling key vacancies, particularly in hard-to-attract disciplines, while building a more diverse workforce.***

Our emphasis here stems from the general difficulty of filling very specialized positions with highly qualified staff, and from the experience of the late 1990's, when the agency experienced an unusual number of vacancies and was unable to quickly replace employees. As a result, staffing dropped sharply to as low as 205 at the end of 1998. Thus early in fiscal year 2000, we formed a recruitment task force which made significant recommendations on how to build a better recruitment program. As a result, we devised a recruitment and retention strategy that allowed us to fill vacancies more quickly and begin meeting our annual staffing goals. To achieve this we:

- raised offering salaries for new Ph.D. and Master's candidates and enhanced our internship programs to reach more candidates with relevant skills, including more minority applicants;
- simplified our application process and drastically shortened the time from application to job offer;
- created a high-quality recruitment brochure for our college recruitment program, improved supporting employment materials, and strengthened the employment pages on our Web site;
- developed a new system to track recruitment contacts and more aggressively advertised critical vacancies;

- began the use of recruitment bonuses in hard-to-fill specialties such as health and financial economics; and
- implemented and utilized an awards program for outstanding performers, which recognized over 45 percent of our workforce during the past two years.

In fiscal year 2002, we participated in a total of 28 college recruitment related activities. With these activities CBO reached students from more than 16 campuses, including four minority institutions. We also enhanced the employment page of our Web site (www.cbo.gov). To retain high-performing employees, we continue to provide merit pay for entry and mid-level employees to keep pay progression competitive with other government employers. Though not implemented due to funding uncertainties, we developed procedures for the Student Loan Repayment Program as an additional recruitment and retention tool for difficult to fill positions. We also:

- Designed the CBO Economic Policy Fellowship Program, a competitive scholars program, to increase the visibility of the agency as a prospective employer and bring in technical expertise in highly competitive areas. This program was implemented early in 2003.
- Fully implemented an automated applicant résumé tracking system (ARTS). This paperless application tracking system provides (1) quicker screening and delivery of applicant information to managers, therefore improving the pace at which we can make employment offers; (2) enhanced ability to consider candidates for multiple positions simultaneously and greatly decreased dependence on regular mail, which hampered our recruiting after the Anthrax episode; (3) electronic retention of applicant information and enhanced reporting capabilities to quantify recruitment efforts; and (4) notification of candidates via email that applications have been received.

In fiscal years 2003 and 2004, our college and university recruitment program will remain focused on graduate students in economics, public policy, and related programs at a variety of schools and include more schools with diverse student populations. We will also:

- continue to develop and expand our competitive scholars program for post doctoral fellows and mid-career academics, focusing on hard to staff areas such as macroeconomics, financial economics, tax, and health economics;
- implement an expanded orientation program for new employees;
- provide training to managers and staff on effective recruitment techniques and interviewing skills;
- add an online application process for CBO interns, capitalizing on the technological abilities of students, while minimizing processing requirements; and

- further enhance the employment page of our Web site, with an online application for all CBO jobs.
2. **Improve CBO's Training Program - *Our goal is to improve management and job skills by investing in our people through training, education, and professional development.***

CBO has always invested in the job skills of its employees, but the amount spent on job training and professional development has been far less than that of other high-impact organizations, and much less than recommended by management and training experts. For example, until recently CBO was spending less than 0.5 percent of its personnel costs on training compared with the 2 to 4 percent typical of high-performing firms we often compete with for staff. In recent years we increased our training expenditures by 30 to 40 percent, while eliminating less cost-effective training and providing skill training to a much higher percentage of our staff. Training of CBO employees increased again in fiscal year 2002, resulting in 73 percent of CBO employees receiving training.

During the same time period, we also undertook a more deliberate training assessment for all staff and began training managers in leadership and communications skills. To date, we have provided leadership training to 69 percent of our managers.

During fiscal years 2003 and 2004, we will maintain the higher level of spending on training, education, and professional development. We will also:

- continue to provide management training to our senior staff in leadership development;
 - provide training in targeted management skills such as performance management, diversity, and interviewing skills starting in March 2003;
 - provide management development training to up to a dozen high-performing analysts with strong leadership potential;
 - make greater use of professional meetings and seminars for mid-level staff;
 - develop two-year training plans for new employees in typical CBO positions; and
 - develop ways to deliver critical skill and knowledge training to newer employees, more quickly.
3. **Modernize and Revitalize the Working Environment - *Our goal has been to reconfigure and renovate much of our space to use it more efficiently and provide a quality work environment for new employees and those who were in inadequate space.***

Most of CBO's space was configured shortly after the agency's creation over 25 years ago - in a building designed primarily for file storage, not human occupancy. At that time, there were

no desktop computers, many more support staff, less specialization, and a less competitive employment marketplace. Consequently, a significant percentage of our space was configured for clerical staff, and many analysts had work space that was in passageways, open bays, or was otherwise undesirable. Conference space, which is critical to the collaborative nature of our work, was also in short supply and the one room available had no audio-visual technology whatsoever.

In cooperation with staff of the Architect of the Capitol and the Superintendent of the House Office Buildings, we developed a range of strategies to address our space problems with very modest expenditures. Thus by the end of December 2002, we had completed the reconfiguration of roughly 30 small office suites and other areas constituting roughly 57 percent of our usable floor space. The result is about 134 offices renovated, with a net gain of 47 private offices and three additional conference areas. In the process we were also able to reduce wasted space and greatly reduce the amount of space devoted to storage.

During fiscal years 2003 and 2004, we plan to renovate another 50 offices, and in the process essentially eliminate remaining substandard offices while realizing a net gain of 10 additional private offices. At this point, we will have desirable work space for all our permanent employees, offices for visiting scholars, and good workstations for summer interns.

Streamlining Operations and Redesigning Key Processes

As mentioned before, we have also devoted significant attention to automating and modernizing our internal processes. Examples discussed earlier are our job applicant tracking system, which allows us to process applications more quickly and efficiently, and changes in our report production process.

4. **Process Redesign and Automation** - *Our goal has been to modernize and automate key internal processes to provide better services and information electronically, while reducing the time needed to use and support administrative functions.*

In fiscal year 2002, we began a major thrust to modernize our work processes, with a wide range of process redesign and automated system development efforts to essentially reengineer or substantially improve such processes. Several new application systems were placed in service during the year, including a project tracking system for mission related projects, a web-based supply ordering and tracking system, and a web-based conference room reservation system. We also reprogrammed or updated some existing systems and expanded the use of others.

- An innovative Intranet site is now the platform of choice for new applications. For example, the supply and conference room reservation system, mentioned above, are used extensively by the staff directly from the Intranet interface. This is also our repository of policy and procedure manuals, guidance forms, emergency information, and official forms. Most importantly, it conveniently provides a wealth of Internet-based journals, data and research tools that were previously available only in paper, or which were less readily accessible.

- We designed and implemented a project tracking system to monitor mission-critical work in progress from inception through publication. This system has sophisticated search capabilities and will become the repository of CBO's historical database of work products.
- We replaced our controlled correspondence system to run on a state-of-the-art database platform. The new system is integrated with our project tracking system, thus it combines information on projects initiated as a result of Congressional requests.
- The applicant résumé tracking system was placed in service and distributed to division personnel. During the year we processed 1,754 resumes from interested job applicants.
- As an interim step to reengineering our system for entering and accessing human resources information, we streamlined our electronic data and reduced the level of manual intervention required to produce frequently used reports.
- Wherever possible, common information needed for new systems is retrieved from an existing database created specifically for that purpose. Employee name, phone number, location, and employing office data is input once and used by multiple systems to reduce repetitive entry and increase reliability of data.
- We expanded the use of our new automated procurement system to all purchase requesters in support functions and expanded the use of electronic request forms.

In fiscal year 2003, we are continuing the trend of automating and updating older systems to improve the efficiency of off-the-shelf administrative software and introduce new database applications, where customized solutions are warranted. We plan to:

- install an asset management system to track major equipment assets, calculate depreciation, and assist in disposing of obsolete equipment;
- implement a service request software system for computer service to improve service delivery to internal customers;
- develop a new publication distribution system, to allow us to better manage information on publication requests, produce custom mailing lists, and control distribution costs. In combination with our project tracking and controlled correspondence systems, this will provide status and historical data on projects from request, to project planning and implementation, to product distribution;
- design and implement an Human Resources Information System (HRIS) to maintain, process and analyze human resources information about our staff; and
- develop an on-line application form for intern candidates which will be accessible from the public internet site.

In fiscal year 2004, we expect to upgrade to new financial management and procurement systems, which will be used beginning in fiscal year 2005. We will also evaluate the success of the service request software used by our technology staff and introduce it to other administrative groups to improve their internal service delivery. We also plan to implement an on-line application process for all job candidates.

Communications Priorities

The value of CBO's work to the Congress and the public derives from the quality, readability, and availability of its publications. Although the demand for printed publications remains strong, the use of electronic versions is growing every year.

5. ***CBO's Publications and Production Processes - Our goal is to produce high-quality publications that are easily identifiable as CBO products and to reengineer our production processes to become more timely and efficient.***

As usage of CBO's Web site has increased, we have been able to print fewer reports and reduce inventory costs. Increasingly, we are targeting the distribution of our reports to put them in the hands of policymakers and other interested readers and to avoid excess printing. To compensate, we are relying more on electronic notification and distribution. For instance, we developed a new, more user-friendly ListServer to notify people of the release of publications in their areas of interest. Now, users can check on their subscription and modify their selections. To provide Congressional offices with advance access, we began e-mailing to them some shorter publications and, sometimes, links to longer documents.

We finished modernizing the format of our reports so that they all have a consistent and professional look. We improved the production processes underlying our reports, especially for graphics. We also started to use a desktop publishing program (instead of a word processor) to allow us to handle bigger and more-complex publications. Consequently, when color was needed to communicate the information in complex graphics, we were able to efficiently produce that report and transmit it electronically to the printer.

In fiscal years 2003 and 2004, we will implement a pc-based distribution system to replace the current one which runs on a mainframe computer. The new distribution system will make targeted distributions more precise and easier and will support e-mail notification and distribution, which we plan to rely on more and more. Also this year, we plan to further improve our processes for graphics. We will also produce more reports using the desktop publishing program mentioned earlier to take advantage of the improved print quality made possible by printing directly from electronic files. In the process of adopting the new publishing program, we aim to eliminate some rework, especially the manual checking and rechecking of numbers in tables and the double work in formatting reports for both print and Web publishing.

6. **CBO's Web Site - *Our goals are to respond to the growing demand for electronic products and to enhance the site's functionality and accessibility.***

Use of CBO's Web site continues to increase dramatically year to year. Whereas there were about 2.3 million page requests in 2001, the number more than doubled in 2002, reaching about 4.9 million. Although the site was quite serviceable and got good reviews from users, we undertook a comprehensive examination to update a design that was showing some age since its introduction in 1997. The resulting redesign, based on users' suggestions obtained through numerous interviews and an electronic survey administered through the site, included a better search function; a recataloguing of many publications so that they are more accessible (that is, available through browsing by subject area); better navigation (so that up to 50 pages of the site are now accessible from the home page with one click); reorganized information about CBO and its employment opportunities; the posting of some research material in spreadsheet format; and a new, more modern appearance—both for the site itself and for many of the on-line versions of publications. In addition to being the primary means of providing our publications, the site also became more of a vehicle for communicating with our readers and website users—about upcoming publications and testimony, for example.

In fiscal year 2003, *cbob.gov* will continue to evolve. Anticipated improvements include new sections (such as "About the Budget"); a notification system for job applicants, and a number of other improvements. We will also post a comprehensive searchable archive of CBO publications dating back to the agency's first report in 1975. Our redesign of the on-line versions of publications will also be completed, as the remaining types of publications get a facelift. And while we have improved our backing up of the site so that we are better able to operate in the event of a disaster, this year we will relocate the site to a secure location off Capitol Hill.

Technology

Highly effective organizations must build a skilled staff and then provide them with the technology they need to do their work. In exit interviews and in discussions with current staff, technology continues to emerge as an area where CBO excels compared to other places people have worked. This is critical because the broad scope of work and often fast turnaround requirements means we must have modern and robust information and computing tools to be fully responsive to the Congress. Technology is essential to perform the highly complex analyses that underlie much of CBO's work.

7. **Maintain our Technological Edge - *Our goal is to use the best technology systems economically available to support the agency's mission while improving the performance of those systems and raising employee productivity and satisfaction.***

In fiscal year 2002, we made significant progress by replacing the oldest desktop systems, upgrading our network infrastructure, and improving network security. We also continued to support a multiyear project to reengineer and automate key work processes. This resulted in the development or acquisition of several new automated systems including those for supply

distribution, conference room reservation, applicant tracking, controlled correspondence and project tracking, mentioned earlier.

To reduce timesharing costs, we moved most statistical processing and data storage from the Library of Congress mainframe to a smaller in-house platform. We also made substantial progress in migrating our mission-critical Budget Analysis Data System from the National Business Center to an in-house system. This will improve performance and usability, and achieve additional cost savings.

In fiscal year 2003, we plan to:

- complete the migration of the Budget Analysis Data System to a client-server platform to reduce operating costs and to upgrade the software technology;
- support the re-engineering of our inventory procedures, with the implementation of an off-the-shelf physical inventory and asset management system;
- supervise software development for a new HRIS and create an Online Application System for CBO interns;
- consolidate a variety of existing data backup processes into one enterprise-wide backup system; and
- continue to replace our oldest workstation hardware and software, to include upgrading our enterprise email system.

We will maintain our effort to assure that every employee has state-of-the-art hardware and software, and that our internal network and data communications keep pace with technology and organizational needs.

During fiscal year 2004, we will continue to replace the oldest hardware and software systems, strengthen network security, increase system redundancy and reliability. We will sustain our systems development work, particularly work related to improving management information and the reengineering of key work processes, which will include completion of the HRIS. In addition, we plan to:

- upgrade several core network routers and switches;
- replace remaining high-speed printers/copiers;
- upgrade our Network and Desktop Operating Systems; and
- expand our Web-based Job Application System to all applicants.

8. **Prepare for Disaster Recovery - *Our goal is to refine existing plans and develop resources which would allow the prompt restoration of CBO's mission-critical support to the Congress.***

The events of September 11, 2001, and the shutdown of the Ford House Office Building re-emphasized the importance of disaster recovery. This caused us to rethink our response strategy and to reconsider threats that were previously deemed remote. The nature of the Ford building closing left our network, systems, and data intact, permitting us to quickly restore essential services to the Congress, to publish reports and cost estimates, and to even launch an upgraded Web site from a remote location—all, however, with considerable difficulty. While we have subsequently made some incremental improvements, we recognize that our current disaster recovery capabilities would not cover a variety of contingencies that might leave us unable to perform mission-critical operations in certain emergency situations where we lost access to the building and its contents. We made significant progress in fiscal year 2002 and we plan to accomplish more in fiscal years 2003 and 2004.

In fiscal year 2002, we took significant steps to prepare for disaster recovery. Specifically we:

- provided small-scale high-capacity removable storage devices to staff for backing up critical data for off-site storage;
- created an on-line emergency employee notification system to better track employees' contact information. This data is printed and distributed in report form and is also sent to key managers home email addresses periodically;
- increased the number of laptop computers available for disaster recovery. Approximately 25 percent of CBO employees have a laptop computer either permanently off-site or in their offices. Those having laptops in their office have specific instructions to take it off-site during building evacuations and whenever the homeland threat condition is higher than "elevated";
- implemented on-site mirroring for most of CBO's data to provide quick recovery in the event of hardware failure and instituted automated procedures to copy key user data from local hard drives to the network. The local data is then copied to a high-capacity disk drive once a week and stored off-site; and
- stored over 60 surplus computers and related equipment at an off-site storage facility which can be used to recover operations should a disaster deny us access to the Ford Building.

This fiscal year, we will continue to focus on our ability to serve our customers under a set of different threat scenarios but at reasonable cost. We will:

- mirror our CBO Web site, our internal intranet, and other mission-critical databases and programs at a secure off-site facility;

- provide highly secure remote access to primary application programs, data, and the intranet for staff working at home or at other sites outside the Ford building;
- strengthen our emergency wireless communication capabilities;
- upgrade our email and network operating systems to be more fault-tolerant and provide enhanced remote access; and
- establish reciprocal agreements for Emergency Work Centers with the Library of Congress and other federal entities and increase the quantity of off-site emergency-use hardware available (computers and printers).

During fiscal year 2004, we will migrate mission critical applications to the Legislative Branch Alternate Computing Facility (LBACF) which is expected to open late in fiscal year 2003. Our plan is to use the LBACF for the following purposes:

- operate (or remotely mirror) all key systems and data;
 - provide full Internet remote access to all LBACF systems;
 - store data backup media, IT hardware, and office equipment for emergency use; and
 - establish a disaster recovery Command Center at the LBACF.
9. ***Enhance Network Security - Our goal is to strengthen network security for the core network and for the separate network established to store and process sensitive data from IRS, Social Security, and Health and Human Services.***

Some of the data CBO uses for its analysis and model development require access to sensitive government data. Generally this forces us to adhere to strict security procedures dictated by the providing agency. As our use of sensitive data has grown, so has our need to increase security measures.

In fiscal year 2002, we provided encrypted data storage for sensitive data, improved overall network security by encrypting network traffic, implemented a separate secure network to isolate and protect our most sensitive information from unauthorized internal and external use, improved firewall protection to CBO's network, and added intrusion detection to monitor for and report unauthorized access attempts.

This fiscal year, we plan to substantially complete this effort by performing the following tasks:

- enhance the physical security of work areas where sensitive data is used;
- implement automated auditing of secure data access to assure that we are complying with all data use agreements;

- complete an internal audit of network security and address any issues identified; and
- verify that remote sites are adequately safeguarded in a manner consistent with existing security policy.

During fiscal year 2004, we will maintain our security awareness and continue to:

- enhance the physical security of work areas where sensitive data is used; and
- audit and monitor our systems and procedures for compliance and identify and correct weaknesses.

Changes in CBO's Spending Plans for Fiscal Years 2002 and 2003

In fiscal year 2002, CBO's actual spending, when compared to the original estimate, shows a significant variance in several areas. Savings from a small staffing shortfall of 3 FTEs, lower than expected benefit costs, and the travel budget were reprogrammed with committee approval to fund technology needs that arose during the year. A total of \$870,000 was transferred to pay for the following projects.

- strengthen disaster recover and continuity of operations efforts, including data mirroring, remote access, and off-site computer operations;
- create an enterprise backup system for mission critical and operational data to replace the current backup system which was very labor intensive and had become unreliable;
- provide high-speed printing backup for our most mission critical system (BADS) in anticipation of moving this system from a mainframe service bureau to in-house operation; and
- purchase and analyze additional Medicare data.

For fiscal year 2003, CBO received an appropriation that was \$498,000 less than the amount requested. To absorb this budget cut, we are funding three fewer FTEs than originally requested. Small adjustments were made in a variety of spending areas and an additional \$280,000 was shifted to equipment spending to pay for IT software and hardware upgrades and other office equipment.

Schedule A

Congressional Budget Office
Summary
By Organization and Object Class

CATEGORIES	FY 2002 UAL		FY 2003 MATE		FY 2004 JEST		NET CHANGE /FY2004	
	STAFF (FTEs)	DOLLARS (000s)	STAFF (FTEs)	DOLLARS (000s)	STAFF (FTEs)	DOLLARS (000s)	STAFF (FTEs)	DOLLARS (000s)
1. Breakdown by Organization:								
Office of the Director	10	1,715	12	1,811	12	1,972	0	161
Budget Analysis Division	77	8,897	76	8,784	76	9,108	0	324
Macroeconomic Analysis Division	21	2,605	21	2,739	22	3,072	1	333
Tax Analysis Division	17	2,028	17	2,213	18	2,471	1	258
Program Divisions: (Microeconomic and Financial Studies, Health and Human Resources, and National Security)	69	8,770	75	9,715	76	10,251	1	535
Management, Business, and Information Services	35	6,894	32	6,630	32	7,120	0	490
Total	229	30,709	233	31,892	236	33,993	3	2,101
2. Breakdown by Object Class:								
11 Personnel Compensation		20,277		21,632		23,134		1,502
12 Personnel Benefits		5,540		6,285		6,950		685
13 Benefits to Former Personnel		10		10		10		0
21 Travel		84		150		150		0
22 Transportation of Things		0		1		1		0
23 Rent, Communications, and Utilities		190		180		174		(8)
24 Printing and Reproduction		78		98		100		2
25 Other Services		2,659		2,048		1,954		(94)
26 Supplies and Materials		326		358		383		25
31 Equipment		1,545		1,150		1,137		(13)
32 Land and Structures		0		0		0		0
42 Insurance Claims and Indemnities		0		0		0		0
Total		30,709		31,892		33,993		2,101

Note: Columns and rows may not add up to totals because of rounding.

Schedule B

Congressional Budget Office
 Analysis of Change to Budget Base
 By Organization and Object Class

CATEGORIES	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES	PROGRAM TYPE CHANGES					TOTAL CHANGES	
	STAFF (FTEs)	DOLLARS (000s)	DOLLARS (000s)	LEGISLATION		WORKLOAD		EQUIPMENT, ALTERATIONS, MAINTENANCE, REPAIRS, ETC.	STAFF (FTEs)	DOLLARS (000s)
				STAFF (FTEs)	DOLLARS (000s)	STAFF (FTEs)	DOLLARS (000s)			
1. Breakdown by Organization:										
Office of the Director	0	158	5		0	0	0	(2)	0	161
Budget Analysis Division	0	552	1		0	0	(229)	0	0	324
Macroeconomic Analysis Division	0	163	2		0	1	173	(5)	1	333
Tax Analysis Division	0	154	1		0	1	111	(9)	1	258
Program Divisions: (Microeconomic and Financial Studies, Health and Human Resources, and National Security)	0	398	2		0	1	154	(19)	1	535
Management, Business, and Information Services	0	243	78		0	0	158	11	0	490
Total	0	1,668	89	0	0	3	367	(22)	3	2,101
2. Breakdown by Object Class:										
11 Personnel Compensation		1,112	0		0	3	390	0	3	1,502
12 Personnel Benefits		556	0		0	0	129	0		685
13 Benefits to Former Personnel		0	0		0	0	0	0		0
21 Travel		0	5		0	0	(5)	0		0
22 Transportation of Things		0	0		0	0	0	0		0
23 Rent, Communications, and Utilities		0	2		0	0	(8)	0		(6)
24 Printing and Reproduction		0	2		0	0	0	0		2
25 Other Services		0	35		0	0	(138)	9		(94)
26 Supplies and Materials		0	27		0	0	(2)	0		25
31 Equipment		0	18		0	0	0	(31)		(13)
32 Land and Structures		0	0		0	0	0	0		0
42 Insurance Claims and Indemnities		0	0		0	0	0	0		0
Total	0	1,668	89	0	0	3	367	(22)	3	2,101

Note: Columns and rows may not add up to totals because of rounding.

Schedule C

Congressional Budget Office
Summary
Detailed Analysis of Change by Organization

Calculation of Base		
	FTEs	Dollars (000s)
Appropriation, 2003	233	32,101
Plus: Supplementals	0	0
Minus: Recissions	0	(209)
Budget Base, 2003	233	31,892
2004 Request		
	FTEs	Dollars (000s)
I. Adjustments to Base		
A. Mandatory Changes	0	1,668
1. Annualization Of Prior Fiscal Year Pay Increases and Turnover		334
2. FY 2004 Across-the-Board Pay Adjustment		376
3. FY 2004 Performance Increases For Managers/Sr. Analysts		172
4. Increases For Longevity, Promotions, and Merit		143
5. One More Work Day		87
6. Personnel Benefits Under Current Law		556
B. Price Level Changes		89
1. Subscription Price Increases		24
2. Equipment Price Increases		18
3. Administrative Contracts Price Increases		7
4. Miscellaneous Price Increases		40
C. Program Type Changes		
1. Legislation	0	0
2. Workload	3	367
a. Enhancement of Revenue Estimating Capability	3	519
b. FASAB Expenses		365
c. Timesharing Savings from Redesign of BADS System		(213)
d. Reduction in System Development Costs		(248)
e. Other Workload Changes		(57)
3. Equipment, Alterations, Maint., Repairs, etc.		(22)
a. Reduction in Spending for Space Upgrade		(134)
b. Net Change in Other Equipment Spending		112
II. Net Increase/(Decrease) Requested	3	2,101
III. Total Appropriation Request, 2004	236	33,993

Note: Columns and rows may not add up to totals because of rounding.

CONGRESSIONAL BUDGET OFFICE

EXPLANATION OF CHANGES FROM FY 2003 TO FY 2004 SHOWN ON SCHEDULE C		
A. MANDATORY CHANGES	FTEs	Dollars (000s)
1. Annualization Of Prior Fiscal Year Pay Increases and Turnover Annualization of the FY 2003 across-the-board pay adjustment, in-grade increases, promotions, merit increases, performance-based increases for managers and senior analysts, and turnover.		334
2. FY 2004 Across-the-Board Pay Adjustment Funding for a projected 3.7% across-the-board increase in January 2004 given to staff below the senior analyst level. This increase is consistent with other legislative branch entities and the military.		376
3. FY 2004 Annual Performance Increases For Managers and Senior Analysts Funding for the annual performance-based increases for managers and senior analysts who do not receive the January across-the-board increase.		172
4. Increases For Longevity, Promotions, and Merit Estimated cost of within grade increases, promotions, and merit pay for analysts below the senior level.		143
5. One More Work Day Fiscal year 2004 has 262 workdays; one more than fiscal year 2003.		87
6. Personnel Benefits Under Current Law Estimated cost of the increase in benefits associated with the salary increases listed above; benefit program price increases; the growing rate of participation in the FERS retirement system; and the student loan repayment program.		556
B. PRICE LEVEL CHANGES	FTEs	Dollars (000s)
1. Subscription Price Increases The estimated price increase for periodical subscriptions that is based on information from major vendors and is projected to be 10%.		24
2. Equipment Price Increases Estimated price increases for equipment purchases including office furniture, IT software, IT hardware, and books that are based on the CBO forecast of the change in the consumer price index.		18
3. Administrative Contracts Price Increases The estimated price increase for administrative services provided by the Library of Congress and NFC is based primarily on the expected increase in employment costs, which is the major component of these contracts.		7
4. Miscellaneous Price Increases Includes increases for couriers, telecommunications, IT data and system design and support, printing and mailing, training, and equipment that are based on the CBO forecast of the change in the consumer price index.		40

EXPLANATION OF CHANGES FROM FY 2003 TO FY 2004 SHOWN ON SCHEDULE C CONTINUED		
C. PROGRAM TYPE CHANGES	FTEs	Dollars (000s)
1. Legislation	0	0
2. Workload		
2a. Enhancement of Revenue Estimating and Economic Forecasting Capability To improve economic forecasts and our ability to project tax receipts for the CBO baseline, three new senior level positions would enhance the staff already dedicated to these tasks. The effort will also be supported with the existing budget for expert consultants and data.	3	519
2b. FASAB Expenses CBO will become a voting member of the Federal Accounting Standards Advisory Board (FASAB) effective October 1, 2003. The Board is funded by the principal members and this is CBO's share.		365
2c. Timesharing Savings from Redesign of BADS System By the end of fiscal year 2003, CBO will have moved its most important mainframe application to a client-server environment.		(213)
2d. Reduction in System Development Spending The demand for new system development will be lower in fiscal year 2004 after the completion of systems supporting human resources, financial management, Budget Analysis Data System, and data base security.		(248)
2e. Other Workload Changes The net change in workloads for telecommunications, temporary technical support, other services, and supplies.		(57)
3. Equipment, Alterations, Maintenance, Repairs, etc.	FTEs	Dollars (000s)
3a. Reduction in Spending for Office Space Upgrades The project to renovate CBO space is nearing completion so the funds needed for this effort will be reduced in fiscal year 2004.		(134)
3b. Net Change in Other Equipment Spending The net increase in spending for software, hardware, and other office equipment.		112

CONGRESSIONAL BUDGET OFFICE PRODUCTS

PRODUCTS	FY2002 (actual)	FY2003 (est.)	% change 2002-2003	FY2004 (est.)	% change 2003-2004
Current Status Reports	45	40	-11%	45	13%
Appropriation Bill Cost Estimates	275	275	0%	260	-5%
Other Federal Bill Cost Estimates (a)	750	600	-20%	750	25%
State & Local Bill Cost Estimates (a)	650	550	-15%	650	18%
Private-Sector Unfunded Mandates Ests. (a)	650	550	-15%	650	18%
Baseline Budget Projections	3	3	0%	3	0%
Program Analysis Reports	23	26	13%	26	0%
Economic Forecast (b)	2	2	0%	2	0%
Spending and Revenue Options Report	0	1	na	0	-100%
Analysis of the President's Budget	1	1	0%	1	0%
Sequestration Report	3	1	-67%	0	na
Other Mandated Reports	1	1	0%	1	0%
Congressional Testimony	16	20	25%	20	0%
Other Products (c)	39	40	3%	40	0%
Total Work Products	2,458	2,110	-14%	2,448	16%

(a) Cost estimates are tracked on a calendar year basis.

(b) Includes a comprehensive forecast prepared twice a year, plus the quarterly reviews required by the Balanced Budget and Emergency Deficit Control Act of 1985

(c) Includes the Monthly Budget Review, letters, technical papers, and data updates.

Note: The above table quantifies CBO's main work products. CBO also performs a large number of less formal tasks that are harder to tabulate. In recent years, the number of those less formal requests from the Congress for CBO assistance has been growing. As a result, the number of informal responses to Congressional requests--in the form of staff memorandums, letters, or telephone responses--has increased significantly, as has the time needed to satisfy those requests.

Staffing and Organizational Changes

In fiscal year 2002 and the early months of fiscal year 2003, the following executive appointments and changes occurred.

In February of 2003, **Douglas J. Holtz-Eakin**, Ph.D., was appointed the sixth Director of the Congressional Budget Office. He is on leave from Syracuse University, where he holds the post of Trustee Professor of Economics at the Maxwell School. His previous positions at Syracuse included Chairman of the Department of Economics and Associate Director of the Center for Policy Research. Immediately prior to joining CBO, Dr. Holtz-Eakin served a second term at the President's Council of Economic Advisors, spending 18 months as Chief Economist. In addition he has held faculty positions at Columbia University and Princeton University and has been a Faculty Research Fellow and Research Associate for the National Bureau of Economic Research, a member of the Economics Advisory Panel to the National Science Foundation, and a visiting scholar at the American Enterprise Institute. At the state level, he has served as a consultant for commissions and agencies in Arizona, New York, and New Jersey. He has also held faculty positions at Columbia University. Dr. Holtz-Eakin earned his Ph.D. from Princeton University.

Edward "Sandy" Davis III recently joined the Office of the Director as Special Assistant to the Director responsible for legislative affairs, budget process issues, and special projects. Since 1996, Mr. Davis has served CBO in various roles that require expertise in the federal budget process. This specialization has afforded him the opportunity to hold the position of president of the American Association for Budget Programs Analysis, a leading professional association of budget analysts. Prior to joining CBO, he was an analyst and specialist at the Congressional Research Service. Mr. Davis undertook graduate studies in Public Administration at the University of Virginia and holds a bachelor's degree from Randolph-Macon College.

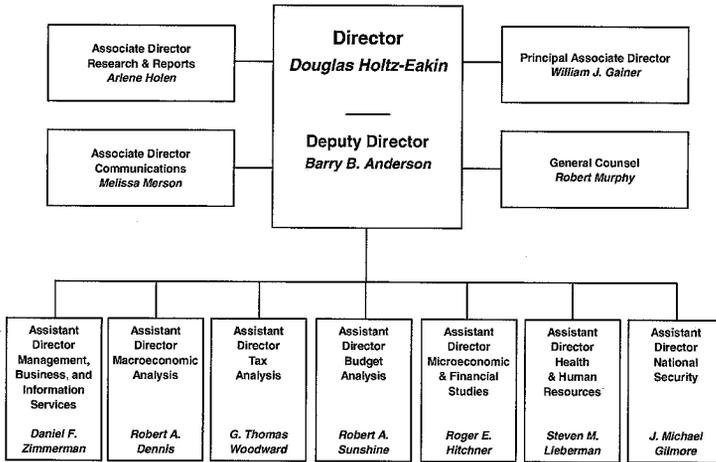
William J. Gainer now serves as Principal Associate Director in the Office of the Director. Mr. Gainer previously held the position of Associate Director for Management. Before joining CBO, Mr. Gainer was Executive Director of the Occupational Safety and Health Review Commission. He previously spent more than 20 years at the General Accounting Office, where he held a variety of positions, including Deputy Assistant Comptroller General of the United States, Director of Strategic Planning, and Director for Education and Employment Issues. He has long experience in program evaluation and policy analysis, strategic planning, financial management, budget preparation, human resources, and general management. Mr. Gainer holds a master's degree in mathematics from Kent State University.

Steven M. Lieberman moved from the Office of the Director to serve as Assistant Director of the Health and Human Resources Division in November 2002. In this role Mr. Lieberman is applying his expertise in health care more directly to the agency's health related projects while continuing to give his attention to Social Security issues. Mr. Lieberman spent 16 years at the Office of Management and Budget focusing on Social Security, Medicare, Medicaid, and welfare. Prior to joining CBO, he also served as the Vice President for Marketing and for Government Programs at a large health maintenance organization, directed managed care and

other operations for a major academic health center, and consulted with a variety of health care clients. Mr. Lieberman's academic training was in political science. He has a B.A. and an M.Phil. from Yale University and an M.A. from the University of California, Berkeley.

Daniel F. Zimmerman was promoted from Deputy Associate Director for Management, Business, and Information Services and CIO to Assistant Director for the Management, Business, and Information Services Division in August 2002, retaining the CIO responsibilities. Mr. Zimmerman has served CBO for 27 years in various capacities, most involving information resource management. This promotion provides him additional responsibilities in the management of information resources for the agency, the production of CBO products, the management of the budget and human resources. He holds a master's degree in management information systems from George Washington University.

Congressional Budget Office



Request for Legislative Authorities**Federal Accounting Standards Advisory Board**

The Federal Accounting Standards Advisory Board (FASAB) develops accounting standards after considering the financial and budgetary information needs of the Congress, executive agencies, and other users of federal financial information and comments from the public. CBO had been a member since the establishment of FASAB, but its position was eliminated when the Board was restructured in 2002 to increase the number of private-sector members. The current parties to the Memorandum of Understanding (MOU) establishing FASAB have agreed to revise the MOU to make CBO a voting member effective October 1, 2003.

Under the agreement reached by the General Accounting Office, the Office of Management and Budget, and the Department of the Treasury, CBO will become the fourth governmental member. This will result in a membership consisting of two legislative branch agencies, two executive branch agencies, and six private-sector representatives.

The costs of FASAB are divided between the governmental members, and under the revised MOU, the Treasury and CBO would be treated equally, with each responsible for 22.5 percent of FASAB costs. In order to implement this agreement, CBO requests authority for its appropriation to be available to pay an appropriate share of the FASAB costs, and that \$365,000 be included in its Fiscal Year 2004 appropriation for this purpose.

OFFICE OF THE DIRECTOR

The Office of the Director includes the CBO Director, Deputy Director, Principal Associate Director, General Counsel, Associate Director for Research and Reports, Associate Director for Communications, and supporting staff. The office is responsible for overall management of CBO and for seeing that all duties of the organization (as specified by the Congressional Budget and Impoundment Control Act of 1974) are performed effectively and in the manner most useful to the Congress. The office is also responsible for advising the Congress on a wide range of topics related to the budget process.

Schedule A1

Congressional Budget Office
Office of the Director
Summary
By Object Class

CATEGORIES	FY 2002 ACTUAL (\$000s)	FY 2003 ESTIMATE (\$000s)	FY 2004 REQUEST (\$000s)	NET CHANGE FY 2003/FY2004 (\$000s)
Breakdown by Object Class:				
11 Personnel Compensation	1,214	1,383	1,502	119
12 Personnel Benefits	248	306	345	39
13 Benefits to Former Personnel	0	0	0	0
21 Travel	15	28	28	0
22 Transportation of Things	0	0	0	0
23 Rent, Communications, and Utilities	0	0	0	0
24 Printing and Reproduction	0	0	0	0
25 Other Services	234	88	93	5
26 Supplies and Materials	0	0	0	0
31 Equipment	3	6	5	(2)
32 Land and Structures	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
Total	1,715	1,811	1,972	161

Note: Columns and rows may not add up to totals because of rounding.

Schedule B1

Congressional Budget Office
Office of the Director
Analysis of Change to Budget Base
By Object Class

BREAKDOWN BY OBJECT CLASS	MANDATORY PAY AND RELATED COSTS (\$000s)	PRICE LEVEL CHANGES (\$000s)	PROGRAM TYPE CHANGES			TOTAL CHANGES (\$000s)
			LEGISLATION (\$000s)	WORKLOAD (\$000s)	EQUIPMENT ALTERATIONS MAINTENANCE REPAIRS, ETC. (\$000s)	
11 Personnel Compensation	119	0	0	0	0	119
12 Personnel Benefits	39	0	0	0	0	39
13 Benefits to Former Personnel	0	0	0	0	0	0
21 Travel	0	0	0	0	0	0
22 Transportation of Things	0	0	0	0	0	0
23 Rent, Communications, and Utilities	0	0	0	0	0	0
24 Printing and Reproduction	0	0	0	0	0	0
25 Other Services	0	5	0	0	0	5
26 Supplies and Materials	0	0	0	0	0	0
31 Equipment	0	0	0	0	0	0
32 Land and Structures	0	0	0	0	0	(2)
42 Insurance Claims and Indemnities	0	0	0	0	0	0
Total	158	5	0	0	(2)	161

Note: Columns and rows may not add up to totals because of rounding.

Schedule C1

Congressional Budget Office
Office of the Director
Detailed Analysis of Change by Organization

Calculation of Base		
FTEs	Dollars (000s)	
Appropriation, 2003	12	1,823
Plus: Supplementals	0	0
Minus: Recissions	0	(12)
Budget Base, 2003	12	1,811
2004 Request		
FTEs	Dollars (000s)	
I. Adjustments to Base		
A. Mandatory Changes	0	158
1. Annualization Of Prior Fiscal Year Pay Increases and Turnover		73
2. FY 2004 Across-the-Board Pay Adjustment		17
3. FY 2004 Performance Increases For Managers/Sr. Analysts		16
4. Increases For Longevity, Promotions, and Merit		8
5. One More Work Day		6
6. Personnel Benefits Under Current Law		39
B. Price Level Changes		5
1. Subscription Price Increases		0
2. Equipment Price Increases		0
3. Administrative Contracts Price Increases		0
4. Miscellaneous Price Increases		5
C. Program Type Changes		
1. Legislation		0
2. Workload	0	0
a. Enhancement of Revenue Estimating Capability		0
b. FASAB Expenses		0
c. Timesharing Savings from Redesign of BADS System		0
d. Reduction in System Development Costs		0
e. Other Workload Changes		0
3. Equipment, Alterations, Maint., Repairs, etc.		(2)
a. Reduction in Spending for Space Upgrade		0
b. Net Change in Other Equipment Spending		(2)
II. Net Increase/(Decrease) Requested	0	161
III. Total Appropriation Request, 2004	12	1,972

Note: Columns and rows may not add up to totals because of rounding.

EXPLANATION OF CHANGES FROM FY 2003 TO FY 2004 SHOWN ON SCHEDULE C1		
OFFICE OF THE DIRECTOR		
A. MANDATORY CHANGES	FTEs	Dollars (000s)
1. Annualization Of Prior Fiscal Year Pay Increases and Turnover Annualization of the FY 2003 across-the-board pay adjustment, in-grade increases, promotions, merit increases, performance-based increases for managers and senior analysts, and turnover.		73
2. FY 2004 Across-the-Board Pay Adjustment Funding for a projected 3.7% across-the-board increase in January 2004 given to staff below the senior analyst level. This increase is consistent with other legislative branch entities and the military.		17
3. FY 2004 Annual Performance Increases For Managers and Senior Analysts Funding for the annual performance-based increases for managers and senior analysts who do not receive the January across-the-board increase.		16
4. Increases For Longevity, Promotions, and Merit Estimated cost of within grade increases, promotions, and merit pay for analysts below the senior level.		8
5. One More Work Day Fiscal year 2004 has 262 workdays; one more than fiscal year 2003.		6
6. Personnel Benefits Under Current Law Estimated cost of the increase in benefits associated with the salary increases listed above; benefit program price increases; the growing rate of participation in the FERS retirement system; and the student loan repayment program.		39
B. PRICE LEVEL CHANGES	FTEs	Dollars (000s)
1. Subscription Price Increases The estimated price increase for periodical subscriptions that is based on information from major vendors and is projected to be 10%.		0
2. Equipment Price Increases Estimated price increases for equipment purchases including office furniture, IT software, IT hardware, and books that are based on the CBO forecast of the change in the consumer price index.		0
3. Administrative Contracts Price Increases The estimated price increase for administrative services provided by the Library of Congress and NFC is based primarily on the expected increase in employment costs, which is the major component of these contracts.		0
4. Miscellaneous Price Increases Includes increases for couriers, telecommunications, IT data and system design and support, printing and mailing, training, and equipment that are based on the CBO forecast of the change in the consumer price index.		5

EXPLANATION OF CHANGES FROM FY 2003 TO FY 2004 SHOWN ON SCHEDULE C1		
OFFICE OF THE DIRECTOR CONTINUED		
C. PROGRAM TYPE CHANGES	FTEs	Dollars (000s)
1. Legislation	0	0
2. Workload		
2a. Enhancement of Revenue Estimating and Economic Forecasting Capability To improve economic forecasts and our ability to project tax receipts for the CBO baseline, three new senior level positions would enhance the staff already dedicated to these tasks. The effort will also be supported with the existing budget for expert consultants and data.	0	0
2b. FASAB Expenses CBO will become a voting member of the Federal Accounting Standards Advisory Board (FASAB) effective October 1, 2003. The Board is funded by the principal members and this is CBO's share.		0
2c. Timesharing Savings from Redesign of BADS System By the end of fiscal year 2003, CBO will have moved its most important mainframe application to a client-server environment.		0
2d. Reduction in System Development Spending The demand for new system development will be lower in fiscal year 2004 after the completion of systems supporting human resources, financial management, Budget Analysis Data System, and data base security.		0
2e. Other Workload Changes The net change in workloads for telecommunications, temporary technical support, other services, and supplies.		0
3. Equipment, Alterations, Maintenance, Repairs, etc.	FTEs	Dollars (000s)
3a. Reduction in Spending for Office Space Upgrades The project to renovate CBO space is nearing completion so the funds needed for this effort will be reduced in fiscal year 2004.		0
3b. Net Change in Other Equipment Spending The net increase in spending for software, hardware, and other office equipment.		(2)

BUDGET ANALYSIS DIVISION

The Budget Analysis Division, CBO's largest unit, develops cost estimates and spending projections. It maintains current tabulations of Congressional spending actions (scorekeeping), prepares cost estimates for bills reported by authorizing committees, prepares outlay estimates for appropriation bills and for other legislation providing new budget authority, projects budget authority and outlays for the coming 10 years under current policies (the baseline), and estimates the costs of federal mandates on state, local, and tribal governments. In addition, the division prepares many cost estimates for possible amendments, legislative proposals, or spending options as requested by the budget and appropriations committees, other committees of the Congress, and (when time permits) individual Members. The division also plays a key role in discussions with the budget committees and the Office of Management and Budget on scorekeeping and budgetary treatment issues.

The division analyzes the spending estimates submitted by the Administration and prepares an annual report to the appropriations committees on the President's budget. As part of that analysis, it provides the budget, appropriations, and authorizing committees with detailed computer runs comparing the baseline budget projections, the President's budget, and the CBO reestimate of the budget.

The division prepares much of CBO's annual report on the budget and economic outlook and contributes estimates to other CBO reports, including reports on budget options and policy studies undertaken by other divisions. It is also responsible for the annual report on unauthorized appropriations and expired authorizations that is required by the Congressional Budget Act. Throughout the year, the division prepares or contributes to Congressional testimony and produces a monthly budget review for the fiscal year in progress.

Accomplishments in Fiscal Year 2002

The division prepared about 750 formal cost estimates during 2002 and an even larger number of informal estimates for proposals or options being considered by the Congress. Legislation with a significant budgetary impact included the Economic Security and Assistance for American Workers Act of 2001; the Trade Adjustment Assistance for Workers, Farmers, Communities, and Firms Act of 2001; the Farm Security and Rural Investment Act of 2002; the Bob Stump National Defense Authorization Act for Fiscal Year 2003; the Medicare Modernization and Prescription Drug Act of 2002 (and several other competing proposals for providing a new prescription drug benefit under Medicare); the Terrorism Risk Insurance Act of 2002; the Veterans Health Care Funding Guarantee Act of 2002; and the Energy Policy Act of 2002.

Formal cost estimates are posted on CBO's Web site. The site allows users to find cost estimates for a particular committee, bill number, subject area, or budget function and to identify all estimates showing effects on revenues or direct spending. During 2002, the division continued to place a high priority on moving estimates to CBO's Internet site quickly. The majority of estimates are now posted on the site within a day of their completion. In addition, estimates for

major legislation are frequently listed on the site's opening page under the "Recently Released" heading. The Budget Analysis Division also maintains Web site tables that provide data on CBO's most recent baseline projections and on the current status of appropriation bills in both the House and the Senate.

At the request of the Senate Budget Committee, the Budget Analysis Division prepared a special analysis (published in April 2002) of the estimated cost of activities related to the military operations in and around Afghanistan. In addition, the division, in conjunction with CBO's National Security Division, developed estimates of the cost of activities related to possible military operations in Iraq. Those estimates (published in September 2002) provided a likely range of incremental monthly costs for deploying a force to the Persian Gulf, prosecuting a war, and occupying Iraq following combat.

The division assisted the budget committees in their development of proposals for a Congressional budget resolution for fiscal year 2003. In addition, the staff of the division was in frequent communication with staff members of numerous committees to brief them and answer questions on cost estimates, to obtain information about legislative proposals and committee timetables, and to provide information about federal programs and other budgetary issues. For example, division staff responded to numerous requests during 2002 on the status of obligations and outlays for funding provided in 2001 for homeland security and for assistance to New York in the aftermath of the September 11, 2001, terrorist attack.

The division prepared outlay estimates for appropriation bills for fiscal years 2002 and 2003 at all stages of the legislative process, beginning with subcommittee markups and ending with conference agreements. Those efforts included scorekeeping for the supplemental appropriation bill that was enacted in July 2002. It also completed three sets of baseline projections (published in January, March, and August); analyzed the President's budget proposals (with a published report in March); and completed four required sequestration reports (in January, February, August, and December).

The division's State and Local Government Cost Estimates Unit reviewed reported bills and other legislative proposals to estimate their effects on the budgets of state, local, and tribal governments, and to determine whether they contained intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). During 2002, the unit determined that legislation included one or more intergovernmental mandates in approximately 60 cases and estimated the cost of such mandates. Legislation having significant intergovernmental effects included the Nuclear Security Act, the Fair Minimum Wage Act, the Martin Luther King Voting Rights Act, the Work, Opportunity, and Responsibility for Kids Act, the Social Security Number Misuse Prevention Act, the Clean Power Act, and the Medicare Modernization and Prescription Drug Act.

The state and local unit, along with CBO staff that analyze private-sector mandates, prepared a report summarizing CBO's activities under UMRA and providing information on mandates identified during 2001. The unit also gave presentations on UMRA to Congressional staff, the

National Conference of State Legislatures, the U.S. Conference of Mayors, the National Association of State Budget Officers, and other groups, including several foreign delegations.

The division's Information Systems Unit worked with the computer staff of the House and Senate appropriations committees to implement the new appropriations bill tracking system. The unit also continued to work on the design and computer programming for a new PC-based system to replace the existing Budget Analysis Data System, which is based on a mainframe computer platform. Finally, the Information Systems Unit continued to expand and improve the division's intranet site, which now contains a large array of budget-related data and analysis resources for use by the division's staff of more than 60 analysts.

During the past year, the division prepared or contributed to seven statements for testimony by the CBO Director and other CBO staff before Congressional committees, on such subjects as the budget and economic outlook, health care spending, and the Highway Trust Fund. Throughout the year, the division produced monthly budget reviews, which analyzed the most recent Monthly Treasury Statement and provided estimates of the surplus or deficit for the month just completed.

Accomplishments and Priorities for Fiscal Year 2003

The Budget Analysis Division provided extensive quick-turnaround support to numerous committees during the first few months of this fiscal year, as the second session of the 107th Congress was completed. In particular, the division provided many scorekeeping estimates for the 2003 appropriation bills, including several continuing resolutions enacted to provide temporary funding for 2003 and the omnibus appropriations act enacted in February. In addition, the division completed estimates for several proposals to extend unemployment insurance benefits and to provide drought-related assistance to farmers.

The Budget Analysis Division recently completed new baseline spending projections and coordinated the production of CBO's January 2003 *Budget and Economic Outlook*. The January budget projections will be used as a starting point for this year's efforts to develop a budget resolution for fiscal year 2004 and beyond. The division will provide assistance to the budget committees in support of those efforts and support to the appropriations committees as they develop appropriation legislation for fiscal year 2004.

Health care issues are likely to play a very prominent role in the 2003 legislative session. The Budget Analysis Division will provide cost estimates for proposals to provide a prescription drug benefit under Medicare, to modernize and strengthen Medicare, and to change the payment systems for Medicare providers. Other health issues that may require significant analysis include proposals to provide fiscal relief for states related to Medicaid spending and eligibility expansions under Medicaid, provide additional funding for the State Children's Health Insurance Program, revise the Hatch-Waxman drug patent law, allow the Department of Veterans Affairs to act as a Medicare+Choice provider, and significantly increase funding for health care provided by that department.

The division will provide assistance to the Congress on the pending reauthorization of highway, aviation, and wastewater treatment programs. Other priorities for the remainder of this year will include work on the reauthorization of the Temporary Assistance for Needy Families, the Individuals with Disabilities Education Act, higher education, child nutrition, and Head Start programs, energy legislation, the annual defense authorization bill, potential initiatives related to antiterrorism (including military operations in Iraq and elsewhere, and homeland security funding), and fiscal stimulus proposals.

During fiscal year 2003, the Budget Analysis Division plans to test and implement a new version of its Budget Analysis Data System. That database system—which is used for CBO’s baseline projections, analysis of the President’s budget, and appropriations scorekeeping—along with other related software and data, are currently maintained on a mainframe computer operated by the Department of the Interior’s National Business Center. The new database system is being designed and developed for use on CBO’s internal network and personal computers.

Priorities for Fiscal Year 2004

The primary objective of the Budget Analysis Division during fiscal year 2004 will be to provide technical assistance and analytical support to the Congress in its work on the fiscal year 2005 budget, as well as for legislation with budgetary effects during fiscal year 2004 (such as supplemental appropriations). That effort will include the preparation of baseline budget projections, cost estimates for authorization and direct spending legislation, and estimates for appropriation bills. As always, the division’s major priorities will be determined by the Congressional agenda. The division will continue to assist the budget committees and the Congress as a whole in their efforts to set short-run spending priorities and to deal with long-term budgetary pressures, especially those facing Social Security, Medicare, and Medicaid.

Major Products in Fiscal Year 2002

The Budget Analysis Division produced hundreds of written cost estimates throughout the year, presenting the impact of legislation on both the federal budget and the budgets of state, local, and tribal governments. In fiscal year 2002, the division also prepared or played a major role in preparing the following products:

Budget Projection Reports

The Budget and Economic Outlook: Fiscal Years 2003-2012 (January 2002)

The Budget and Economic Outlook: An Update (August 2002)

Other Reports and Documents

Final Sequestration Report for Fiscal Year 2002 (January 2002)

Sequestration Preview Report for Fiscal Year 2003 (February 2002)

Unauthorized Appropriations and Expiring Authorizations (January 2002)

A Review of CBO's Activities in 2001 Under the Unfunded Mandates Reform Act (June 2002)

An Analysis of the President's Budgetary Proposals for Fiscal Year 2003 (March 2002)

Options to Extend the Duration of Unemployment Insurance Benefits (September 2002)

Issues in Designing a Prescription Drug Benefit for Medicare (October 2002)

Sequestration Update Report for Fiscal Year 2003 (August 2002)

Final Sequestration Report for Fiscal Year 2003 (December 2002)

Monthly Budget Review (each month throughout the year)

Early-warning report on legislation with peculiar spending or financing provisions (issued frequently during the year)

Current status report on pay-as-you-go legislation (issued periodically during the year)

Current level report on budgetary effects of legislation that the Congress has enacted or sent to the President (issued frequently during the year)

Congressional Testimony Prepared by or Contributed to by Division Staff

Dan L. Crippen, Senate and House Committees on the Budget, January 23, 2002, *The Budget and Economic Outlook: Fiscal Years 2003-2012*

Dan L. Crippen, House Committee on the Budget, February 28, 2002, Projections of Medicare Spending Under Current Law

Dan L. Crippen, House Committee on Ways and Means, Subcommittee on Health, February 28, 2002, Medicare's Payments to Physicians

Dan L. Crippen, Senate Committee on the Budget, March 6, 2002, Analysis of the President's Budgetary Proposals for 2003

Dan L. Crippen, Senate Committee on Finance, March 7, 2002,
Projections of Medicare and Prescription Drug Spending

Kim P. Cawley, House Committee on Transportation and Infrastructure,
Subcommittee on Highways and Transit, March 20, 2002, Status of the
Highway Trust Fund

Kim P. Cawley, Senate Committee on Finance, May 9, 2002, Status
of the Highway Trust Fund

Schedule A1

Congressional Budget Office
Budget Analysis Division
Summary
By Object Class

CATEGORIES	FY 2002 ACTUAL (\$000s)	FY 2003 ESTIMATE (\$000s)	FY 2004 REQUEST (\$000s)	NET CHANGE FY 2003/FY2004 (\$000s)
Breakdown by Object Class:				
11 Personnel Compensation	6,353	6,602	6,988	386
12 Personnel Benefits	1,772	1,871	2,037	166
13 Benefits to Former Personnel	0	0	0	0
21 Travel	11	13	14	1
22 Transportation of Things	0	0	0	0
23 Rent, Communications, and Utilities	0	0	0	0
24 Printing and Reproduction	0	0	0	0
25 Other Services	638	274	45	(229)
26 Supplies and Materials	0	0	0	0
31 Equipment	122	24	24	0
32 Land and Structures	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
Total	8,897	8,784	9,108	324

Note: Columns and rows may not add up to totals because of rounding.

Schedule B1

Congressional Budget Office
 Budget Analysis Division
 Analysis of Change to Budget Base
 By Object Class

BREAKDOWN BY OBJECT CLASS	MANDATORY PAY AND RELATED COSTS (\$000s)	PRICE LEVEL CHANGES (\$000s)	PROGRAM TYPE CHANGES			TOTAL CHANGES (\$000s)
			LEGISLATION (\$000s)	WORKLOAD (\$000s)	EQUIPMENT ALTERATIONS MAINTENANCE REPAIRS, ETC. (\$000s)	
11 Personnel Compensation	386	0	0	0	0	386
12 Personnel Benefits	166	0	0	0	0	166
13 Benefits to Former Personnel	0	0	0	0	0	0
21 Travel	0	1	0	0	0	1
22 Transportation of Things	0	0	0	0	0	0
23 Rent, Communications, and Utilities	0	0	0	0	0	0
24 Printing and Reproduction	0	0	0	0	0	0
25 Other Services	0	0	0	(229)	0	(229)
26 Supplies and Materials	0	0	0	0	0	0
31 Equipment	0	0	0	0	0	0
32 Land and Structures	0	0	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0	0	0
Total	552	1	0	(229)	0	324

Note: Columns and rows may not add up to totals because of rounding.

Schedule C1

Congressional Budget Office
Budget Analysis Division
Detailed Analysis of Change by Organization

Calculation of Base		
	FTEs	Dollars (000s)
Appropriation, 2003	76	8,841
Plus: Supplementals	0	0
Minus: Recissions	0	(57)
Budget Base, 2003	76	8,784
2004 Request		
	FTEs	Dollars (000s)
I. Adjustments to Base		
A. Mandatory Changes	0	552
1. Annualization Of Prior Fiscal Year Pay Increases and Turnover		123
2. FY 2004 Across-the-Board Pay Adjustment		130
3. FY 2004 Performance Increases For Managers/Sr. Analysts		44
4. Increases For Longevity, Promotions, and Merit		62
5. One More Work Day		27
6. Personnel Benefits Under Current Law		166
B. Price Level Changes		1
1. Subscription Price Increases		0
2. Equipment Price Increases		0
3. Administrative Contracts Price Increases		0
4. Miscellaneous Price Increases		1
C. Program Type Changes		
1. Legislation		0
2. Workload	0	(229)
a. Enhancement of Revenue Estimating Capability		0
b. FASAB Expenses		0
c. Timesharing Savings from Redesign of BADS System		(213)
d. Reduction in System Development Costs		(8)
e. Other Workload Changes		(8)
3. Equipment, Alterations, Maint., Repairs, etc.		0
a. Reduction in Spending for Space Upgrade		0
b. Net Change in Other Equipment Spending		0
II. Net Increase/(Decrease) Requested	0	324
III. Total Appropriation Request, 2004	76	9,108

Note: Columns and rows may not add up to totals because of rounding.

EXPLANATION OF CHANGES FROM FY 2003 TO FY 2004 SHOWN ON SCHEDULE C1		
BUDGET ANALYSIS DIVISION		
A. MANDATORY CHANGES	FTEs	Dollars (000s)
1. Annualization Of Prior Fiscal Year Pay Increases and Turnover Annualization of the FY 2003 across-the-board pay adjustment, in-grade increases, promotions, merit increases, performance-based increases for managers and senior analysts, and turnover.		123
2. FY 2004 Across-the-Board Pay Adjustment Funding for a projected 3.7% across-the-board increase in January 2004 given to staff below the senior analyst level. This increase is consistent with other legislative branch entities and the military.		130
3. FY 2004 Annual Performance Increases For Managers and Senior Analysts Funding for the annual performance-based increases for managers and senior analysts who do not receive the January across-the-board increase.		44
4. Increases For Longevity, Promotions, and Merit Estimated cost of within grade increases, promotions, and merit pay for analysts below the senior level.		62
5. One More Work Day Fiscal year 2004 has 262 workdays; one more than fiscal year 2003.		27
6. Personnel Benefits Under Current Law Estimated cost of the increase in benefits associated with the salary increases listed above; benefit program price increases; the growing rate of participation in the FERS retirement system; and the student loan repayment program.		166
B. PRICE LEVEL CHANGES	FTEs	Dollars (000s)
1. Subscription Price Increases The estimated price increase for periodical subscriptions that is based on information from major vendors and is projected to be 10%.		0
2. Equipment Price Increases Estimated price increases for equipment purchases including office furniture, IT software, IT hardware, and books that are based on the CBO forecast of the change in the consumer price index.		0
3. Administrative Contracts Price Increases The estimated price increase for administrative services provided by the Library of Congress and NFC is based primarily on the expected increase in employment costs, which is the major component of these contracts.		0
4. Miscellaneous Price Increases Includes increases for couriers, telecommunications, IT data and system design and support, printing and mailing, training, and equipment that are based on the CBO forecast of the change in the consumer price index.		1

EXPLANATION OF CHANGES FROM FY 2003 TO FY 2004 SHOWN ON SCHEDULE C1		
BUDGET ANALYSIS DIVISION CONTINUED		
C. PROGRAM TYPE CHANGES	FTEs	Dollars (000s)
1. Legislation	0	0
2. Workload		
2a. Enhancement of Revenue Estimating and Economic Forecasting Capability To improve economic forecasts and our ability to project tax receipts for the CBO baseline, three new senior level positions would enhance the staff already dedicated to these tasks. The effort will also be supported with the existing budget for expert consultants and data.		0
2b. FASAB Expenses CBO will become a voting member of the Federal Accounting Standards Advisory Board (FASAB) effective October 1, 2003. The Board is funded by the principal members and this is CBO's share.		0
2c. Timesharing Savings from Redesign of BADS System By the end of fiscal year 2003, CBO will have moved its most important mainframe application to a client-server environment.		(213)
2d. Reduction in System Development Spending .The demand for new system development will be lower in fiscal year 2004 after the completion of systems supporting human resources, financial management, Budget Analysis Data System, and data base security.		(8)
2e. Other Workload Changes The net change in workloads for telecommunications, temporary technical support, other services, and supplies.		(8)
3. Equipment, Alterations, Maintenance, Repairs, etc.	FTEs	Dollars (000s)
3a. Reduction in Spending for Office Space Upgrades The project to renovate CBO space is nearing completion so the funds needed for this effort will be reduced in fiscal year 2004.		0
3b. Net Change in Other Equipment Spending The net increase in spending for software, hardware, and other office equipment.		0

MACROECONOMIC ANALYSIS DIVISION

The Macroeconomic Analysis Division analyzes the U.S. economy, prepares projections of future economic conditions, and studies how that future could be affected by different economic developments or policies. The economic projections serve both budget committees in developing the concurrent resolutions on the budget and the entire Congress as it considers and passes the budget. The division's analyses focus on such issues as inflation, employment, production, incomes, international economic affairs, and financial markets as well as the interaction of those issues with the federal budget. Its forecasts and analyses are based on information from the major economic models and other forecasting services that are available commercially, from the academic world, and from CBO's own research, along with the advice of a distinguished panel of advisers who represent a wide spectrum of economic views.

Accomplishments in Fiscal Year 2002

In fiscal year 2002, the Macroeconomic Analysis Division provided regular economic forecasts and detailed analyses of the state of the economy and of the Administration's economic forecast to the House and Senate Budget Committees as well as to other Congressional committees. A major focus of 2002 was on how changes in taxes affect the economy.

The Division continued its long interest in describing the uncertainty of economic and budget projections, and in analyzing past misestimates to see how projection methods might be improved. Publications in this area include the chapter on uncertainty in CBO's Budget and Economic Outlook, and a regular analysis of CBO's economic forecast and comparison with other forecasts, available on CBO's Web site. The analysis of the uncertainty in budget projections was enriched in 2002 by a new model that distinguishes uncertainties related to the business cycle from uncertainties about economic and budget trends.

The division also carried out work on the macroeconomics of taxes and continued its work on the effect of the aging of the population on the long-run outlook for the budget and the economy.

The Division helped prepare testimonies on *Social Security: Long-Term Budget Implications* for the House Budget Committee and *Social Security: The Challenges of an Aging Population* for the Senate Special Committee on Aging. For the House Budget and House Rules Committees, the Division helped prepare testimony on *Federal Budget Estimating*.

The Division prepared briefings and letters for Members of Congress and their staff on the economic outlook and on the economic effects of tax cuts. It also organized two meetings of CBO's Panel of Economic Advisers to review our economic forecast and a special meeting of outside advisers to discuss how macroeconomic effects might be incorporated into the scoring of legislative proposals. In addition to those topics, the division also discussed with its advisers how it should project productivity in the long run, and the budgetary implications of tax deferral through IRAs and 401ks.

Staff of the division participated in academic forums and prepared articles for publication in professional journals on a wide range of topics, including social security, consumption taxes, international influences on U.S. productivity, and bequests. Work of that kind contributes to the body of knowledge that is necessary to perform the division's regular functions.

Work Priorities for Fiscal Year 2003

The division's highest priorities are to provide authoritative views of the recent economic outlook for the budget committees and to conduct analyses of important policy issues for those and other committees.

So far this year, the division has completed its new economic forecast for fiscal years 2004-2013 and analyzed once more CBO's record of economic and budget projections. It collaborated on a study of *Evaluating and Accounting for Federal Investment in Corporate Stocks and Other Private Securities*. It has published three technical papers that are relevant to questions surrounding Social Security reform and analysis of the economic effects of tax changes.

For the rest of this fiscal year, the division expects to focus its resources on improving economic forecasts, and on describing the macroeconomic impacts of legislative changes such as tax proposals and Social Security reforms. Among other things, the Division will examine the retirement prospects of the baby boomers and continue to devote a substantial amount of time to analyzing the effects of Social Security on capital formation and growth. The division will continue its work on the macroeconomics of taxes, and especially on creating the capability to produce estimates in a short time. Work is also under way to elucidate the macroeconomic implications of efforts to control emissions of greenhouse gases.

In order to facilitate its work, the division maintains several economic models, including models for forecasting and general equilibrium models used for analyzing policy changes. (CBO's modeling efforts are described in several of the division's technical papers.) Those models are used in conjunction with advice received from CBO's panel of outside advisers and with what the division's staff learn from a careful perusal of the professional economic literature. A portion of the division's staff time (about two person-years) will be devoted to maintaining those models and producing estimates from them.

Work Priorities for Fiscal Year 2004

The division will continue to provide its analysis of the economic outlook and of the uncertainties that pervade any projections. In addition, it will continue to study misestimates in order to see whether estimating procedures could be improved.

In addition to those regular responsibilities, a considerable part of the division's resources will be devoted to the analysis of macroeconomic effects of tax and Social Security changes, using both the models it maintains and information developed by other analysts inside and outside CBO. The division expects to increase its reliance on macroeconomic models, both for forecasting and for analysis of prospective policy changes.

Major Products in Fiscal Year 2002

The division's products included a macroeconomic forecast prepared twice yearly, studies of specific economic issues requested by Congressional committees, and regular economic analyses in support of the budgetary analyses prepared by other CBO divisions. Among the regular written products of the Division are the economic and uncertainty chapters of CBO's *Economic and Budget Outlook* and the economic chapter of the summer update of that document. In addition, the division published several major studies or reports in fiscal year 2002:

The Standardized and Cyclically-Adjusted Budgets: Updated Estimates
(August 2002)

A 125-Year Picture of the Federal Government's Share of the Economy,
Fiscal Policy Brief #1 (June 2002)—in collaboration with other divisions.

The Effects of Changes in Labor Markets on the Natural Rate of Unemployment
(April 2002)

The Standardized Budget and Other Adjusted Budget Measures (April 2002)

CBO's Economic Forecasting Record (February 2002)

Uncertainties in Projecting Budget Surpluses: A Discussion of Data and Methods (February 2002)

Economic Stimulus: Evaluating Proposed Changes in Tax Policy
(January 2002)—in collaboration with other divisions.

The division also published a technical paper. Technical papers are meant for a professional audience and are intended to advance understanding of theoretical or empirical issues. They do not convey CBO's settled views, but are part of the process of arriving at such a view.

Technical Paper 2002-1: *Using Time Series Models to Project Output over the Medium Term* (September 2002).

Schedule A1

Congressional Budget Office
 Macroeconomic Analysis Division
 Summary
 By Object Class

CATEGORIES	FY 2002 ACTUAL (\$000s)	FY 2003 ESTIMATE (\$000s)	FY 2004 REQUEST (\$000s)	NET CHANGE FY 2003/FY2004 (\$000s)
Breakdown by Object Class:				
11 Personnel Compensation	2,003	2,083	2,327	244
12 Personnel Benefits	528	581	673	92
13 Benefits to Former Personnel	0	0	0	0
21 Travel	8	10	10	0
22 Transportation of Things	0	0	0	0
23 Rent, Communications, and Utilities	0	0	0	0
24 Printing and Reproduction	0	0	0	0
25 Other Services	9	34	34	1
26 Supplies and Materials	0	0	0	0
31 Equipment	57	32	29	(4)
32 Land and Structures	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
Total	2,605	2,739	3,072	333

Note: Columns and rows may not add up to totals because of rounding.

Schedule B1

Congressional Budget Office
 Macroeconomic Analysis Division
 Analysis of Change to Budget Base
 By Object Class

BREAKDOWN BY OBJECT CLASS	MANDATORY PAY AND RELATED COSTS (\$000s)	PRICE LEVEL CHANGES (\$000s)	PROGRAM TYPE CHANGES			TOTAL CHANGES (\$000s)
			LEGISLATION (\$000s)	WORKLOAD (\$000s)	EQUIPMENT ALTERATIONS MAINTENANCE REPAIRS, ETC. (\$000s)	
11 Personnel Compensation	114	0	0	130	0	244
12 Personnel Benefits	49	0	0	43	0	92
13 Benefits to Former Personnel	0	0	0	0	0	0
21 Travel	0	0	0	0	0	0
22 Transportation of Things	0	0	0	0	0	0
23 Rent, Communications, and Utilities	0	0	0	0	0	0
24 Printing and Reproduction	0	0	0	0	0	0
25 Other Services	0	1	0	0	0	1
26 Supplies and Materials	0	0	0	0	0	0
31 Equipment	0	1	0	0	(5)	(4)
32 Land and Structures	0	0	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0	0	0
Total	163	2	0	173	(5)	333

Note: Columns and rows may not add up to totals because of rounding.

Schedule C1

Congressional Budget Office
Macroeconomic Analysis Division
Detailed Analysis of Change by Organization

Calculation of Base		
	FTEs	Dollars (000s)
Appropriation, 2003	21	2,757
Plus: Supplementals	0	0
Minus: Recissions	0	(18)
Budget Base, 2003	21	2,739
2004 Request		
	FTEs	Dollars (000s)
I. Adjustments to Base		
A. Mandatory Changes	0	163
1. Annualization Of Prior Fiscal Year Pay Increases and Turnover		40
2. FY 2004 Across-the-Board Pay Adjustment		38
3. FY 2004 Performance Increases For Managers/Sr. Analysts		17
4. Increases For Longevity, Promotions, and Merit		9
5. One More Work Day		9
6. Personnel Benefits Under Current Law		49
B. Price Level Changes		2
1. Subscription Price Increases		0
2. Equipment Price Increases		1
3. Administrative Contracts Price Increases		0
4. Miscellaneous Price Increases		1
C. Program Type Changes		
1. Legislation		0
2. Workload	1	173
a. Enhancement of Revenue Estimating Capability	1	173
b. FASAB Expenses		0
c. Timesharing Savings from Redesign of BADS System		0
d. Reduction in System Development Costs		0
e. Other Workload Changes		0
3. Equipment, Alterations, Maint., Repairs, etc.		(5)
a. Reduction in Spending for Space Upgrade		0
b. Net Change in Other Equipment Spending		(5)
II. Net Increase/(Decrease) Requested	1	333
III. Total Appropriation Request, 2004	22	3,072

Note: Columns and rows may not add up to totals because of rounding.

EXPLANATION OF CHANGES FROM FY 2003 TO FY 2004 SHOWN ON SCHEDULE C1		
MACROECONOMIC ANALYSIS DIVISION		
A. MANDATORY CHANGES	FTEs	Dollars (000s)
1. Annualization Of Prior Fiscal Year Pay Increases and Turnover Annualization of the FY 2003 across-the-board pay adjustment, in-grade increases, promotions, merit increases, performance-based increases for managers and senior analysts, and turnover.		40
2. FY 2004 Across-the-Board Pay Adjustment Funding for a projected 3.7% across-the-board increase in January 2004 given to staff below the senior analyst level. This increase is consistent with other legislative branch entities and the military.		38
3. FY 2004 Annual Performance Increases For Managers and Senior Analysts Funding for the annual performance-based increases for managers and senior analysts who do not receive the January across-the-board increase.		17
4. Increases For Longevity, Promotions, and Merit Estimated cost of within grade increases, promotions, and merit pay for analysts below the senior level.		9
5. One More Work Day Fiscal year 2004 has 262 workdays; one more than fiscal year 2003.		9
6. Personnel Benefits Under Current Law Estimated cost of the increase in benefits associated with the salary increases listed above; benefit program price increases; the growing rate of participation in the FERS retirement system; and the student loan repayment program.		49
B. PRICE LEVEL CHANGES	FTEs	Dollars (000s)
1. Subscription Price Increases The estimated price increase for periodical subscriptions that is based on information from major vendors and is projected to be 10%.		0
2. Equipment Price Increases Estimated price increases for equipment purchases including office furniture, IT software, IT hardware, and books that are based on the CBO forecast of the change in the consumer price index.		1
3. Administrative Contracts Price Increases The estimated price increase for administrative services provided by the Library of Congress and NFC is based primarily on the expected increase in employment costs, which is the major component of these contracts.		0
4. Miscellaneous Price Increases Includes increases for couriers, telecommunications, IT data and system design and support, printing and mailing, training, and equipment that are based on the CBO forecast of the change in the consumer price index.		1

EXPLANATION OF CHANGES FROM FY 2003 TO FY 2004 SHOWN ON SCHEDULE C1 MACROECONOMIC ANALYSIS DIVISION CONTINUED		
C. PROGRAM TYPE CHANGES	FTEs	Dollars (000s)
1. Legislation	0	0
2. Workload		
2a. Enhancement of Revenue Estimating and Economic Forecasting Capability To improve economic forecasts and our ability to project tax receipts for the CBO baseline, three new senior level positions would enhance the staff already dedicated to these tasks. The effort will also be supported with the existing budget for expert consultants and data.	1	173
2b. FASAB Expenses CBO will become a voting member of the Federal Accounting Standards Advisory Board (FASAB) effective October 1, 2003. The Board is funded by the principal members and this is CBO's share.		0
2c. Timesharing Savings from Redesign of BADS System By the end of fiscal year 2003, CBO will have moved its most important mainframe application to a client-server environment.		0
2d. Reduction in System Development Spending The demand for new system development will be lower in fiscal year 2004 after the completion of systems supporting human resources, financial management, Budget Analysis Data System, and data base security.		0
2e. Other Workload Changes The net change in workloads for telecommunications, temporary technical support, other services, and supplies.		0
3. Equipment, Alterations, Maintenance, Repairs, etc.	FTEs	Dollars (000s)
3a. Reduction in Spending for Office Space Upgrades The project to renovate CBO space is nearing completion so the funds needed for this effort will be reduced in fiscal year 2004.		0
3b. Net Change in Other Equipment Spending The net increase in spending for software, hardware, and other office equipment.		(5)

TAX ANALYSIS DIVISION

The Tax Analysis Division provides baseline projections of tax revenues, estimates the budgetary effects of proposed legislation affecting certain receipts, and studies how taxes affect individuals and the economy. The division's principal duty is projecting revenues as part of CBO's 10-year budget projections, using a variety of models that undergo constant revision. The division is also responsible for estimating the revenue effects of legislation dealing with payroll taxes, receipts from the Federal Reserve, customs duties, fees, and penalties. In support of those activities, division analysts conduct research concerning the impact of taxes and the likely effects of changes in tax law. The division also analyzes selected issues regarding federal taxes in support of the budget and tax-writing committees.

Accomplishments in Fiscal Year 2002

In fiscal year 2002, the Tax Analysis Division prepared CBO's 10-year baseline revenue estimates. Key to that effort were significant work improving models of individual and corporate income taxes, extensive analysis of capital gains and the tax revenues they generate, and improvement of models to estimate savings for retirement and their use. The division completed development of a model to estimate payroll taxes that reduces CBO's reliance on information and estimates from outside sources. Division analysts continued research designed to improve the performance of models used to project excise taxes and estate and gift taxes.

The Tax Analysis Division responded to frequent requests from Congressional staff for a wide range of background material on revenue estimates and other tax matters, most of which were accomplished informally in short time frames. The division provided cost estimates of all trade-related bills with significant effects on revenues. Also, in cooperation with the Budget Analysis Division, the Tax Analysis Division maintained the bill-by-bill Congressional scorekeeping system for all legislation with budgetary effects reported out of committee.

Policy analysts continued on-going research into various tax issues, including the impact of tax preferences for retirement programs on individual saving, how students and their families have used the education tax credits created in 1997, and the effects of extending the deductibility of contributions to taxpayers who do not itemize their deductions. Analysts also completed development of new methods for combining data from different sources to create a basis for modeling individual income taxes and analyzing those taxes over time. Staff presented their research in a variety of conferences, prepared articles for publication in professional journals, and served as discussants of research presented by other analysts. All of these activities contribute to the division's ability to project federal revenues and respond to Congressional requests.

The division initiated a new series of *Revenue and Tax Policy Briefs* designed to explain tax issues in a short format. The series premiered in August 2002 with a discussion of the causes of the revenue shortfall that began in 2001.

Work Priorities for Fiscal Years 2003 and 2004

The Tax Analysis Division's highest priority will continue to be improving the techniques and models used to provide baseline revenue projections to the Congress. Particular emphasis will include estimating capital gains realizations and the revenues they generate, developing a new model for projecting receipts from the airline ticket taxes, improving existing models of individual and corporate income taxes, and continuing development of methods to project contributions to and withdrawals from pensions and other retirement savings programs with a view toward estimating withdrawals and the taxes they will yield over the next 75 years. The division will also continue to work with the Joint Committee on Taxation and the Department of the Treasury to develop and implement new methods for estimating the effects of recently enacted tax legislation on receipts and for projecting the flow of receipts under existing tax law.

A second priority of the division is continuing improvement of methods used to develop databases used for revenue projections and policy analysis. Of particular importance are the development and examination of longitudinal databases and analysis of differences between similar data obtained from multiple sources.

An important priority is preparation of analyses of tax-related issues for the Congress. Various papers will examine the use and economic effects of major tax-preferred retirement savings programs, the growing impact of the alternative minimum tax, and the utilization of education tax credits by students and their families. Other studies include an examination of the sources of revenue growth in recent years and an update of previous work on effective tax rates of families.

Major Products Since the Beginning of Fiscal Year 2002

The division's products include 10-year revenue projections prepared twice yearly as well as studies of specific economic issues requested by Congressional committees. The division produced or contributed to the following written products since the beginning of Fiscal Year 2002:

Revenue Projections and the Stock Market (December 2002)

Effects of Allowing Nonitemizers to Deduct Charitable Contributions
(December 2002)

Capital Gains Taxes and Federal Revenues (October 2002)

Where Did the Revenues Go? (August 2002)

"The Budget Outlook" in *The Budget and Economic Outlook: An Update*
(August 2002)

"The Revenue Outlook" in *The Budget and Economic Outlook: Fiscal Years 2003-2012* (January 2002)

Economic Stimulus: Evaluating Proposed Changes in Tax Policy (collaboration with the Macroeconomic Analysis Division, January 2002)

Effective Federal Tax Rates, 1979-1997 (final edition, October 2001)

Schedule A1

Congressional Budget Office
Tax Analysis Division
Summary
By Object Class

CATEGORIES	FY 2002 ACTUAL (\$000s)	FY 2003 ESTIMATE (\$000s)	FY 2004 REQUEST (\$000s)	NET CHANGE FY 2003/FY2004 (\$000s)
Breakdown by Object Class:				
11 Personnel Compensation	1,534	1,629	1,858	229
12 Personnel Benefits	441	496	594	98
13 Benefits to Former Personnel	0	0	0	0
21 Travel	5	7	7	1
22 Transportation of Things	0	0	0	0
23 Rent, Communications, and Utilities	0	0	0	0
24 Printing and Reproduction	0	0	0	0
25 Other Services	38	70	9	(62)
26 Supplies and Materials	0	0	0	0
31 Equipment	11	12	3	(9)
32 Land and Structures	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
Total	2,028	2,213	2,471	258

Note: Columns and rows may not add up to totals because of rounding.

Schedule B1

Congressional Budget Office
 Tax Analysis Division
 Analysis of Change to Budget Base
 By Object Class

BREAKDOWN BY OBJECT CLASS	MANDATORY PAY AND RELATED COSTS (\$000s)	PRICE LEVEL CHANGES (\$000s)	PROGRAM TYPE CHANGES			TOTAL CHANGES (\$000s)
			LEGISLATION (\$000s)	WORKLOAD (\$000s)	EQUIPMENT ALTERATIONS MAINTENANCE REPAIRS, ETC. (\$000s)	
11 Personnel Compensation	99	0	0	130	0	229
12 Personnel Benefits	55	0	0	43	0	98
13 Benefits to Former Personnel	0	0	0	0	0	0
21 Travel	0	1	0	0	0	1
22 Transportation of Things	0	0	0	0	0	0
23 Rent, Communications, and Utilities	0	0	0	0	0	0
24 Printing and Reproduction	0	0	0	0	0	0
25 Other Services	0	1	0	(62)	0	(62)
26 Supplies and Materials	0	0	0	0	0	0
31 Equipment	0	0	0	0	(9)	(9)
32 Land and Structures	0	0	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0	0	0
Total	154	1	0	111	(9)	258

Note: Columns and rows may not add up to totals because of rounding.

Schedule C1

Congressional Budget Office
Tax Analysis Division
Detailed Analysis of Change by Organization

Calculation of Base		
	FTEs	Dollars (000s)
Appropriation, 2003	17	2,227
Plus: Supplementals	0	0
Minus: Recissions	0	(14)
Budget Base, 2003	17	2,213
2004 Request		
	FTEs	Dollars (000s)
I. Adjustments to Base		
A. Mandatory Changes	0	154
1. Annualization Of Prior Fiscal Year Pay Increases and Turnover		44
2. FY 2004 Across-the-Board Pay Adjustment		23
3. FY 2004 Performance Increases For Managers/Sr. Analysts		19
4. Increases For Longevity, Promotions, and Merit		7
5. One More Work Day		7
6. Personnel Benefits Under Current Law		55
B. Price Level Changes		1
1. Subscription Price Increases		0
2. Equipment Price Increases		0
3. Administrative Contracts Price Increases		0
4. Miscellaneous Price Increases		1
C. Program Type Changes		
1. Legislation		0
2. Workload	1	111
a. Enhancement of Revenue Estimating Capability	1	173
b. FASAB Expenses		0
c. Timesharing Savings from Redesign of BADS System		0
d. Reduction in System Development Costs		(60)
e. Other Workload Changes		(2)
3. Equipment, Alterations, Maint., Repairs, etc.		(9)
a. Reduction in Spending for Space Upgrade		0
b. Net Change in Other Equipment Spending		(9)
II. Net Increase/(Decrease) Requested	1	257
III. Total Appropriation Request, 2004	18	2,470

Note: Columns and rows may not add up to totals because of rounding.

EXPLANATION OF CHANGES FROM FY 2003 TO FY 2004 SHOWN ON SCHEDULE C1		
TAX ANALYSIS DIVISION		
A. MANDATORY CHANGES	FTEs	Dollars (000s)
1. Annualization Of Prior Fiscal Year Pay Increases and Turnover Annualization of the FY 2003 across-the-board pay adjustment, in-grade increases, promotions, merit increases, performance-based increases for managers and senior analysts, and turnover.		44
2. FY 2004 Across-the-Board Pay Adjustment Funding for a projected 3.7% across-the-board increase in January 2004 given to staff below the senior analyst level. This increase is consistent with other legislative branch entities and the military.		23
3. FY 2004 Annual Performance Increases For Managers and Senior Analysts Funding for the annual performance-based increases for managers and senior analysts who do not receive the January across-the-board increase.		19
4. Increases For Longevity, Promotions, and Merit Estimated cost of within grade increases, promotions, and merit pay for analysts below the senior level.		7
5. One More Work Day Fiscal year 2004 has 262 workdays; one more than fiscal year 2003.		7
6. Personnel Benefits Under Current Law Estimated cost of the increase in benefits associated with the salary increases listed above; benefit program price increases; the growing rate of participation in the FERS retirement system; and the student loan repayment program.		55
B. PRICE LEVEL CHANGES	FTEs	Dollars (000s)
1. Subscription Price Increases The estimated price increase for periodical subscriptions that is based on information from major vendors and is projected to be 10%.		0
2. Equipment Price Increases Estimated price increases for equipment purchases including office furniture, IT software, IT hardware, and books that are based on the CBO forecast of the change in the consumer price index.		0
3. Administrative Contracts Price Increases The estimated price increase for administrative services provided by the Library of Congress and NFC is based primarily on the expected increase in employment costs, which is the major component of these contracts.		0
4. Miscellaneous Price Increases Includes increases for couriers, telecommunications, IT data and system design and support, printing and mailing, training, and equipment that are based on the CBO forecast of the change in the consumer price index.		1

EXPLANATION OF CHANGES FROM FY 2003 TO FY 2004 SHOWN ON SCHEDULE C1		
TAX ANALYSIS DIVISION CONTINUED		
C. PROGRAM TYPE CHANGES	FTEs	Dollars (000s)
1. Legislation	0	0
2. Workload		
2a. Enhancement of Revenue Estimating and Economic Forecasting Capability To improve economic forecasts and our ability to project tax receipts for the CBO baseline, three new senior level positions would enhance the staff already dedicated to these tasks. The effort will also be supported with the existing budget for expert consultants and data.	1	173
2b. FASAB Expenses CBO will become a voting member of the Federal Accounting Standards Advisory Board (FASAB) effective October 1, 2003. The Board is funded by the principal members and this is CBO's share.		0
2c. Timesharing Savings from Redesign of BADS System By the end of fiscal year 2003, CBO will have moved its most important mainframe application to a client-server environment.		0
2d. Reduction in System Development Spending The demand for new system development will be lower in fiscal year 2004 after the completion of systems supporting human resources, financial management, Budget Analysis Data System, and data base security.		(60)
2e. Other Workload Changes The net change in workloads for telecommunications, temporary technical support, other services, and supplies.		(2)
3. Equipment, Alterations, Maintenance, Repairs, etc.	FTEs	Dollars (000s)
3a. Reduction in Spending for Office Space Upgrades The project to renovate CBO space is nearing completion so the funds needed for this effort will be reduced in fiscal year 2004.		0
3b. Net Change in Other Equipment Spending The net increase in spending for software, hardware, and other office equipment.		(9)

PROGRAM DIVISIONS

CBO's three program divisions—Health and Human Resources, Microeconomic and Financial Studies, and National Security—respond to requests from almost every Congressional committee for analyses of issues and options. Those analyses enable the Congress to better forecast the consequences of legislation before it is enacted. CBO's responses include formal and informal estimates of the costs of a program and the effects on program participants, short-term policy analyses of specific provisions of proposed legislation, testimony at Congressional hearings, and longer-term analyses of broad issues that may result in published reports.

Health and Human Resources Division: This division provides analyses of program and budget issues in the areas of health, retirement, welfare, education, employment, job training, housing, and social services. It also examines the potential impacts on the private sector of proposed federal mandates in those subject areas. It is also primarily responsible for developing models capable of producing 75-year baseline and alternative policy cost estimates for Social Security, Medicare, and other federal government programs.

Microeconomic and Financial Studies Division: This division analyzes a very broad range of policy issues for the Congress and supports CBO's Budget Analysis Division and Macroeconomic Analysis Division in their work. The Microeconomic and Financial Studies Division covers issue areas involving financial institutions, commerce, public investment, transportation, trade, telecommunications, research and development, environment, energy, agriculture, government-sponsored enterprises, federal personnel and the federal budget process. The division also examines the effects on the private sector of federal mandates contained in legislation being considered by the Congress.

National Security Division: This division's analyses examine issues and legislative proposals concerning military manpower, general-purpose and strategic forces, operating and supporting the military, and other programs related to national defense and security. The division's mandate also extends to international security issues and to the provision of veterans' benefits and services. The division also supports the work of CBO's Budget Analysis Division staff who prepare cost estimates for legislation dealing with those same budget functions.

Health and Human Resources Division

This division provides the Congress with analyses of policy and budget issues in the areas of Social Security, Medicare, Medicaid, education, employment and job training, welfare, and social services. It also supports the work of CBO's Budget Analysis Division in producing federal cost estimates in these areas, and examines the potential impacts on the private sector of proposed federal mandates. The division also is developing long-term actuarial and microsimulation models of Social Security and Medicare to analyze the effects of policies and proposals in the time period beyond CBO's usual 5- or 10-year budget window.

Accomplishments in Fiscal Year 2002

In fiscal year 2002, the division prepared cost analyses, reports, and testimonies for Congress and consulted extensively with Congressional, executive branch, and industry officials on major legislative proposals in the areas of health policy and human resource policy. It also made significant progress in developing long-term actuarial and microsimulation models of Social Security. In addition, the division analyzed the private-sector impacts of over 50 bills and other legislative proposals being considered by the Congress.

Health Policy

The major focal points of the division's health policy agenda in 2002 were to analyze proposals to add a new prescription drug benefit to Medicare; examine a variety of proposals to modernize the Medicare benefit package or promote competition among private plans; estimate the impact of proposed legislation to reform the current rules that limit the entry of generic drugs into the prescription drug market; examine options to reform the nation's medical malpractice tort system; and analyze a number of legislative proposals that would impose mandates on private-sector entities in health-related areas, such as proposals to modify the rights and legal remedies of patients enrolled in private health insurance. The division's staff also provided extensive technical assistance to Congressional staff and analysts in CBO's Budget Analysis Division in several important health policy areas.

- The Health and Human Resources (HHR) Division, along with CBO's Budget Analysis Division, worked to estimate the federal cost and other policy implications of a series of proposals to add a prescription drug benefit to Medicare. Information was provided to committee staff on the impacts of the options on both federal costs and the consequences for other parties. Analysts in the division also prepared testimony for the Director on prescription drug spending, and prepared an important CBO Study on *Issues in Designing a Prescription Drug Benefit for Medicare*, which was published in October 2002..
- Working with the Budget Analysis Division, HHR also provided the Congress with cost estimates of several legislative proposals to reform market exclusivity rules in the prescription drug market to promote quicker entry by generic drugs (Hatch-Waxman reforms). The cost estimates relied on detailed databases that capture an array of information on prescription drugs, and were prepared after extensive consultations with industry experts both inside and outside of the government on these exceedingly complex legislative proposals. The division also briefed Committee staff members in both the House and Senate on the likely consequences of the proposed legislative reforms.
- HHR staff, working with CBO's General Counsel, examined options to reform the nation's medical malpractice tort system by imposing limits on litigation and capping damage awards. The division provided Congressional committees with information on the likely effects of those options both on medical malpractice premiums and overall

private health insurance costs, and also on federal outlays and revenues. It also explored the possible impact of reforms on the practice of defensive medicine by physicians and other health care providers.

- Finally, the division's staff led a CBO team that estimated the budgetary and health policy effects of several proposals that would have imposed mandates on private-sector health related entities. A major area of legislative interest involved bills to modify the rights and legal remedies of patients enrolled in private health insurance plans ("patients' bill of rights" legislation). Also prominent were a series of public health related proposals that would have required manufacturers to alter the labels of their products in a number of ways, imposed a user fee on manufacturers of medical devices approved by the FDA, and required private health insurers to cover colorectal cancer screening and to provide parity in their coverage of mental health and medical/surgical benefits.

Human Resources Policy

Major elements of the division's human resources agenda included modeling recession-related expansions of unemployment insurance, examining issues related to reauthorization of the Trade Adjustment Assistance program, and analyzing proposals to reform the nation's private pension system.

- HHR staff worked closely with analysts in the Budget Analysis Division to examine proposed extensions of unemployment insurance benefits. Using a state-level model developed largely during the year, HHR staff helped to estimate the cost of the Temporary Extended Unemployment Compensation program (enacted in March 2002) and a large number of other Unemployment Insurance proposals as well as contributed to CBO's baseline budget projections. As background for the debate over extending that temporary program, staff from HHR and BAD wrote a short CBO paper in September 2002 on options to extend the duration of unemployment insurance benefits and responded to numerous requests for estimates of the cost of various ways of extending the program.
- HHR staff were also heavily involved in providing assistance to Committee staff and in the preparation of cost estimates for the many versions of the Trade Adjustment Assistance provisions that were ultimately included in the Trade Act of 2002. Topics addressed included the design of a wage insurance program for certain older workers who lose their jobs and find new jobs at lower wages; specification of coverage of certain secondarily affected workers, such as displaced workers who had been employed by a firm that supplied parts to another firm that was trade-impacted; and the provision of health insurance subsidies for eligible displaced workers.
- The division's staff also analyzed a number of other legislative proposals in response to requirements of the Unfunded Mandates Reform Act. Prominent among them were several proposals to reform the nation's private pension system in response to difficulties incurred by participants in pension plans sponsored by financially troubled companies.

HHR provided Congressional committees with analyses of the likely impacts of several provisions that would have required pension plans to diversify their assets and provide more information to plan participants about their investments and their investment options, and would have expanded the liability of pension fiduciaries in their dealings with plan assets. Information was provided on major bills in a very tight time frame.

Long-Term Modeling

During fiscal year 2002 the division's long-term modeling group passed another milestone in its development of CBO's Long Term (CBOLT) policy simulation model. The model now has a third solution mode in which standard actuarial projection techniques (such as those used by the Social Security Administration) are replaced by a dynamic micro-simulation. The dynamic micro model generates a representative sample of the population over the next 75 years by sequentially predicting person-level events. In the current version of the microsimulation model, the processes simulated include births, deaths, immigration, educational attainment, marital transitions, labor force participation, hours worked, earnings, Social Security benefit claiming behavior, and Social Security benefits received. With its focus on a representative sample of individuals, this new model provides a distinct alternative to predicting budgetary outcomes using actuarial methods, which focus on projecting group-level averages using mostly trend analysis. CBOLT was also used in the preparation of several *Fiscal Policy Briefs* issued by CBO, to prepare the Director's testimony on the long-run budget outlook, and to analyze long-term options for CBO's *Budget Options* volume.

Work Priorities for Fiscal Years 2003 and 2004

During 2003 and 2004, the Health and Human Resources Division will continue to provide analytical support and estimates to Congressional committees on issues of immediate legislative and budgetary concern.

Reforming the Medicare program is likely to become an even greater focus of Congressional interest in 2003 and 2004 than in the past. The Congress is likely to consider a number of legislative proposals to add a prescription drug benefit, incorporate greater competition among health plans in the program, modernize the Medicare benefit package, and modify payments in the traditional fee-for-service sector. The division's expertise in these areas will allow it to provide technical assistance to the Congress to assess the likely effectiveness of these proposals, and to assist in estimating the costs of the various proposals.

Developing legislation to provide prescription drug coverage in Medicare will remain a major issue throughout 2003 and 2004, as the importance—and cost—of such coverage continues to dominate the policy debate. Efforts also are likely to continue to be made to alter the prescription drug market more generally, such as by reforming current "market exclusivity" rules governing the entry of generic drugs into the market.

Options for expanding health insurance coverage are also likely to be an important feature of the legislative agenda in the health area in 2003-2004. HHR expects to be called upon to analyze

a range of legislative proposals, including options to provide tax inducements for insurance coverage, expand Medicaid and the State Children's Health Insurance Program, reform rules regulating private health insurance, and require employers to offer coverage.

In the Human Resource area, recent high levels of unemployment and the scheduled reauthorization of the Workforce Investment Act and the Higher Education Act are likely to dominate the legislative—and CBO's—agenda. HHR expects to provide the Congress with analyses of legislative options to reform the Unemployment Insurance program by promoting the more rapid return to work by jobless workers, and by altering the federal-state relationship in administering program benefits. Debate on ways to improve the operation of federal student loan programs is also expected to be an important policy topic in both 2003 and 2004, and analyzing the likely effects of proposed reforms will be high on the division's agenda.

Finally, with the long-term pressures of Social Security and Medicare continuing to loom on the horizon, the division anticipates increased legislative focus on options to reform those major entitlement programs. Accordingly, while development work on the CBOLT model will continue in 2003 and 2004, the emphasis of the modeling group's efforts will shift toward producing estimates and reports. The group will release a series of papers that describe how the model operates, in order to make transparent how the model works and to facilitate interpretation of its output. The group will also work in concert with other divisions within CBO to supply the Congress with budgetary, macroeconomic, and distributional analysis of Social Security reform proposals such as those put forth by the recent Presidential Commission. In addition to being able to provide actuarial projections of Social Security over 75 years, the CBOLT model also integrates other unique capabilities that will provide the Congress with important insights. By incorporating a growth-model framework and a representation of the rest of the federal budget, the model also projects the future performance of the macroeconomy and the future status of federal fiscal policy. Thus, reform proposals can be assessed in terms of their effects on Social Security as well as on the entire federal budget and the macroeconomy.

The development of the dynamic micro simulation will continue as well in 2003-2004. The features to be added include more refined projections of Medicare and other health spending, pension coverage and pension benefit modules, household level wealth accumulation and saving, differing mortality rates by socioeconomic status, improved fertility and immigration modeling, and improved modeling of behavioral responses to policy changes.

Microeconomic and Financial Studies Division

This division analyzes a broad range of policy issues for the Congress and supports CBO's Budget Analysis Division and Macroeconomic Analysis Division in their work. Areas covered include financial institutions, commerce, public investment, transportation, trade, telecommunications, research and development, environment, energy, agriculture, government-sponsored enterprises, federal personnel and federal budget concepts. The division also examines costs imposed on private entities by mandates contained in legislation being considered by the Congress.

Accomplishments in Fiscal Year 2002

- *Federal Reinsurance for Terrorism and Natural Disasters* - Issued a report, *Federal Reinsurance for Terrorism Risks* early in the year that reviewed effects of the September 11, 2001, terrorist attacks on the insurance industry and analyzed possible federal responses. Issued a major study, *Federal Reinsurance for Disasters*, that analyzed proposals for federal reinsurance of risks from both terrorism and natural disasters. Supported the Budget Analysis Division in estimating the federal costs of related legislation.
- *Federal Personnel Issues* - Issued a report, *The President's Proposal to Accrue Retirement Costs for Federal Employees*. That report analyzed the President's proposal that federal agencies pay the full cost of their employees' pension benefits and health benefits in retirement as such benefits accrue.
- *Financial Institutions* - Issued a report, *Raising Federal Deposit Insurance Coverage*, that examined the implications for banks and depositors of raising the limit on federal deposit insurance coverage. Issued a report, *U.S. Banks' Exposure to Foreign Financial Losses*, that analyzed issues associated with banks' international lending exposure and discussed the limitations of currently reported measures of such financial claims. Also provided support to the Budget Analysis Division on the cost of housing programs for Veterans and on projecting payments by the Federal Home Loan Banks to the Resolution Funding Corporation.
- *Technology and Growth* - Issued a study, *The Role of Computer Technology in the Growth of Productivity*, that reviewed the recent productivity growth in the economy, its relationship to improvements in computer technology, and the prospects for such growth and improvements in the future. Supported development of CBO's economic forecast by providing analyses of computer prices and the contribution to economic growth of technological change in the computer industry.
- *Infrastructure* - Testified on *Future Investment in Drinking Water Infrastructure* before the Subcommittee on Environment and Hazardous Materials, Committee on Energy and Commerce, U.S. House of Representatives. Also issued a short report, *Future Investment in Drinking Water and Wastewater Infrastructure*.
- *Federal Accounting* - Supported CBO's participation in the Federal Accounting Standards Advisory Board.
- *Private-Sector Mandates*: The division reviews bills moving through the legislative process to see if they contain mandates on the private sector. The division reviews those bills that involve the same subject areas it covers for issue analysis. During 2002, CBO analyzed more than 600 bills, amendments, and other legislative proposals for the presence of federal mandates and transmitted official statements about them to the Congress. Analysts in MFSD prepared more than 500 of those mandate statements.

About 11 percent of the bills analyzed by MFSD had mandates and several of those bills had costs greater than the \$100 million threshold set by statute.

In 2002, analysts in MFSD prepared cost estimates for mandates that would ban human cloning; prohibit the sale of mercury fever thermometers; require vehicle manufacturers to install a lap and shoulder belt harness in all rear seating; and require banks and credit unions to notify customers when unfavorable credit information is furnished to a consumer reporting agency. In addition, the division reviewed energy and environment bills considered by the Congress last year. Most included complex legislative language with mandates that were hard to identify and difficult to estimate.

MFSD maintains the database that tracks the status of all private-sector mandate statements prepared by CBO. Those data are used as input to CBO's annual report to the Congress on the Unfunded Mandates Reform Act. Last year's report (prepared jointly with the State and Local Government Cost Estimates unit in BAD) was entitled *A Review of CBO's Activities in 2001 Under the Unfunded Mandates Reform Act*.

Fiscal Year 2003 - Priority work areas, on-going projects, and expected publications and other work products during the year.

- *Infrastructure* - A study was published entitled *Future Investment in Drinking Water and Wastewater Infrastructure*. That study provides background information on the nation's water systems, presents CBO's estimates of future costs for water infrastructure, and discusses broad policy options for the federal government. A subsequent report compare CBO cost estimates of future investment needs with those of the Environmental Protection Agency.
- *Government-Sponsored Enterprises* - A report was issued entitled *The New Business Assumption in the Risk-Based Capital Rule for Fannie Mae and Freddie Mac*. A second report will be issued on the economic effects of repealing Fannie Mae's and Freddie Mac's SEC registration and disclosure exemptions.
- *Federal Investments in Private Securities* - A report that was prepared jointly with other CBO staff was issued entitled *Evaluating and Accounting for Federal Investments in Corporate Stocks and Other Private Securities*.
- *Transportation* - Staff of the division organized a conference for Congressional staff on the future of passenger rail. A study is being prepared that provides background on passenger rail and reviews options for the future. The division's staff will provide continuing support for the Budget Analysis Division and for staffs of Congressional committees as they consider major reauthorization bills this year.
- *Corporate Average Fuel Economy Standards* - A report was issued entitled *Reducing Gasoline Consumption: Three Policy Options*. That report compared three policies, including an increase in CAFE standards, designed to reduce gasoline consumption. On-

going modeling work will quantify some of the costs that consumers and producers would bear as a result of increasing CAFÉ standards.

- *Federal Personnel and Administration Issues* - A report was issued entitled *Measuring Differences between Federal and Private Pay*. Additional work this year will examine compensation for federal executives and effects of contracting out more federal operations on the federal budget and the size and composition of the federal workforce.
- *Federal Policies Affecting High-Speed Internet Access (Broadband)* - Staff of the division organized a conference for Congressional staff on issues related to the demand for broadband access by residential and small-business consumers. A study is under way to analyze policy proposals to speed deployment of high-speed connections. Policy proposals range from regulatory changes to tax incentives to direct subsidies. A report will be issued.
- *Improving Subsidy Cost Estimates of Federal Housing Administration Mortgage Guarantees* - A broad analysis of the mutual mortgage insurance fund of the FHA that assesses the reliability and sensitivity of credit subsidy estimates. A report will be issued.
- *Improving Estimates of Subsidy Costs of Federal Loan Programs* - In addition to the project on FHA loans, the division is studying alternative ways to estimate the costs of loan guarantees made by the government. Subjects of the research program include guarantees made to publicly traded firms (Chrysler and America West), loan guarantees offered by the Small Business Administration and federal direct student loans. The alternative "option-based" approach better accounts for the cost of risk accepted by the government in those program than do the current methods.
- *Effects of the North American Free Trade Agreement on Cross-Border Trade Flows* - An analysis of what has happened to trade flows during the period that NAFTA has been in effect, and how much of any change could be attributed to the effects of the agreement. A report will be issued.
- *Electricity Regulation* - A study will be completed on prospects for the wider adoption of distributed generation, which is the small-scale production of electricity at or near customers' homes or businesses.
- *Financial Institutions* - Supporting the Budget Analysis Division by developing new methods to project future growth in deposits insured by the Bank Insurance Fund and the Savings Association Insurance Fund.
- *Accounting Practices* - The division is examining current and proposed methods of accounting for stock options to compensate employees. A report will be issued.

- *Future Oil Prices* - Staff of the division supports the Macroeconomic Analysis Division in its energy price forecasts and is monitoring the potential effects of war with Iraq on oil prices and the use of emergency energy policies of the federal government.
- *Intellectual Property Law in the Digital Age* - The division is studying intellectual property issues and possible changes to copyright law in light of the expansion of digital technologies. The work is being done partly to support CBO's analysis of the effects of mandates on the private sector that might result from legislation to be considered during this session of Congress.
- *Surety Bonds for Environmental Cleanup* - The division will study the market for such environmental performance bonds and the advantages and disadvantages of using other mechanisms for ensuring that firms take care of required environmental restoration.
- *Tort Reform* - The division will undertake a study (or studies) in the general area of tort reform and investigate specific issues to support CBO's assessment of the federal and private-sector costs of prospective legislation. Study topics include the economic costs and benefits of the tort system, the implications of tort reform for economic growth, and an assessment of the economic effects of state-level tort reforms undertaken from the mid-1980s to the present.

In fiscal year 2004, the division will continue to meet the requests of committees and support other CBO divisions in the range of subject areas it has covered in the past. The work will emphasize four areas. The first is federal regulation and policy affecting commerce, trade, and the environment. Analyses will gauge the benefits and costs of regulation, deregulation, and other forms of government intervention in industries and sectors including telecommunications, aviation, agriculture, banking and finance, and energy. Second is the allocation of public resources, which includes budgetary resources and physical resources and use rights controlled by the federal government. That work includes evaluating the effectiveness of federal programs in achieving their goals and determining the implications for economic efficiency and equity of the choices made by the federal government about how to allocate budgetary and other resources. The third is how technical progress in the computer and communications sectors affects the national economy. The fourth is an on-going effort to improve the ability of the budget to accurately report the cost of federal actions and policies. For the coming year, emphasis will be on budgetary practices under credit reform—improving subsidy estimates, accounting for administrative costs, and possibly including costs of risk-bearing in budget estimates. The division also will continue to review legislation for mandates on the private sector and estimate the costs of such mandates. Those activities are required of CBO by the Unfunded Mandates Reform Act.

National Security Division

This division's analyses examine issues and legislative proposals concerning military manpower, general-purpose and strategic forces, operating and supporting the military, and other programs related to national defense and security. The division's mandate also extends to international

security issues and to the provision of veterans' benefits and services. The division also supports the work of CBO's Budget Analysis Division staff who prepare cost estimates for legislation dealing with those same budget functions.

Accomplishments in Fiscal Years 2002 and 2003

- *Estimated Costs and Technical Characteristics of Selected National Missile Defense Systems* - In a January 2002 response to a request by Senators Daschle, Levin and Conrad, CBO estimated the costs and assessed the technical characteristics of selected national missile defense systems.
- *Increasing the Mission Capability of the Attack Submarine Force* - In a March 2002 study in response to a request from the Senate Armed Services Committee, CBO identified changes to current methods of operating the attack submarine fleet that would provide increased peacetime capability. CBO also estimated the costs of implementing those changes to operations.
- *Accrual Budgeting for Military Retirees' Health Care*- In a March 2002 paper, CBO responded to a request from the House Budget Committee by examining potential changes to the currently planned system for implementing accrual budgeting for selected Department of Defense (DoD) health care costs. The options assessed included using different accrual rates for various categories of personnel, requiring DoD's budget to bear the actuarial gains and losses of policy or legislative changes, charging the military personnel accounts (rather than the Defense Health Care Program) for the benefits, extending accrual budgeting to the care provided in DoD's facilities, and extending accrual budgeting to military retirees under age 65.
- *Estimated Costs of a Potential Conflict with Iraq* - In September 2002, at the request of Senator Conrad and Congressman Spratt, CBO prepared estimates of the costs of a potential conflict with Iraq. Of many options being considered for the forces that might be employed in a conflict with Iraq, CBO examined two representative examples that vary in their emphasis on ground or air forces. For these two forces, CBO provided estimates for deployment and monthly combat costs. CBO also provided estimates for the potential monthly costs of an occupation of Iraq. In all cases, the estimates were for the incremental costs that would be incurred over and above the amounts budgeted for peacetime operations.
- *The Long-Term Implications of Current Defense Plans* - In a January 2003 study, CBO responded to a request from the Senate Defense Appropriations Subcommittee for an analysis of the long-term implications of current defense plans. This study assessed the implications through 2020 for both forces and resources of the Administration's fiscal year 2003 defense plans.
- *The Budgetary Treatment of Leases and Public/Private Ventures* - As part of its continuing analysis of federal budget concepts, CBO assessed the history of the federal

government's use of leases and public/private ventures as alternatives to outright purchases of goods and services. In a February 2003 paper, CBO describes this history, how these activities have been treated in the budget, and the issues that their budgetary treatment have raised.

- *Military Personnel Management* - In response to a request from the House Armed Services Committee, CBO initiated a study of alternative approaches to military career management. The study is considering how compensation and retirement systems could be changed to achieve more desirable career patterns. The cost-effectiveness of the potential changes is also being analyzed.
- *Navy Transformation* - At the request of the Senate Armed Services Committee, CBO initiated a study of alternative paths for modernizing the Navy's surface combatant fleet. The alternatives being considered explore the costs and potential effectiveness of a number of ideas for transforming the Navy's fleet of surface combatants to make that fleet better able to counter 21st-century threats.
- *Sanctions* - At the request of the House International Affairs Committee, CBO initiated a study of the use of sanctions and their potential to support counter-terrorist goals. The effort focuses on a quantitative analysis of the effects on Iraq of the sanctions imposed by the United Nations in response to Iraq's invasion of Kuwait.
- *Defense Medical Costs* - CBO has initiated an analysis of the likely future path of defense health spending for both active-duty and retired military personnel. This effort will identify the major factors affecting growth in defense health care spending and project potential near, medium, and long-term outcomes.
- *Army Communications* - CBO has initiated a study of the need for communications bandwidth associated with the Army's plans to disseminate large amounts of information in real-time on the battlefield—also known as Army digitization. This effort will catalog current and projected needs for bandwidth and compare those needs with the bandwidth that will be supplied by planned programs. The budgetary implications of eliminating any shortfalls in the supply of bandwidth that the analysis reveals will also be estimated.

Work Priorities for Fiscal Years 2003 and 2004

During the remainder of 2003 and in fiscal year 2004, the division will complete the work under way described above. In addition, the division anticipates undertaking a number of new efforts, including:

- *Aftermath of a Conflict with Iraq* - The implications of a long-term occupation of Iraq for active- and reserve-duty U.S. military force structure.

- *Expeditionary Forces* - Alternative approaches to replacing current overseas forward basing of U.S. forces with so-called expeditionary forces based in the United States and deployed on a rotational basis to selected bases overseas.
- *Army Transformation* - Examine the Army's current plans to transform its forces to meet 21st-century threats and alternatives that might mitigate the technical and budgetary risks associated with those plans.
- *Efficiencies in Defense Aircraft Logistics* - Study the effects of reform initiatives on aircraft logistics management. The results will be used to develop alternative approaches that could avoid problems and be more effective.
- *Military Use of Contractors* - Study the trends in the use of contractors to perform military support functions. In light of these trends, assess the feasibility of the defense department's current plans, as well as their budgetary implications.
- *Long-Range Strike* - Analyze the cost-effectiveness of alternative approaches to improving the ability of the United States to strike large numbers of targets at long range. Upgrading existing bombers, as well as buying new manned or unmanned bombers based on land or at sea, will be among the alternatives analyzed.

Other efforts that are pursued in 2003 and 2004 will depend to a large extent on what issues arise in the Congressional debate on defense, as well as on the evolving goals and programs of the Administration. Areas that might be pursued include:

- the effects of operational tempo on operations and support costs;
- historical trends in operations and support costs and their underlying causes;
- alternative defense program and policy choices and their potential effects on long-term resource needs; and
- the cost-effectiveness of alternative approaches to deploying missile defenses.

Schedule A1

Congressional Budget Office
Program Divisions (a)
Summary
By Object Class

CATEGORIES	FY 2002 ACTUAL (\$000s)	FY 2003 ESTIMATE (\$000s)	FY 2004 REQUEST (\$000s)	NET CHANGE FY 2003/FY2004 (\$000s)
Breakdown by Object Class:				
11 Personnel Compensation	6,451	7,335	7,727	392
12 Personnel Benefits	1,694	2,042	2,221	179
13 Benefits to Former Personnel	0	0	0	0
21 Travel	23	39	40	1
22 Transportation of Things	0	0	0	0
23 Rent, Communications, and Utilities	0	0	0	0
24 Printing and Reproduction	0	0	0	0
25 Other Services	548	261	243	(18)
26 Supplies and Materials	0	0	0	0
31 Equipment	55	39	20	(19)
32 Land and Structures	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
Total	8,770	9,715	10,251	535

Note: Columns and rows may not add up to totals because of rounding.

(a) Microeconomic and Financial Studies, Health and Human Resources, and National Security.

Schedule B1

Congressional Budget Office
 Program Divisions (a)
 Analysis of Change to Budget Base
 By Object Class

BREAKDOWN BY OBJECT CLASS	MANDATORY PAY AND RELATED COSTS (\$000s)	PRICE LEVEL CHANGES (\$000s)	PROGRAM TYPE CHANGES			TOTAL CHANGES (\$000s)
			LEGISLATION (\$000s)	WORKLOAD (\$000s)	EQUIPMENT ALTERATIONS MAINTENANCE REPAIRS, ETC. (\$000s)	
11 Personnel Compensation	262	0	0	130	0	392
12 Personnel Benefits	136	0	0	43	0	179
13 Benefits to Former Personnel	0	0	0	0	0	0
21 Travel	0	1	0	0	0	1
22 Transportation of Things	0	0	0	0	0	0
23 Rent, Communications, and Utilities	0	0	0	0	0	0
24 Printing and Reproduction	0	0	0	0	0	0
25 Other Services	0	1	0	(19)	0	(18)
26 Supplies and Materials	0	0	0	0	0	0
31 Equipment	0	0	0	0	(19)	(19)
32 Land and Structures	0	0	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0	0	0
Total	398	2	0	154	(19)	535

Note: Columns and rows may not add up to totals because of rounding.

(a) Microeconomic and Financial Studies, Health and Human Resources, and National Security.

Schedule C1

Congressional Budget Office
Program Divisions (a)
Detailed Analysis of Change by Organization

Calculation of Base		
FTEs	Dollars (000s)	
Appropriation, 2003	75	9,778
Plus: Supplementals	0	0
Minus: Recissions	0	(63)
Budget Base, 2003	75	9,715
2004 Request		
FTEs	Dollars (000s)	
I. Adjustments to Base		
A. Mandatory Changes	0	398
1. Annualization Of Prior Fiscal Year Pay Increases and Turnover		29
2. FY 2004 Across-the-Board Pay Adjustment		116
3. FY 2004 Performance Increases For Managers/Sr. Analysts		61
4. Increases For Longevity, Promotions, and Merit		28
5. One More Work Day		29
6. Personnel Benefits Under Current Law		136
B. Price Level Changes		2
1. Subscription Price Increases		0
2. Equipment Price Increases		0
3. Administrative Contracts Price Increases		0
4. Miscellaneous Price Increases		2
C. Program Type Changes		
1. Legislation		0
2. Workload	1	154
a. Enhancement of Revenue Estimating Capability	1	173
b. FASAB Expenses		0
c. Timesharing Savings from Redesign of BADS System		0
d. Reduction in System Development Costs		(23)
e. Other Workload Changes		4
3. Equipment, Alterations, Maint., Repairs, etc.		(19)
a. Reduction in Spending for Space Upgrade		0
b. Net Change in Other Equipment Spending		(19)
II. Net Increase/(Decrease) Requested	1	536
III. Total Appropriation Request, 2004	76	10,251

Note: Columns and rows may not add up to totals because of rounding.

(a) Microeconomic and Financial Studies, Health and Human Resources, and National Security.

EXPLANATION OF CHANGES FROM FY 2003 TO FY 2004 SHOWN ON SCHEDULE C1		
PROGRAM DIVISIONS		
A. MANDATORY CHANGES	FTEs	Dollars (000s)
1. Annualization Of Prior Fiscal Year Pay Increases and Turnover Annualization of the FY 2003 across-the-board pay adjustment, in-grade increases, promotions, merit increases, performance-based increases for managers and senior analysts, and turnover.		29
2. FY 2004 Across-the-Board Pay Adjustment Funding for a projected 3.7% across-the-board increase in January 2004 given to staff below the senior analyst level. This increase is consistent with other legislative branch entities and the military.		116
3. FY 2004 Annual Performance Increases For Managers and Senior Analysts Funding for the annual performance-based increases for managers and senior analysts who do not receive the January across-the-board increase.		61
4. Increases For Longevity, Promotions, and Merit Estimated cost of within grade increases, promotions, and merit pay for analysts below the senior level.		28
5. One More Work Day Fiscal year 2004 has 262 workdays; one more than fiscal year 2003.		29
6. Personnel Benefits Under Current Law Estimated cost of the increase in benefits associated with the salary increases listed above; benefit program price increases; the growing rate of participation in the FERS retirement system; and the student loan repayment program.		136
B. PRICE LEVEL CHANGES	FTEs	Dollars (000s)
1. Subscription Price Increases The estimated price increase for periodical subscriptions that is based on information from major vendors and is projected to be 10%.		0
2. Equipment Price Increases Estimated price increases for equipment purchases including office furniture, IT software, IT hardware, and books that are based on the CBO forecast of the change in the consumer price index.		0
3. Administrative Contracts Price Increases The estimated price increase for administrative services provided by the Library of Congress and NFC is based primarily on the expected increase in employment costs, which is the major component of these contracts.		0
4. Miscellaneous Price Increases Includes increases for couriers, telecommunications, IT data and system design and support, printing and mailing, training, and equipment that are based on the CBO forecast of the change in the consumer price index.		2

EXPLANATION OF CHANGES FROM FY 2003 TO FY 2004 SHOWN ON SCHEDULE C1		
PROGRAM DIVISIONS CONTINUED		
C. PROGRAM TYPE CHANGES	FTEs	Dollars (000s)
1. Legislation	0	0
2. Workload		
2a. Enhancement of Revenue Estimating and Economic Forecasting Capability To improve economic forecasts and our ability to project tax receipts for the CBO baseline, three new senior level positions would enhance the staff already dedicated to these tasks. The effort will also be supported with the existing budget for expert consultants and data.	2	173
2b. FASAB Expenses CBO will become a voting member of the Federal Accounting Standards Advisory Board (FASAB) effective October 1, 2003. The Board is funded by the principal members and this is CBO's share.		0
2c. Timesharing Savings from Redesign of BADS System By the end of fiscal year 2003, CBO will have moved its most important mainframe application to a client-server environment.		0
2d. Reduction in System Development Spending The demand for new system development will be lower in fiscal year 2004 after the completion of systems supporting human resources, financial management, Budget Analysis Data System, and data base security.		(23)
2e. Other Workload Changes The net change in workloads for telecommunications, temporary technical support, other services, and supplies.		4
3. Equipment, Alterations, Maintenance, Repairs, etc.	FTEs	Dollars (000s)
3a. Reduction in Spending for Office Space Upgrades The project to renovate CBO space is nearing completion so the funds needed for this effort will be reduced in fiscal year 2004.		0
3b. Net Change in Other Equipment Spending The net increase in spending for software, hardware, and other office equipment.		(19)

MANAGEMENT, BUSINESS, AND INFORMATION SERVICES DIVISION

The CBO support function is centered in the Management, Business, and Information Services Division. The division provides all central administrative support services for CBO, including human resources, financial management, information resource management, contracting and procurement, library services, facilities management, and coordination with other Congressional support agencies. The division is also responsible for all aspects of editing, producing, and distributing CBO's work products, including Web publishing. Accomplishments and work priorities are shown under "Internal Management Strategy: Progress and Priorities for Fiscal Years 2003 and 2004" beginning on page 13 of the budget justification.

Schedule A1

Congressional Budget Office
Management, Business, and Information Services
Summary
By Object Class

CATEGORIES	FY 2002 ACTUAL (\$000s)	FY 2003 ESTIMATE (\$000s)	FY 2004 REQUEST (\$000s)	NET CHANGE FY 2003/FY2004 (\$000s)
Breakdown by Object Class:				
11 Personnel Compensation	2,721	2,601	2,733	132
12 Personnel Benefits	857	969	1,080	111
13 Benefits to Former Personnel	10	10	10	0
21 Travel	22	54	51	(3)
22 Transportation of Things	0	1	1	0
23 Rent, Communications, and Utilities	190	180	174	(6)
24 Printing and Reproduction	78	98	100	2
25 Other Services	1,193	1,322	1,531	209
26 Supplies and Materials	326	358	383	25
31 Equipment	1,297	1,038	1,057	19
32 Land and Structures	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0
Total	6,694	6,630	7,120	490

Note: Columns and rows may not add up to totals because of rounding.

Schedule B1

Congressional Budget Office
 Management, Business, and Information Services
 Analysis of Change to Budget Base
 By Object Class

BREAKDOWN BY OBJECT CLASS	MANDATORY PAY AND RELATED COSTS (\$000s)	PRICE LEVEL CHANGES (\$000s)	PROGRAM TYPE CHANGES			TOTAL CHANGES (\$000s)
			LEGISLATION (\$000s)	WORKLOAD (\$000s)	EQUIPMENT ALTERATIONS MAINTENANCE REPAIRS, ETC. (\$000s)	
11 Personnel Compensation	132	0	0	0	0	132
12 Personnel Benefits	111	0	0	0	0	111
13 Benefits to Former Personnel	0	0	0	0	0	0
21 Travel	0	2	0	(5)	0	(3)
22 Transportation of Things	0	0	0	0	0	0
23 Rent, Communications, and Utilities	0	2	0	(8)	0	(6)
24 Printing and Reproduction	0	2	0	0	0	2
25 Other Services	0	28	0	172	9	209
26 Supplies and Materials	0	27	0	(2)	0	25
31 Equipment	0	17	0	0	2	19
32 Land and Structures	0	0	0	0	0	0
42 Insurance Claims and Indemnities	0	0	0	0	0	0
Total	243	78	0	158	11	490

Note: Columns and rows may not add up to totals because of rounding.

Schedule C1

Congressional Budget Office
Management, Business, and Information Services
Detailed Analysis of Change by Organization

Calculation of Base		
	FTEs	Dollars (000s)
Appropriation, 2003	32	6,674
Plus: Supplementals	0	0
Minus: Recissions	0	(44)
Budget Base, 2003	32	6,630
2004 Request		
	FTEs	Dollars (000s)
I. Adjustments to Base		
A. Mandatory Changes	0	243
1. Annualization Of Prior Fiscal Year Pay Increases and Turnover		25
2. FY 2004 Across-the-Board Pay Adjustment		53
3. FY 2004 Performance Increases For Managers/Sr. Analysts		15
4. Increases For Longevity, Promotions, and Merit		29
5. One More Work Day		10
6. Personnel Benefits Under Current Law		111
B. Price Level Changes		78
1. Subscription Price Increases		24
2. Equipment Price Increases		17
3. Administrative Contracts Price Increases		7
4. Miscellaneous Price Increases		30
C. Program Type Changes		
1. Legislation		0
2. Workload	0	158
a. Enhancement of Revenue Estimating Capability		0
b. FASAB Expenses		365
c. Timesharing Savings from Redesign of BADS System		0
d. Reduction in System Development Costs		(157)
e. Other Workload Changes		(51)
3. Equipment, Alterations, Maint., Repairs, etc.		11
a. Reduction in Spending for Space Upgrade		(134)
b. Net Change in Other Equipment Spending		145
II. Net Increase/(Decrease) Requested	0	490
III. Total Appropriation Request, 2004	32	7,120

Note: Columns and rows may not add up to totals because of rounding.

EXPLANATION OF CHANGES FROM FY 2003 TO FY 2004 SHOWN ON SCHEDULE C1 MANAGEMENT, BUSINESS, AND INFORMATION SERVICES		
A. MANDATORY CHANGES	FTEs	Dollars (000s)
1. Annualization Of Prior Fiscal Year Pay Increases and Turnover Annualization of the FY 2003 across-the-board pay adjustment, in-grade increases, promotions, merit increases, performance-based increases for managers and senior analysts, and turnover.		25
2. FY 2004 Across-the-Board Pay Adjustment Funding for a projected 3.7% across-the-board increase in January 2004 given to staff below the senior analyst level. This increase is consistent with other legislative branch entities and the military.		53
3. FY 2004 Annual Performance Increases For Managers and Senior Analysts Funding for the annual performance-based increases for managers and senior analysts who do not receive the January across-the-board increase.		15
4. Increases For Longevity, Promotions, and Merit Estimated cost of within grade increases, promotions, and merit pay for analysts below the senior level.		29
5. One More Work Day Fiscal year 2004 has 262 workdays; one more than fiscal year 2003.		10
6. Personnel Benefits Under Current Law Estimated cost of the increase in benefits associated with the salary increases listed above; benefit program price increases; the growing rate of participation in the FERS retirement system; and the student loan repayment program.		111
B. PRICE LEVEL CHANGES	FTEs	Dollars (000s)
1. Subscription Price Increases The estimated price increase for periodical subscriptions that is based on information from major vendors and is projected to be 10%.		24
2. Equipment Price Increases Estimated price increases for equipment purchases including office furniture, IT software, IT hardware, and books that are based on the CBO forecast of the change in the consumer price index.		17
3. Administrative Contracts Price Increases The estimated price increase for administrative services provided by the Library of Congress and NFC is based primarily on the expected increase in employment costs, which is the major component of these contracts.		7
4. Miscellaneous Price Increases Includes increases for couriers, telecommunications, IT data and system design and support, printing and mailing, training, and equipment that are based on the CBO forecast of the change in the consumer price index.		30

EXPLANATION OF CHANGES FROM FY 2003 TO FY 2004 SHOWN ON SCHEDULE C1 MANAGEMENT, BUSINESS, AND INFORMATION SERVICES CONTINUED		
C. PROGRAM TYPE CHANGES	FTEs	Dollars (000s)
1. Legislation	0	0
2. Workload		
2a. Enhancement of Revenue Estimating and Economic Forecasting Capability To improve economic forecasts and our ability to project tax receipts for the CBO baseline, three new senior level positions would enhance the staff already dedicated to these tasks. The effort will also be supported with the existing budget for expert consultants and data.	0	0
2b. FASAB Expenses CBO will become a voting member of the Federal Accounting Standards Advisory Board (FASAB) effective October 1, 2003. The Board is funded by the principal members and this is CBO's share.		365
2c. Timesharing Savings from Redesign of BADS System By the end of fiscal year 2003, CBO will have moved its most important mainframe application to a client-server environment.		0
2d. Reduction in System Development Spending The demand for new system development will be lower in fiscal year 2004 after the completion of systems supporting human resources, financial management, Budget Analysis Data System, and data base security.		(157)
2e. Other Workload Changes The net change in workloads for telecommunications, temporary technical support, other services, and supplies.		(51)
3. Equipment, Alterations, Maintenance, Repairs, etc.	FTEs	Dollars (000s)
3a. Reduction in Spending for Office Space Upgrades The project to renovate CBO space is nearing completion so the funds needed for this effort will be reduced in fiscal year 2004.		(134)
3b. Net Change in Other Equipment Spending The net increase in spending for software, hardware, and other office equipment.		145

Congressional Budget Office
10-Year Quantitative Data
(Not adjusted for inflation)
(Thousands of dollars)

ITEM	1995	1996	1997	1998	1999	2000	2001	2002	2003E	2004E
11.1 FULL-TIME PERM. POSITIONS	13,813	14,728	15,160	15,289	15,635	16,907	18,083	19,468	20,685	22,021
11.3 OTHER THAN FULL-TIME PERM.	121	194	484	622	681	695	658	639	727	878
11.5 OTHER PERSONNEL COMP.	1	4	3	5	14	141	146	170	220	235
11.8 SPECIAL PERSONAL SERVICES	0	0	0	0	119	143	73	0	0	0
TOTAL PERSONNEL COMP.	13,936	14,927	15,646	15,916	16,450	17,885	18,960	20,277	21,632	23,134
12.1 PERSONNEL BENEFITS	3,618	3,918	4,036	4,023	4,156	4,626	5,150	5,540	6,265	6,950
13.0 BENEFITS FOR FORMER PERS.	5	10	10	8	8	20	5	10	10	10
21.0 TRAVEL AND TRANS. OF PERSONS	77	88	98	93	124	91	117	84	150	150
22.0 TRANS. OF THINGS	0	1	0	0	0	1	0	0	1	1
23.3 COMMUN., UTILITIES & MISC	291	311	319	286	279	245	201	190	180	174
24.0 PRINTING AND REPRODUCTION	197	152	247	134	114	117	126	78	98	100
25.0 OTHER SERVICES	2,197	2,208	1,630	1,681	1,945	1,812	2,144	2,659	2,048	1,954
26.0 SUPPLIES AND MATERIALS	288	212	221	247	289	339	313	326	358	383
31.0 EQUIPMENT	509	671	856	919	1,743	954	1,311	1,545	1,150	1,137
32.0 LAND & STRUCTURES	0	0	0	0	0	0	0	0	0	0
41.0 GRANTS, SUBSIDIES & CONTRIB.	0	0	0	0	0	0	0	0	0	0
42.0 INSURANCE CLAIMS & INDEM.	0	0	0	0	0	0	0	0	0	0
TOTAL OBLIGATIONS	21,118	22,499	23,063	23,308	25,108	26,090	28,328	30,709	31,892	33,993
NUMBER OF PRODUCTS	1,237	2,278	1,861	2,006	2,103	2,625	1,637	2,458	2,110	2,448
FULL-TIME EQUIVALENT POSITIONS	214	227	227	219	215	223	228	229	233	236
OPERATING FULL-TIME EQUIVALENTS	179	191	189	182	172	183	184	184	189	192
SUPPORT FULL-TIME EQUIVALENTS	35	36	38	37	43	40	44	45	44	44
PRODUCTS PER FULL-TIME EQUIVALENT	6	10	8	9	10	12	7	11	9	10

Note: Columns and rows may not add up to totals because of rounding.

**OBJECT CLASS SUMMARY AND EXPLANATION
FISCAL YEAR 2004**

- 11.1 Full-Time Permanent Positions (\$22,021,000)**
Regular salaries and wages paid or to be paid to civilian full-time permanent employees and other payments that are part of the employees' basic rate of pay. These funds will be used to fund 220 permanent staff-years. The increase of \$1,336,000 will pay for the annualization of the current-year's pay actions; budget-year within grades, promotions, and merit pay increases; and a 3.7 percent across-the-board pay adjustment in January 2004 for staff below the level of senior analyst.
- 11.3 Other Than Full-Time Permanent (\$878,000)**
This category covers positions not designated as full-time permanent and includes intermittent and term employment. These funds will be used to fund 16 full-time-equivalent staff-years. CBO will use this type of employee for its Panel of Economic Advisers and other intermittent consultants, interns, temporary administrative support, and research assistants and visiting scholars with fixed-term appointments.
- 11.5 Other Personnel Compensation (\$235,000)**
This category includes staff performance awards and overtime payments to CBO support staff who are eligible under the Fair Labor Standards Act.
- 11.8 Special Personal Services Payments (\$0)**
This category includes payments for reimbursable details and reemployed annuitants and is not expected to be used in fiscal year 2004.
- 12.1 Personnel Benefits (\$6,950,000)**
These funds will be used to cover CBO's share of the costs of employee health and life insurance, retirement, Federal Insurance Contribution Act taxes, Medicare, death benefits, the public transportation subsidy, workers' compensation, the student loan repayment program, and recruitment bonuses.
- 13.0 Benefits for Former Personnel (\$10,000)**
These funds will be used for unemployment compensation.
- 21.0 Travel and Transportation of Persons (\$150,000)**
These funds will be used to cover the travel expenses for CBO staff, the Panel of Economic Advisers and other consultants, and job candidates.
- 22.0 Transportation of Things (\$1,000)**
These funds will be used for freight charges usually associated with the shipment of equipment for delivery and repair.

**OBJECT CLASS SUMMARY AND EXPLANATION,
FISCAL YEAR 2004**

- 23.3 Communications, Utilities, and Miscellaneous Charges (\$174,000)**
This category covers the cost of postal and courier services (\$50,000), telephone and telecommunications services (\$115,500), and miscellaneous leasing (\$8,500).
- 24.0 Printing and Reproduction (\$100,000)**
These funds will cover reimbursing the Government Printing Office for printing CBO reports, studies, stationary, and miscellaneous forms.
- 25.0 Other Services (\$1,954,000)**
This category includes charges for contractual services not otherwise classified. These funds will pay for IT timesharing services (\$124,000), interagency administrative agreements (\$497,000), contracts for IT system development and support (\$538,000), equipment maintenance and repairs (\$167,000), miscellaneous services (\$322,000), expert contractual services (\$156,000), and training (\$150,000).
- 26.0 Supplies and Materials (\$383,000)**
Funds in this category will pay for office supplies (\$118,000) and subscriptions for periodicals (\$265,000).
- 31.0 Equipment (\$1,137,000)**
This category includes charges for property having a period of service of more than a year. These funds are for books for the permanent collection of the CBO library (\$44,000), office equipment and furniture (\$207,000), IT software (\$328,000), and IT hardware (\$558,000).

CONGRESSIONAL BUDGET OFFICE
Salaries and Expenses

Program and Financing (in millions of dollars)

Identification code 08-0100-0-1-801	2002 actual	2003 est.	2004 est.
Obligations by program activity:			
00.01 Direct Program Activity.....	31	34	34
10.00 Total new obligations.....	31	34	34
Budgetary resources available for obligation:			
22.00 New budget authority (gross).....	30	34	33
22.22 Unobligated balance transferred from other accounts.....	1
23.90 Total budgetary resources available for new obligation..	31	34	33
23.95 New obligations.....	-31	-34	-34
New budget authority (gross), detail:			
Discretionary:			
40.00 Appropriation (definite).....	30	34	33
Change in obligated balances:			
72.40 Obligated balance, start of year	4	5	4
73.10 Total new obligations.....	31	34	34
73.20 Total outlays (gross).....	-30	-34	-34
74.40 Obligated balance, end of year	5	4	4
Outlays (gross), detail:			
86.90 Outlays from new discretionary authority.....	27	30	30
86.93 Outlays from discretionary balances.....	3	4	4
87.00 Total outlays (gross).....	30	34	34
Net budget authority and outlays:			
89.00 Budget authority.....	30	34	33
90.00 Outlays.....	30	34	34
Net budget authority and outlays:			
99.00 Budget authority.....	1	1	1
99.01 Outlays.....	1	1	1

Object Classification (in millions of dollars)

Identification code 08-0100-0-1-801		2002	tual	2003 est.	2004 esta
Direct Obligations:					
Personnel compensation:					
11.1	Full-time permanent		20	21	22
11.3	Other than full-time permanent		1	1	1
11.9	Total personnel compensation		21	22	23
12.1	Civilian personnel benefits		6	8	7
25.1	Advisory Services				1
25.2	Other Services		2	1	1
31.0	Equipment		2	1	1
99.0	Direct obligations		31	32	33
99.5	Below reporting threshold			2	1
99.9	Total new obligations		31	34	34

Personnel Summary

Identification code 08-0100-0-1-801		2002 actual	2003 est.	2004 est.
1011	Total compensable workyears: Full-time equivalent employment.....	229	234	236

**CONGRESSIONAL BUDGET OFFICE
LANGUAGE FOR FISCAL YEAR 2004 APPROPRIATION REQUEST**

CONGRESSIONAL BUDGET OFFICE

SALARIES AND EXPENSES

For salaries and expenses necessary for operation of the Congressional Budget Office, including not more than \$3,000 to be expended on the certification of the Director of the Congressional Budget Office in connection with official representation and reception expenses, \$33,993,000: *Provided, That this appropriation shall be available to finance an appropriate share of Federal Accounting Standards Advisory Board (FASAB) costs as determined by FASAB: Provided further, That no part of such amount may be used for the purchase or hire of a passenger motor vehicle.*

WEDNESDAY, APRIL 9, 2003.

GENERAL ACCOUNTING OFFICE

WITNESSES

DAVID M. WALKER, COMPTROLLER GENERAL, GENERAL ACCOUNTING OFFICE

GENE L. DODARO, CHIEF OPERATING OFFICER, GENERAL ACCOUNTING OFFICE

ANTHONY CICCO, JR., DEPUTY CHIEF MISSION SUPPORT OFFICER/ CHIEF INFORMATION OFFICER, GENERAL ACCOUNTING OFFICE

STANLEY J. CZERWINSKI, CONTROLLER, GENERAL ACCOUNTING OFFICE

WELCOMING REMARKS

Mr. KINGSTON. The final agency tonight is the General Accounting Office, and we have with us the Comptroller General, the Honorable David M. Walker, and several members of his staff. We welcome all of you. I will ask each of you to introduce yourselves at the proper time.

The budget request the Subcommittee will be considering for the GAO is \$466.6 million (\$466,621,000) in direct appropriation and authority to use offsetting collections of \$6 million. This is a net increase of \$18.4 million, or 4.1 percent above the fiscal year 2003 enacted level.

Mr. Moran, do you have a statement you would like to make at this time?

Mr. MORAN. I don't think so. I have been very happy with GAO. You know, they were cut back in terms of resources. I have never been disappointed with anything GAO was doing. So I consider myself the cheerleader. Actually I am a little embarrassed by it, so I try to keep a low profile, but I like what they do, and I think they do it objectively and professionally.

Mr. KINGSTON. We have your prepared statement which has been circulated to the Members on the Subcommittee. Your prepared statement will be printed at this point in the record. If you want to make a brief opening statement it would be in order after the introduction of your staff. We will then proceed directly into questions.

[The statement submitted for the record follows:]

United States General Accounting Office

GAO

Testimony
Before the Subcommittee on Legislative
Committee on Appropriations
House of Representatives

For Release on Delivery
Expected at 5:30 p.m. EDT
Wednesday, April 9, 2003

**FISCAL YEAR 2004
BUDGET REQUEST**

**U.S. General Accounting
Office**

Statement of David M. Walker
Comptroller General of the United States



Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before the Subcommittee today as the Comptroller General of the United States and head of the U.S. General Accounting Office (GAO). GAO is a key source of objective information and analyses and, as such, plays a crucial role in supporting congressional decision-making and helping improve government for the benefit of the American people. My testimony today will focus on GAO's (1) fiscal year 2002 performance and results, (2) efforts to maximize our effectiveness, responsiveness and value, and (3) our budget request for fiscal year 2004 to support the Congress and serve the American public. In summary,

- In fiscal year 2002, GAO's work informed the national debate on a broad spectrum of issues including helping the Congress answer questions about the associated costs and program trade-offs of the national preparedness strategy, including providing perspectives on how best to organize and manage the new Transportation Security Administration and Department of Homeland Security. GAO's efforts helped the Congress and government leaders achieve \$37.7 billion in financial benefits—an \$88 return on every dollar invested in GAO. The return on the public's investment in GAO extends beyond dollar savings to improvements in how the government serves its citizens. This includes a range of accomplishments that serve to improve safety, enhance security, protect privacy, and increase the effectiveness of a range of federal programs and activities.
- The results of our work in fiscal year 2002 were possible, in part, because of changes we have made to transform GAO in order to meet our goal of being a model federal agency and a world-class professional services organization. We had already realigned GAO's structure and resources to better serve the Congress in its legislative, oversight, appropriations, and investigative roles. Over the past year, we cultivated and fostered congressional and agency relations, better refined our strategic and annual planning and reporting processes, and enhanced our information technology infrastructure. We also continued to provide priority attention to our management challenges of human capital, information security, and physical security. We have made progress in addressing each of these challenges, but we still have work to do and plan to ask for legislation to help address some of these issues.
- GAO is requesting budget authority of \$473 million for fiscal year 2004. Our request represents a modest 4.1 percent increase in direct appropriations, primarily for mandatory pay and uncontrollable costs. This budget will allow us to maintain current operations for serving the Congress as outlined in our strategic plan and to continue initiatives to enhance our human capital, support business processes, and ensure the safety and security of GAO staff, facilities, and information systems.

Approximately \$4.8 million, or about 1 percent, of our request relates to several safety and security items that are included in our fiscal year 2003 supplemental request. If this supplemental request is granted, our fiscal year 2004 request could be reduced accordingly.

Fiscal Year 2002 Performance and Results

Fiscal year 2002 was a year of challenges, not just for GAO but also for the Congress and the nation. The nation's vulnerabilities were exposed in a series of events—America's vulnerability to sophisticated terrorist networks, bioterrorism waged through mechanisms as mundane as the daily mail, and corporate misconduct capable of wiping out jobs, pensions, and investments virtually overnight. As the Congress's priorities changed to meet these crises, GAO's challenge was to respond quickly and effectively to our congressional clients' changing needs.

With work already underway across a spectrum of critical policy and performance issues, we had a head start toward meeting the Congress' needs in a year of unexpected and often tumultuous events. For example, in fiscal year 2002 GAO's work informed the debate over national preparedness strategy, helping the Congress determine how best to organize and manage major new departments, assess key vulnerabilities to homeland defense, and respond to the events of September 11 in areas such as terrorism insurance and airline security. GAO's input also was a major factor in shaping the Sarbanes-Oxley Act, which created the Public Company Accounting Oversight Board, as well as new rules to strengthen corporate governance and ensure auditor independence. Further, GAO's work helped the Congress develop and enact election reform legislation in the form of the Help America Vote Act of 2002 to help restore voter confidence.

In fiscal year 2002, GAO also served the Congress and the American people by helping to:

- Contribute to a national preparedness strategy at the federal, state, and local levels that will make Americans safer from terrorism
- Protect investors through better oversight of the securities industry and the accounting profession
- Ensure a safer national food supply
- Expose the inadequacy of nursing home care
- Make income tax collection fair, effective, and less painful to taxpayers
- Strengthen public schools' accountability for educating children
- Keep sensitive American technologies out of the wrong hands

-
- Protect American armed forces confronting chemical or biological weapons
 - Identify the risks to employees in private pension programs
 - Identify factors causing the shortage of children's vaccines
 - Assist the postal system in addressing anthrax and various management challenges
 - Identify security risks at ports, airports, and transit systems
 - Save billions by bringing sound business practices to the Department of Defense
 - Foster human capital strategic management to create a capable, effective, well-managed federal workforce
 - Ensure that the armed forces are trained and equipped to meet the nation's defense commitments
 - Enhance the safety of Americans and foreign nationals at U.S. installations worldwide
 - Assess ways of improving border security through biometric technologies and other means
 - Reduce the international debt problems faced by poor countries
 - Reform the way federal agencies manage their finances
 - Protect government computer systems from security threats
 - Enhance the transition of e-government—the new “electronic connection” between government and the public

During fiscal year 2002, GAO's analyses and recommendations contributed to a wide range of legislation considered by the Congress, as shown in the following table.

Table 1: Selected Public Laws to Which GAO Contributed During Fiscal Year 2002

- Prescription Drug User Fee Amendments of 2002, P.L. 107-188
- Best Pharmaceuticals for Children Act, P.L. 107-1092
- No Child Left Behind Act of 2001, P.L. 107-110
- Food Stamp Reauthorization Act of 2002, P.L. 107-171
- Help America Vote Act of 2002, P.L. 107-252
- Homeland Security Act of 2002, P.L. 107-296
- Public Health Security and Bioterrorism Preparedness and Response Act of 2002, P.L. 107-188
- Aviation and Transportation Security Act, P.L. 107-71
- Department of Defense Appropriation Act, 2003, P.L. 107-248
- Department of Defense and Emergency Supplemental Appropriations for Recovery From and Response to Terrorist Attacks on the United States Act, 2002, P.L. 107-117

- Bob Stump National Defense Authorization Act for Fiscal Year 2003 P.L. 107-314
- Foreign Relations Authorization Act, Fiscal Year 2003, P.L. 107-228
- Small Business Paperwork Relief Act of 2002, P.L. 107-198
- Federal Information Security Management Act of 2002, P.L. 107-347
- Sarbanes-Oxley Act of 2002, P.L. 107-204
- National Defense Authorization Act for Fiscal Year 2002, P.L. 107-107
- Legislative Branch Appropriations, Fiscal Year 2002, P.L. 107-68
- Improper Payments Information Act of 2002, P.L. 107-300
- Trade Act of 2002, P.L. 107-210
- Terrorism Risk Insurance Act of 2002, P.L. 107-297
- E-Government Act of 2002, P.L. 107-347

Source: GAO.

By year's end, we had testified 216 times before the Congress, sometimes on as little as 24 hours' notice, on a range of issues. We had responded to hundreds of urgent requests for information. We had developed 1,950 recommendations for improving the government's operations, including, for example, those we made to the Secretary of State calling for the development of a governmentwide plan to help other countries combat nuclear smuggling and those we made to the Chairman of the Federal Energy Regulatory Commission calling for his agency to develop an action plan for overseeing competitive energy markets. We also had continued to track the recommendations we had made in past years, checking to see that they had been implemented and, if not, whether we needed to do follow-up work on problem areas. We found, in fact, that 79 percent of the recommendations we had made in fiscal year 1998 had been implemented, a significant step when the work we have done for the Congress becomes a catalyst for creating tangible benefits for the American people.

Table 2 highlights, by GAO's three external strategic goals, examples of issues on which we testified before Congress during fiscal year 2002.

Table 2: Issues on Which GAO Testified During Fiscal Year 2002

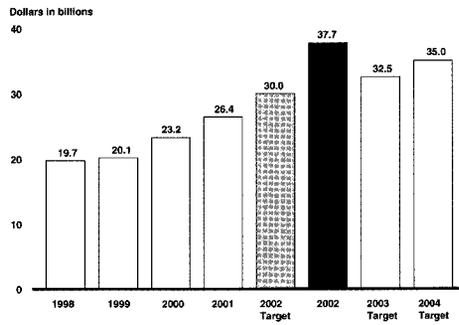
Goal 1 Well-Being and Financial Security of the American People	Goal 2 Changing Security Threats and Challenge of Globalization	Goal 3 Transforming the Federal Government's Role
Aviation security	A-76 competitive sourcing	Contract management
Bioterrorism	Anthrax vaccine	Contracting for services
Blood supplies	Ballistic missile defense	Corporate governance and accountability
Child welfare	Chemical and biological preparedness	Debt collection
Childhood vaccines	Combating terrorism	DOD financial management
Coast Guard's security missions	Compact with Micronesia	Electronic Government Act of 2002
Customs' cargo inspections	Conflict diamonds	Electronic-government security
Disability programs	Debt relief for poor countries	Enterprise architecture
EPA cabinet status	Encroachment on training ranges	Federal budget issues
FBI reorganization	Export controls	Federal building security
Federal property management reform	Food aid	Federal financial management reform
Food safety	Foreign language needs	Federal rulemaking requirements
Highway trust fund	Gulf War illnesses	Freedom to Manage Act
Housing	Information security aspects of homeland security	Human capital strategy
HUD management reform	International trade	Illegal tax schemes and scams
Identity theft	Nuclear smuggling	Intergovernmental aspects of homeland security
Immigration enforcement	Organizational aspects of homeland security	IRS modernization
Indian tribal recognition	SEC's human capital challenges	Medicaid financial management
Intercity passenger rail	Strategic seaport protection	NASA's management challenges
Long-term care	Terrorism insurance	President's Management Agenda
Medicare payments	U.S. overseas presence	Purchase card controls
Nuclear waste storage	Weapons of mass destruction	Securing America's borders
Nursing homes		U.S. government's financial statements
Postal Service challenges		
Public health aspects of homeland security		
Retiree health insurance		
SBA's human capital challenges		
Social Security reform		
Transit safety and security		
VA health care		
Welfare reform		
Wildfire threats		
Workforce development		

Source: GAO.

Congress and the executive agencies took a wide range of actions in fiscal year 2002 to improve government operations, reduce costs, or better target budget authority based on GAO analyses and recommendations, as highlighted in the following sections.

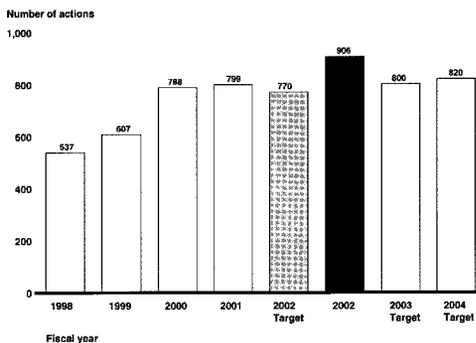
Federal action on GAO's findings or recommendations produced financial benefits for the American people: a total of \$37.7 billion was achieved by making government services more efficient, improving the budgeting and spending of tax dollars, and strengthening the management of federal resources (see fig. 1). For example, increased funding for improved safeguards against fraud and abuse helped the Medicare program to better control improper payments of \$8.1 billion over 2 years, and better policies and controls reduced losses from farm loan programs by about \$4.8 billion across 5 years.

Figure 1: Financial Benefits Resulting from GAO's Work



Source: GAO.

In fiscal year 2002, we also recorded 906 instances in which our work led to improvements in government operations or programs (see fig. 2). For example, by acting on GAO's findings or recommendations, the federal government has taken important steps toward enhancing aviation safety, improving pediatric drug labeling based on research, better targeting of funds to high-poverty school districts, greater accountability in the federal acquisition process, and more effective delivery of disaster recovery assistance to other nations, among other achievements.

Figure 2: GAO's Work Improving Government Operations and Services


Source: GAO.

As shown in table 3, we met all of our annual performance targets except our timeliness target. While we provided 96 percent of our products to their congressional requesters by the date promised, we missed this measure's target of 98 percent on-time delivery. The year's turbulent events played a part in our missing the target, causing us to delay work in progress when higher-priority requests came in from the Congress. We know we will continue to face factors beyond our control as we strive to improve our performance in this area. We believe the agency protocols we are piloting will help clarify aspects of our interactions with the agencies we evaluate and audit and, thus, expedite our work in ways that could improve the timeliness of our final products. We also believe that our continuing investments in human capital and information technology will improve our timeliness while allowing us to maintain our high level of productivity and performance overall.

Table 3: Annual Performance Measures and Targets

Performance measure	Fiscal year								
	1998 Actual	1999 Actual	2000 Actual	2001 Actual	2002 Target	2002 Actual	4-year avg. Actual	2003 Target	2004 Target
Financial benefits (dollars in billions)	\$19.7	\$20.1	\$23.2	\$26.4	\$30.0	\$37.7*	\$26.9	\$32.5*	\$35.0
Other benefits	537	607	788	799	770	906	775	800 ^b	820
Past recommendations implemented	69%	70%	78%	79%	75%	79%	N/A	77%	77%
New recommendations made	987	940	1,224	1,563	1,200	1,950	1,419	1,250 ^b	1,250
New products with recommendations	33%	33%	39%	44%	45%	53%	42%	50%	50%
Testimonies	256	229	263	151	200	216	215	180 ^b	200
Timeliness	93%	96%	96%	95%	98%	96%	96%	98%	98%

Legend:

N/A = not applicable

Source: GAO.

*Changes GAO made to its methodology for tabulating financial benefits caused about 11 percent of the increase in fiscal year 2002.

^bFour targets published in GAO's performance plan for fiscal year 2003 were subsequently revised based on more current information. Two were raised; two were lowered. The original targets were financial benefits, \$35 billion; other benefits, 785; recommendations made, 1,200; and testimonies, 210.

Maximizing GAO's Effectiveness, Responsiveness and Value

The results of our work were possible, in part, because of changes we have made to maximize the value of GAO. We had already realigned GAO's structure and resources to better serve the Congress in its legislative, oversight, appropriations, and investigative roles. Over the past year, we cultivated and fostered congressional and agency relations, better refined our strategic and annual planning and reporting processes, and enhanced our information technology infrastructure. We also continued to provide priority attention to our management challenges of human capital, information security, and physical security. Changes we made in each of these areas helped enable us to operate in a constantly changing environment.

Congressional and Agency Relations

Over the course of the year, we cultivated and fostered congressional and agency relations in several ways. On October 23, 2001, in response to the anthrax incident on Capitol Hill, we opened our doors to 435 members of the House of Representatives and their staffs. Later in the year, we continued with our traditional hill outreach meetings and completed a 7-

month pilot test of a system for obtaining clients' views on the quality of our testimonies and reports. We also developed agency protocols to provide clearly defined, consistently applied, well-documented, and transparent policies for conducting our work with federal agencies. We have implemented our new reporting product line entitled Highlights—a one-page summary that provides the key findings and recommendations from a GAO engagement. We continued our policy of outreach to our congressional clients, the public, and the press to enhance the accessibility of GAO products. Our external web site now logs about 100,000 visitors each day and more than 1 million GAO products are downloaded every month by our congressional clients, the public, and the press.

In light of certain records access challenges during the past few years and with concerns about national and homeland security unusually high at home and abroad, it may become more difficult for us to obtain information from the Executive Branch and report on certain issues. If this were to occur, it would hamper our ability to complete congressional requests in a timely manner. We are updating GAO's engagement acceptance policies and practices to address this issue and may recommend legislative changes that will help to assure that we have reasonable and appropriate information that we need to conduct our work for the Congress and the country.

Strategic and Annual Planning

GAO's strategic planning process serves as a model for the federal government. Our plan aligns GAO's resources to meet the needs of the Congress, address emerging challenges and achieve positive results. Following the spirit of the Government Performance and Results Act, we established a process that provides for updates with each new Congress, ongoing analysis of emerging conditions and trends, extensive consultations with congressional clients and outside experts, and assessments of our internal capacities and needs.

At the beginning of fiscal year 2002, we updated our strategic plan for serving the Congress based on substantial congressional input—extending the plan's perspective out to fiscal year 2007 and factoring in developments that had occurred since we first issued it in fiscal year 2000. The updated plan carries forward the four strategic goals we had already established as the organizing principles for a body of work that is as wide-ranging as the interests and concerns of the Congress itself. Using the plan as a blueprint, we lay out the areas in which we expect to conduct research, audits, analyses, and evaluations to meet our clients' needs, and

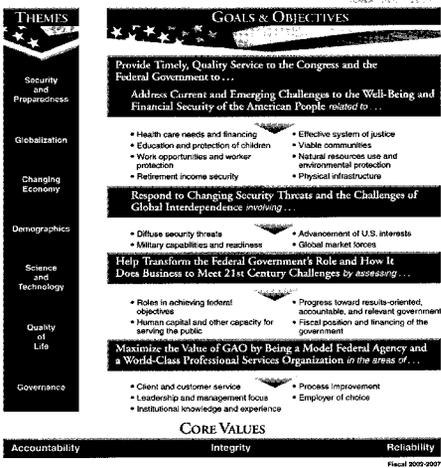
we allocate the resources we receive from the Congress accordingly. Following is our strategic plan framework. Appendix I of this statement delineates in a bit more detail our strategic objectives and our qualitative performance goals for fiscal years 2002 and 2003.

SERVING THE CONGRESS GAO'S STRATEGIC PLAN FRAMEWORK



MISSION

GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.



We issued our 2001 Performance and Accountability Report that combines information on our past year's accomplishments and progress in meeting our strategic goals with our plans for achieving our fiscal year 2003 performance goals. The report earned a Certificate of Excellence in Accountability Reporting from the Association of Government Accountants. We issued our fiscal year 2002 Performance and Accountability Report in January 2003.

Our financial statements, which are integral to our performance and accountability, received an unqualified opinion for the sixteenth consecutive year. Furthermore, our external auditors did not identify any material control weaknesses or compliance issues relating to GAO's operations.

Information Technology

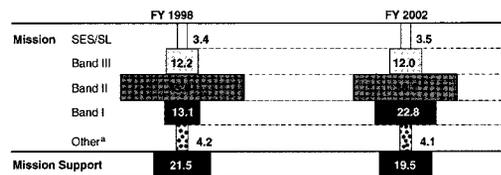
During the past year, we acquired new hardware and software and developed user-friendly systems that enhanced our productivity and responsiveness to the Congress and helped meet our initial information technology goals. For example, we replaced aging desktop workstations with notebook computers that provide greater computing power, speed, and mobility. In addition, we upgraded key desktop applications, the Windows desktop operating system, and telecommunications systems to ensure that GAO staff have modern technology tools to assist them in carrying out their work. We also developed new, integrated, user-friendly Web-based systems that eliminate duplicate data entry while ensuring the reusability of existing data. As the Clinger-Cohen Act requires, GAO has an enterprise architecture program in place to guide its information technology planning and decision making. In designing and developing systems, as well as in acquiring technology tools and services, we have applied enterprise architecture principles and concepts to ensure sound information technology investments and the interoperability of systems.

Human Capital

Given GAO's role as a key provider of information and analyses to the Congress, maintaining the right mix of technical knowledge and expertise as well as general analytical skills is vital to achieving our mission. We spend about 80 percent of our resources on our people, but without excellent human capital management, we could still run the risk of being unable to deliver what the Congress and the nation expect from us. At the beginning of my term in early fiscal year 1999, we completed a self-assessment that profiled our human capital workforce and identified a number of serious challenges facing our workforce, including significant issues involving succession planning and imbalances in the structure,

shape, and skills of our workforce. As presented below, through a number of strategically planned human capital initiatives over the past few years, we have made significant progress in addressing these issues. For example, as illustrated in figure 3, by the end of fiscal year 2002, we had almost a 60 percent increase in the percentage of staff at the entry-level (Band I) as compared with fiscal year 1998. Also, the proportion of our workforce at the mid-level (Band II) decreased by about 8 percent.

Figure 3: GAO's Human Capital Profile



Figures in percentages

Source: GAO.

*Attorneys and criminal investigators

*Mission support includes both mission and mission support offices as discussed in GAO's budget submission

Our fiscal year 2002 human capital initiatives included the following:

- In fiscal year 2002, we hired nearly 430 permanent staff and 140 interns. We also developed and implemented a strategy to place more emphasis on diversity in campus recruiting.
- In fiscal years 2002 and 2003, to help meet our workforce planning objectives, we offered voluntary early retirement under authority established in our October 2000 human capital legislation. Early retirement was granted to 52 employees in fiscal year 2002 and 24 employees in fiscal year 2003.
- To retain staff with critical skills and staff with less than 3 years of GAO experience, we implemented legislation authorizing federal agencies to offer student loan repayments in exchange for certain federal service commitments.
- In fiscal year 2002, GAO implemented a new, modern, effective, and credible performance appraisal system for analysts and specialists, adapted the system for attorneys, and began modifying the system for administrative professional and support staff.

- We began developing a new core training curriculum for managers and staff to provide additional training on the key competencies required to perform GAO's work.
- We also took steps to achieve a fully democratically-elected Employee Advisory Council to work with GAO's Executive Committee in addressing issues of mutual interest and concern.

The above represent just a few of many accomplishments in the human capital area. GAO is the clear leader in the federal government in designating and implementing 21st century human capital policies and practices. We also are taking steps to work with the Congress, the Office of Management and Budget, and the Office of Personnel Management, and others to "help others help themselves" in the human capital area.

Information Security

Ensuring information systems security and disaster recovery systems that allow for continuity of operations is a critical requirement for GAO, particularly in light of the events of September 11 and the anthrax incidents. The risk is that our information could be compromised and that we would be unable to respond to the needs of the Congress in an emergency. In light of this risk and in keeping with our goal of being a model federal agency, we are implementing an information security program consistent with the requirements in the Government Information Security Reform provisions (commonly referred to as "GISRA") enacted in the Floyd D. Spence National Defense Authorization Act for fiscal year 2001. We have made progress through our efforts to, among other things, implement a risk-based, agencywide security program; provide security training and awareness; and develop and implement an enterprise disaster recovery solution.

Physical Security

In the aftermath of the September 11 terrorist attacks and subsequent anthrax incidents, our ability to provide a safe and secure workplace emerged as a challenge for our agency. Protecting our people and our assets is critical to our ability to meet our mission. We devoted additional resources to this area and implemented measures such as reinforcing vehicle and pedestrian entry points, installing an additional x-ray machine, adding more security guards, and reinforcing windows.

GAO's Fiscal Year 2004 Budget Request

GAO is requesting budget authority of \$473 million for fiscal year 2004 to maintain current operations for serving the Congress as outlined in our strategic plan and to continue initiatives to enhance our human capital,

support business processes, and ensure the safety and security of GAO staff, facilities, and information systems. This funding level will allow us to fund up to 3,269 full-time equivalent personnel. Our request includes \$466.6 million in direct appropriations and authority to use estimated revenues of \$6 million from reimbursable audit work and rental income. Our requested increase of \$18.4 million in direct appropriations represents a modest 4.1 percent increase, primarily for mandatory pay and uncontrollable costs. Our budget request also includes savings from nonrecurring fiscal year 2003 investments in fiscal year 2004 that we propose to use to fund further one-time investments in critical areas, such as security and human capital.

We have submitted a request for \$4.8 million in supplemental fiscal year 2003 funds to allow us to accelerate implementation of important security enhancements. Our fiscal year 2004 budget includes \$4.8 million for safety and security needs that are also included in the supplemental. If the requested fiscal year 2003 supplemental funds are provided, our fiscal year 2004 budget could be reduced by \$4.3 million. Table 4 presents our fiscal year 2003 and requested fiscal year 2004 resources by funding source.

Table 4: Fiscal Years 2003 and 2004 Resources by Funding Source

(Dollars in thousands)				
Funding source	FY 2003 Revised	FY 2004 Request	Change – FY 2003 to 2004	
			Amount	Percent
Total budget authority	\$451,202 ^a	\$472,627	\$21,425	
Less: offsetting collections ^b	(3,000)	(6,006)	(3,006)	
Direct appropriation	\$448,202	\$466,621	\$18,419	4.1

Source: GAO.

^aExcludes request for supplemental funds of \$4.8 million.

^bOffsetting collections include reimbursable audit work and rental income.

During fiscal year 2004, we plan to sustain our investments in maximizing the productivity of our workforce by continuing to address the key management challenges of human capital, and both information and physical security. We will continue to take steps to “lead by example” within the federal government in connection with these and other critical management areas.

Over the next several years, we need to continue to address skill gaps, maximize staff productivity and effectiveness, and reengineer our human capital processes to make them more user-friendly. We plan to address

skill gaps by further refining our recruitment and hiring strategies to target gaps identified through our workforce planning efforts, while taking into account the significant percentage of our workforce eligible for retirement. We will continue to take steps to reengineer our human capital systems and practices to increase their efficiency and to take full advantage of technology. We will also ensure that our staff have the needed skills and training to function in this reengineered environment. In addition, we are developing competency-based performance appraisal and broad-banding pay systems for our mission support employees.

To ensure our ability to attract, retain, and reward high-quality staff, we plan to devote additional resources to our employee training and development program. We will target resources to continue initiatives to address skill gaps, maximize staff productivity, and increase staff effectiveness by updating our training curriculum to address organizational and technical needs and training new staff. Also, to enhance our recruitment and retention of staff, we will continue to offer a student loan repayment program and transit subsidy benefit established in fiscal year 2002. In addition, we will continue to focus our hiring efforts in fiscal year 2004 on recruiting talented entry-level staff.

To build on the human capital flexibilities provided by the Congress in 2000, we plan to recommend legislation that would, among other things, facilitate GAO's continuing efforts to recruit and retain top talent, develop a more performance-based compensation system, realign our workforce, and facilitate our succession planning and knowledge transfer efforts. In addition, to help attract new recruits, address certain "expectation gaps" within and outside of the government, and better describe the modern audit and evaluation entity GAO has become, we will work with the Congress to explore the possibility of changing the agency's name while retaining our well-known acronym and global brand name of "GAO."

On the information security front, we need to complete certain key actions to be better able to detect intruders in our systems, identify our users, and recover in the event of a disaster. Among our current efforts and plans for these areas are completing the installation of software that helps us detect intruders on all our internal servers, completing the implementation of a secure user authentication process, and refining the disaster recover plan we developed last year. We will need the Congress' help to address these remaining challenges.

We also are continuing to make the investments necessary to enhance the safety and security of our people, facilities, and other assets for the mutual

benefit of GAO and the Congress. With our fiscal year 2003 supplemental funding, if provided, or if not, with fiscal year 2004 funds, we plan to complete installation of our building access control and intrusion detection system and supporting infrastructure, and obtain an offsite facility for use by essential personnel in emergency situations. With the help of the Congress, we plan to implement these projects over the next several years.

Concluding Remarks

As a result of the support and resources we have received from this Subcommittee and the Congress over the past several years, we have been able to make a difference in government, not only in terms of financial benefits and improvements in federal programs and operations that have resulted from our work, but also in strengthening and increasing the productivity of GAO, and making a real difference for our country and its citizens. Our budget request for fiscal year 2004 is modest, but necessary to sustain our current operations, continue key human capital and information technology initiatives, and ensure the safety and security of our most valuable asset—our people. We seek your continued support so that we will be able to effectively and efficiently conduct our work on behalf of the Congress and the American people.

As the Comptroller General of the United States, I am very proud of how, in a time of uncertainty, GAO staff responded with a positive attitude and did whatever their country required and demonstrated an unwavering resolve to continue their work. Knowing this organization as I do, I was not surprised. We at GAO look forward to continuing to help the Congress and the nation meet the current and emerging challenges of the 21st century.

Appendix I: GAO's Qualitative Performance Goals for Fiscal Years 2002 and 2003

This appendix lists GAO's strategic goals and the strategic objectives for each goal. They are part of our updated draft strategic plan (for fiscal years 2002 through 2007).

Organized below each strategic objective are its qualitative performance goals. The performance goals lay out the work we plan to do in fiscal years 2002 and 2003 to help achieve our strategic goals and objectives. We will evaluate our performance at the end of fiscal year 2003.

Strategic Goal 1

Provide Timely, Quality Service to the Congress and the Federal Government to Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People

To achieve this goal, we will provide information and recommendations on the following:

the Health Care Needs of an Aging and Diverse Population

- evaluate Medicare reform, financing, and operations;
- assess trends and issues in private health insurance coverage;
- assess actions and options for improving the Department of Veterans Affairs' and the Department of Defense's (DOD) health care services;
- evaluate the effectiveness of federal programs to promote and protect the public health;
- evaluate the effectiveness of federal programs to improve the nation's preparedness for the public health and medical consequences of bioterrorism;
- evaluate federal and state program strategies for financing and overseeing chronic and long-term health care; and
- assess states' experiences in providing health insurance coverage for low-income populations.

the Education and Protection of the Nation's Children

- analyze the effectiveness and efficiency of early childhood education and care programs in serving their target populations;
- assess options for federal programs to effectively address the educational and nutritional needs of elementary and secondary students and their schools;
- determine the effectiveness and efficiency of child support enforcement and child welfare programs in serving their target populations; and

-
- identify opportunities to better manage postsecondary, vocational, and adult education programs and deliver more effective services.

the Promotion of Work Opportunities and the Protection of Workers

- assess the effectiveness of federal efforts to help adults enter the workforce and to assist low-income workers;
- analyze the impact of programs designed to maintain a skilled workforce and ensure employers have the workers they need;
- assess the success of various enforcement strategies to protect workers while minimizing employers' burden in the changing environment of work; and
- identify ways to improve federal support for people with disabilities.

a Secure Retirement for Older Americans

- assess the implications of various Social Security reform proposals;
- identify opportunities to foster greater pension coverage, increase personal saving, and ensure adequate and secure retirement income; and
- identify opportunities to improve the ability of federal agencies to administer and protect workers' retirement benefits.

an Effective System of Justice

- identify ways to improve federal agencies' ability to prevent and respond to major crimes, including terrorism;
- assess the effectiveness of federal programs to control illegal drug use;
- identify ways to administer the nation's immigration laws to better secure the nation's borders and promote appropriate treatment of legal residents; and
- assess the administrative efficiency and effectiveness of the federal court and prison systems.

the Promotion of Viable Communities

- assess federal economic development assistance and its impact on communities;
- assess how the federal government can balance the promotion of home ownership with financial risk;
- assess the effectiveness of federal initiatives to assist small and minority-owned businesses;
- assess federal efforts to enhance national preparedness and capacity to respond to and recover from natural and man-made disasters; and

-
- assess how well federally supported housing programs meet their objectives and affect the well-being of recipient households and communities.

Responsible Stewardship of Natural Resources and the Environment

- assess the nation's ability to ensure reliable and environmentally sound energy for current and future generations;
- assess federal strategies for managing land and water resources in a sustainable fashion for multiple uses;
- assess federal programs' ability to ensure a plentiful and safe food supply, provide economic security for farmers, and minimize agricultural environmental damage;
- assess federal pollution prevention and control strategies; and
- assess efforts to reduce the threats posed by hazardous and nuclear wastes.

a Secure and Effective National Physical Infrastructure

- assess strategies for identifying, evaluating, prioritizing, financing, and implementing integrated solutions to the nation's infrastructure needs;
- assess the impact of transportation and telecommunications policies and practices on competition and consumers;
- assess efforts to improve safety and security in all transportation modes;
- assess the U.S. Postal Service's transformation efforts to ensure its viability and accomplish its mission; and
- assess federal efforts to plan for, acquire, manage, maintain, secure, and dispose of the government's real property assets.

Strategic Goal 2

Provide Timely, Quality Service to the Congress and the Federal Government to Respond to Changing Security Threats and the Challenges of Global Interdependence

To achieve this goal, we will provide information and recommendations on the following:

Respond to Diffuse Threats to National and Global Security

- analyze the effectiveness of the federal government's approach to providing for homeland security;
- assess U.S. efforts to protect computer and telecommunications systems supporting critical infrastructures in business and government; and

-
- assess the effectiveness of U.S. and international efforts to prevent the proliferation of nuclear, biological, chemical, and conventional weapons and sensitive technologies.

Ensure Military Capabilities and Readiness

- assess the ability of DOD to maintain adequate readiness levels while addressing the force structure changes needed in the 21st century;
- assess overall human capital management practices to ensure a high-quality total force;
- identify ways to improve the economy, efficiency, and effectiveness of DOD's support infrastructure and business systems and processes;
- assess the National Nuclear Security Administration's efforts to maintain a safe and reliable nuclear weapons stockpile;
- analyze and support DOD's efforts to improve budget analyses and performance management;
- assess whether DOD and the services have developed integrated procedures and systems to operate effectively together on the battlefield; and
- assess the ability of weapon system acquisition programs and processes to achieve desired outcomes.

Advance and Protect U.S. International Interests

- analyze the plans, strategies, costs, and results of the U.S. role in conflict interventions;
- analyze the effectiveness and management of foreign aid programs and the tools used to carry them out;
- analyze the costs and implications of changing U.S. strategic interests;
- evaluate the efficiency and accountability of multilateral organizations and the extent to which they are serving U.S. interests; and
- assess the strategies and management practices for U.S. foreign affairs functions and activities.

Respond to the Impact of Global Market Forces on U.S. Economic and Security Interests

- analyze how trade agreements and programs serve U.S. interests;
- improve understanding of the effects of defense industry globalization;
- assess how the United States can influence improvements in the world financial system;
- assess the ability of the financial services industry and its regulators to maintain a stable and efficient global financial system;

-
- evaluate how prepared financial regulators are to respond to change and innovation; and
 - assess the effectiveness of regulatory programs and policies in ensuring access to financial services and deterring fraud and abuse in financial markets.

Strategic Goal 3

Help Transform the Government's Role and How It Does Business to Meet 21st Century Challenges

To achieve this goal, we will provide information and recommendations on the following:

Analyze the Implications of the Increased Role of Public and Private Parties in Achieving Federal Objectives

- analyze the modern service-delivery system environment and the complexity and interaction of service-delivery mechanisms;
- assess how involvement of state and local governments and nongovernmental organizations affect federal program implementation and achievement of national goals; and
- assess the effectiveness of regulatory administration and reforms in achieving government objectives.

Assess the Government's Human Capital and Other Capacity for Serving the Public

- identify and facilitate the implementation of human capital practices that will improve federal economy, efficiency, and effectiveness;
- identify ways to improve the financial management infrastructure capacity to provide useful information to manage for results and costs day to day;
- assess the government's capacity to manage information technology to improve performance;
- assess efforts to manage the collection, use, and dissemination of government information in an era of rapidly changing technology;
- assess the effectiveness of the Federal Statistical System in providing relevant, reliable, and timely information that meets federal program needs; and
- identify more businesslike approaches that can be used by federal agencies in acquiring goods and services.

Support Congressional Oversight of the Federal Government's Progress toward Being More Results-Oriented, Accountable, and Relevant to Society's Needs

- analyze and support efforts to instill results-oriented management across the government;
- highlight the federal programs and operations at highest risk and the major performance and management challenges confronting agencies;
- identify ways to strengthen accountability for the federal government's assets and operations;
- promote accountability in the federal acquisition process;
- assess the management and results of the federal investment in science and technology and the effectiveness of efforts to protect intellectual property; and
- identify ways to improve the quality of evaluative information.
- develop new resources and approaches that can be used in measuring performance and progress on the nation's 21st century challenges

Analyze the Government's Fiscal Position and Approaches for Financing the Government

- analyze the long-term fiscal position of the federal government;
- analyze the structure and information for budgetary choices and explore alternatives for improvement;
- contribute to congressional deliberations on tax policy;
- support congressional oversight of the Internal Revenue Service's modernization and reform efforts; and
- assess the reliability of financial information on the government's fiscal position and financing sources.

Strategic Goal 4

Maximize the Value of GAO by Being a Model Federal Agency and a World-Class Professional Services Organization

To achieve this goal, we will do the following:

Sharpen GAO's Focus on Clients' and Customers' Requirements

- continuously update client requirements;
- develop and implement stakeholder protocols and refine client protocols; and
- identify and refine customer requirements and measures.

Enhance Leadership and Promote Management Excellence

- foster an attitude of stewardship to ensure a commitment to GAO's mission and core values;
- implement an integrated approach to strategic management;
- continue to provide leadership in strategic human capital management planning and execution;
- maintain integrity in financial management;
- use enabling technology to improve GAO's crosscutting business processes; and
- provide a safe and secure workplace.

Leverage GAO's Institutional Knowledge and Experience

- improve GAO's use of Web-based knowledge tools;
- develop a framework to manage the collection, use, distribution, and retention of organizational knowledge; and
- strengthen relationships with other national and international accountability and professional organizations.

Continuously Improve GAO's Business and Management Processes

- improve internal business and administrative processes;
- improve GAO's product and service lines; and
- improve GAO's job management processes.

Become the Professional Services Employer of Choice

- maintain an environment that is fair, unbiased, family-friendly, and promotes and values opportunity and inclusiveness;
- improve compensation and performance management systems;
- develop and implement a training and professional development strategy targeted toward competencies; and
- provide GAO's people with tools, technology, and a working environment that is world-class.

OPENING REMARKS

Mr. WALKER. Thank you, Mr. Chairman. Congratulations on assuming the Chairmanship.

To my immediate right is Gene Dodaro, who is our Chief Operating Officer. To his right is Tony Cicco, who is our Chief Information Officer and Deputy Chief Mission Support Officer. And on the far right is Stan Czerwinski, who is our Controller.

It is a pleasure to be here, Mr. Chairman. As you noted, we are asking for a 4.1 percent increase. Hopefully, we are going to be able to reduce that to a 3.1 percent increase very shortly, because included in the 4.1 percent is a \$4.849 million request that is in both the House and Senate supplemental bills for safety and security issues. Therefore, if the supplemental bill is enacted into law, we would be able to reduce our request to 3.1 percent.

We believe ours is a modest request. We understand that the Congress is under considerable pressure with regard to budgetary matters, and we are trying to lead by example and make sure that we are only asking for what we need.

In addition, as you will probably see in our budget request not only for this year, but in the past several years since I have been Comptroller General, we are trying to keep the baseline increases to a minimum. So, we come forth each year with specific requests with business cases if we need an investment in a particular item. We reverse it the next year. In other words, we are very up front to say we would like the Congress to fund these particular items, here is what it is going to cost, and here is what you are going to get for it. And then, the next year we will eliminate it from our baseline. And, if there is anything else that we are going to ask for, we will do that. So, we are not trying to build the baseline. We are not trying to build our empire.

Fiscal year 2002 was an outstanding year for GAO, a record year in many ways. I am going to leave a copy of our FY 2002 Performance and Accountability Highlights Report with you. I think all the Members have received a copy. We take very seriously our responsibility to lead by example. We are in the performance and accountability business. Our job is to try to help maximize government performance and ensure accountability. We are very results-oriented.

Last year, as a result of the Congress' and agencies' adoption of GAO findings and recommendations, we achieved \$37.7 billion in financial benefits. That is an \$88 return for every dollar invested in GAO—number one in the world. There is nobody even close to achieving this level of return on investment in our line of business, and we hope to do better.

We have almost doubled our performance results for financial benefits in the last 4 years. But more importantly, we are also trying to be in the vanguard of government transformation, to change how government does business from strategic planning to organizational alignment, to human capital strategy, financial management, change management, and knowledge management. We believe we are in the vanguard, and we are committed to staying there. We are also trying to help others to improve.

We are using best practices. We are developing methodologies. We are working in a very constructive and nonpartisan manner with Cabinet officials and with OMB on good government issues where, frankly, it shouldn't make any difference as to who is in charge of the Executive Branch. The issues need to be addressed.

The last comment that I would make is that 2½ years ago as part of the fiscal year 2001 Appropriation request, the Congress helped us to achieve some additional human capital reforms to be able to make better use of our most valuable asset, namely our people. We are going to be reporting, as required by law, within the next month or so on the results of those flexibilities. We think our experience has been very positive.

We are going to be seeking a permanent extension of two of those authorities that were granted last year to the entire Executive Branch. Furthermore, we are going to be transmitting the request to the oversight committees, but also we will make you aware of it, for some additional human capital flexibilities. We believe we have the infrastructure in place that we can start experimenting more with pay-for-performance models beyond the current Executive Branch models. We look forward to working with you and others on this issue.

Mr. Chairman, I want to focus the rest of my time responding to questions from you and other Members. Thank you for the opportunity for a brief opening statement.

WASTE, FRAUD, ABUSE, AND MISMANAGEMENT

Mr. KINGSTON. I read some body language here that Mr. Moran has a football in his arm and ready to make the dash.

Mr. MORAN. I was supposed to be someplace now. And it is downtown. So now I am confident I will be 20 minutes late. But David Price is going to represent me better than I could do myself. As far as the Minority side is concerned, we are well represented with Mr. Price, and I thank the GAO for all the good work they do.

Mr. KINGSTON. We have been talking with the other witnesses today about waste, fraud and abuse, and Jim had pointed out we should put in the word "excess" because that is accurate. However, you are probably one of the best agencies who can look at this, ferret it out and give us ideas. How do you address this within GAO itself? What suggestions do you have as we go through this budget? As one reads some of the statistics about government waste, it is unbelievable the amount of inefficiencies we have.

Mr. WALKER. I know a lot of people like to use the term waste, fraud, abuse, and mismanagement, and clearly we should have zero tolerance for waste, fraud, abuse and mismanagement. There is a lot that we do in that area, which I will come back to, but from a practical standpoint, it will never be zero in the largest, most complex, most diverse and arguably the most important entity on the face of the Earth, namely the U.S. Government.

But I think it is important that we also focus on economy, efficiency and effectiveness, because there is a lot more money involved and a lot of enhanced performance involved when you deal with economy, efficiency and effectiveness.

With regard to fraud, waste, abuse and mismanagement, we publish our high risk list every 2 years. I have a copy here, and I would like to include it in the record.

[The information follows:]

GAO's 2003 High-Risk List

High-Risk Area	Year Designated High-Risk
Addressing Challenges in Broad-Based Transformations	
Strategic Human Capital Management*	2001
U. S. Postal Service Transformation Efforts and Long-Term Outlook*	2001
Implementing and Transforming the New Department of Homeland Security	2003
Modernizing Federal Disability Programs*	2003
Federal Real Property*	2003
Protecting Information Systems Supporting the Federal Government and the Nation's Critical Infrastructures	1997
Ensuring Major Technology Investments Improve Services	
FAA Air Traffic Control Modernization	1995
IRS Business Systems Modernization	1995
DOD Systems Modernization	1995
Providing Basic Financial Accountability	
DOD Financial Management	1995
Forest Service Financial Management	1999
FAA Financial Management	1999
IRS Financial Management	1995
Reducing Inordinate Program Management Risks	
Medicare Program*	1990
Medicaid Program*	2003
Earned Income Credit Noncompliance	1995
Collection of Unpaid Taxes	1990
DOD Support Infrastructure Management	1997
DOD Inventory Management	1990
HUD Single-Family Mortgage Insurance and Rental Assistance Programs	1994
Student Financial Aid Programs	1990
Managing Large Procurement Operations More Efficiently	
DOD Weapon Systems Acquisition	1990
DOD Contract Management	1992
Department of Energy Contract Management	1990
NASA Contract Management	1990

*Additional authorizing legislation is likely to be required as one element of addressing this high-risk area.

HIGH RISK SERIES

Mr. WALKER. Our work in this area started primarily in the early 1990s as reviews of waste, fraud, abuse and mismanagement, but now we have broadened it to where we are dealing with economy, efficiency and effectiveness. In some areas, only the Executive Branch is required to take action. There are also areas that Congress has to be part of the solution, whether it be postal reform, human capital reform, rationalizing the excess infrastructure within the Federal Government, or modernizing disability programs to come up with a new definition of disability for the one that is 50 years old. We are committed to continue our work in this area.

Furthermore, we have a fraudnet hotline where we receive a number of tips from time to time, and based upon those tips either we follow up or we refer them to the Inspectors General to follow up. If we refer them to the Inspectors General, we make sure they follow up so it doesn't drop through the cracks.

We also do a tremendous amount of work as part of the hundreds of engagements we do every year, over 85 percent of which were mandated by Congress or requested by Congress, where we make ranges of recommendations not only to eliminate fraud, waste, abuse and mismanagement, but to improve economy, efficiency and effectiveness. In our financial benefits for the past few years, which are outlined in our performance and accountability report, we have specific examples of recommendations dealing with some problems with the food stamp programs that resulted in saving \$2.2 billion. We made recommendations with regard to the Department of Energy's Hanford plant out West to recompet a contract, which resulted in saving \$2.8 billion. Furthermore, we came up with a methodology and investments for the Department of Health and Human Services which they adopted as ways to try to identify improper payments in the Medicare program, which resulted in a significant reduction in improper payments in the Medicare program. The value we received last year was \$8.1 billion.

But there are other things that we continue to do. As for ourselves, we have an inspector general position that we voluntarily established. We are not required to have an inspector general. We have an executive team, which is constantly looking for ways to do more with what resources we have, because we are assuming that resources are going to be constrained. So we are always looking for ways to create process improvements—leveraging technology, competitive sourcing, or whatever it might be—to get as much as we can out of what resources we have.

FOOD STAMP ABUSE

Mr. KINGSTON. Was it electronic benefits transfer where you had the food stamp abuse?

Mr. DODARO. Basically that had to do with determining eligibility for benefit payments and the appropriate level of funding needed. We find that in a number of benefit programs. The Supplemental Security Income Program is another one where income and related eligibility determinations are made without enough information. For example, in that area the Department of Health and Human Services was collecting information for child support enforcement,

but they weren't integrating that database with their Supplemental Security Income database for determining eligibility. So we made a recommendation that they integrate that database, which gave them more information to determine income levels for applications for Supplemental Security Income. As a result, they denied some people benefits entirely that weren't eligible, or it resulted in less benefits being paid.

Mr. WALKER. It also came off the high risk list. That was an example of where not only did it save money, but it came off the high risk list.

Another example where there is a problem is the unearned income tax credit, and that is one of the areas on the high risk list, and there is a problem determining eligibility. That may, in fact, require some legislative action.

Mr. DODARO. We also have used techniques like data mining and data matching to look at the use of travel cards and purchase cards particularly at DOD, FAA, and HUD; at Education, we looked at Pell grants. In all those areas, we find indications of potential fraud that we refer for further investigation by appropriate agencies, whether it be the FBI, or the inspectors general. Also, there is a lot of money recovered as a result of those activities. For example, we found at DOD a number of people were bouncing checks in their payments on travel cards, and as a result that indicated they weren't making proper payments or there were inappropriate uses of the funds. People were using the cards for purchasing non-government items. For example, somebody was buying automotive supplies and household goods and then turning around and selling them. And so as a result of that, we were able to refer that individual for further investigation, who was prosecuted appropriately.

LEGISLATIVE BRANCH MANAGEMENT REVIEWS

Mr. KINGSTON. I am going to assume that some agencies are a little faster to react to your reports than others, and some are resistant. Unfortunately, our jurisdiction is somewhat limited. Do you have any examples in the Legislative Branch that is not just a past victory, but one that exists now, which this Committee could pursue further?

Mr. WALKER. One of the things we do with increasing frequency or have done with increasing frequency within the last couple of years is we are finding that the Legislative Branch is asking us to assist in dealing with Legislative Branch challenges. We have done work, for example, at the Library of Congress dealing with their hiring practices. We have done work at the Architect of the Capitol looking at some of their management practices and what they are doing with regard to management of the Capitol Visitors Center project. We have done work with the Capitol Police trying to improve their financial management operations. We are being asked right now to do additional work in some of these regards, and also at the Government Printing Office.

The Government Printing Office is based upon a concept that is decades old, and there is a need to fundamentally review and reassess what business they ought to be in and how they ought to go about discharging those responsibilities.

We have done work on developing the pros and cons of merging the different police forces, in the Legislative Branch. So providing assistance is an area where I find Congress is looking to GAO with increasing frequency to improve economy, efficiency and effectiveness because, obviously, you don't want to have those problems in the Legislative Branch.

Mr. DODARO. Recently, we made a number of recommendations as a result of an operations management review of the Architect of the Capitol both to create better financial management, information technology systems, human capital, worker safety programs. Congress has mandated us to continue to follow up to see how well the Architect is implementing those recommendations, and to provide semiannual reports to your committee and other appropriate committees in the Congress.

We are still following the Capitol Police's management improvement efforts in human capital, financial management, and other areas. We have just been commissioned to do a management review of the Government Printing Office as well. So there are a number of activities that we are currently involved in either following up on our recommendations or to see to what extent they have been implemented. We find that—just like we do in the executive agencies, as you pointed out—in some cases, people act more quickly on our recommendations than others. But we are committed to following up and providing periodic reports.

Mr. WALKER. We measure success by results—to what extent do we make recommendations and the people adopt the recommendations. If they do, how much money does that either save or free up; and how does it enhance safety, security, or other areas. Last year the measure was 79 percent of the recommendations that we had made 4 years prior had been adopted. Sometimes it takes a long time, but we follow up constantly. That level is up considerably from what it was several years ago. So we very much have an incentive to follow up, because that is how we measure success.

Mr. KINGSTON. David. I have some more questions on this.
[The questions submitted for the record follow:]

QUESTIONS FOR THE RECORD

Question. How is the High-Risk List determined?

Response. Our criteria for determining which federal programs and operations should be designated as high risk is contained in our November 2000 guidance document, Determining Performance and Accountability Challenges and High Risks (GAO-01-159SP). That document also contains the criteria considered in determining whether to remove a high-risk designation.

In summary, when determining whether a government program or operation is high risk, we consider whether it involves national significance or a management function that is key to performance and accountability. We also consider whether the risk is

- inherent, which may arise when the nature of a program creates susceptibility to fraud, waste, and abuse; or
- a systemic problem, which may arise when the programmatic; management support; or financial systems, policies, and procedures established by an agency to carry out a program are ineffective, creating a material weakness.

We also consider qualitative factors outlined below.

Risk is seriously detrimental to

- Public health or safety
- Service delivery
- National security
- National defense

- Economic growth
 - Privacy or citizens' rights
- Risk could result in
- Significantly impaired service
 - Program failure
 - Significantly reduced effectiveness
 - Significantly reduced efficiency
 - Injury or loss of life
 - Unreliable decision-making data
 - Reduced confidence in government
 - Unauthorized disclosure, manipulation, or misuse of sensitive information, such as personal, financial management, or programmatic data maintained in computerized systems

In addition to qualitative factors, we also consider the exposure to loss in monetary or other quantitative terms. At a minimum, \$1 billion must be at risk in such areas as:

- the value of major assets (e.g., loans receivable) being impaired;
- revenue sources (e.g., taxes due) not being realized;
- major agency assets (e.g., inventory or property) being lost, stolen, damaged, wasted, or underutilized;
- improper payments; and
- contingencies or potential liabilities (e.g., environmental cleanup costs).

The \$1 billion threshold relates to that portion of a major program or mission area that is at risk, not to the financial aspects of the program or mission area as a whole.

In making high-risk determinations, we analyze the risks from qualitative and quantitative standpoints. A program or function may be highly vulnerable to risk arising from a qualitative factor, such as loss of life, but may not necessarily meet the minimum quantitative dollar threshold. Conversely, it is possible for an exposure to be significant quantitatively, that is, placing \$1 billion or more at risk, but not involve a qualitative factor. In some instances, individual qualitative and quantitative factors alone will not be high risk, but in combination, they may call for a high-risk designation. Thus, we consider the totality of qualitative and quantitative factors in deciding whether a high-risk designation is warranted.

Before making a high-risk designation, we also consider the corrective measures an agency may have planned or under way to resolve a material control weakness and the status and effectiveness of these actions.

In addition, we have increasingly used the high-risk designation to draw attention to the challenges faced by government programs and operations in need of broad-based transformation. For example, in 2001, we designated as high risk strategic human capital management across government and the U.S. Postal Service's transformation and fiscal outlook. Since then, the President has made human capital a top initiative of his Management Agenda, while the Congress enacted key government wide human capital reforms as it created the Department of Homeland Security (DHS). In addition, a promising Postal Service transformation plan has been produced and the President formed a commission to focus on Postal Service transformation.

Question. Over the past two fiscal years what is your estimate of the dollars saved as a result of the GAO reviews and audits of high-risk list items?

Response. In our Performance and Accountability Reports for fiscal year 2001 and 2002, GAO has recorded accomplishments of over \$39 billion in financial benefit related to areas on our January 2001 high-risk list.

These financial benefits stem from a range of actions taken by the Congress and executive agencies in response to our work and recommendations that resulted in cost savings and/or avoiding unnecessary costs. In addition to these financial benefits, our work related to high-risk areas informs congressional deliberations and oversight and causes agencies to be more proactive in these areas. The following chart summarizes financial benefits related to high-risk areas recorded in fiscal years 2001 and 2002.

Financial Benefits Related to GAO's High-Risk Areas—Fiscal years 2001–2002

Area:	<i>Dollars in millions</i>
Medicare program	\$8,134
HUD single-family mortgage insurance and rental assistance programs	7,931
DOD support infrastructure management	6,922

*Financial Benefits Related to GAO's High-Risk Areas—Fiscal years 2001–2002—
Continued*

	<i>Dollars in millions</i>
DOD contract management	3,341
Department of Energy contract management	3,032
DOD weapon systems acquisition	2,913
DOD systems modernization	2,476
DOD inventory management	2,218
DOD financial management	952
Supplemental Security Income	797
FAA air traffic control modernization	189
IRS financial management	167
Total	\$39,072

Of the four new areas added to our high-risk list in January 2003, we recorded financial benefits of \$1.6 billion in fiscal years 2001 and 2002 related to two—modernizing federal disability programs and the Medicaid program.

We have also accumulated an additional \$8.4 billion in financial benefits in fiscal year 2003 to date related to areas on our updated January 2003 high-risk list. Potential areas of additional savings are being considered and are likely to increase this total in the near future.

Question. Your budget submission indicates that you have seven agency-wide performance measures that you use to assess your performance. I see that these performance measures include financial and other benefits, testimonies, and product recommendations. How does your performance in these areas help Congress meet its oversight responsibilities?

Response. GAO's mission is to support the Congress in carrying out its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. To help the Congress make effective oversight, policy, and funding decisions, GAO examines the use of public funds; evaluates federal programs and activities; and provides analyses, options, recommendations, and other assistance through the conduct of financial audits, program reviews and analyses, legal opinions, investigations, and other services. GAO's activities are designed to ensure the executive branch's accountability to the Congress under the Constitution and to continuously improve the economy, efficiency, and effectiveness of the federal government.

In helping Congress meet its oversight responsibilities, GAO examines the full breadth and scope of federal activities and programs, publishes thousands of reports and other documents annually, and provides a number of related services. By making recommendations to improve the practices and operations of government agencies, GAO contributes not only to the increased effectiveness of and accountability for federal spending, but also to the enhancement of the taxpayers' trust and confidence in their federal government.

Because GAO's watchword is accountability, we recognize that GAO must itself be accountable for how well it fulfills its mission of supporting the Congress. The indicators you have asked about—financial benefits, other benefits; past recommendations implemented, new recommendations made, and new products with recommendations; and testimonies—are all means of measuring the support that GAO provides the Congress in meeting its oversight responsibilities. Along with timeliness, they constitute the seven annual measures we use to track the progress of the agency as a whole.

Financial and other benefits

One way in which GAO measures its contributions to the work of the Congress is to report on the financial and non-financial benefits that accrue from congressional and executive branch actions from GAO's work. Financial and non-financial benefits are a useful measure of GAO's contributions because they reflect the results of actions that the Congress—or, more frequently, the federal agencies for which Congress has oversight responsibility—takes in response to the information and recommendations that GAO provides.

In fiscal 2002, GAO reported financial benefits of \$37.7 billion. The financial benefits GAO reports are generated when agencies act on GAO's findings and recommendation to make government services more efficient, to improve budgeting and spending of tax dollars, or to strengthen the management of federal resources. These include GAO's work to curb Medicare fraud and abuse, to improve budgeting practices for public housing programs, and to reduce losses from farm loans.

Many of the benefits that flow to the American people from GAO's work cannot be measured in dollar terms. During fiscal 2002, GAO documented 65 instances in

which information we provided to the Congress resulted in statutory or regulatory changes, 391 instances in which federal agencies improved services to the public, and 450 instances in which core business processes were improved at agencies or government-wide reforms were advanced. These actions spanned the full spectrum of national issues, from combating terrorism to better targeting funds to high-poverty school districts. In these and other instances, GAO strives to provide information and analysis that will assist the Congress in fulfilling its legislative responsibilities and providing oversight for the federal government. For example during fiscal year 2002, experts from GAO's staff testified at 216 congressional hearings covering a wide range of complex issues. On national preparedness alone, we testified on border security, bioterrorism, nuclear smuggling, seaport and aviation security, and the formation of the Department of Homeland Security. In fiscal 2002, GAO's work contributed directly to congressional consideration of many legislative initiatives, including:

- Help America Vote Act of 2002, P.L. 107-252
- Homeland Security Act of 2002, P.L. 107-296
- Public Health Security and Bioterrorism Preparedness and Response Act of 2002, P.L. 107-188
- Aviation and Transportation Security Act, P.L. 107-71
- Federal Information Security Management Act of 2002, P.L. 107-347
- Sarbanes-Oxley Act of 2002, P.L. 107-204

The following examples illustrate how GAO's services have helped the Congress fulfill its oversight role through this process.

- In the area of aviation security, GAO drew on an extensive body of completed work and provided significant background information to a number of committees as the Congress drafted the Aviation and Transportation Security Act. We also continued to provide the Congress with information on aviation, port, and transit security. For example, in response to requests from House and Senate authorizing committees, we provided timely information on U.S. and foreign-owned screening companies and the capabilities of explosives detection systems and trace devices. We also provided information on the pros and cons of moving the Transportation Security Administration to the Department of Homeland Security and of arming commercial pilots. Additionally, we testified before the House Subcommittee on National Security that ports present security risks, not only because of the possibility that ships could carry weapons of mass destruction or other hazardous cargoes, but also because of the potential for terrorists to attack cruise ships or petrochemical facilities at or near ports. Finally, we testified before the Senate Committee on Banking, Housing and Urban Affairs on the challenges that transit agencies face in make their systems secure. These challenges include the systems' accessibility and high ridership, the high cost of security improvements, and the need to coordinate security concerns among federal, state, and local government agencies and private sector companies.
- In the area of Homeland Security, GAO's past recommendations were incorporated into the Homeland Security Act. Under the act, as GAO had recommended in reports from 1997 to 2002, the federal government has established a focal point for combating terrorism, developed a plan for countering terrorism, implemented risk management to enhance security at certain federal departments, and defined key terms such as "homeland security" and included the definitions in the National Strategy for Homeland Security. These actions will promote leadership among the many entities involved in homeland security and help to ensure that their efforts are mutually reinforcing and that they are using resources efficiently. In so doing, the federal government has taken important first steps to unify the efforts of all levels of government and the private sector with regard to homeland security.
- In the area of terrorism and risk insurance, in the aftermath of the September 11, 2001, attacks, GAO assessed the changes taking place in the insurance industry, the potential implications of these changes on the economy, and alternative approaches for government assistance to the industry. In October 2001, during testimonies before House and Senate Committees, GAO described alternative government-sponsored insurance programs used in other countries to cover losses from terrorist or catastrophic events. In February 2002, GAO again testified before the Congress to report that the insurance industry intended to largely exclude coverage for losses resulting from any future terrorist attacks, creating further uncertainty and economic vulnerability in the marketplace. GAO also outlined the desirable features of any government-sponsored program established to help ensure that availability of terrorism insurance cov-

erage in the financial marketplace. The House and Senate used this information in structuring reform proposals.

GAO recommendations

Because developing implementable recommendations is an important part of GAO's work for the Congress and helps to improve how the government functions, we track the number made each year. For example, the 1,950 recommendations made in fiscal year 2002 include recommendations to the Secretary of State calling for the development of a government-wide plan to help other countries combat nuclear smuggling and those to the Chairman of the Federal Energy Regulatory Commission calling for the agency to develop an action plan for overseeing competitive energy markets.

One way we measure our impact in improving the government's accountability, operations, and services is by tracking the percentage of recommendations that we made 4 years ago that have since been implemented. At the end of fiscal year 2002, 79 percent of the recommendations we made in fiscal year 1998 had been implemented.

Timeliness

We chart the percentage of our products that are delivered on the day we agreed to with our congressional clients because for our work to be used it must be timely. While a vast majority of our products (96%) were on time in fiscal year 2002, we missed our target of providing 98 percent of them on the promised day and are taking steps to improve our performance in the future.

MEASURABLE FINANCIAL BENEFITS

Mr. PRICE. I want to also thank Mr. Walker and colleagues for being here and thank you for their testimony. I have great regard for the work you do. I think it is an indispensable arm of the Legislative Branch.

I am intrigued by figure 1 in your testimony on page 6, the calculation—actual dollar calculation of financial benefits of GAO's work, and that must give you great satisfaction to be able to claim in the fiscal year 2003, for example, almost \$38 billion worth of savings from your work. I assume that would be \$38 billion in savings realized in that fiscal year?

Mr. WALKER. They were recorded by GAO in fiscal year 2002.

Mr. PRICE. I am curious about your methodology here and what the big ticket items were. You cite a couple of them, but how do you arrive at such a figure?

Mr. WALKER. It is an excellent question, and let me clarify for the record. We intentionally use the term "financial benefits." The reason we use that term is that in some cases it is an absolute savings. In other cases what ends up happening is that we will identify something that frees up additional resources, but the Congress decides to redeploy those resources for other purposes, and, therefore, it may not result in decreased spending. It may result in providing the means for Congress to meet another need that otherwise it may not have been able to meet.

Three of the highest financial benefits that we recorded in last year's total include food stamps, \$2.2 billion; DOE's Hanford plant, \$2.8 billion; and Medicare payments, \$8.1 billion.

Mr. PRICE. That \$8.1 billion, I thought, was spread over 2 years.

Mr. DODARO. It is a 2-year time period.

Mr. WALKER. Basically what we do is determine whether or not people adopt our recommendation, and then look at what is the nature of the recommendation—is it a capital-type item, or is it an operating item. Depending upon whether it is a capital item or an operating item, we will either take the discounted present value of

2 years' worth of savings or 5 years. We could claim more years than that, but we are trying to be conservative. We take the discounted present value of the amounts involved and that is what we count in that particular year.

Candidly, Mr. Chairman, Mr. Price, I think one of the things that the Congress needs to consider doing with greater frequency in connection with all budgetary matters is to consider discounted present value concepts, because now you are making budget decisions based upon 10 year cash flows, but the world is not going to end at the end of 10 years. And the information that you are using to make those decisions, frankly, doesn't give you all that you need to understand what the longer-range implications are. So we use discounted present value concepts, because we believe that makes the most economic sense.

Our inspector general will independently review and evaluate anything in excess of a billion dollars.

Mr. PRICE. Examine it for accuracy.

Mr. WALKER. Reasonableness and accuracy.

Furthermore, all of the items are reviewed within the GAO by our Quality and Continuous Improvement Office. We are also looking into the possibility of using our external auditors, who perform an independent audit each year. We have always gotten a clean opinion—no material control weaknesses, no compliance problems. We are looking to see if our external auditor would expand the scope of their audit at some point to audit these numbers and express an opinion.

SOURCE OF BENEFITS ESTIMATES

Mr. DODARO. Actually, these estimates typically come from independent third parties rather than GAO. For example in the Medicare area, we had recommended that the Department create a fraud unit to examine claims, to follow up on tips, and to put controls in place for known areas where people are trying to exploit the Medicare system inappropriately. As a result, they estimated how many recoveries they have had based upon having these fraud units in place, as well as looking at claims review for medical necessity, and things that aren't necessarily being paid as a result.

So estimates usually come from third parties, and then we subject them to a process where people have to identify the source of it, the linkage and the contribution to GAO work. They are independently checked and verified. And then they go through another two levels of review that Dave is talking about. We hold ourselves accountable for support and evidence for these financial benefits to make sure we are accurate and that we are fair and are balanced. And we think we are conservative.

Another area where we had some good financial benefits during this past year is we recommended that DOD not take excess property off its books until disposed. They were sending it to disposal centers and taking it off their books. We recommended that until they actually disposed of the inventory, they leave it available, and as a result, they were able to save millions of dollars because those items were then available to be used, rather than DOD purchasing additional items during that year.

We also highlighted areas where congressional investment decisions in either weapons systems or information technology systems would not yield appropriate benefits. For example, in the V-22 program, the Marine helicopter area, we identified problems with the maturity of the technology, that it wasn't ready to go into full production. We brought that to the attention of the special panel that was created over at DOD. As a result, they delayed production. Congress rescinded some money, as well as it didn't approve additional tens of millions of dollars by not sending that into production. We also recommended DOD consolidate their data information centers.

So, across the government—these benefits are pretty well spread out in a number of areas. We identified some big-ticket items.

ASSET RECOVERIES

Mr. PRICE. The way you describe it, it is somewhat of a mixed bag. There are expenditures foregone because you created some skepticism about those. And there are moneys that are recaptured because of the work on fraud.

Mr. WALKER. There are asset recoveries. By the way, when we calculate the benefit, it is net of any additional cost. So to the extent that you had to spend a little money, for example, to put these fraud units in place to save money, it is netted against the savings.

Mr. PRICE. If you could furnish a list for the record of the major items that go into this calculation, say, the items over a billion, I think it would be useful, both in the necessity of your work, and I appreciate your work, and also to clarify the kind of statistics we are talking about here in terms of these savings.

Mr. WALKER. Happy to do it.

[The information follows:]

General Accounting Office
Fiscal Year 2002 Financial Benefits

GAO produces financial benefits when its work contributes to actions taken by the Congress or the Executive Branch to:

- Reduce annual operating costs of federal programs or activities;
- Lessen the costs of multiyear projects or entitlements; or
- Increase revenues from debt collection, asset sales, changes in tax laws or user fees.

The funds made available in response to GAO's work may be used to reduce government expenditures or reallocated by the Congress to other priority areas. To ensure conservative estimates of net financial benefits, reductions in operating cost are typically limited to two years of accrued reductions. Multiyear reductions in long-term projects, changes in tax laws, program terminations, or sales of government assets are limited to five years. In addition, all financial benefits are calculated in net present value terms.

GAO has established policies and procedures to guide the reporting of financial benefits. Estimates must be based on independent third party sources and reduced by any identifiable offsetting costs. The third parties are typically the agency that acted on GAO's work, a congressional committee, or the Congressional Budget Office.

All accomplishment reports for financial benefits are documented and reviewed by 1) another GAO staff member not involved in the work, and 2) a senior executive in charge of the work. Also, a separate independent unit (Quality and Continuous Improvement) reviews all financial benefits and must approve benefits of \$100 million or more, which amounted to 93 percent of the total benefits recorded in fiscal year 2002. Additionally, all benefits over \$1 billion dollars are reviewed by GAO's Inspector General, which amounted to 58 percent of our total financial benefits for fiscal 2002.

The following table lists GAO's major financial benefits included in its fiscal year 2002 Performance and Accountability Report, followed by summary explanations of the work contributing to financial benefits over \$500 million.

General Accounting Office
Fiscal Year 2002 Financial Benefits

Description	Amount (in millions)
Financial Benefits Exceeding \$1 Billion	
Preventing Inappropriate Medicare Payments: Advocated Medicare program safeguards help recover or avoid improper payments	\$ 8,100
Improving Farm Loan Programs: Improved controls over USDA loan administration reduces risk of defaults	4,800
Reducing the Cost of Federal Housing Programs: Review of unexpended balances at HUD recaptures funds	4,800
Adjusting Department of Defense (DOD) Estimates: DOD officials reduced foreign currency exchange estimates	1,500
Reducing Nuclear Waste Treatment Costs: New DOE contract for Hanford Tank Waste Project expected to achieve significant cost reductions	1,500
Retaining the Substantial Gainful Activity Level: Preserving an inability-to-work test as a qualification for SSA disability insurance payouts	<u>1,124</u>
Subtotal – Financial benefits exceeding \$1 Billion	\$21,824
Financial Benefits Between \$500 Million and \$1 Billion	
Consolidation Initiatives at Department of Defense Computer Centers: DOD consolidation initiatives at its computer centers result in estimated savings and cost avoidances	\$ 859
Computerized Interfaces Identify Undisclosed Earnings: SSA use of computerized interfaces with Office of Child Support Enforcement database helps prevent or reduce SSI overpayments	797
Delaying Full-Rate Reduction of the V-22: DOD restructuring of the Marine Corps program reduces program costs	764
More Efficient Use of In-orbit Satellite Capabilities: DOD reduces excess capacity	702
Ensuring Contingency Funds are Spent Properly: DOD's fiscal year 2002 contingency funding reduced by Congress	650
Reducing DOD Funding: DOD's fiscal 2002 working capital fund request reduced due to overestimate of bulk fuels	639
Targeting Tax Credits: Legislative changes in tax laws related to earned income tax credit eligibility rules and Section 936 tax credit achieve savings	564
Contributing to the Military Base Closure and Realignment Process: DOD base closures and realignment result in cost reductions	545
Increasing Use of Excess Property: DOD improves inventory controls	<u>526</u>
Subtotal – Financial benefits between \$500 Million and \$1 Billion	\$6,046
Total of 100 Financial Benefits Below \$500 Million	<u>9,900</u>
Grand Total	\$37,770
Return on Investment: \$87.8 per dollar invested in GAO	

**General Accounting Office
Fiscal Year 2002 Financial Benefits**

financing options. DOE subsequently terminated the Hanford tank waste project, and, after evaluating alternative contracting and financing options, awarded a new contract that is expected to achieve significant cost reductions—about \$4 billion—over the life of the construction phase. The financial benefit for fiscal 2003, 2004, and 2005 is about **\$1.5 billion**.

Retaining the Substantial Gainful Activity Level: To establish and maintain eligibility for disability insurance benefits, beneficiaries must not only meet medical eligibility criteria but also demonstrate that they are not earning above a certain amount—known as the Substantial Gainful Activity (SGA) level. In March 2000, congressional hearings focused on the role of earnings in determining initial and continuing eligibility for disability benefits for individuals who are blind or have other disabilities. Prior to these hearings, bills introduced in the House and Senate had proposed eliminating the SGA level for the blind. While an advocate organization for the blind testified that it wanted the Congress to eliminate the SGA level for the blind, GAO responded that doing so would increase the costs of disability insurance and fundamentally alter the purpose of the disability insurance program by removing the connection between eligibility for benefits and the inability to work. As a result of our testimony, the Congress retained the SGA for the blind, resulting in a financial benefit of **\$1.124 billion** in fiscal 2001 and 2002.

Financial Benefits Between \$500 Million and \$1 Billion:

Consolidation Initiatives at Department of Defense Computer: GAO recommended that DOD deploy cost savings measures such as consolidation, modernization, and outsourcing of computer center activities and processes to make computer center operations more economical and efficient. As a result, the Defense Information Systems Agency—the agency responsible for managing Defense Enterprise Computing Centers—undertook a major DOD project that led to savings or cost avoidance over a 4-year period covering fiscal 1998 through 2001. More specifically, DOD estimated savings or cost avoidances of \$700 million from consolidation initiatives at computer centers, \$39 million from consolidating software licenses, and \$19 million from optimization of storage capabilities. The net present value of the estimated financial benefit is **\$859 million**.

Computerized Interfaces Identify Undisclosed Earnings: In 1998, GAO reported that an Office of Child Support Enforcement database, known as the National Directory of New Hires, could be used to help prevent or reduce overpayments of supplemental security income that occur when recipients fail to fully disclose their earnings. We recommended that the Social Security Administration (SSA) develop computerized interfaces to access this database and detect undisclosed earnings during initial and subsequent determinations of eligibility. SSA developed these interfaces, gave all field offices direct access to the database, and instructed field staff to use the database for cases meeting specified criteria. These actions have resulted in financial benefits of about **\$797 million**.

General Accounting Office
Fiscal Year 2002 Financial Benefits

Delaying Full-Rate Production of the V-22: In January 2001, GAO briefed the Secretary of Defense's V-22 Blue Ribbon Panel about our findings on the aircraft. The Blue Ribbon Panel was formed to investigate the V-22 after a fatal crash in December 2000, just prior to the aircraft's planned full-rate production. The panel received information from GAO about reductions in development testing, test waivers, deficiencies identified during operational tests, and results of an earlier April 2000 crash investigation that also involved fatalities. Much of the information in our briefing about the V-22 had not been previously disclosed. The panel used the information to support its position that the V-22 was not ready for full-rate production and that only a minimum production rate should be continued during additional testing and evaluation of the aircraft. The Congress subsequently rescinded \$446.5 million from the fiscal 2001 supplement request and reduced the fiscal 2002 request by \$296.3 million. The net present value of the two actions is **\$763.8 million**.

More Efficient Use of In-orbit Satellite Capabilities: In 1998, GAO reviewed DOD's development of the Space-Based Infrared System (SBIRS), under which the launch of the first SBIRS satellite was planned for fiscal 2002. We reported that implementing this plan would put eight excess satellites in orbit without providing sufficient ground processing capabilities for the data the satellites generated. We recommended that the Secretary of Defense review and assess launch alternatives. As a result, DOD delayed the launch of the first SBIRS satellite from fiscal 2002 to fiscal 2004 and subsequently delayed other such launches. These delays, which allow DOD to use existing satellites until the end of their expected lives and avoid 8 years of excess satellite capability, saved about **\$702 million** in satellite costs.

Ensuring Contingency Funds Are Spent Properly: Since 1991, the Department of Defense has spent more than \$25 billion in support of military operations in the Balkans and the Persian Gulf. In assessing DOD's use of contingency operations funds in fiscal 2000 and 2001, we identified millions of dollars in questionable expenditures resulting from limited guidance and oversight combined with a lack of cost consciousness. In responding to our findings, the Congress reduced DOD funding for those operations by **\$650 million** in fiscal 2002. In commenting on our report, DOD also stated its intention to improve its guidance for and oversight over the use of contingency funds.

Reducing DOD Funding: GAO reviewed the reasonableness of DOD's fiscal year 2002 budget request for its Defense Working Capital Fund to assist subcommittees in their appropriation and authorization deliberations. GAO estimated the value of DOD's overstatement due to bulk fuels. On the basis of GAO's findings, the Congress adjusted DOD's budget request by **\$639 million**.

Targeting Tax Credits: Several GAO studies in the early and mid-1990s evaluated aspects of the design of the possessions tax credit and the earned income tax credit. As a result of these studies, the Congress modified the tax code, replacing the possessions tax credit with a less generous credit that will be eliminated in 2006 and tightening the eligibility requirements for the earned income tax credit. More current information on the 5-year impact of these changes points to **\$564 million** in revenue savings that GAO has not claimed previously.

General Accounting Office
Fiscal Year 2002 Financial Benefits

Contributing to the Military Base Closure and Realignment Process: Since 1979, GAO has issued a number of reports documenting excess infrastructure within the Department of Defense and supporting the need for a base closure and realignment process. The Congress authorized such a process and enacted legislation requiring us to provide it with a series of reports and testimonies validating DOD's implementation. We monitored and assessed all phases of the decision-making process, including executive-level sessions, for compliance with congressional requirements. In addition, GAO staff assisted commissions that recommended base closures and realignments in 1991, 1993, and 1995. The staff helped shape the commissions' decisions through analyses of issues associated with closing or realigning specific installations. Last year, we reported cost reductions of about \$6 billion associated with our work. Updated DOD data indicate further cost reductions of **\$545 million**.

Increasing Use of Excess Property: GAO reported that \$2.7 billion worth of military property recorded as shipped to disposal offices was never recorded as received, resulting in losses and write-offs of the property from the military services' books and inventory records. GAO recommended changes that avoided the write-offs and kept the items as part of the services' inventory records until the property was actually disposed of. As a result, the inventory was available for use by DOD customers during the period prior to disposal. For the first 2 years that the changes were in effect, they resulted in savings of **\$526 million**.

CHALLENGES TO RECORDS ACCESS

Mr. PRICE. Now in your statement there is a paragraph on page 9 that I would commend you for as an example of very careful wording and—

Mr. WALKER. Which one might that be?

Mr. PRICE. "In light of certain records access challenges during the past years, and with concerns about national and homeland security unusually high at home and abroad, it may become more difficult for us to obtain information from the Executive Branch [you could say even more difficult] and report on certain issues. If this were to occur, it would hamper our ability to complete congressional requests in a timely manner."

And this is what I want to ask you about. "We are updating GAO's engagement acceptance policies and practices to address this issue and may recommend legislative changes that will help to assure that we have reasonable and appropriate information that we need to conduct our work for the Congress and the country." Apart from the celebrated case involving the Vice President, I wonder if you could fill in some of the blanks here about the kind of challenges you are facing, in what ways national homeland security concerns may have increased those challenges, and what you think you are going to need in terms of legislative changes or other changes to enable you to do the job.

Mr. WALKER. First, I think it is important to note for the record that irrespective of what party controls the White House, GAO for decades has had a higher degree of difficulty in obtaining information no matter whether it is national security, foreign policy, law enforcement or matters involving the White House. The degrees of difficulty vary, but they have always been somewhat more challenging. When the celebrated case occurred, there were concerns on behalf of a variety of parties as to whether and to what extent there might be an attempt by some within the Administration, namely within the Justice Department or White House Counsel's Office, to try to make a bigger deal out of that decision than was justified.

As you know, we believe that decision was wrong, was flawed, and was based in part on a material factual error. Nonetheless we decided for good reason not to appeal it because it does not set a binding precedent on other cases, and because, as you know, 99.5 percent of the work that GAO does does not involve the Office of the President or Vice President, and therefore, in the broader scheme of things, we felt it was appropriate not to appeal.

We have been very vigilant, extra vigilant, to monitor whether and to what extent we are having additional records access challenges. Every week we have a managing directors meeting which I chair, and one of the standard agenda items is "Are we having records access challenges?" I am pleased to say at this point we have not had a proliferation of records access challenges. We were about ready to issue our first demand letter under the statute this Friday to the Department of Energy, but I am also pleased to say that we have reached an agreement with the Deputy Secretary of DOE. It looks like we aren't going to have to do that. We are going to monitor this situation. If we have a problem, we will let Con-

gress know. We are prepared with legislative options if those options prove to be necessary, although they may not be necessary.

Candidly, I have decided to administratively adopt the policy that if we are ever faced with a situation again where we have to consider whether or not to go to court, I am going to not only consult with Congress, which I did this last time extensively on both the decision to sue as well as the decision not to appeal, but also to seek a vote from at least one committee with jurisdiction over the matter as to what their views are about our going to court. I believe that is appropriate. I don't believe that I should be bound by that vote because of the independence required of the position, because of the need not to disenfranchise the Minority, but I believe it is prudent and appropriate, and I am going to do that.

But as I said, so far we have not had a proliferation of problems, but if we do, I can assure you that I will let this subcommittee and others know. We won't hesitate to request help if we need it.

POTENTIAL FOR CODIFICATION

Mr. PRICE. What would be the scope of a legislative agreement if it became necessary?

Mr. WALKER. If we were to do something legislatively, it would probably be along the lines of codifying what I might otherwise do administratively. I think what that would do is it would provide a further insurance policy that people would not be able to make a bigger deal out of this last decision. Specifically, it would virtually ensure that they wouldn't be able to argue that the court has already decided whether or not we have the right to sue in another circumstance; that we might be estopped for bringing another case. We don't believe that is the case. But if Congress updated the statute, it would virtually moot the issue because the judge would have based his decision upon a statute that had been updated.

And as I said, there are pros and cons to considering a statutory update. Sometimes when you try to achieve a statutory update, if it is not absolutely necessary, what comes out at the end of the process may not be what you first sought. So, there are pros and cons of that. Right now I don't think it is essential, but I will keep you posted.

Mr. PRICE. Thank you, Mr. Chairman.

LAPSE OF BUDGET AUTHORITY

Mr. KINGSTON. Thank you.

At the end of the year, if you have budget money left over, you want to keep your baseline, but you don't want to turn the money back in. Have you ever done studies on how widespread that practice is?

Mr. WALKER. I am sure we have. I can't say we have done it within the last several years.

Mr. DODARO. We have done studies on that issue in the past, not recently, Mr. Chairman. You find mixed results, I believe, when you do these studies. Part of the issue involves the Continuing Resolution situation like this past year, and some of the agencies would come back and say, well, we didn't know what our budget would be, so we held up our procurements or didn't have the ability to do it earlier. There may also be unique circumstances of the

budget cycle. Some agencies have multiyear money as opposed to annual appropriations, and the trend has been to move in that direction, I believe. So that further complicates that type of an analysis.

Mr. KINGSTON. Currently, there has been a large amount of money rapidly appropriated to Homeland Security and the Department of Defense, and it would be surprising if the money was utilized efficiently. Is it time to examine that again, particularly for those two agencies?

Mr. WALKER. I have already announced and told both the Department of Defense and the Department of Homeland Security that we will be doing work to ascertain where did the money go, who got it, and what did we get for it. That includes both the Departments, because you are right, there is a lot of money going out very quickly, including items such as the conflict and postconflict activities in Iraq, including contracting arrangements. I believe it is fully appropriate to do that, and we are committed to doing that.

Mr. KINGSTON. You don't need a congressional request to conduct those investigations?

Mr. WALKER. No. If we could get a bipartisan request from the Appropriations Committee or a committee which had jurisdiction, that would help. It is not required by law. Basically the way we do the work, it is either a mandate, which is about 24 percent of our work, or it is a request from a committee or a Member of Congress. Under the law we are only required to do requested work from committees. Anything other than a request from the committee is discretionary, and we have priorities. Also, the Comptroller General has statutory authority to initiate reviews, audits, investigations on his own.

Last year, about 11 percent of our work was in that latter category where we initiated it, and much of that has been high value-added work. We did work on Homeland Security on our own initiative. We did work on the Human Capital Challenge in the Federal Government on our own initiative and work at the U.S. Postal Service. What often happens is after we end up doing the initial research and development work, Congress shares an interest and asks us to do a number of follow-up engagements. So that process works very well.

Mr. DODARO. There are some provisions in the Department of Homeland Security Act where the Department was given some special procurement flexibilities. I believe we are required to look at how they exercise those flexibilities.

Mr. KINGSTON. I have a question related to Homeland Security that I submit for you to answer for the record.

[The question submitted for the record follows:]

Question. What work has GAO done related to identifying vulnerabilities and challenges related to homeland security and national preparedness?

Response. In its role in supporting Congress, GAO has produced over 200 reports and other products related to homeland security—including more than 70 products before September 11th. Based on our work prior to September 11th, GAO had recommended the creation of a central focal point in the federal government for homeland security related issues.¹ GAO was subsequently asked to assist with the deliberations over the Department of Homeland Security's formation by looking into

¹ U.S. General Accounting Office, *Combating Terrorism: Selected Challenges and Related Recommendations*, GAO-01-822 (Washington, D.C.: Sept. 20, 2001).

questions involving flexibilities for managing human capital, information sharing, management, acquisition, budget and program transfer authorities; and lessons available from other reorganizations in the public and private sectors. GAO also provided important information to the Congress as it drafted the Aviation and Transportation Security Act, while providing continuing assistance with information on aviation, port, and transit security. Further, GAO provided information to Congress regarding efforts to prepare for and respond to bioterrorism and to address terrorism insurance issues.

In terms of specific reviews, GAO has completed a number of reports related to vulnerabilities and challenges in the homeland security area. For example, GAO has issued reports and/or testimonies highlighting issues ranging from the need to conduct and complete comprehensive threat risk assessments for a variety of critical sectors, to specific assessments of vulnerabilities in IT systems, visa programs, cargo and port security, laboratory security, financial market vulnerabilities, and threats to human health and food supplies from bioterrorism. Our recent reports on homeland security and the establishment of the Department of Homeland Security raised several issues of overarching applicability.² Because of the various vulnerabilities and challenges, we designated the implementation and transformation of the department as a high-risk area. First, the size and complexity of the effort make the challenge especially daunting, requiring sustained attention and time to achieve the department's mission in an effective and efficient manner. Second, components being merged into the department already face a wide variety of existing challenges that must be addressed. Finally, the department's failure to effectively carry out its mission exposes the nation to potentially very serious consequences.

We also reported that a number of agencies will face challenges in meeting dual or unrelated missions while maintaining and strengthening their homeland security operations. Additional actions to clarify missions and activities will be necessary, and some agencies will need to determine how best to support both homeland security and non-homeland security missions. For example, in a recent report we raised issues regarding the need for the Federal Emergency Management Agency and U.S. Coast Guard—both now part of the Department of Homeland Security—to balance multiple missions.³ Creating an effective structure that is sensitive to balancing the needs of homeland security and non-homeland security functions will be critical to the successful implementation of homeland security programs.

Finally, we have reported that many agencies tasked with homeland security functions are challenged by long-standing human capital problems that will need to be addressed. One of these challenges has been the ability to hire and retain a talented and motivated staff. For example, we reported that the Immigration and Naturalization Service was unable to reach its program goals in large part because of such staffing problems as hiring shortfalls and agent attrition.⁴ Moreover, to accomplish national and homeland security missions some agencies have recognized the need for new skills in the workforce. It is anticipated that agencies will need employees skilled in information technology, law enforcement, foreign languages, and other proficiencies. For example, we have reported that the FBI has an action plan to hire translators, interpreters, and special agents with language skills—areas where the federal government currently has a shortage.⁵

In addition, we have examined vulnerabilities and challenges in many other specific areas, illustrated by the following examples.

Improving Department of Defense Force Protection Efforts: At the request of two congressional committees, GAO is continuing to evaluate the approach taken by each military service to protect military personnel, equipment, and capabilities from terrorist attacks and is examining the protection measures taken at domestic and overseas ports used for military deployments. In a collaborative effort, GAO worked with the Department of Defense to identify and implement changes needed to improve the effectiveness of the department's force protection approach. This year, as a result of GAO recommendations, the departments took steps to (1) improve its threat assessment methodology, (2) develop a departmentwide antiterrorism/force

²U.S. General Accounting Office, Major Management Challenges and Program Risks: Department of Homeland Security, GAO-03-102 (Washington, D.C.: Jan. 2003); GAO-03-260; and U.S. General Accounting Office, Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies, GAO-03-293SP (Washington, D.C.: Nov. 14, 2002).

³GAO-03-102.

⁴U.S. General Accounting Office, Immigration Enforcement: Challenges to Implementing the INS Interior Enforcement Strategy, GAO-02-861T (Washington, D.C.: June 19, 2002).

⁵U.S. General Accounting Office, Foreign Languages: Human Capital Approach Needed to Correct Staffing and Proficiency Shortfalls, GAO-02-375 (Washington, D.C.: Jan. 31, 2002).

protection strategy, and (3) consistently apply risk management principles to prioritize requirements.⁶

Protecting the Public from Nuclear Terrorism: The United States has spent over \$5 billion to prevent the transfer of nuclear material and scientific expertise that could be used to develop a nuclear bomb or a radiological weapon from Russia and other states of the former Soviet Union to terrorists or countries of concern. Because of our work, the federal agencies involved have (1) begun to develop an overall plan to coordinate their international efforts, (2) consolidated programs to better target limited resources, (3) focused on ensuring that security improvements are sustained by the host countries, (4) decided to upgrade radiation detection equipment already installed and establish minimum standards for new installations, and (5) begun to develop a strategic plan for installing nuclear detection equipment on U.S. borders.⁷

Upgrading U.S. Export Controls on Sensitive Technologies: GAO's many reviews of U.S. export control laws and programs have contributed to the congressional debate over how to revamp the current system and prevent sensitive technologies from falling into the hands of terrorists or states that support them. Among the improvements needed, GAO noted better justification for loosening controls over high-performance computers, better monitoring of the recipients of sensitive technologies, and greater information sharing among supplier countries that export sensitive technologies. GAO's reports and testimonies have helped the Congress understand the weaknesses in the current process of controlling sensitive technology exports and how proposed changes to the Export Administration Act will affect the delicate balance between protecting our national security and promoting U.S. economic interests.⁸

Contributing to the Debate on Terrorism Insurance: In the aftermath of the September 11, 2001, attacks, GAO assessed the changes taking place in the insurance industry, the potential implications of these changes on the economy, and alternative approaches for government assistance to the industry. In October 2001, during testimonies before House and Senate Committees, GAO described alternative government-sponsored insurance programs used in other countries to cover losses from terrorist or catastrophic events. In February 2002, GAO again testified before the Congress to report that the insurance industry intended to largely exclude coverage for losses resulting from any future terrorist attacks, creating further uncertainty and economic vulnerability in the marketplace. GAO also outlined the desirable features of any government-sponsored program established to help ensure the availability of terrorism insurance coverage in the financial marketplace. The House and Senate used this information in structuring reform proposals.⁹

For a list of GAO's key products on homeland security, see GAO's website listing at <http://www.gao.gov/homelandsecurity.html> with hyperlinks to the searchable full-text reports.

⁶For our recent work on this issue, see U.S. General Accounting Office, *Combating Terrorism: Actions Needed to Guide Services Antiterrorism Efforts at Installations*, GAO-03-14 (Washington, D.C.: Nov. 1, 2002) and *Combating Terrorism: Actions Needed to Improve DOD Antiterrorism Program*, GAO-01-909 (Washington, D.C.: Sept. 19, 2001).

⁷For our recent work on this issue, see U.S. General Accounting Office, *Nonproliferation R&D: NNSA's Program Develops Successful Technologies, but Project Management Could be Strengthened*, GAO-02-904 (Washington, D.C.: Aug. 23, 2002) and *Nuclear Nonproliferation: Security of Russia's Nuclear Material Improving; Further Enhancements Needed*, GAO-01-312 (Washington, D.C.: Feb. 28, 2001).

⁸For our recent work on this issue, see U.S. General Accounting Office, *Nonproliferation: Strategy Needed to Strengthen Multilateral Export Control Regimes*, GAO-03-43 (Washington, D.C.: Oct. 25, 2002).

⁹For our recent work on this issue, see U.S. General Accounting Office, *Terrorism Insurance: Rising Uninsured Exposure to Attacks Heightens Potential Economic Vulnerabilities*, GAO-02-472T (Washington, D.C.: Feb. 27, 2002) and *Terrorism Insurance: Alternative Programs for Protecting Insurance Consumers*, GAO-02-175T (Washington, D.C.: Oct. 24, 2001).

PERFORMANCE RECOGNITION

Mr. KINGSTON. What would really be great is if there was a philosophical recommendation of GAO. Also, is there a way to compensate certain governmental employees that were given a bonus for saving money? Tony are you the H.R. Guy?

Mr. WALKER. Chief information officer.

Mr. KINGSTON. Is there a way to pay employees a bonus for saving money?

Mr. WALKER. Sure, there is a way to do it. There are certain laws on the books, primarily the Incentive Awards Act. It is not the False Claims act—where if somebody ends up coming forward, they can get a percentage of the savings if there is some fraud, waste, abuse or mismanagement.

But I think other than that, clearly the agencies have the ability through spot cash award programs and other types of incentive programs to provide some type of incentive to promote efficiency, to the extent that they don't otherwise pay people more than they are statutorily allowed to pay people under current law.

I think one of the other problems, quite frankly, that we have in the Federal Government is if you look at the way that we pay people, about 85 percent of the money is on autopilot. It is based on the passage of time, the rate of inflation, and your geographic location; nothing to do with your skills, knowledge, performance, or contributions in any way. I believe that we are going to have to move away from that system and move toward a new system that is equitable and fair, but differentiates on compensation based upon some basic factors.

Mr. KINGSTON. Have you studied that?

Mr. WALKER. Yes, we have.

Mr. KINGSTON. Do you have a paper on that?

Mr. WALKER. We have more papers than you can imagine, Mr. Chairman.

[The information follows:]

March 2003



Highlights of GAO-03-488, a report to congressional requesters

RESULTS-ORIENTED CULTURES

Creating a Clear Linkage between Individual Performance and Organizational Success

Why GAO Did This Study

The federal government is in a period of profound transition and faces an array of challenges and opportunities to enhance performance, ensure accountability, and position the nation for the future. High-performing organizations have found that to successfully transform themselves, they must often fundamentally change their cultures so that they are more results-oriented, customer-focused, and collaborative in nature. To foster such cultures, these organizations recognize that an effective performance management system can be a strategic tool to drive internal change and achieve desired results.

Based on previously issued reports on public sector organizations' approaches to reinforce individual accountability for results, GAO identified key practices that federal agencies can consider as they develop modern, effective, and credible performance management systems.

What GAO Found

Public sector organizations both in the United States and abroad have implemented a selected, generally consistent set of key practices for effective performance management that collectively create a clear linkage—"line of sight"—between individual performance and organizational success. These key practices include the following.

- 1. Align individual performance expectations with organizational goals.** An explicit alignment helps individuals see the connection between their daily activities and organizational goals.
- 2. Connect performance expectations to crosscutting goals.** Placing an emphasis on collaboration, interaction, and teamwork across organizational boundaries helps strengthen accountability for results.
- 3. Provide and routinely use performance information to track organizational priorities.** Individuals use performance information to manage during the year, identify performance gaps, and pinpoint improvement opportunities.
- 4. Require follow-up actions to address organizational priorities.** By requiring and tracking follow-up actions on performance gaps, organizations underscore the importance of holding individuals accountable for making progress on their priorities.
- 5. Use competencies to provide a fuller assessment of performance.** Competencies define the skills and supporting behaviors that individuals need to effectively contribute to organizational results.
- 6. Link pay to individual and organizational performance.** Pay, incentive, and reward systems that link employee knowledge, skills, and contributions to organizational results are based on valid, reliable, and transparent performance management systems with adequate safeguards.
- 7. Make meaningful distinctions in performance.** Effective performance management systems strive to provide candid and constructive feedback and the necessary objective information and documentation to reward top performers and deal with poor performers.
- 8. Involve employees and stakeholders to gain ownership of performance management systems.** Early and direct involvement helps increase employees' and stakeholders' understanding and ownership of the system and belief in its fairness.
- 9. Maintain continuity during transitions.** Because cultural transformations take time, performance management systems reinforce accountability for change management and other organizational goals.

www.gao.gov/cgi-bin/getrpt?GAO-03-488.

To view the full report, including the scope and methodology, click on the link above. For more information, contact J. Christopher Mihm at (202) 512-6806 or mihmj@gao.gov.

United States General Accounting Office

PERFORMANCE MANAGEMENT

Mr. KINGSTON. Is that a legislative proposal or a cultural change?

Mr. WALKER. It is really a cultural change. What has to happen, quite frankly, is federal government agencies need to have modern, effective, credible and validated performance management systems, linked to their strategic plans, that are tied to their desired outcomes where they end up holding people accountable. I will tell you that we have one at GAO. We are in the lead of the federal government. There is nobody even close to us with regard to this area. But it is amazing how few federal agencies have that, and that doesn't take any change in legislation whatsoever.

I was before a joint subcommittee hearing yesterday of Senate Governmental Affairs and House Government Reform on human capital practices and would be happy to provide that testimony to you and speak to you about it because I think you would be interested.

[The information follows:]

United States General Accounting Office

GAO

Testimony
Before Congressional Subcommittees

For Release on Delivery
Expected at 9:30 a.m. EDT
Tuesday, April 8, 2003

HUMAN CAPITAL

Building on the Current Momentum to Address High-Risk Issues

Statement of David M. Walker
Comptroller General of the United States



GAO-03-637T

April 8, 2003



Highlights of GAO-03-637T, testimony before congressional subcommittees

HUMAN CAPITAL

Building on the Current Momentum to Address High-Risk Issues

Why GAO Did This Study

Federal employees represent the government's knowledge base, drive its capacity to perform, and define its character, and as such, are its greatest asset. The early years of the 21st century are proving to be a period of profound transition for our world, our country, and our government. In response, the federal government needs to engage in a comprehensive review, reassessment, reprioritization, and as appropriate, reengineering of what the government does, how it does business, and in some cases, who does the government's business. Leading public organizations here and abroad have found that strategic human capital management must be the centerpiece of any serious change management initiative and effort to transform the cultures of government agencies.

At the request of the subcommittees, GAO discussed the status of the federal government's efforts to address high-risk human capital weaknesses, possible short- and longer-term legislative solutions to those weaknesses, and other human capital actions that need to be taken to ensure that federal agencies are successfully transformed to meet current and emerging challenges.

www.gao.gov/cgi-bin/getrpt?GAO-03-637T.

To view the full testimony statement, click on the link above. For more information, contact J. Christopher Mihm at (202) 512-6806 or mihmj@gao.gov.

What GAO Found

Since GAO designated strategic human capital management as a governmentwide high-risk area in January 2001, Congress, the administration, and agencies have taken a number of steps to address the federal government's human capital shortfalls. In fact, more progress in addressing the government's long-standing human capital challenges was made in the last 2 years than in the last 20, and GAO is confident that more progress will be made in the next 2 years than the last 2 years.

Despite the building momentum for comprehensive and systematic reforms, it remains clear that today's federal human capital strategies are not yet appropriately constituted to meet current and emerging challenges or to drive the needed transformation across the federal government. The basic problem is the long-standing lack of a consistent strategic approach to marshaling, managing, and maintaining the human capital needed to maximize government performance and assure its accountability.

Committed and sustained leadership and persistent attention on behalf of all interested parties will continue to be essential to building on the progress that has been and is being made. Congress has had and will need to continue to have a central role in improving agencies' human capital approaches. The basic principles underlying the legislative proposals Congress is considering have merit. Collectively, these proposals would make a positive contribution to addressing high-risk human capital issues and advancing the needed cultural transformation across the federal government. At the same time, additional safeguards should be considered by Congress in order to prevent potential abuse. Moreover, certain additional proposals should be considered as part of this legislative package.

Looking forward, the time has come to seriously explore more market- and performance-based approaches to federal pay. As part of this exploration, we need to continue to experiment with providing agencies with the flexibility to pilot alternative approaches to setting pay and linking pay to performance. A more performance-based approach to Senior Executive Service pay would be a good place to start. The bottom line, however, is that in order to receive any additional performance-based pay flexibility for broad-based employee groups, agencies should have to demonstrate that they have modern, effective, credible, and validated performance management systems, with adequate safeguards, including reasonable transparency and appropriate accountability mechanisms in place, that are capable of supporting such decisions. Unfortunately, most federal agencies are a long way from meeting this requirement. GAO, on the other hand, has taken numerous steps to meet this requirement and is well positioned to experiment with additional pay for performance flexibility.

Chairman Voinovich, Chairwoman Davis, and Members of the Subcommittees:

It is a great pleasure to appear before you today to discuss the federal government's greatest asset—its people. Federal employees represent the government's knowledge base, drive its capacity to perform, and define its character. The early years of the 21st century are proving to be a period of profound transition for our world, our country, and our government. This transition is being driven by a number of key trends, including global interdependence; diverse, diffuse, and asymmetrical security threats; changes in the nature of the economy; rapidly evolving science and technologies; dramatic shifts in the age and composition of our population; important quality of life issues; and evolving governance structures and concepts. As the nation and government policymakers grapple with the challenges presented by these evolving trends, they do so in a time when increasing fiscal pressures created by the retirement of the baby boom generation and rising health care costs threaten to overwhelm the nation's fiscal future.¹

In response to the emerging trends and long-term fiscal challenges the government faces in the coming years, we have an opportunity—and a responsibility—to create highly effective, performance-based organizations that can strengthen the nation's ability to meet the challenges of the 21st century and reach beyond our current level of achievement. Leading public sector organizations here and abroad have found that strategic human capital management must be the centerpiece of any serious government transformation effort. Contrary to the assertions of some public officials and other parties, federal workers can be an important part of the solution to our overall transformation effort. Federal workers are not the problem. They are trapped in and encumbered by outdated and ineffective policies and procedures that must be changed. In addition, they need more consistent and enlightened leadership to show the way forward. They also need help from Congress.

Since we designated strategic human capital management as a governmentwide high-risk area in January 2001, Congress, the administration, and agencies have taken a number of steps to address the federal government's human capital shortfalls. In fact, and this is my major

¹U.S. General Accounting Office, *Major Management Challenges and Program Risks: A Governmentwide Perspective*, GAO-03-95 (Washington, D.C.: January 2003).

point today, I believe that we have made more progress in addressing the government's long-standing human capital challenges in the last 2 years than in the last 20, and I am confident that we will make more progress in the next 2 years than we have made in the last 2 years.

Key Actions Have Been Taken over the Last 2 Years to Address Human Capital Weaknesses

When we placed strategic human capital management on our high-risk list back in January 2001, as a governmentwide high-risk challenge, we noted that after a decade of government downsizing and curtailed investments of human capital, it had become increasingly clear that federal human capital strategies were not appropriately constituted to adequately meet the current and emerging needs of the government and its citizens.² We provided many examples of where human capital shortfalls were eroding the ability of agencies—and threatening the ability of other agencies—to effectively, efficiently, and economically perform their missions. In short, strategic human capital management was a pervasive challenge across the federal government.

We noted that while legislation and other actions have been put in place since 1990 to address most major management areas, human capital was the critical missing link in reforming and modernizing the federal government's management practices. Our high-risk report pointed to actions that federal leaders and their agencies, the Office of Personnel Management (OPM), the Office of Management and Budget (OMB), and Congress needed to take to address high-risk human capital issues.

Since then, a real and growing momentum for change has become evident.

- In August 2001, President Bush placed the strategic management of human capital at the top of the administration's management agenda.
- In October 2001, OMB notified agencies that they would be assessed against standards for success for each part of the *President's Management Agenda* (PMA), including the strategic management of human capital. The first agency assessment was made public in February 2002 as part of the President's proposed fiscal year 2003 budget. Subsequent assessments were later released in June and

²U.S. General Accounting Office, *High Risk Series: An Update*, GAO-01-263 (Washington, D.C.: January 2001).

September 2002 and in January 2003, reporting on both the status and progress of agency efforts.

- In December 2001, OPM released a human capital scorecard to assist agencies in responding to the human capital standards for success in the PMA.
- In March 2002, we released *A Model of Strategic Human Capital Management*, designed to help agency leaders determine how well they integrate human capital considerations into daily decision making and planning for the program results they seek to achieve.³
- In April 2002, the Commercial Activities Panel, which I was honored to chair, sought to elevate attention to human capital considerations in making sourcing decisions.
- In October 2002, OMB and OPM approved revised standards for success in the human capital area of the PMA, reflecting language that was developed in collaboration with GAO. To assist agencies in responding to the revised PMA standards, OPM released the *Human Capital Assessment and Accountability Framework*.
- In the fall of 2002, OPM began realigning its organizational structure and appointed four new associate directors with proven human capital expertise to lead federal efforts as part of a larger OPM effort to be more customer-focused.
- In November 2002, Congress passed the Homeland Security Act of 2002, which created the Department of Homeland Security (DHS) and provided the department with significant flexibilities to design a modern human capital management system. The effective development and implementation of these flexibilities will prove essential to the performance and accountability of DHS, as well as provide a potential model for Congress to consider for wider application governmentwide.
- The Homeland Security Act of 2002 also included additional significant provisions relating to governmentwide human capital management, such as direct hire authority, the ability to use categorical ranking in the

³U.S. General Accounting Office, *A Model of Strategic Human Capital Management*, GAO-02-373SP (Washington, D.C.: Mar. 15, 2002).

hiring of applicants instead of the “rule of three,” the creation of chief human capital officer (CHCO) positions and a CHCO Council, an expanded voluntary early retirement and “buy-out” authority, a requirement to discuss human capital approaches in Government Performance and Results Act plans and reports, and a provision allowing executives to receive their total performance bonus in the year in which it is awarded.

- Congress has further underscored the consequences of human capital weaknesses in federal agencies and pinpointed potential solutions through its oversight process and a range of hearings.

Strategic Human Capital Management Remains at High Risk

Despite the building momentum for comprehensive and systematic reforms, it remains clear that today's federal human capital strategies are not yet appropriately constituted to meet current and emerging challenges or to drive the needed transformation across the federal government. The basic problem is the long-standing lack of a consistent strategic approach to marshaling, managing, and maintaining the human capital needed to maximize government performance and assure its accountability. Specifically, as detailed in our January 2003 high-risk volume on human capital, agencies continue to face challenges in four overarching areas:⁴

- **Leadership:** Top leadership in agencies must provide the committed and inspired attention needed to address human capital and related organization transformation issues.
- **Strategic human capital planning:** Agencies' human capital planning efforts need to be more fully and demonstrably integrated with mission and critical program goals.
- **Acquiring, developing, and retaining talent:** Additional efforts are needed to improve recruiting, hiring, professional development, and retention strategies to ensure that agencies have the needed talent.
- **Results-oriented organizational cultures:** Agencies continue to lack organizational cultures that promote high performance and

⁴U.S. General Accounting Office, *High-Risk Series: Strategic Human Capital Management*, GAO-03-120 (Washington, D.C.: January 2003).

accountability and empower and include employees in setting and accomplishing programmatic goals.

Building on the Current Momentum Can Create Lasting Change

Committed and sustained leadership and persistent attention on behalf of all interested parties will continue to be essential to building on the progress that has been and is being made, if lasting reforms are to be successfully implemented. First and foremost, individual federal agencies need to more consistently adopt a strategic approach to the use of their people. This requires persistent leadership and a long-term commitment; aligning human capital approaches with the accomplishment of agency goals; implementing recruiting, hiring, training, professional development, performance reward, and retention approaches that foster mission accomplishment; and instilling a results-oriented organizational culture. Agencies' CHCOs will need to play a particularly important role in this regard. The careful and strategic selection of these officials is therefore critical. The CHCO is not fundamentally an "HR" or personnel administration position, although knowledge in those areas is important. Rather, agency CHCOs should have the ability, experience, vision, attributes, and credibility needed to successfully integrate human capital considerations with program goals and to play a major leadership role in driving agency transformation efforts. Agencies also must make effective use of the tools and flexibilities that Congress has provided. To assist agencies in this regard, and at the request of Chairman Voinovich, Ranking Minority Member Durbin, and other Members of Congress, we issued a report last December detailing the practices that agencies need to employ to effectively use human capital flexibilities.⁵ These practices are shown in figure 1.

⁵U.S. General Accounting Office, *Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces*, GAO-03-2 (Washington, D.C.: Dec. 6, 2002).

Figure 1: Key Practices for Effective Use of Human Capital Flexibilities

Plan strategically and make targeted investments	<ul style="list-style-type: none"> • Obtain agency leadership commitment • Determine agency workforce needs using fact-based analysis • Develop strategies that employ appropriate flexibilities to meet workforce needs • Make appropriate funding available
Ensure stakeholder input in developing policies and procedures	<ul style="list-style-type: none"> • Engage the human capital office • Engage agency managers and supervisors • Involve employees and unions • Use input to establish clear, documented, and transparent policies and procedures
Educate managers and employees on the availability and use of flexibilities	<ul style="list-style-type: none"> • Train human capital staff • Educate agency managers and supervisors on existence and use of flexibilities • Inform employees of procedures and rights
Streamline and improve administrative processes	<ul style="list-style-type: none"> • Ascertain the source of existing requirements • Reevaluate administrative approval processes for greater efficiency • Replicate proven successes of others
Build transparency and accountability into the system	<ul style="list-style-type: none"> • Delegate authority to use flexibilities to appropriate levels within the agency • Hold managers and supervisors directly accountable • Apply policies and procedures consistently
Change the organizational culture	<ul style="list-style-type: none"> • Ensure involvement of senior human capital managers in key decision-making processes • Encourage greater acceptance of prudent risk taking and organizational change • Recognize differences in individual job performance and competencies

Source: GAO.

The central management agencies—OPM and OMB—also have continuing vital roles to play. As the agency responsible for leading human capital management governmentwide, OPM plays a central role in helping agencies tackle the broad range of human capital challenges that are at the root of transforming what agencies do, how they do it, and with whom they partner. As detailed in our *Performance and Accountability Series* volume on OPM, our work and the work of others continues to show that agencies need and want greater leadership from OPM in helping them to address their human capital challenges, especially in identifying new human capital flexibilities, removing obstacles from the federal hiring process, and assisting agency workforce planning efforts.⁶ Opportunities exist for OPM to be more vigorous in responding to a number of critical program challenges, such as applicant examination, staffing, and compensation approaches. In addition, OPM shares responsibility with agencies for

⁶U.S. General Accounting Office, *Major Management Challenges and Program Risks: Office of Personnel Management*, GAO-03-115 (Washington, D.C.: Jan. 30, 2003).

ensuring that human capital practices are carried out in accordance with merit system principles and other national goals. Effective and strategic oversight of agencies' systems is even more critical today because an increasing number of agencies are seeking and obtaining exemptions from traditional civil service rules at the same time that human capital staffs responsible for overseeing these activities have dwindled.

In response to these ongoing challenges, OPM has taken a number of important actions. First, OPM realigned its organizational structure and workforce to create a new, flexible structure that seeks to "de-stovepipe" the agency; enable it to be more responsive to its primary customers, federal departments and agencies; and focus on the agency's core mission. In November 2002, OPM's Director appointed four new associate directors with proven human capital expertise to lead the organization. OPM also has the key role in leading the administration's efforts to address strategic human capital management, a critical part of the PMA. OPM also published two reports in 2001 to increase agencies' awareness of available human capital flexibilities, and released a report on federal compensation practices in April 2002. A major initiative begun in the spring of 2002 is designed to improve the hiring process. Furthermore, OPM is addressing its oversight challenge in part by encouraging agencies to develop and maintain internal accountability systems in line with its *HRM Accountability Standards*. OPM recently released the results of its 2002 Federal Human Capital Survey. This survey is providing a wealth of important information on the views and attitudes of federal employees. The results demonstrate the importance of routinely surveying employees across the federal government through the Federal Human Capital Survey or a similar survey. Consideration should be given to exploring ways to assure that these surveys will be conducted on a periodic basis. Finally, OPM is at the center of the DHS's efforts to create a modern personnel system that serves the needs of the department and could serve as a potential model for others.

The designation of human capital as the first item on the PMA and the supporting standards for success have raised the profile of human capital issues on OMB's agenda. As OMB and the agencies learn to evaluate themselves against the standards and implement policies to make improvements, OMB will need to ensure that the standards are consistently and appropriately applied while assessing agencies' progress in managing their human capital. Perhaps most important, OMB support will be needed as agencies identify targeted investment opportunities to address human capital shortfalls.

**Congressional Leadership
Continues to Be Critical**

Congress has had and will need to continue to have a central role in improving agencies' human capital approaches. Traditionally, Congress has been an institutional champion in improving management of executive agencies across the government. Support and pressure from Congress has been indispensable to instituting and sustaining management reforms at specific agencies. Its confirmation, oversight, appropriations, and legislative responsibilities provide Congress with continuing opportunities to ensure that agencies recognize their responsibilities to manage people for results. For example, as Chairman Voinovich has often stressed, the Senate has the opportunity during the confirmation process to articulate its commitment to sound federal management by exploring how prospective nominees plan to make a link between mission accomplishment and human capital policies.⁷ As part of the oversight and appropriations process, Congress can continue to examine whether agencies are managing their human capital to improve programmatic effectiveness and to encourage agencies to use the range of appropriate flexibilities available under current law.

**Targeted Human Capital
Reforms**

Congress will also play a critical role in determining the nature and scope of any additional human capital flexibilities that will be made available to agencies, while assuring that adequate safeguards are incorporated to prevent abuse. Congress also has the responsibility to ensure the reasonableness and adequacy of financial resources that are made available to agencies.

Congress is currently considering several pieces of legislation to help agencies address their current and emerging human capital challenges. I believe that the basic principles underlying these legislative proposals have merit and collectively they would make a positive contribution to addressing high-risk human capital issues and advancing the needed cultural transformation across the federal government. I also believe that certain additional safeguards and provisions should be considered by Congress. We look forward to working with the subcommittees as you consider these and related legislative initiatives. Today, I will provide observations on selected provisions of the various proposals.

⁷Toward this end, we developed a set of questions for political appointees that the Senate may use during the confirmation process. See U.S. General Accounting Office, *Confirmation of Political Appointees: Eliciting Nominees' Views on Leadership and Management Issues*, GAO/GGD-00-174 (Washington, D.C.: Aug. 11, 2000).

The Senior Executive Service Reform Act of 2003

The proposed Senior Executive Service Reform Act of 2003 includes a number of important reforms. For example, the legislation would move to a single Senior Executive Service (SES) pay range, increase the pay cap, and link SES pay more closely to performance. I strongly believe that these are worthwhile reforms that must be considered together, as they are in this proposed legislation. The legislation seeks to link pay and performance of senior executives by replacing the current system of six grades with a single pay band. Agencies would have flexibility to set basic pay for SES members at any amount within the range plus locality pay, to a total annual salary that may not exceed level II of the Executive Schedule. In addition, agencies could employ a broadbanding approach to SES pay should they so desire. This important change would provide agencies with needed flexibility to set SES pay in a way that reflects the reality of the great diversity in the work that members of the SES do rather than using a set of rigid SES pay grades. In fact, I have the authority to adopt such an approach in setting the pay for the SES in the GAO, and we plan to do so.

The legislation would raise the highest basic pay rate for an SES member from the current maximum of \$134,000 (level IV of the Executive Schedule) to \$142,500 (level III of the Executive Schedule). SES basic pay currently ranges from \$116,500 to \$134,000, before locality pay is included. The problems of SES pay compression are real and must be addressed, with over 60 percent of SES members being at the current cap.

The SES needs to lead the way in the federal government's effort to better link pay to performance. The legislation would require that agencies base their SES pay decisions on "individual performance, contribution to the agency's performance, or both." We have reported that there are significant opportunities to strengthen efforts to hold senior executives accountable for results.⁹ In particular, more progress is needed in explicitly linking senior executive expectations for performance to results-oriented organizational goals, fostering the necessary collaboration both within and across organizational boundaries to achieve results, and demonstrating a commitment to lead and facilitate change. These expectations for senior executives will be critical to keep agencies focused on transforming their cultures to be more results-oriented, less hierarchical, more integrated, and

⁹U.S. General Accounting Office, *Results-Oriented Cultures: Using Balanced Expectations to Manage Senior Executive Performance*, GAO-02-966 (Washington, D.C.: Sept. 27, 2002).

externally focused and thereby be better positioned to respond to emerging internal and external challenges, improve their performance, and assure their accountability.

Agencies should be required to have modern, effective, credible, and validated performance management systems in place before they are granted authority to better link pay to performance for broad-based employee groups. In this regard, Congress should consider providing specific statutory standards that agencies' performance management systems would be required to meet before OPM could approve any such pay for performance effort. Our own experience in implementing such reforms in GAO and the practices of other leading organizations that I will discuss shortly could serve as a starting point for that consideration.

Finally, the legislation's provision to allow agencies to credit nonfederal work experience for purposes of providing annual leave recognizes that the federal government must effectively recruit in a larger labor market. The increasing number of retirement-eligible federal employees is most concentrated in mid- and senior-level positions. To attract top talent, both at the entry and at midcareer levels, it is important to offer applicants an attractive compensation and benefits package that is not structured entirely on a model that assumes a 30-year career of federal service. Simply stated, this provision recognizes the reality of increased mobility in the workforce and the need to modernize our annual leave provisions to attract and retain experienced people with critical skills.

The Federal Workforce Flexibility Act of 2003

The Federal Workforce Flexibility Act of 2003 would expand the authority to use and increase the amount of recruitment and retention bonuses. For example, the legislation would allow the payment of a recruitment bonus of up to 100 percent of an employee's annual salary for critical, hard-to-fill positions, subject to approval by the agency. The legislation also expands the use of recruitment bonuses to employees currently employed in another federal agency and retention bonuses to employees who might leave to go to another federal agency. Previously, recruitment bonuses could only be paid to employees coming from outside the federal government and retention bonuses could only be paid to employees likely to leave federal employment altogether. We support providing agencies with these types of additional tools and flexibilities to attract and retain needed staff as long as such payments are targeted, based on a business need, and are implemented with adequate safeguards. In that regard,

Congress should consider capping the number or percentage of employees in an agency who would be eligible for such payments.

As you know, the federal government faces a looming wave of employees who will be eligible for retirement. Agencies need succession planning programs to ensure that knowledge is transferred from one generation of employees to another. An approach that should be explored would be to allow "phased retirements." There are a number of ways that a phased retirement program could work; the legislation seeks to provide one option for employees who would like to work part time as they end their federal careers by prorating retirement annuities for the period of service that was performed on a part-time basis, thus removing a current disincentive to such part-time work.

The Federal Workforce Flexibility Act of 2003 would also expand the authority to conduct personnel demonstration projects. Such projects, authorized by OPM under the Civil Service Reform Act of 1978, provide a means for testing and introducing improvements in governmentwide human resources management systems. To become a demonstration project, a federal agency obtains authority from OPM to waive existing federal human resources management laws and regulations in Title 5 and propose, develop, test, and evaluate interventions for its own human resources management system that can help shape the future of federal human resource management.⁹

As a general rule, current law limits the size of a demonstration project to 5,000 employees and the life of a project to a 5-year time limit. The legislation would eliminate the cap on the number of employees who could participate in a demonstration project and allow the projects to have up to a 10-year life span. This more flexible approach to demonstration projects is consistent with the approach Congress took in 1996 in authorizing the Department of Defense civilian acquisition workforce demonstration project to expand the number of personnel eligible to participate from the statutory cap of 5,000 to a maximum of 95,000 and extend the project's length from a 5-year time limit to 13 years.

⁹No waivers of law are permitted in areas of employee leave, employee benefits, equal employment opportunity, political activity, merit system principles, or prohibited personnel practices.

Demonstration projects' testing, evaluation, and reporting requirements have provided invaluable lessons learned to other federal organizations. Much of the federal government's knowledge and real-world experience with performance-based pay reform has been obtained through demonstration projects. In fact, of the 17 demonstration projects that have been implemented over the past 25 years, 12 have tested some form of linking compensation to performance. In addition, a demonstration project done at the Department of Agriculture provided an important test of using categorical ranking as part of the applicant selection process and was therefore useful to the Congress in deciding to expand such authorities governmentwide as part of the Homeland Security Act of 2002.

The Federal Workforce Flexibility Act of 2003's reforms to enhance agencies' training and career development programs are also positive steps that should help improve human capital management. The legislation calls for agencies to evaluate their training programs and plans to ensure that they are linked to strategic and performance goals and contribute to achieving the agency's mission. Such evaluations of training and development efforts are important in demonstrating how these efforts help develop employees and improve the agency's performance. As part of a balanced approach, training and development evaluations should consider organizational results and feedback from customers and employees. The strategic evaluation requirement in this legislation should help move agencies away from an orientation on activities or processes (such as the number of participants, courses offered, and hours of training provided), and instead use information on how training and development efforts (1) contribute to improved performance, (2) strengthen capacity to meet new and emerging challenges, and (3) reduce the cost of poor performance.

The legislation focuses agencies on several specific areas of importance, including developing succession programs and informing managers about effective strategies to address performance problems, mentor employees, and improve performance and productivity. We have noted that linking an executive development program and comprehensive succession planning to agency goals and objectives can help foster a committed leadership team. Further, calling for agencies to identify and share effective human capital strategies can help improve individual and organizational performance and further efforts to transform the cultures of government agencies. At Chairman Voinovich's request, this fall we will report on selected agencies' efforts to design effective training and development programs.

Generating Opportunity by Forgiving Educational Debt Service Act of 2003

Congress previously passed legislation that allows agencies to set up programs to repay the student loans of federal employees in order to attract or keep highly qualified individuals. Several agencies, including GAO, have begun such programs and have found them to be valuable in attracting and retaining high-quality talent. These payments are currently included in gross income for federal tax purposes. However, the Generating Opportunity by Forgiving Educational Debt Service Act of 2003 (GOFEDS) would make these payments nontaxable. GOFEDS would therefore make payments by the federal government generally comparable to loan forgiveness programs in use by some educational institutions and nonprofit organizations. We believe that this provision has great merit. It would help to further leverage existing student loan repayment program dollars and would help agencies in their efforts to attract and retain top talent. Obviously, Congress will need to balance the federal human capital benefits of this provision as a tax expenditure with overall federal tax policy. Moreover, Congress should consider how GOFEDS could be implemented in such a way that the tax forgiveness provisions do not obscure the true costs of agency operations.

The Presidential Appointments Improvement Act of 2003

The Presidential Appointments Improvement Act of 2003 would, among other things, require each executive agency to identify the number of presidentially appointed, Senate-confirmed positions and the layers of those positions. Related to this provision, last September I convened a roundtable to discuss the Chief Operating Officer (COO) concept and how it might apply within selected federal departments and agencies as one strategy to address certain systemic federal governance and management challenges.¹⁰ There was considerable discussion on whether the senior management official in an agency should be presidentially appointed, requiring Senate confirmation, while Senate confirmation would not be required for those officials who lead specific management functions (e.g., financial management, information technology, human capital) and who

¹⁰U.S. General Accounting Office, *Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges*, GAO-03-192SP (Washington, D.C.: Oct. 4, 2002). The invited participants were generally individuals with current or recent executive branch leadership responsibilities, significant executive management experience, or both.

report to that senior management official. While there was interest in considering such an arrangement, it was also acknowledged that it would likely require amending existing legislation, for example the Chief Financial Officers Act, and, therefore, would need careful analysis to ensure that any legislative changes result in augmented attention to management issues and do not inadvertently lead to a reduction in the authority of key management officials and/or the prominence afforded a particular management function.

An additional suggestion made at the roundtable that Congress may wish to consider would be to allow senior management officials in each agency to assume full authorities and responsibilities up to or for a specified period of time once they were formally nominated but before their confirmation. However, it was widely recognized that such an approach would be viable only if the senior management position was restricted to the professional and nonpartisan "good government" responsibilities that are fundamental to effectively executing any administration's program agenda and did not entail program policy-setting authority. Furthermore, should Congress decide to adopt the COO concept noted above and not make subject certain management officials to the confirmation process (e.g., the Chief Financial Officer and the Chief Information Officer), the need for this flexibility would be greatly reduced.

More generally, the roundtable's overall purpose was to discuss the COO concept and how it might apply within selected federal departments and agencies. The roundtable discussion neither sought nor achieved a consensus on the COO concept. However, it does appear that there was general agreement on a number of important overall themes that can serve as a basis for subsequent analysis, discussion, and consideration. These generally agreed-upon themes provide a course for action.

- Elevate attention on management issues and transformational change. The nature and scope of the changes needed in many agencies require the sustained and inspired commitment of the top political and career leadership. There is no substitute for top leadership involvement, including that of the President, through for example, the establishment of a governmentwide management agenda. Top leadership attention is essential to overcome organizations' natural resistance to change, marshal the resources needed to implement change, and build and maintain the organizationwide commitment to new ways of doing business.

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- **Integrate** various key management and transformation efforts. By their very nature, the problems and challenges facing agencies are crosscutting and thus require coordinated and integrated solutions. However, the federal government too often places management responsibilities (for example, information technology, human capital, or financial management) into various “stovepipes” and fails to implement transformational change management initiatives in a comprehensive, ongoing, and integrated manner. While officials with management responsibilities often have successfully worked together, there needs to be a single point within agencies with the perspective and responsibility—as well as authority—to ensure the successful implementation of functional management and, if appropriate, transformational change efforts. At the same time, it is not practical to expect that the deputy secretaries, given the competing demands on their time in helping the secretaries execute the President’s policy and program agendas, will be able to consistently undertake this vital integrating responsibility. Moreover, while many deputy secretaries may be nominated based in part on their managerial experience, it has not always been the case and, not surprisingly, the management skills, expertise, and interests of the deputy secretaries have always varied and will continue to vary.
 - **Institutionalize** accountability for addressing management issues and leading transformational change. The management weaknesses in some agencies are deeply entrenched and long-standing and will take years of sustained attention and continuity to resolve. In addition, making fundamental changes in agencies’ cultures will require a long-term effort. The experiences of successful major change management initiatives in large private and public sector organizations suggest that it can often take at least 5 to 7 years until such initiatives are fully implemented and the related cultures are transformed in a sustainable manner. In the federal government, the frequent turnover of the political leadership has often made it difficult to obtain the sustained and inspired attention required to make needed changes.

Implementing Market-Based and Results-Oriented Pay Reforms

Looking forward, Congress should consider making comprehensive legislative reforms to existing civil service laws, taking into account the extent to which traditional approaches make sense in the current and future operating environments. In that regard, there is a growing understanding that we need to fundamentally rethink our approach to federal pay and develop an approach that places a greater emphasis on a person’s knowledge, skills, position, and performance rather than the

passage of time, the rate of inflation, and geographic location. The OPM Director's White Paper on modernizing federal pay, issued last April, amply demonstrated that the current federal pay system was designed for the heavily clerical and low graded workforce of the 1950s rather than today's knowledge-based government. Similarly, the National Commission on the Public Service, chaired by Paul Volcker, observed that agencies need greater freedom to connect pay both to the market and to performance. In short, as the nature of the federal workforce has changed, so too must our pay system if we are to effectively compete for top talent and create incentives for both individual and institutional success.

Under the current federal pay system, the overwhelming majority of each year's increase in federal employee pay is largely unrelated to an employee's knowledge, skills, position, or performance. In fact, over 80 percent of the cost associated with the annual increases in federal salaries is due to longevity and the annual pay increase. One approach that has been tested and that I believe deserves wider consideration is to reserve the annual pay adjustment for only those employees who receive an acceptable performance rating. This would send a clear message to the overwhelming majority of federal employees that their contributions are valued, and those few who are not contributing will not be rewarded for their lack of effort. More generally, current federal pay gaps vary by the nature of the person's position and yet the current method for addressing the pay gap assumes that it is the same throughout government.

We must move beyond this outdated, "one-size-fits-all" approach to paying federal employees and seriously explore more market- and performance-based approaches to federal pay. As part of this exploration, we need to continue to experiment with providing agencies with the flexibility to pilot alternative approaches to setting pay and linking pay to performance. The greater use of "broadbanding" is one of the options that should be considered as part of a broader discussion of pay reform. In the short term, Congress should explore the benefits of (1) providing OPM with additional flexibility that would enable it to grant governmentwide authority for all agencies (i.e., class exemptions) to use broadbanding for certain critical occupations and/or (2) allowing agencies to apply to OPM (i.e., case exemptions) for broadbanding authority for their specific critical occupations. However, agencies should be required to demonstrate to OPM's satisfaction that they have modern, effective, credible, and validated performance management systems before being able to adopt broader pay for performance systems for non-SES personnel. In this regard, Congress should consider providing specific statutory standards that agencies must

meet before OPM would be able to grant an exemption from existing Title 5 requirements.

As with all pay for performance efforts, adequate safeguards, including reasonable transparency and appropriate accountability mechanisms, would need to be in place to ensure fairness, prevent politicalization, and prevent abuse. Such safeguards would include ensuring that an agency's career leadership and managers have significant roles in performance-related pay decisions and that employees have central roles in the design and implementation of the system to build their sense of ownership for the system. In our work looking at leading performance management efforts here and abroad, we have found that the involvement of employees is critical to the success of such initiatives.¹¹ Leading organizations consulted a wide range of stakeholders early in the process, obtained feedback directly from employees, and engaged employees' unions or associations.

The bottom line is that in order to receive any additional performance-based pay flexibility for broad-based employee groups, agencies should have to demonstrate that they have the modern, effective, credible, and validated performance management systems in place that are capable of supporting such decisions. Unfortunately, most federal agencies are a long way from meeting this requirement. As I noted earlier, the SES needs to lead the way in the federal government's effort to better link pay to performance. Given the state of agencies' performance management systems, Congress should consider starting federal results-oriented pay reform with the SES. Agencies should be granted the authority to implement additional pay for performance programs only after they have demonstrated that they have appropriate performance management systems and adequate safeguards in place. Building such systems and safeguards will likely require making targeted investments in agencies' human capital programs, as GAO's own experience has shown. In that regard, Congress and the Administration should consider how incentives can be provided to encourage agencies to modernize their performance management systems. This could include a potential governmentwide fund for such purposes, which could be allocated based on specific business case proposals by individual agencies. This approach could also help to

¹¹See for example, U.S. General Accounting Office, *Results-Oriented Cultures: Insights for U.S. Agencies from Other Countries' Performance Management Initiatives*, GAO-02-362 (Washington, D.C.: Aug. 2, 2002).

facilitate implementation of the high-performing organization (HPO) concept recommended by the Commercial Activities Panel that I chaired.

A report we prepared at the request of Chairman Voinovich and Chairwoman Davis that was released last month shows specific practices that leading public sector organizations both here in the United States and abroad have used in their performance management systems to link individual performance and organizational success.¹² These practices include the following:

1. **Align individual performance expectations with organizational goals.** An explicit alignment helps individuals see the connection between their daily activities and organizational goals.
2. **Connect performance expectations to crosscutting goals.** Placing an emphasis on collaboration, interaction, and teamwork across organizational boundaries helps strengthen accountability for results.
3. **Provide and routinely use performance information to track organizational priorities.** Individuals use performance information to manage during the year, identify performance gaps, and pinpoint improvement opportunities.
4. **Require follow-up actions to address organizational priorities.** By requiring and tracking follow-up actions on performance gaps, organizations underscore the importance of holding individuals accountable for making progress on their priorities.
5. **Use competencies to provide a fuller assessment of performance.** Competencies define the skills and supporting behaviors that individuals need to effectively contribute to organizational results.
6. **Link pay to individual and organizational performance.** Pay, incentive, and reward systems that link employee knowledge, skills, and contributions to organizational results are based on valid, reliable,

¹²U.S. General Accounting Office, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, GAO-03-488 (Washington, D.C.: Mar. 14, 2003).

and transparent performance management systems with adequate safeguards.

7. **Make meaningful distinctions in performance.** Effective performance management systems strive to provide candid and constructive feedback and the necessary objective information and documentation to reward top performers and deal with poor performers.
8. **Involve employees and stakeholders to gain ownership of performance management systems.** Early and direct involvement helps increase employees' and stakeholders' understanding and ownership of the system and belief in its fairness.
9. **Maintain continuity during transitions.** Because cultural transformations take time, performance management systems reinforce accountability for change management and other organizational goals.

GAO's Commitment to Lead by Example

We in GAO believe it is our responsibility to lead by example. We seek to be in the vanguard of the federal government's overall transformation efforts, including in the critically important human capital area. We are clearly in the lead at the present time, and we are committed to staying in the lead. We fully recognize that our people are our most valuable asset, and it is only through their combined efforts that we can effectively serve our clients and our country. By managing our workforce strategically and focusing on achieving positive and measurable results, we are helping to maximize our own performance and ensure our own accountability. By doing so, we also hope to demonstrate to other federal agencies that they can make similar improvements in the way they manage their people.

We have identified and made use of a variety of tools and flexibilities, some of which were made available to us through the GAO Personnel Act of 1980 and our calendar year 2000 human capital legislation, but most of which are available to all federal agencies. The most prominent change in human capital management that we implemented as a result of the GAO Personnel Act of 1980 was a broadbanded pay-for-performance system. The primary goal of this system is to base employee compensation primarily on the knowledge, skills, and performance of individual employees. It also provides managers flexibility to assign employees in a manner that is more suitable to multi-tasking and the full use of staff. Under our current

broadbanded system, analyst and analyst-related staff in Grades 7 through 15 were placed in three bands. While our general experience has been positive, we expect to modify our banded system in the future based on our experience to date.

In January 2002, we implemented a new competency-based performance management system that is intended to link employee performance and our strategic plan and agency core values. It includes 12 competencies that our employees overwhelmingly validated as the keys to meaningful performance at GAO. (See fig. 2.) Modernizing performance management systems in the federal government is essential to the overall government transformation effort. Importantly, doing so can be accomplished without any additional legislation.

Figure 2: GAO's Competency-Based Model

Achieving results
 Maintaining client and customer focus
 Developing people
 Thinking critically
 Improving professional competence
 Collaborating with others
 Presenting information orally
 Presenting information in writing
 Facilitating and implementing change
 Representing GAO
 Investing resources
 Leading others

Source: GAO.

Our October 2000 legislation gave us additional tools to realign our workforce in light of mission needs and overall budgetary constraints; correct skills imbalances; and reduce high-grade, managerial, or supervisory positions without reducing the overall number of GAO employees. This legislation allowed us to create a technical and scientific career track at a compensation level consistent to the SES. It also allowed

us to give greater consideration to performance and employee skills and knowledge in any reduction-in-force actions.

Since the legislation was enacted, we have established agency regulations and offered voluntary early retirement opportunities. Once employees registered their interest in participating in the program, we considered a number of factors, including employee knowledge, skills, performance, and competencies; the organizational unit or subunit in which an employee worked; an employee's occupational series, grade, or band level, as appropriate; and the geographic location of the employee. As authorized by the 2000 legislation, employee performance was just one of many factors we considered when deciding which employees would be allowed to receive the incentives. However, let me assure you, we did not use performance to target certain individuals. Early retirement was granted to 52 employees in fiscal year 2002 and 24 employees in fiscal year 2003. Our annual performance and accountability reports have provided additional information on our use of this authority. As required by the 2000 legislation, we will shortly be providing Congress a more comprehensive assessment of our use of the authorities granted to us under the act.

We are also using many recruiting flexibilities that are available to most agencies, including an extensive campaign to increase our competitiveness on college campuses and extending offers of employment during the fall semester to prospective employees who will come on board the following spring and summer. We are also using our internship program in a strategic fashion, and we often offer permanent positions to GAO interns with at least 10 weeks of highly successful work experience. Moreover, we are building and maintaining a strong presence of both senior executives and recent graduates on targeted college campuses. We have also taken steps to streamline and expedite our hiring process. Even after we hire good people, we need to take steps to retain them. We have taken a number of steps to empower and invest in our employees. For example, we have active employee feedback and suggestion programs. In addition, we implemented a student loan repayment assistance program for employees who have indicated interest and are willing to make a 3-year commitment to staying with the agency.

Overall, we have implemented a number of human capital initiatives, including the following, some of which are relatively recent and some of which are long-standing:¹³

- Prepared a human capital profile and needs assessment to understand employee demographics and distribution.
- Conducted agencywide, confidential, and web-based employee surveys in 1999 and 2002 to understand the status and progress of the agency and the areas in which we need to improve.
- Completed a knowledge and skills inventory for all employees.
- Achieved a democratically elected Employee Advisory Council to facilitate open communication and direct input from line employees to the Comptroller General and other GAO senior leaders on matters of mutual interest and concern.
- Conducted an employee preference survey so that employees could be given the opportunity to work in the areas that interest and energize them in light of our institutional needs.
- Implemented an Executive Candidate Development Program to prepare candidates for assignments in the SES.
- Developed and implemented a strategy to place more emphasis on diversity in campus recruiting.
- Initiated a Professional Development Program for newly hired GAO analysts to help them transition and progress.
- Began developing a core training curriculum to directly link and support our validated core competencies.
- Provided an on-site child care center called “Tiny Findings” and a wellness and fitness center.

¹³For more information on these efforts, see *Human Capital: Taking Steps to Meet Current and Emerging Human Capital Challenges*, GAO-01-965T (Washington, D.C.: July 17, 2001).

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- Implemented additional employee-friendly benefits such as business casual dress, flextime, and public transportation subsidies.
 - Implemented a program to reimburse GAO employees for the cost incurred in pursuit of relevant professional certifications.
 - Used recruitment bonuses, retention allowances, and student loan repayment assistance to attract and retain employees with specialized skills.
 - Implemented a new “state of the art” performance appraisal system that is linked to our strategic plan and based on key competencies, which have been validated by our employees. This new system has been implemented for analysts. This system is being adapted for our attorneys, and we have begun modifying the system for our administrative professional and support staff.

Many of the above initiatives required one-time investments to make them a reality. We worked with the Congress to present a business case for funding a number of these initiatives. Fortunately, the Congress has supported these and other GAO transformation efforts. The result is a stronger, better positioned, more effective, results-oriented, and respected GAO. As we engage in these changes, we also know that we are not perfect and we never will be. This is a work-in-progress for us as it is for others. In fact, we are constantly evaluating our internal efforts, seeking to learn from others, and making refinements as we go along. In that regard and as you know, we expect in the coming weeks to be formally approaching Congress with recommendations to provide us with additional statutory authorities to enable us to better manage our people. The legislation we plan to recommend would, among other things, facilitate GAO's continuing efforts to recruit and retain top talent, develop a more performance-based compensation system, help realign our workforce, and facilitate our succession planning and knowledge transfer efforts. We believe that these authorities will strengthen our efforts to serve Congress and provide benefits to the American people. As has been the case in the past, we also expect that our use of these authorities will provide valuable lessons to Congress and agencies on how human capital flexibilities can be used in a context that helps an organization achieve its missions while still ensuring that adequate safeguards, including reasonable transparency and appropriate accountability mechanisms, are in place to prevent abuse.

Summary

When we placed strategic human capital management on our high-risk list in 2001, we all knew that successfully addressing human capital challenges would not be quick nor easy. Due to the combined efforts of Congress, OPM, OMB, the agencies, federal employees, and others, we have made a great deal of progress over the last 2 years. But more should be done. Comprehensive human capital legislative reforms will likely be needed, but agency leaders must not wait for them to happen. Congress has already provided much of the authority agencies need. Therefore, the first step toward meeting the government's human capital challenges is for agency leaders to identify and make use of all the appropriate administrative authorities available to them to manage their people for results. The use of these authorities often will need to be undertaken as part of and consistent with proven change management practices and with adequate safeguards to prevent abuse. The second step, as the subcommittees have made clear, is to consider selected legislative reforms to give agencies additional tools and flexibilities to hire, manage, and retain the human capital they need. These additional flexibilities also should be accompanied with adequate safeguards to prevent abuse. The third step is for all interested parties to work together to identify the kinds of comprehensive legislative reforms that should be enacted in the human capital area over time, with comprehensive pay reform being the likely centerpiece of that effort.

Chairman Voinovich and Chairwoman Davis, this concludes my prepared statement. I would be pleased to respond to any questions that you or other Members of the Subcommittees may have.

Contacts and Acknowledgments

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HUMAN CAPITAL PRACTICES

Mr. KINGSTON. We would be interested, on a bipartisan basis, to promote that.

We have a problem on a number of agencies hiring lawyers who could get better paying jobs in the private sector. Perhaps there is a way to pay them based on their production. More than likely, not all those lawyers are worth \$90,000, but some of them are worth \$200,000. It would be great to have that range within the system.

I said the same thing in the Legislative Branch in terms of our staff. Some of them move to the private sector and make a lot more money, and they are in position to save the Federal Government a lot of money by doing some things differently.

Mr. WALKER. Most of the good ideas, as you know, are in the heads of the employees who are doing the job day in and day out. And it is a way of trying to recognize and reward people for their ideas. That is a cultural transformation. And central to that is committed, dedicated, persistent leadership and performance management reward systems that encourage and reward performance. I would be happy to work with you on that. I think there is a lot that can and should be done. And we are doing a lot not only within GAO in that regard, but we are doing a lot to try to help others.

Mr. KINGSTON. I have more questions I will submit for you to respond to for the record.

[The questions for the record follow:]

QUESTIONS FROM CHAIRMAN KINGSTON FOR THE RECORD

Question. Your justification mentions that in FY 2002 you issued a plan that provides the context for your human capital activities. Is this your Human Capital strategic plan? Does it reflect all of the changes you want to make to your human capital policies, practices and systems? Please provide a copy of your current human capital strategic plan for the record.

Response. The plan we referred to in our justification was the workforce plan that we developed as a tool to help us operationalize our overall strategic plan. The workforce plan, along with our human capital tactical plan, provide the framework to implement the specific initiatives necessary to transform our vision into reality.

Our overall strategic plan, *Strategic Plan for Fiscal Years 2002-2007*, provides a blueprint for the areas in which we expect to conduct research, audits, analyses, and evaluations to meet the Congress' needs, and we allocate the resources we receive from the Congress accordingly. The strategic plan includes 4 overarching goals and is the basis for managing our organizational performance, determining our workforce needs, aligning our organization and allocating our resources to meet the needs of the Congress. Like any other high-performance organization, our workforce needs are directly linked to our strategic vision of what we want to accomplish to serve the Congress and what kind of organization we want and need to be. Our strategic plan provides a framework for our human capital policies, practices and systems.

To successfully carry out its responsibilities to the Congress for the benefit of the American people, GAO's work must be professional, objective, fact-based, non-partisan, nonideological, fair, and balanced. GAO should also lead by example. As a result, one of our four goals is to "*Maximize The Value Of GAO By Being A Model Federal Agency And A World-Class Professional Services Organization*". The focus of this effort is to make GAO a model organization—one that is client and customer driven; exhibits the characteristics of leadership and management excellence; leverages its institutional knowledge and experience; is devoted to ensuring quality in its work processes and products through continuous improvement; and is regarded as an employer of choice.

Along with financial management, information technology, and facilities management, our human capital strategies are incorporated within this goal to align and integrate our human capital policies and practices to support our mission. Our human capital-related strategic objectives under this goal are to:

- sharpen GAO's focus on clients' and customers' requirements,
- enhance leadership and promote management excellence,
- leverage GAO's institutional knowledge and experience,
- continuously improve GAO's business and management processes, and
- become the professional services' employer of choice.

We supplement these performance goals with specific key efforts and we assess our progress against the goals every 2 years.

Question. Will you need additional legislation to accomplish what you want to do with your human capital endeavors? Could you explain in detail what additional initiatives you believe are important to GAO to take? Do you believe that the changes you are proposing are applicable to the rest of the government? Will these changes cost more or do you believe they will save money?

Response. Strategic human capital management must be the centerpiece of any government agency seeking to become a world-class organization. As a first step in meeting this challenge, GAO identified and used appropriate administrative authorities available to accomplish human capital reform. The second step for strategic human capital management is to pursue incremental legislative reforms to give GAO additional tools and flexibilities to hire, manage, and retain the human capital it needs. Consistent with this approach, GAO was successful in obtaining legislation in calendar year 2000, Public Law 106-303 that provided us with such increased human capital flexibilities as the authority to grant early voluntary retirements and hire Senior Level staff. However, more work remains to be done. Therefore, we are proposing a second human capital bill that will assist GAO in meeting the various human capital challenges that we currently face and need to address.

The proposed bill has 7 sections. The first provision seeks to make the authority for voluntary early retirements and voluntary buyouts that GAO received under Public Law 106-303 permanent instead of expiring on December 31, 2003. Our use of the voluntary early retirement authority has helped us to realign the agency and achieve various human capital goals while satisfying the early retirement desires of a number of GAO personnel. The voluntary buyout provision would serve a similar benefit if we ever choose to use it. We do not, however, have any plans to do so at this time.

Two other provisions will allow GAO to institute a more performance-oriented pay system and remove us from certain provisions in title 5 of the United States Code concerning the setting of permanent pay. The first of these provisions will enable GAO to place greater emphasis on knowledge, skills, position and performance rather than on the passage of time, the rate of inflation, and geographic location as is currently the case in making permanent pay decisions. As a corollary to this, we are also seeking to modify the title 5 provisions related to the grade and pay of employees who are demoted due to such conditions as a work force restructuring or reclassification. Importantly, GAO employees would not have their basic rate of pay cut under this provision. However, future pay increases would be set consistent with the pay parameters of the person's new position. This latter provision would achieve an equitable solution to the title 5 antiquated system that enables employees to be paid for a long period of time in excess of the work they are actually performing. The current approach violates the merit principles of equal pay for equal work.

We are also seeking greater flexibility with respect to reimbursing employees for relocation benefits and for providing upper level experienced hires with little or no federal experience, the ability to earn increased amounts of annual leave. The legislation would also authorize GAO to engage in an executive exchange program with private sector organizations involving areas of mutual concern and in positions where we have experienced a supply and demand imbalance. It has obvious benefits for all participants by enhancing their skills and knowledge and would also enable GAO to leverage the expertise of private sector employees.

Lastly, we are proposing that GAO should have its name changed to the Government Accountability Office to more accurately reflect the work of the agency as a multi-disciplinary professional services organization rather than an agency that pre-audits government vouchers as was the case in 1921 when GAO was first created. This move will help to assure that our name reflects the modern agency and professional services organization we have become, while retaining our global brand name of GAO. This step will also help us in our recruiting, in the press, with the public, on the Hill and within the administration.

As has been the case in the past, we also expect that our use of these authorities will provide valuable lessons to Congress and agencies on how human capital flexibilities can be used in a context that helps an organization achieve its mission while still ensuring that adequate safeguards, including reasonable transparency and appropriate accountability mechanisms, are in place to prevent abuse. Nevertheless, it should be noted that like other government agencies, we have consistently found

that much of what we need to do to be successful in regards to human capital and other management areas, we can do under current authorities available to most agencies.

Many of the initiatives that we have undertaken have required one-time investments to make them a reality. We worked with the Congress to present a business case for funding a number of these initiatives. Fortunately, the Congress has supported these and related GAO transformation efforts. The result has been a stronger, better positioned, more effective, results-oriented, and respected GAO. As we engage in these changes, we also know that we are not perfect and we never will be. This is a work-in-progress for us as it is for others. In fact, we are constantly evaluating our internal efforts, seeking to learn from others, and making refinements as we go along. We certainly believe that over time our management improvement initiatives yield greater efficiencies and savings. More directly however, our human capital initiatives are at center of our efforts to better serve the Congress and the American people. The significant financial and non-financial benefits that we have produced in recent years have been the direct result of the combined efforts of our single greatest assets—our people. Human capital programs that help us attract, retain, develop, and reward the top talent we have are critical to our efforts to continue to improve our performance and assure our accountability.

Question. The Subcommittee notes that GAO has 11 field offices at various locations within the United States. As part of cost cutting measures the GAO, several years ago, closed your office in Europe. With all the activity and issues facing the United States in the Middle East and other areas in Europe, has the GAO given consideration to reopening the European office? Do you think it is an issue that should receive some consideration? What would be the annual cost of operating the European Office?

Response. As part of efforts to update our strategic plan for serving the Congress, we conduct an environmental scan to factor in developments that changed since our last update that may influence the work we do. As part of this effort, GAO assesses alternatives related to how we conduct work related to issues in the Middle East and Europe, including reopening an office in Europe.

In December 1999, GAO completed an assessment of the costs of re-establishing an office in Europe. We assessed the costs at four locations—Brussels, Belgium; Frankfurt, Germany; Paris, France; and London, UK, to determine whether it would be cost effective to reestablish an office in Europe at that time. GAO's travel costs (airline, per diem and miscellaneous travel expenses) to Europe totaled about \$500,000. Our analysis showed that the incremental costs for a single, unaccompanied mid-level employee for a four-year period would vary from a low of \$298,000 in Brussels to a high of \$539,000 in Paris. These incremental costs were costs in addition to salary and benefits and included moving costs, cost of living allowance, State Department's support services costs and living quarters allowance. Additional family members would mean higher potential costs, such as education costs for school-age children. Furthermore, one cannot make a strict comparison between the travel costs to Europe and the costs of establishing a staff member in Europe since that staff member would still have travel costs to all but their European official duty station. Accordingly, we concluded that establishing an office in Europe would not be cost effective at that time.

Question. The Committee notes that one issue you have reviewed is the area of "Supporting Embassy Rightsizing Initiatives." For the record could you explain your work in this area? This is of particular concern to the Subcommittee because the Library of Congress has been requested to participate in a rebuilding initiative at various Embassy locations with a price tag for the Library's share of about \$88 million dollars. Are you aware of this rebuilding issue? Do you have any comments or observations?

Response. GAO has issued several reports addressing the need for a comprehensive and meaningful approach to rightsizing the U.S. overseas presence—assuring that the right numbers of people are in the right place at overseas diplomatic posts. To support the long-standing need for a rightsizing initiative, we developed a framework that identifies critical elements of embassy operations—physical security, mission priorities and requirements, and cost—and also includes rightsizing options for consideration. Our reports have recommended that OMB and the Department of State use the framework for their rightsizing initiatives. While our work has not specifically addressed issues related to rebuilding initiatives of the Library of Congress, our most recent report on planning for new embassy construction (GAO-03-411, *Embassy Construction: Process for Determining Staffing Requirements Needs Improvement*, April 7, 2003) discusses the pros and cons of proposals for cost sharing of new construction among all agencies with operations overseas.

Question. We note that you are still working on the asbestos removal program at the GAO building. What is the projected completion date of this project? Will there be any budget reductions once this project is complete?

Response. In fiscal year 2003, we began the last major phase of asbestos removal and renovation in the GAO Building and expect to complete our asbestos removal and renovation project by the end of this calendar year. However, there are small, inaccessible pockets of asbestos in the building that are encapsulated. For example, behind the exterior walls on two floors of our building, there are pipes for a heating system that we no longer use that are wrapped in asbestos. Although we have no plans to disturb these areas, it is possible that they could be disturbed during future building modernizations and then we would have to remove the asbestos.

In recent years, the asbestos removal and renovation project has primarily been funded using rental income from building tenants and revenue from our audit work. In fiscal year 2004, these funds will be used to offset building maintenance and operations costs.

Question. You have implemented a number of security enhancements and requested supplemental funding for security issues. What are you planning still to do to enhance GAO security?

Response. After the events of the September 11th terrorist attacks and subsequent anthrax incidents, we designated safety and security as a key management challenge and immediately increased the level of the agency's safety and security. GAO contracted with a professional security firm to conduct a comprehensive security evaluation and threat assessment. The enhancements implemented as a result of recommendations emanating from these thorough reviews will further strengthen our security posture and help reduce our susceptibility to criminal or terrorist attacks. In addition, implementation of these upgrades will ensure conformity with the Department of Justice's Level IV security guidelines for the GAO Building, as well as homeland security recommendations.

We established an executive level steering committee to provide oversight, review contractor recommendations, and develop a multi-year implementation plan. To date, we have developed an emergency preparedness and response plan, a continuity of operations plan, and a shelter in place plan. These plans represent a vital element of an overall emergency preparedness program and help ensure our ability to respond in the event of an emergency or a need to again serve as a contingency for the House of Representatives.

In the areas of physical and personnel security, we have increased guard coverage, expanded background investigations and security clearances to ensure appropriate access, enhanced perimeter security, upgraded air filtration systems to protect against biological hazards, and upgraded the GAO building fire alarm and public address systems.

In the information security arena, we strengthened network access and intrusion detection capabilities, implemented user authentication tools, installed software to monitor user compliance with security standards, completed security control and risk assessments for critical information systems, and established an off-site disaster recovery facility.

During fiscal year 2003, we plan to continue enhancing our perimeter access control systems, upgrade our security access control and intrusion detection system, including electronic turnstiles; establish a separate visitor entrance; relocate the Security Command Control Center to a more secure location; obtain protective equipment and supplies; and expand efforts to protect against chemical and biological intrusions.

In fiscal year 2003 and 2004, we will also continue to expand our disaster recovery capability, including off-site backup and recovery of key information; enhance remote access to provide in the event the GAO building is inaccessible; access options for a remote worksite; strengthen network access and intrusion detection capabilities through enhanced firewalls, data encryption tools, enhanced controls at the desktop and in wireless devices, and install analysis software to detect and correct issues remotely.

As we continue to assess future needs, while implementing currently identified security and safety features, we will identify and prioritize further actions needed to protect our staff, assets and information.

CLOSING REMARKS

Mr. KINGSTON. David?

Mr. PRICE. No further questions. Thank you for sticking with us into the evening hours, and I look forward to working with you to do an effective job.

Mr. WALKER. Thank you.

Mr. KINGSTON. Thank you for your testimony. The subcommittee stands in recess until 10 a.m. Thursday, at which time a Members only briefing will be given by the Capitol Police.

[CLERK'S NOTE.—Following is the justification of the budget estimate submitted to the Subcommittee by the General Accounting Office:]

GENERAL ACCOUNTING OFFICE**GENERAL ACCOUNTING OFFICE**

Fiscal Year 2004

Justification of Budget Estimates

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**GENERAL ACCOUNTING OFFICE
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OVERVIEW OF THE U.S. GENERAL ACCOUNTING OFFICE (GAO)

About GAO

GAO is an independent, nonpartisan, professional services agency in the legislative branch that is commonly regarded as the audit, evaluation, and investigative arm of the Congress. Created in 1921 as a result of the Budget and Accounting Act, GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. GAO's "watchdog" role has evolved over the years as the Congress expanded our statutory authority and called on us with increasing frequency for support in carrying out its legislative and oversight responsibilities.

Today, we examine the full breadth and scope of federal activities and programs, publish thousands of reports and other documents annually, and provide a number of related services intended to aid congressional decisionmakers and the general public alike. We also study national and global trends to anticipate their implications for public policy. By making recommendations to improve the accountability, operations, and services of government agencies, GAO contributes not only to the increased effectiveness of federal spending, but also to the enhancement of the taxpayers' trust and confidence in their government.

GAO's Statutory Responsibilities

The Congress established GAO in the legislative branch with the broad role of investigating "all matters relating to the receipt, disbursement, and application of public funds" and to "make recommendations looking to greater economy and efficiency in public expenditures." Since World War II, the Congress has clarified and expanded that original charter through such legislation as:

- The Government Corporation Control Act of 1945 provides GAO with the authority to audit the financial transactions of government corporations.
- The Budget and Accounting Procedures Act of 1950 assigns GAO the responsibility for establishing accounting standards for the federal government and carrying out audits of internal controls and financial management.
- The Legislative Reorganization Act of 1970 and the Congressional Budget and Impoundment Control Act of 1974 authorize GAO to conduct program evaluations and analyses of a broad range of federal activities.
- Numerous other laws complement GAO's basic audit and evaluation authorities, including the Inspector General Act of 1978, providing for GAO-established standards for the audit of federal programs and activities, and the Competition in Contracting Act of 1984, providing for GAO's review of protested federal contracting actions.
- The Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994 authorize GAO to audit agencies' financial statements and annually audit the consolidated financial statements of the U.S.

GAO's Structure

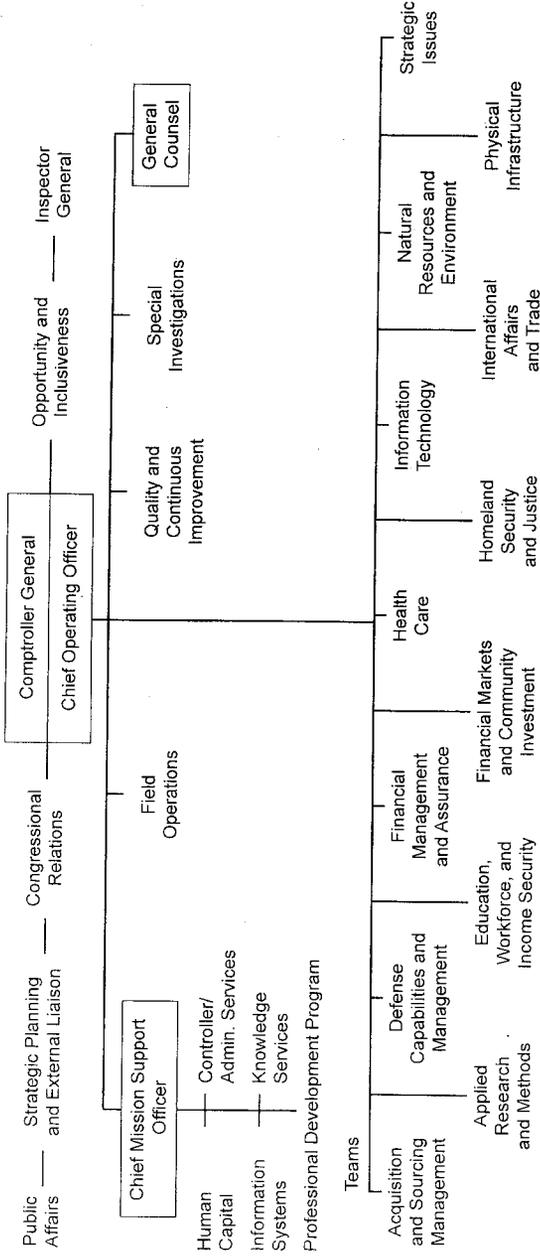
To accomplish our mission, we rely on a workforce of highly trained professionals who hold degrees in many academic disciplines, including accounting, law, engineering, public and business administration, economics, computer science, and the social and physical sciences. They are arrayed in 13 research, audit, and evaluation teams supported by staff offices and mission support units. About three-quarters of our approximately 3,300 employees are based at our headquarters in Washington, DC; the rest are deployed in 11 field offices.

The agency's chief executive officer is the Comptroller General of the United States, who is appointed to a 15-year term. The Comptroller General is nominated by the President from a list of candidates submitted by a bipartisan commission of Senate and House leaders and must be confirmed by the Senate. The current Comptroller General is David M. Walker, who began his term in November 1998. He is assisted by an executive committee consisting of Chief Operating Officer Gene L. Dodaro, Chief Financial Officer/Chief Mission Support Officer Sallyanne Harper, and General Counsel Anthony Gamboa. Members of the Senior Executive Service lead the agency's research, audit, and evaluation teams and the staff and mission support offices.

In fiscal year 2003, we realigned the responsibilities of existing teams to accommodate the creation of the new Department of Homeland Security, ensure seamless high quality service to our congressional clients, adjust team and field office responsibilities without increasing the number of teams or offices, stay within our authorized staffing levels, and provide a smooth transition for applicable GAO staff. We also announced a multi-year plan to refine team alignments with field offices to build a critical mass of expertise within each team in fewer locations.

In October 2001, we created a National Preparedness Unit to help coordinate GAO efforts to respond to the wide-ranging challenges emanating from international and domestic efforts to deal with terrorism. This approach served the Congress and us well over the past year and a half as difficult challenges were tackled and creation of the new Department of Homeland Security (DHS) was being debated prior to enactment into law. Recognizing the significant change in priorities and reallocation of resources for homeland security, and the critical importance of DHS' mission, GAO realigned its own resources to create the Homeland Security and Justice Team (HSJ). This new team combines existing expertise from the former Tax Administration and Justice, Physical Infrastructure, and National Preparedness teams.

We recently completed a field office staffing assessment in light of our new strategic plan for serving the Congress (2002-2007) and other organizational changes, such as the creation of the HSJ team. The overall goal of this assessment was to maintain the current ratio between headquarters and field mission staff as well as the 11 field offices. In addition to reaffirming that the current locations continue to best reflect the work planned for the future, this effort focused on how we can best continue to build critical mass in the field, accommodate more frequent and efficient senior management interaction with field-based staff, and allow for more senior positions in the field, over time, depending on organizational needs. We will implement planned changes during fiscal years 2003 through 2006. This timeframe will allow both staff and managers to minimize any impact on ongoing and near-term planned engagements by giving priority to meeting congressional client needs and allow field-based staff to carefully make career decisions.



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March 7, 2003

GAO'S STRATEGIC PLAN FOR SERVING THE CONGRESS

At the beginning of fiscal year 2002, as we updated our strategic plan for serving the Congress based on substantial congressional input—extending the plan's perspective out to fiscal year 2007 and factoring in developments that had occurred since we first issued it in fiscal year 2000—it was clear that the world had changed considerably. When the original plan was issued, the nation had been enjoying a period of peace and prosperity, with large budget surpluses projected into the future. When the updated plan was published, the nation was at war against terrorism, both within and outside its borders; the economic outlook had become difficult to predict; and the federal government faced the return of serious, long-range budget deficits and the burden they impose on the nation's future prosperity.

While the overall framework of our strategic plan remains largely unchanged, we have placed a greater emphasis in a number of areas to reflect the altered agenda of policymakers:

- Recognizing that the Congress and the federal government will focus considerable effort and resources on the new department of homeland security, we have increased our emphasis on overseeing the efficiency and effectiveness of efforts to protect against and respond to various forms of terrorism.
- In light of changing public expectations and needs as well as fiscal pressures, we have redefined one of our strategic goals to focus on helping to transform the federal government's role to meet the challenges of the 21st century—what it does and how it does business.
- Because of the far-reaching demographic and fiscal trends that will affect the United States (U.S.), we added greater long-range focus to our work to support the Congress in addressing program priorities and budget decisions not only for the near future but for the long term as well.

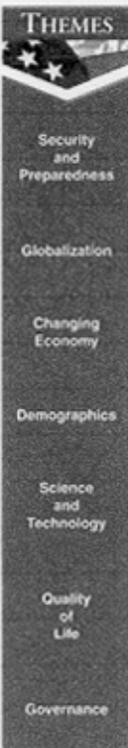
The updated plan carries forward the four strategic goals we had already established as the organizing principles for a body of work that is as wide-ranging as the interests and concerns of the Congress itself.

Using the plan as a blueprint, we lay out the areas in which we expect to conduct research, audits, analyses, and evaluations to meet our clients' needs, and we allocate the resources we receive from the Congress accordingly. Following is our strategic plan framework.

SERVING THE CONGRESS GAO'S STRATEGIC PLAN FRAMEWORK

MISSION

GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.



GOALS & OBJECTIVES

Provide Timely, Quality Service to the Congress and the Federal Government to . . .

Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People related to . . .

- Health care needs and financing
- Education and protection of children
- Work opportunities and worker protection
- Retirement income security
- Effective system of justice
- Viable communities
- Natural resources use and environmental protection
- Physical infrastructure

Respond to Changing Security Threats and the Challenges of Global Interdependence involving . . .

- Diffuse security threats
- Military capabilities and readiness
- Advancement of U.S. interests
- Global market forces

Help Transform the Federal Government's Role and How It Does Business to Meet 21st Century Challenges by assessing . . .

- Roles in achieving federal objectives
- Human capital and other capacity for serving the public
- Progress toward results-oriented, accountable, and relevant government
- Fiscal position and financing of the government

Maximize the Value of GAO by Being a Model Federal Agency and a World-Class Professional Services Organization in the areas of . . .

- Client and customer service
- Leadership and management focus
- Institutional knowledge and experience
- Process improvement
- Employer of choice

CORE VALUES

Accountability

Integrity

Reliability

Fiscal 2002-2007

THE NATURE OF GAO'S WORK

For GAO, supporting the Congress in meeting its constitutional responsibilities and achieving our goals and objectives rests, for the most part, on providing professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced information. Most of the information is gathered and reported in response to congressional requests for specific work. As authorized by GAO's enabling legislation, the agency also independently undertakes research and development work. GAO develops and presents the information it gathers in a number of ways to support the Congress, including the following:

- evaluating federal programs, policies and the performance of agencies;
- overseeing government operations through financial and other management audits to determine whether public funds are spent efficiently, effectively, and in accordance with applicable laws;
- investigating whether illegal or improper activities are occurring;
- analyzing the financing for government activities;
- conducting constructive engagements in which we work proactively with agencies, when appropriate, to provide advice that may assist their efforts toward achieving positive results;
- providing legal opinions to determine whether agencies are in compliance with applicable laws and regulations;
- conducting policy analyses to assess needed actions and the implications of proposed actions; and
- providing additional assistance to the Congress in support of its oversight, appropriations, legislative, and other responsibilities.

Also, under our basic legislative authority, GAO provides legal assistance and conducts special analyses, such as our performance and accountability and high-risk series. These areas are discussed in further detail below.

Legal Assistance

GAO attorneys participate in the investigation of potential criminal violations, and draft decisions of the Comptroller General, legal memoranda, and opinion letters. They frequently assist members of Congress and their staff, provide testimony for congressional committees, and draft legislation for Congress. GAO's bid protest function resolves complaints about the award of government contracts and increases the transparency and protects the integrity of the federal procurement process. GAO's work has resulted in a body of decisions that essentially sets out the standards for basic fairness in federal procurement competitions for agencies and companies interested in doing business with the government.

High-Risk Series

Every 2 years, with the start of each new Congress, GAO issues an update of the high-risk series, which identifies and reports on federal programs and operations that have greater vulnerabilities to waste, fraud, abuse, and mismanagement or that have major challenges associated with their economy, efficiency, or effectiveness.

Lasting solutions to high-risk problems offer the potential to save billions of dollars, dramatically improve service to the American public, strengthen public confidence and trust in the performance and accountability of the national government, and ensure the ability of government to deliver on its promises.

Since 1990, the Congress' and federal agencies' commitment to resolving serious, long-standing high-risk problems has paid off—the root causes of half the 14 high-risk areas on our original list have been addressed. This sustained commitment continues to produce results. In 2001, GAO identified 23 high-risk areas. Since then, demonstrable progress has been made in virtually all of them.

GAO has increasingly used the high-risk designation to also draw attention to the challenges faced by government programs and operations in need of broad-based transformation. Three of the new high-risk areas on the 2003 list fall into that category, while a fourth new area involves fraud, waste, abuse, and mismanagement.

Our 2003 High Risk list follows.

Table 1: GAO's 2003 High-Risk List

High-Risk Area	Year Designated High-Risk
Addressing Challenges in Broad-Based Transformations	
Strategic Human Capital Management*	2001
U. S. Postal Service Transformation Efforts and Long-Term Outlook*	2001
Implementing and Transforming the New Department of Homeland Security	2003
Modernizing Federal Disability Programs*	2003
Federal Real Property*	2003
Protecting Information Systems Supporting the Federal Government and the Nation's Critical Infrastructures	1997
Ensuring Major Technology Investments Improve Services	
FAA Air Traffic Control Modernization	1995
IRS Business Systems Modernization	1995
DOD Systems Modernization	1995
Providing Basic Financial Accountability	
DOD Financial Management	1995
Forest Service Financial Management	1999
FAA Financial Management	1999
IRS Financial Management	1995
Reducing Inordinate Program Management Risks	
Medicare Program*	1990
Medicaid Program*	2003
Earned Income Credit Noncompliance	1995
Collection of Unpaid Taxes	1990
DOD Support Infrastructure Management	1997
DOD Inventory Management	1990
HUD Single-Family Mortgage Insurance and Rental Assistance Programs	1994
Student Financial Aid Programs	1990
Managing Large Procurement Operations More Efficiently	
DOD Weapon Systems Acquisition	1990
DOD Contract Management	1992
Department of Energy Contract Management	1990
NASA Contract Management	1990

*Additional authorizing legislation is likely to be required as one element of addressing this high-risk area.

GAO's PERFORMANCE

GAO is unique among legislative branch support agencies in that the information it provides is often based on extensive fieldwork. GAO is known for original data collection and analyses of federal operations across the country and around the world. Within the legislative branch, we are the only agency with staff in the field, conducting performance analyses and financial accounting among other congressionally requested activities, and reporting our findings not only to our congressional clients but also to the American public. Our engagements are often strategic and long-range in nature, governmentwide in scope, and initiated by requests from the Congress.

Most GAO work is done at the request of committees, members, or by congressional mandates included in public laws or committee reports. Members in both the Senate and the House and on both sides of the aisle use GAO reports as the basis for hearings, floor statements, and legislation.

During fiscal year 2002, GAO's analyses and recommendations contributed to legislation considered by the Congress. The following table highlights examples of legislation to which GAO contributed during fiscal year 2002. These items are discussed in more detail on the page(s) indicated.

Table 2: Selected Public Laws to Which GAO Contributed During Fiscal Year 2002

- | |
|--|
| <ul style="list-style-type: none"> • Prescription Drug User Fee Amendments of 2002, P.L. 107-188 (p. 27) • Best Pharmaceuticals for Children Act, P.L. 107-1092 (p. 31) • No Child Left Behind Act of 2001, P.L. 107-110 (p. 28, 38) • Food Stamp Reauthorization Act of 2002, P.L. 107-171 (p. 41) • Help America Vote Act of 2002, P.L. 107-252 (p. 37) • Homeland Security Act of 2002, P.L. 107-296 (p. 18) • Public Health Security and Bioterrorism Preparedness and Response Act of 2002, P.L. 107-188 (p. 29-30) • Aviation and Transportation Security Act, P.L. 107-71 (p. 36) • Department of Defense Appropriation Act, 2003, P.L. 107-248 (p. 21-23) • Department of Defense and Emergency Supplemental Appropriations for Recovery From and Response to Terrorist Attacks on the United States Act, 2002, P.L. 107-117 (p. 21-23) • Bob Stump National Defense Authorization Act for Fiscal Year 2003 P.L. 107-314 • Foreign Relations Authorization Act, Fiscal Year 2003, P.L. 107-228 |
|--|

- Small Business Paperwork Relief Act of 2002, P.L. 107-198
- Federal Information Security Management Act of 2002, P.L. 107-347
- Sarbanes-Oxley Act of 2002, P.L. 107-204 (p. 37)
- National Defense Authorization Act for Fiscal Year 2002, P.L. 107-107
- Legislative Branch Appropriations, Fiscal Year 2002, P.L. 107-68
- Improper Payments Information Act of 2002, P.L. 107-300 (p. 42)
- Trade Act of 2002, P.L. 107-210
- Terrorism Risk Insurance Act of 2002, P.L. 107-297 (p. 20)
- E-Government Act of 2002, P.L. 107-347 (p. 32)

Fiscal 2002 was a year of challenges, not just for GAO but also for the Congress and the nation GAO serves. The nation's vulnerabilities were exposed in a series of crises—America's vulnerability to sophisticated terrorist networks, bioterrorism waged through mechanisms as mundane as the daily mail, and corporate misconduct capable of wiping out jobs, pensions, and investments virtually overnight.

As the Congress's priorities evolved to meet these crises, GAO's challenge was to respond quickly and effectively to our congressional clients' changing needs. Under our original strategic plan, published in spring 2000, we had already streamlined and realigned GAO's structure and resources to better serve the Congress in its legislative, oversight, and investigative roles. The new human capital initiatives we had begun, including recruiting, hiring, and professional development, equipped us to operate in a constantly changing knowledge environment. The steps that we took to enhance our information technology (IT) capabilities served to increase our productivity, consistency, and responsiveness. And with work already under way across a spectrum of critical policy and performance issues, we had a head start toward meeting the Congress' needs in a year of unexpected and often tumultuous events.

We were, for instance, asked to assist with the deliberations over the Department of Homeland Security's formation by looking into questions involving flexibilities for managing human capital, information sharing, management, acquisition, budget and program transfer authorities; and lessons available from other reorganizations in the public and private sectors. Teams with different specialties from across GAO collaborated on that effort and also pursued specific aspects of national preparedness. For example, building on an extensive body of completed work, we provided important information to the Congress as it drafted the Aviation and Transportation Security Act, while providing continuing assistance with information on aviation, port, and transit security.

Building on our previous work on the outbreak of West Nile virus and our examination of state and local efforts to meet the challenges all epidemics pose—those of detection and treatment—we aided the Congress' decision making about how to equip and organize the Department of Homeland Security to prepare for and respond to bioterrorism.

We were also deeply involved in congressional efforts to address terrorism insurance issues—raising alternative strategies and suggesting guiding principles based on past efforts to assist industries and firms in times of crisis, such as the savings and loan industry and, more recently, the aviation industry.

As we gathered information and conducted analyses for the Congress, developed recommendations for improvements, and detailed the potential ramifications of policies to address the national problems the Congress was confronting, we continued work on the issues that the Congress had faced before homeland security gripped the nation's attention. Among these was a wide range of issues that also directly affect the lives of Americans.

We, for instance, helped policymakers probe the issues behind the shortages in the supplies of vaccines for childhood illnesses, such as measles, mumps, rubella, and tetanus, clarifying the variety of contributing factors and exploring the key questions, such as how more manufacturing and competition can be encouraged, how adequate oversight can be provided, and how stockpiles can be amassed.

Our work also helped policymakers—and the public—understand private pension issues in the wake of the Enron bankruptcy and other corporate failures, including the questions they raised for workers nationwide. For instance, in early 2002, the Comptroller General convened a forum on corporate governance, transparency, and accountability that highlighted a number of systemic issues, including concerns related to employee pension and savings plans. And we alerted the Congress to weaknesses that may exist in the legal protections for employee pensions. We highlighted the ways in which employers' stock investment decisions can increase the risks to which employees' pension plans are exposed and recommended improvements to the information employees must receive. We also issued a guide for Members of Congress, their staffs, and the public called *Answers to Key Questions about Private Pension Plans* which explains in easy-to-understand terms the concepts and rules that last year became sharply relevant to the future economic security of millions of Americans.

Our work on the elections process contributed to reform legislation drafted in response to the voting problems that gained national prominence in the November 2000 presidential election. A series of our reports disclosed major challenges involving the people, processes, and technology used at each stage of the election process—registering voters, absentee and early voting, preparing for and conducting election day activities, and tabulating votes in the 10,000 local election jurisdictions nationwide. The legislation passed by the Congress addresses federal subsidies for voting machinery, standards for the equipment, improved voter registration rolls, and improved access for voters with disabilities.

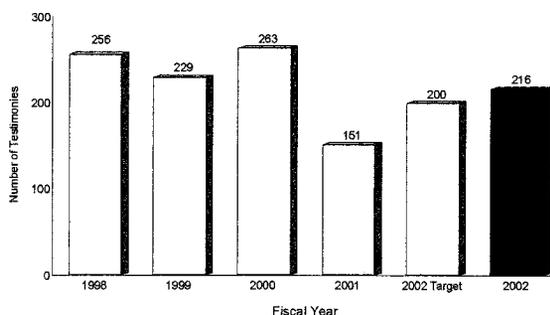
By year's end, we had testified 216 times before the Congress, sometimes on as little as 24 hours' notice, on a range of the issues. We had filled hundreds of urgent requests for information. We had developed 1,950 recommendations for improving the government's operations, including, for example, those we made to the Secretary of State calling for the development of a governmentwide plan to help other countries combat nuclear smuggling and those we made to the Chairman of the Federal Energy Regulatory Commission calling for his agency to develop an action plan for overseeing competitive energy markets. We also had

continued to track the recommendations we had made in past years, checking to see that they had been implemented and, if not, whether we needed to do follow-up work on problem areas. We found, in fact, that 79 percent of the recommendations we had made in fiscal year 1998 had been implemented, a significant step when the work we have done for the Congress becomes a catalyst for creating tangible benefits for the American people.

The following chart illustrates the number of congressional hearings at which GAO experts testified between fiscal years 1998 and 2002.

GAO Testimony at Congressional Hearings

FY 1998 - FY 2002



The following table highlights, by GAO's three external strategic goals, examples of issues on which we testified before Congress during fiscal year 2002.

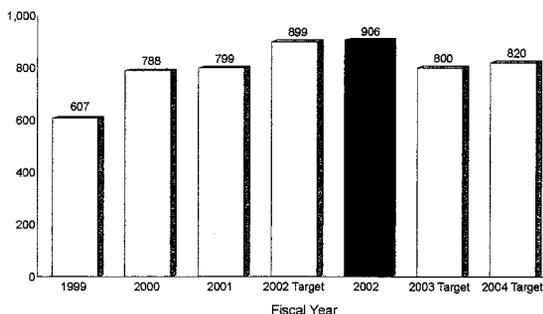
Table 3: Issues on Which GAO Testified During Fiscal Year 2002

Goal 1 Well-Being and Financial Security of the American People	Goal 2 Changing Security Threats and Challenge of Globalization	Goal 3 Transforming the Federal Government's Role
Aviation security Bioterrorism Blood supplies Child welfare Childhood vaccines Coast Guard's security missions Customs' cargo inspections Disability programs EPA cabinet status FBI reorganization Federal property management reform Food safety Highway trust fund Housing HUD management reform Identity theft Immigration enforcement Indian tribal recognition Intercity passenger rail Long-term care Medicare payments Nuclear waste storage Nursing homes Postal Service challenges Public health aspects of homeland security Retiree health insurance SBA's human capital challenges Social Security reform Transit safety and security VA health care Welfare reform Wildfire threats Workforce development	A-76 competitive sourcing Anthrax vaccine Ballistic missile defense Chemical and biological preparedness Combating terrorism Compact with Micronesia Conflict diamonds Debt relief for poor countries Encroachment on training ranges Export controls Food aid Foreign language needs Gulf War illnesses Information security aspects of homeland security International trade Nuclear smuggling Organizational aspects of homeland security SEC's human capital challenges Strategic seaport protection Terrorism insurance U.S. overseas presence Weapons of mass destruction	Contract management Contracting for services Corporate governance and accountability Debt collection DOD financial management Electronic Government Act of 2002 Electronic-government security Enterprise architecture Federal budget issues Federal building security Federal financial management reform Federal rulemaking requirements Freedom to Manage Act Human capital strategy Illegal tax schemes and scams Intergovernmental aspects of homeland security IRS modernization Medicaid financial management NASA's management challenges President's Management Agenda Purchase card controls Securing America's borders U.S. government's financial statements

In fiscal year 2002, we recorded 906 instances in which our work led to improvements in government operations or programs. For example, by acting on GAO's findings or recommendations, the federal government has taken important steps toward enhancing aviation safety, improving pediatric drug labeling based on research, better targeting of funds to high-poverty school districts, greater accountability in the federal acquisition process, and more effective delivery of disaster recovery assistance to other nations, among other achievements.

Other Benefits

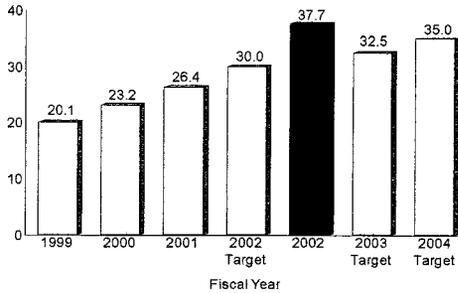
Number of Actions



In another 115 instances, federal action on GAO's findings or recommendations produced financial benefits for the American people: a total of \$37.7 billion was achieved by making government services more efficient, improving the budgeting and spending of tax dollars, and strengthening the management of federal resources. Increased funding for improved safeguards against fraud and abuse helped the Medicare program to better control improper payments of \$8.1 billion over 2 years, for instance, and better policies and controls reduced losses from farm loan programs by about \$4.8 billion across 5 years. Altogether, GAO's fiscal year 2002 financial benefits translate into a financial return on investment of \$88 for every dollar budgeted for GAO.

Financial Benefits

Dollars in Billions



Note: Changes GAO made to its methodology for tabulating financial benefits caused the fiscal year 2002 results to increase about 11 percent.

Of our seven agencywide annual performance targets (see the table), only one was not met: timeliness. While we provided 96 percent of our products to their congressional requesters by the date promised, we did not hit this measure's target of 98 percent on-time delivery. The year's turbulent events played a part in our missing the target, causing us to delay work in progress when higher-priority requests came in from the Congress. We know we will continue to face factors beyond our control as we strive to improve our performance in this area. But we believe the agency protocols we are piloting will help clarify aspects of our interactions with the agencies we evaluate and audit and, thus expedite our work in ways that could improve the timeliness of our final products. We also believe that our continuing investments in human capital and information technology will improve our timeliness while allowing us to maintain our high level of productivity and performance overall.

Table 4: Annual Measures and Targets

Performance measure	Fiscal Year							
	1999 Actual	2000 Actual	2001 Actual	2002 Target	2002 Actual	4-year avg. Actual	2003 Target	2004 Target
Financial benefits (dollars in billions)	\$20.1	\$23.2	\$26.4	\$30.0	\$37.7^a	\$26.9	\$32.5 ^b	\$35.0
Other benefits	607	788	799	770	906	775	800 ^b	820
Past recommendations implemented	70%	78%	79%	75%	79%	N/A	77%	77%
New recommendations made	940	1,224	1,563	1,200	1,950	1,419	1,250 ^b	1,250
New products with recommendations	33%	39%	44%	45%	53%	42%	50%	50%
Testimonies	229	263	151	200	216	215	180 ^b	200
Timeliness	96%	96%	95%	98%	96%	96%	98%	98.1%

^aChanges GAO made to its methodology for tabulating financial benefits caused the fiscal year 2002 results to increase about 11 percent.

^bFour targets published in GAO's performance plan for fiscal year 2003 were subsequently revised based on more current information. Two were raised; two were lowered. The original targets were financial benefits, \$35 billion; other benefits, 785; recommendations made, 1,200; and testimonies, 210.

N/A = not applicable

Accomplishments and Other Contributions

GAO is a key source of objective information and analysis and, as such, plays a crucial role in supporting congressional decision-making. For example, in fiscal year 2002 GAO's work informed the debate over national preparedness strategy, helping the Congress answer questions about the associated costs and program trade-offs, and providing perspectives on how best to organize and manage the new Transportation Security Administration and the new Department of Homeland Security. GAO's input was also a major factor in shaping the Sarbanes-Oxley Act, which created the Public Company Accounting Oversight Board, as well as new rules to strengthen corporate governance and ensure auditor independence. Further, GAO's work helped the Congress develop and enact election reform legislation in the form of the Help America Vote Act of 2002.

Congress and the executive agencies took a wide range of actions in fiscal year 2002 to improve government operations, reduce costs, or better target budget authority based on GAO analyses and recommendations.

In fiscal year 2002, GAO served the Congress and the American people by helping to:

- Contribute to a national preparedness strategy at the federal, state, and local levels that will make Americans safer from terrorism
- Devise election reforms to restore voter confidence

- Protect investors through better oversight of the securities industry and the accounting profession
- Ensure a safer national food supply
- Expose the inadequacy of nursing home care
- Make income tax collection fair, effective, and less painful to taxpayers
- Strengthen public schools' accountability for educating children
- Keep sensitive American technologies out of the wrong hands
- Protect American armed forces confronting chemical or biological weapons
- Identify the risks to employees in private pension programs
- Identify factors causing the shortage of children's vaccines
- Assist the postal system in addressing anthrax and various management challenges
- Identify security risks at ports, airports, and transit systems
- Save billions by bringing sound business practices to the Department of Defense
- Foster human capital strategic management to create a capable, effective, well-managed federal workforce
- Ensure that the armed forces are trained and equipped to meet the nation's defense commitments
- Enhance the safety of Americans and foreign nationals at U.S. installations worldwide
- Assess ways of improving border security through biometric technologies and other means
- Reduce the international debt problems faced by poor countries
- Reform the way federal agencies manage their finances
- Protect government computer systems from security threats
- Enhance the transition of e-government—the new "electronic connection" between government and the public

CONTRIBUTING TO NATIONAL PREPAREDNESS

Contributing to the Debate on Homeland Security: In a series of testimonies delivered in Washington, D.C., and throughout the country, GAO discussed the need for coordination and cooperation among all levels of government to develop a strategy to improve national preparedness and an effective response in the event of future terrorist attacks. Drawing on our body of work on terrorism, emergency preparedness, and policy options for the design of federal assistance, the testimonies noted the need for a national homeland security strategy to help redefine the roles of local, state, and federal government entities in light of new and emerging threats. The testimonies also discussed the need for developing performance goals and measures to assess the preparedness of all levels of government and for carefully choosing assistance tools, such as grants, regulations, and tax incentives, to facilitate the targeting of resources to the areas of highest risk and greatest need.

Helping Address the Broad Challenges of National Preparedness: Through numerous testimonies and reports, GAO has provided information and assistance to the Congress as it addresses the challenges of transforming the federal government to reduce risks from terrorist attacks. GAO's work has emphasized strengthening the risk management framework; developing and refining the national strategy, policy, and guidance structures; and bolstering the fundamental management foundation integral to effective public sector performance and accountability. In particular, GAO noted that the reorganization of homeland security activities to create the Department of Homeland Security will be a very difficult undertaking, but also a unique opportunity to create an effective, performance-based organization. Strategic planning, building partnerships, human capital strategies, communication and information systems and other factors will be critical to successful transformation. Strong and visionary leadership will be vital to creating a unified, focused organization from its many parts. In the near term, GAO reported, it will be important to articulate a clear overarching mission and core values, establish initial priorities, and develop an overall implementation plan for the new national strategy and related reorganization.

Progress Made in Unifying Homeland Security Efforts: The federal government has taken important first steps to unify the efforts of all levels of government and the private sector with regard to homeland security. As GAO recommended in reports from 1997 to 2002, the federal government has now established a focal point for combating terrorism (the Office of Homeland Security), developed a plan for countering terrorism, implemented risk management to enhance security at certain federal departments, and defined key terms such as "homeland security" and included the definitions in the National Strategy for Homeland Security. These actions will promote leadership among the many entities involved in homeland security and help to ensure that their efforts are mutually reinforcing and that they are using resources efficiently.

Improving Department of Defense (DOD) Force Protection Efforts: At the request of two congressional committees, GAO is continuing to evaluate the approach taken by each military service to protect military personnel, equipment, and capabilities from terrorist attacks and is examining the protection measures taken at domestic and overseas ports used for military deployments. In a collaborative effort, GAO worked with the DOD to identify and implement changes needed to improve the effectiveness of the department's force protection approach. This year, as a result of GAO recommendations, the department took steps to (1) improve its threat assessment methodology, (2) develop a departmentwide antiterrorism/force protection strategy, and (3) consistently apply risk management principles to prioritize requirements.

Identifying National Security-Related Foreign Acquisitions: In a June 2000 report, GAO found that the Departments of Defense, State, and Treasury knew about national security-related foreign acquisitions but did not inform the Committee on Foreign Investment. We recommended that U.S. government agencies improve the process for identifying and reporting acquisitions that may adversely affect national security. To implement our recommendations, the Department of Treasury initiated procedures to formalize the way the Committee on Foreign Investment shares information among member agencies about national security-related foreign acquisitions. Further, the Departments of Treasury, Commerce, Defense, and State developed procedures to ensure that when they identify national security-related foreign acquisitions, they also provide relevant information to the committee for distribution among all member agencies.

Focusing on Information Security As a Critical Element of National Preparedness: In the aftermath of the September 11, 2001, attacks, GAO assessed governmentwide progress in implementing critical infrastructure protection efforts, including (1) a discussion of related challenges facing the proposed Department of Homeland Security, (2) an analysis of the numerous organizations involved in protecting the nation's computer-based infrastructure, and (3) an identification of information-sharing practices that can benefit critical infrastructure protection. GAO's reports and testimonies detailed the growing array of threats, including cyber-terrorism, and related risks to our increasingly computer-dependent infrastructures, such as electric power, telecommunications, and key government services. In addition, GAO's products identified shortfalls and recommended solutions pertaining to the ability of the government to analyze threats effectively, respond to potentially damaging incidents, and work with the private sector to implement comprehensive risk-reduction measures.

Helping the Nation Prepare for Bioterrorism: Analyzing the results of its earlier work on the outbreak of West Nile virus, GAO identified a need for state and local governments to have the capacity to deal with conventional basic public health needs, because all epidemics, whether natural or terror-related, pose detection and treatment challenges. The Department of Homeland Security is expected to play a critical role in preparing for and responding to bioterrorism; therefore, we are working with the Congress and with federal public health agencies to better understand how to prepare for bioterrorism without compromising the government's ability to respond to basic public health needs. In addition, we are advising the Congress on ways the federal government can more effectively coordinate efforts to detect bioterrorism and treat its consequences.

Assessing the Implications of Applying Biometric Technologies to Border Security: In fiscal year 2002, Congress asked GAO to conduct a technology assessment pilot and examine the implications of using biometric technologies for border security. This assessment became immediately significant because recent legislation, such as the USA PATRIOT Act and Enhanced Border Security and Visa Entry Reform Act, requires the use of biometric identifiers along America's borders by 2004. Passports, visas, and other tools used to track and control the flow of people during "border crossing events" will incorporate biometric technologies, such as fingerprint recognition, facial recognition, or iris recognition. Our research points out that the existing biometric technologies have not yet been used at a scale comparable to the U.S. border control system and that the price tag for a biometrics-based system could be significant. We identified the need for high-level policy decisions, such as defining the specific uses of biometrics technologies and performing a cost benefit analysis that weighs the effectiveness and security benefits of biometrics versus the resource costs and probable consequences of implementation, including the effects on the economy, privacy, travel, and international relations.

Contributing to the Debate on Terrorism Insurance: In the aftermath of the September 11, 2001, attacks, GAO assessed the changes taking place in the insurance industry, the potential implications of these changes on the economy, and alternative approaches for government assistance to the industry. In October 2001, during testimonies before House and Senate Committees, GAO described alternative government-sponsored insurance programs used in other countries to cover losses from terrorist or catastrophic events. In February 2002, GAO again testified before the Congress to report that the insurance industry intended to largely exclude coverage for losses resulting from any future terrorist attacks, creating further uncertainty and economic vulnerability in the marketplace. GAO also outlined the desirable features of any government-sponsored program established to help ensure the availability of terrorism insurance coverage in the financial marketplace. The House and Senate used this information in structuring reform proposals.

ADVANCING AND PROTECTING U.S. INTERESTS ABROAD

Assessing Progress in Multilateral Trade Negotiations: In evaluating progress in multilateral trade negotiations, GAO issued two reports and a testimony on efforts to create a Free Trade Area of the Americas (FTAA) and a report on ongoing negotiations in the World Trade Organization (WTO). Our work on the FTAA highlighted the challenges that negotiators face, the status of technical negotiations in 12 key areas, and the potential economic effect of a completed FTAA on the U.S. Our work on the WTO negotiations analyzed the factors that led to the launch of the negotiations, identified the most critical milestones that need to be met, and evaluated the most significant obstacles negotiators face. This body of work has provided the Congress with the first comprehensive, objective analyses of the prospects for successful conclusion of both sets of negotiations, which they have been unable to obtain from U.S. trade agencies.

Improving the Delivery of Disaster Recovery Assistance: GAO evaluated \$621 million in emergency supplemental funding appropriated in May 1999 for countries affected by Hurricanes Mitch and Georges. As a result of our observations, among other things, the quality of rural road projects improved, an abandoned rural health clinic was staffed and made operational, new latrines were built for a school, and an agricultural project received an irrigation component. Also, two other U.S. government agencies supporting the recovery effort modified their programs to meet reconstruction needs, and one agency returned unused funds to the Treasury. In July 2002, GAO recommended several actions for USAID that will help ensure that it has the flexibility needed to better respond to similar disaster recovery needs, such as in Afghanistan. USAID has begun several reforms in the areas of strategic planning, funding alternatives, and staffing.

Upgrading U.S. Export Controls on Sensitive Technologies: GAO's many reviews of U.S. export control laws and programs have contributed to the congressional debate over how to revamp the current system and prevent sensitive technologies from falling into the hands of terrorists or states that support them. Among the improvements needed, GAO noted better justification for loosening controls over high-performance computers, better monitoring of the recipients of sensitive technologies, and greater information-sharing among supplier countries that export sensitive technologies. GAO's reports and testimonies have helped the Congress understand the weaknesses in the current process of controlling sensitive technology exports and how proposed changes to the Export Administration Act will affect the delicate balance between protecting our national security and promoting U.S. economic interests.

Supporting Embassy Rightsizing Initiatives: GAO prepared a rightsizing framework, which the Office of Management and Budget (OMB) is now using to assess staffing levels at U.S. embassies in Europe and Eurasia. We reported that such a systematic framework could aid executive branch efforts to have the right number of staff in overseas posts and recommended that the OMB use this framework to assess overseas posts' staffing levels. As a result of our report, the OMB sent a questionnaire to U.S. diplomatic posts in Europe and Eurasia to assess staffing levels. This effort should help achieve a more efficient allocation of limited overseas staffing resources and reduce operating costs.

Improving Language Skills in Key Federal Agencies: GAO's reports and testimony on problems with foreign language skills in federal agencies have focused congressional attention on a critical gap in the nation's fight against international terrorism, drug trafficking, and gang violence. Federal agencies have critical shortfalls in the numbers of Arabic, Chinese, Korean, and Russian interpreters and linguists on their staffs, resulting in the accumulation of thousands of hours of audiotape and thousands of pages of written material that have not been translated. Our reports analyzed the nature and extent of foreign language shortages, the strategies four federal agencies used to address shortages, and the agencies' efforts to implement an overall strategic workforce plan to address current and projected shortages. Numerous congressional committees have cited our work frequently as they considered strategies to prepare the federal workforce for the complex intelligence and foreign affairs challenges the nation faces.

Controlling the Illicit Diamond Trade: Rebel movements in a number of African countries, including those attempting to overthrow legitimate governments, have used diamonds to finance their military activities. GAO's work demonstrated that the ease of transporting and selling diamonds creates opportunities for illicit trade. Specifically, we focused on assessing an effort to develop and implement an international diamond certification scheme to deter diamonds coming from countries subject to UN and U.S. sanctions from entering legitimate markets. We recommended that the diamond certification scheme incorporate better internal controls and other accountability activities into its deterrence efforts. Our testimony and report on this issue have contributed to the debate over U.S. legislation and to congressional oversight concerning the U.S. role in the negotiations over the diamond certification scheme.

Helping Poor Countries Overcome Debt Problems: GAO's work demonstrated that existing debt relief efforts by the World Bank and the International Monetary Fund were insufficient to solve 42 impoverished countries' (mostly African) debt problems (amounting to more than \$200 billion). In contrast, we determined that the Bush administration's proposal to shift 50 percent of future debt relief from loans to grants would provide significant debt relief to these countries and would be affordable. GAO's findings contradicted the World Bank's, which projected a much higher cost over 40 years—\$100 billion for implementing the President's proposal compared to the \$15.6 billion that we projected. U.S. Treasury officials used our analysis and findings in negotiations with the World Bank and European countries; this resulted in a major shift in World Bank policies that now provide about 20 percent of debt relief in the form of grants.

BETTER TARGETING DEFENSE SPENDING

Adjusting Department of Defense Funding: GAO reviewed the reasonableness of DOD's budget requests for fiscal year 2002 to assist subcommittees in their appropriation and authorization deliberations. On the basis of GAO's findings, the Congress adjusted DOD's budget request by about \$2.1 billion. Specifically, the Congress adjusted (1) the military personnel request by almost \$600 million; (2) the operations and maintenance request by about

\$1 billion; and (3) the procurement and research, development, test, and evaluation request by \$539 million. Also, the Congress rescinded about \$562 million from DOD's fiscal year 2001 funds for DOD's supplemental appropriation. In addition, during internal DOD budget deliberations, DOD officials reduced the agency's foreign currency exchange estimates by **\$1.5 billion** for fiscal years 2002 and 2003. These adjustments did not affect readiness, and the Congress used the adjusted funds for other needs.

Consolidation Initiatives at Department of Defense Computer Centers Result in

Substantial Savings: GAO recommended that DOD deploy cost savings measures such as consolidation, modernization and outsourcing of computer center activities and processes to make computer center operations more economical and efficient. As a result, the Defense Information Systems Agency (DISA)—the agency responsible for managing Defense Enterprise Computing Centers—undertook a major DOD project that led to savings or cost avoidance over a 4-year period covering fiscal years 1998 through 2001. More specifically, DOD estimated savings or cost avoidances of \$700 million from consolidation initiatives at computer centers, \$39 million from consolidating software licenses, and \$19 million from optimization of storage capabilities. The net present value of the estimated financial benefit is **\$859 million**.

Delaying Full-Rate Production of the V-22: In January 2001, GAO briefed the Secretary of Defense's V-22 Blue Ribbon Panel about our findings on the aircraft. The Blue Ribbon Panel was formed to investigate the V-22 after a fatal crash in December 2000, just prior to the aircraft's planned full-rate production. The panel received information from GAO about reductions in development testing, test waivers, deficiencies identified during operational tests, and results of an earlier April 2000 crash investigation that also involved fatalities. Much of the information in our briefing about the V-22 had not been previously disclosed. The panel used the information to support its position that the V-22 was not ready for full-rate production and that only a minimum production rate should be continued during additional testing and evaluation of the aircraft. The Congress subsequently rescinded \$446.5 million from the fiscal 2001 supplement request and reduced the fiscal 2002 request by \$296.3 million. The net present value of the two actions is **\$763.8 million**.

More Efficient Use of In-orbit Satellite Capabilities: In 1998, GAO reviewed DOD's development of the Space-Based Infrared System (SBIRS), under which the launch of the first SBIRS satellite was planned for fiscal 2002. We reported that implementing this plan would put eight excess satellites in orbit without providing sufficient ground processing capabilities for the data the satellites generated. We recommended that the Secretary of Defense review and assess, launch alternatives. As a result, DOD delayed the launch of the first SBIRS satellite from fiscal 2002 to fiscal 2004 and subsequently delayed other such launches. These delays, which allow DOD to use existing satellites until the end of their expected lives and avoid 8 years of excess satellite capability, saved about **\$702 million** in satellite costs.

Assuring Contingency Funds are Spent Properly: Since 1991, the DOD has spent more than \$25 billion in support of military operations in the Balkans and the Persian Gulf. In assessing DOD's use of contingency operations funds in fiscal years 2000 and 2001, we identified millions of dollars in questionable expenditures resulting from limited guidance and oversight combined with a lack of cost consciousness. In responding to our findings, the Congress reduced DOD funding for those operations by **\$650 million** in fiscal year 2002. In commenting on our report, DOD also **stated** its intention to improve its guidance for and oversight over the use of contingency funds.

Reducing Risks in F/A-22 Aircraft Program: In a March 2002 mandated report, GAO recommended limiting production in the Air Force's F/A-22 aircraft program until operational testing is complete to minimize the risks of producing large quantities of aircraft that may require costly modifications. We reported the extent of the delay to development testing and predicted how this delay would likely further affect subsequent operational testing and thus increase program risks. Our analysis helped the House Appropriations Committee include language in the Fiscal Year 2003 Defense Appropriation Act to delay funding for seven F/A-22 production aircraft until DOD completes a formal risk assessment. This assessment will identify the potential cost, technical, schedule, or other risks resulting from increased F/A-22 production quantities prior to the conclusion of operational testing.

Assisting in Decisions on Funding for Military Operations: The Congress appropriated more than \$10 billion in support of ongoing military operations in fiscal year 2002, including those to combat terrorism and to support peacekeeping in the Balkans and the Persian Gulf. In a series of briefings for the Senate Appropriations Committee, GAO provided information on costs incurred to date for these operations, likely future costs, the adequacy of funds appropriated to support the operations, and the actual expenditures made with these funds. GAO also issued reports in May 2002 and September 2002 on the expenditure of such appropriated funds and funding needs in the Balkans, respectively. The committee used GAO's information in deciding on appropriations levels for these operations.

Evaluating DOD's Chemical and Biological Defense Program: In response to congressional concern, GAO has been increasing its review efforts on the status and progress of DOD's Chemical and Biological Defense Program and military service readiness in this area. GAO's reports have identified problems and recommended a number of corrective actions, particularly in areas such as chemical and biological defense equipment and training, unit readiness reporting, program organization, and command emphasis and leadership. DOD has concurred with the vast majority of GAO's recommendations and is presently working on several major initiatives to resolve identified problems and make program improvements. These initiatives have resulted in savings of approximately \$2 million during fiscal year 2002.

TRANSFORMING THE MANAGEMENT CULTURE AT DOD

Improving the Management of DOD's Privatization of Military Family Housing: During fiscal year 2002, we issued a report and briefed congressional staff several times on areas where DOD could improve the management of its privatization of military family housing. We reported that privatization projects were not supported by reliable needs assessments and that the overall requirement for military housing was not well defined. We concluded that the military might be entering into unnecessary, long-term privatization contracts to construct, replace, or renovate housing. Accordingly, we recommended that DOD use a broader range of factors in defining military housing requirements, modify its guidance for performing life-cycle cost analyses, and implement several changes to enhance government protections in the privatization program. DOD generally agreed with the recommendations and has outlined ongoing management actions to address our suggestions. As a result of our report, congressional staff also opened up a dialogue with DOD officials on issues related to privatizing military family housing.

Improving Military Benefits: In response to a congressional request, GAO assessed the military benefits package provided to active duty members and their dependents. We noted in both our testimony and report that the military offered all the core benefits extended by most

private sector firms, including health care, paid time off, life insurance, and retirement pay. Furthermore, military benefits, such as free housing, free health care for members, and discount shopping at commissaries and exchanges, may exceed private sector benefits. We also reported that although military benefits have generally kept pace with the demographic changes in the active duty force, there are opportunities for improvement. We recommended that DOD (1) develop measures for tracking and assessing the effectiveness of the employment assistance services offered to military spouses at military installations and (2) assess the feasibility, costs, and benefits of offering extended time off to new parents as a way to increase retention of trained, experienced personnel.

Assessing the Army's Transformation Efforts: GAO issued two reports assessing the Army's transformation efforts. Our report on the Army's Transformation Campaign Plan identified six challenges the Army faces as it manages transformation over the next 30 years: technology, schedule, acquisitions, operations, human capital, and funding. DOD concurred with the findings and stated that it will continue to address these challenges as it attempts to maintain timeliness. Our second report evaluated the Army's formation of the first two of the six planned Interim Brigade Combat Teams (IBCT). The report outlined challenges to logistical support planning and shortfalls in combat capability that the Army is facing as it forms the IBCTs. We made recommendations designed to assist the Army in overcoming these challenges. DOD generally concurred with the findings, and the Army began to take action to implement the recommendations.

HELPING THE CONGRESS REDUCE OR BETTER TARGET BUDGET AUTHORITY

Improving Farm Loan Programs: In 1990, GAO designated the Department of Agriculture's Farm Loan Programs as a high-risk area because of billions of dollars of losses attributable to significant problems primarily with the department's direct loan portfolio. Since then, the department has implemented many of our recommendations to improve the program, and the 1996 Farm Bill incorporated our key legislative recommendations. These changes eliminated the revolving-door credit for which the department had become known and gave farmers strong incentives to repay their loans rather than to seek loan forgiveness or loan refinancing that included write-offs of delinquent debt. We estimated that, during the 5 years following enactment of the 1996 Farm Bill, improvements in the program reduced losses on direct loans by about **\$4.8 billion**, compared with the losses for the 5 preceding years.

Reducing the Cost of Federal Housing Programs: In response to GAO reports and recommendations over the past several years, the Congress, HUD, and the U.S. Department of Agriculture's Rural Housing Service took actions that produced financial benefits totaling \$6.1 billion. Over **\$4.8 billion** resulted from GAO's recommendation that HUD review unexpended balances in all of its programs to ensure timely expenditure of appropriated program funds. The remaining benefits resulted from a series of actions in response to our work. For example, the Congress (1) funded fewer new programs or set-asides than HUD had requested, (2) terminated Operation Safe Home, and (3) enacted legislation that replaced HUD's home mortgage assignment program with less costly alternatives. Additionally, the Rural Housing Service centralized its servicing for rural single family housing loans.

Reducing Nuclear Waste Treatment Costs: In 1996, GAO reviewed Department of Energy's (DOE) Hanford, Washington, tank waste privatization project and found many unresolved technical and financial uncertainties. In 1998, GAO compared DOE's Hanford approach with several alternative contracting and financing strategies and suggested that DOE reassess its

approach in light of significant cost growth. In June 2000, GAO testified that DOE should reevaluate its Hanford approach and consider other contracting and financing options. DOE subsequently terminated the Hanford tank waste project, and, after evaluating alternative contracting and financing options, awarded a new contract that is expected to achieve significant cost reductions—about \$4 billion—over the life of the construction phase. The financial benefit for fiscal years 2003, 2004 and 2005 is about **\$1.5 billion**.

Retaining the Substantial Gainful Activity Level for the Blind: To establish and maintain eligibility for disability insurance benefits, beneficiaries must not only meet medical eligibility criteria but also demonstrate that they are not earning above a certain amount—known as the Substantial Gainful Activity (SGA) level. In March 2000, congressional hearings focused on the role of earnings in determining initial and continuing eligibility for disability benefits for individuals who are blind or have other disabilities. Prior to these hearings, bills introduced in the House and Senate had proposed eliminating the SGA level for the blind. While an advocate organization for the blind testified that it wanted the Congress to eliminate the SGA level for the blind, GAO responded that doing so would increase the costs of disability insurance and fundamentally alter the purpose of the disability insurance program by removing the connection between eligibility for benefits and the inability to work. As a result of our testimony, the Congress retained the SGA for the blind, resulting in a financial benefit of **\$1.124 billion** in fiscal 2001 and 2002.

Eliminating Maintenance-of-Effort Funding for a Food Stamp Program: In 1996, welfare reform tightened work requirements for some food stamp participants, potentially making it difficult for them to obtain benefits if they were unable to find jobs. To avoid cutting off benefits for participants who were willing to work but unemployed, the Congress authorized increased funding for the food stamp employment and training programs. These funds were called maintenance-of-effort funds because the states were required to maintain their state-funded expenditures for employment and training at a level no lower than in fiscal 1996. GAO found that the states had spent \$98 million, or 30 percent of the funds available, for the food stamp employment and training program in fiscal 2000. Because unobligated balances are carried over from prior years, \$426 million was available for employment and training in fiscal 2001. Our findings led the Congress to eliminate the maintenance-of-effort funding and thereby reduce funding for the overall program by **\$343 million** in fiscal 2002.

Protecting the Taxpayer against Faulty Analyses in Public Works Programs: GAO found that the Corps of Engineers' economic justification for the proposed deepening of the Delaware River ship channel was seriously flawed. The Corps' justification contained numerous material errors, including miscalculations, invalid assumptions, and the use of significantly outdated information. Furthermore, the Corps' quality control process failed to identify these major flaws. Acting on GAO's findings, the Corps' Director of Civil Works suspended this **\$311 million** project pending a comprehensive reanalysis. Moreover, in light of the many problems identified for this individual project, the Director ordered a review of 164 other projects.

Improving Collection of Nontax Debt: GAO continues to promote the various tools prescribed by the Debt Collection Improvement Act of 1996 to recoup delinquent debt balances, which continue to be in the \$60 billion range. Acting on our recommendations, Treasury and other agencies have increased collection by using more efficient processes to identify and transfer eligible amounts to Treasury for centralized debt collection action and by increasing the types of federal payments that can be intercepted to recover delinquent debt. Although debt collection continues to be a major challenge, the amounts collected from these efforts have added over **\$300 million** to a steadily growing stream of recoveries.

Reducing the Federal Aviation Administration's Budget: GAO assisted the Senate Appropriations Committee, Subcommittee on Transportation, with markups of the FAA's budget. In briefings, we identified several facilities and equipment projects as candidates for budget reductions. On the basis of our analysis, the House and Senate Appropriations Committees reduced the agency's fiscal year 2002 budget by **\$99 million**.

Ensuring a Cost-Effective Census: Beginning in 2001, GAO initiated a series of congressionally requested reviews of the lessons learned from the 2000 Census to help improve the cost-effectiveness of the next national headcount, for which planning is already underway. This past year, GAO's recommendations led to operational improvements that could produce more accurate data and help control costs. For example, GAO's review of the Census Bureau's field data collection activities prompted the bureau to develop more rigorous quality assurance procedures, while GAO's analysis of the Census Bureau's budget identified savings of **\$93 million** and helped make the bureau more financially accountable.

Adopting Standard State Department Embassy Construction Project Designs: For several years, GAO has encouraged the State Department, through improved planning, to exercise better control over the cost of new embassies it constructs overseas. To reduce costs and construction time, GAO strongly encouraged State to use standard designs for its new embassy construction projects. In 2001, State took several actions to improve planning and hold down construction costs, including the use of standard size and design criteria. Using this approach, State adopted three size and cost categories for its construction projects and was able to reduce the cost of six construction projects in late 2001. As a result, the expected costs for these projects were reduced by more than **\$90 million**.

Improving Medicare Debt Collection: In September 2000, GAO identified a multibillion dollar backlog of uncollected, delinquent Medicare debt owed by providers. Medicare's administering agency, the Centers for Medicare and Medicaid Services, had made little progress in referring such debt for collection to the Department of the Treasury or its designee, as required by the Debt Collection Improvement Act of 1996. We also found in 2000 that Treasury had not worked with agencies, including the Department of Health and Human Services (HHS), to develop adequate debt referral plans and to oversee debt referral. In fiscal 2001, CMS began implementing our recommendations and accelerated the referral of its aged, delinquent debt. Under the revised debt referral process, in fiscal 2001 and the first three quarters of fiscal 2002, collections of delinquent debt amounted to almost **\$55 million**.

Reducing Government Contingent Liabilities by Billions: As part of its plan for the Year 2000 transition, the National Credit Union Central Liquidity Facility (CLF) was allowed to increase the limit on loans to credit unions from about \$2.7 billion to \$20.7 billion. The National Credit Union Administration requested that this higher lending limit be maintained after the Y2K transition. GAO found that, although CLF lending to credit unions did increase during the 3 months before 2000, most credit unions' funding needs were met through corporate credit unions and CLF's own resources, not through the money CLF had borrowed for that period. GAO concluded that there would be no need to increase the lending limit. As a result, the Congress decided to increase CLF's lending limit by only a minimal amount, thereby reducing the government's potential liability.

Tracking Funds for United Nations Population Fund: GAO investigated whether the Department of State failed to report an impoundment of \$34 million of a lump sum appropriation for International Organizations and Programs. State was authorized to make these funds available for the United Nations Population Fund (UNFPA) after it ensured that UNFPA

practices satisfied several statutory conditions. The State Department determined that UNFPA practices did not meet the conditions and that the funds would not be released. We concluded that to avoid an impoundment of the funds, the State Department must make the funds available for obligation to other programs financed by the International Organizations and Programs lump sum appropriation.

Strengthening FDA's Prescription Drug Oversight Activities: The 1992 Prescription Drug User Fee Act, which was reauthorized in 1997, has given the Food and Drug Administration (FDA) the funding to approve new drugs and biologics more quickly. GAO's work showed that (1) drugs have been withdrawn from the market for safety reasons at a greater rate since the law's enactment in 1992 and (2) FDA has reduced its funding and staffing for other activities, such as the regulation of food and medical devices, so that it could fund its drug reviews adequately. Partly on the basis of our work, the Congress reauthorized the act in 2002 and allowed FDA to use user fees to fund a new risk management system for newly approved drugs that could lead to earlier detection of unanticipated drug side effects.

Ensuring Accountability in Medicaid and SCHIP: GAO informed policy deliberations on the appropriateness of recent HHS waivers of federal requirements granted to states for managing their Medicaid and State Children's Health Insurance Programs (SCHIP). We found that HHS had approved waivers for purposes not authorized by statute and had not ensured that the waivers received adequate public input before being approved. We suggested that the Congress and HHS take several actions to correct these problems. HHS has since revised its guidance to states on obtaining public input and has made waiver applications and decisions more readily available to the public. The leadership of the Senate Finance Committee, after highlighting the concerns with the waiver approvals and approval process in publicly released letters to HHS, proposed legislation to address the unauthorized uses of funds and inadequate public input process.

Limiting Potential Abuse of the Government Pension Offset Exemption: In August 2002, GAO completed a time-sensitive and high-profile review of potential abuse by state and local government employees of an exemption to the Government Pension Offset—a provision designed to equalize the treatment of workers covered by Social Security and those with noncovered government pensions. This review resulted in a congressional briefing and final GAO report documenting a practice that could cost the Social Security Trust Fund hundreds of millions of dollars. The Congress is currently considering legislation drafted in response to our report that would address the potential abuse.

ENSURING PUBLIC HEALTH, SAFETY, AND WELFARE

Preventing Inappropriate Medicare Payments: Responding, in part, to a body of GAO work and recommendations, the Congress passed legislation in 1996 that increased funding from fiscal 1998 through fiscal 2003 for activities to help safeguard the Medicare program from improper payments. With this increased funding, the HHS created a fraud and abuse control program and a Medicare integrity program for a variety of abuse-constraining activities. The increased funding for these two programs helped the Medicare program control improper payments by an additional **\$8.1 billion** for fiscal years 2001 and 2002.

Improving Veterans' Access to Medicines for Treating Psychosis: GAO reported that because of cost considerations procedures at some Department of Veterans Affairs (VA) facilities have limited or could restrict access to an atypical antipsychotic drug on VA's national

list of drugs for treating schizophrenia and bipolar disorders. Such procedures are contrary to VA's prescribing guideline for atypical antipsychotic drugs. In response to our work, VA has reiterated to all its employees that they should follow the prescribing guideline that allows veterans access to the most appropriate medication for treatment. Furthermore, VA has enhanced the capability of its pharmacy database so that VA management can now monitor physicians' prescribing practices for these medications at each facility.

Including Women in Health Research: GAO has issued a series of reports on the inclusion of women as study subjects in clinical research funded by the National Institutes of Health (NIH) and clinical drug trials reviewed by the FDA. In response to our work, both agencies have taken steps to increase the participation of women in study populations. Most recently, NIH took action in response to our recommendation that, to better monitor inclusion, NIH staff who transmit data on study populations to the agency's tracking system should receive ongoing training on the system's purpose and requirements. After deploying a new tracking system to monitor the inclusion of women and minorities in clinical research, NIH provided extensive training, including demonstrations and hands-on training. In addition, all training materials will remain available to NIH staff on-line.

Establishing Criteria for Educational Progress for Disadvantaged Children: In 2000, GAO reported that states' criteria for assessing the performance of school children did not allow for specifically identifying the performance of disadvantaged children. As a result, the states could not gauge the impact of title I funds on these children. We recommended that the Congress consider requiring that the states establish criteria for progress specifically for disadvantaged children, as well as for all students. Responding to our recommendation, the No Child Left Behind Act of 2001 required that the states, in defining adequate yearly progress, set separate objectives for improvement in the achievement of economically disadvantaged students, students of major racial and ethnic groups, students with disabilities, and students with limited English proficiency.

Improving the Nation's Supply of Childhood Vaccines: Over the past 2 years, supplies of vaccines for childhood illnesses, such as measles, mumps, rubella, and tetanus, have proved inadequate to meet public needs, causing some states to postpone vaccination requirements for schoolchildren and prompting federal authorities to recommend deferring some immunizations. GAO identified factors that contribute to the shortage of childhood vaccines and helped policymakers frame the problems, such as how to expedite the licensing of vaccine products and how to manage vaccine stockpiles, so that shortages do not become commonplace.

Maintaining an Adequate Blood Supply: Maintaining a safe and adequate blood supply is key to meeting the nation's emergency needs. In a 2002 report and associated testimony, GAO documented deficiencies in the collection and distribution of blood, as evidenced by experiences after September 11, 2001. Blood donations increased significantly then, leading to a nationwide surplus that stressed the collection system and resulted in six times the usual proportion of blood becoming outdated and discarded in the months following the attacks. Blood suppliers and the federal government now are reevaluating how blood is collected during and after disasters to avoid a repeat of this experience and to ensure that the inventory of blood on hand in the nation's blood banks is always sufficient to meet the medical needs of disaster victims.

Understanding What It Takes to Ensure Accountability for Public Education: In 2001, the Congress passed the No Child Left Behind Act, building on earlier efforts to make the states more accountable for public education and signaling the continuing importance of improving student achievement. In 1994, concerned that federal funding was not significantly improving

the educational progress of at-risk students, the Congress changed title I of the Elementary and Secondary Education Act to require that the states ensure accountability in their public school systems. A key requirement was student testing. The No Child Left Behind Act raised the stakes for schools that fail to achieve adequate test scores. But this year, collaborating with other audit organizations, GAO studied the states' implementation of the 1994 requirements and found widespread shortcomings, raising the question of the states' capacity to fulfill the additional requirements of the 2001 legislation. For Americans concerned about improving public education, the lesson of our work is that setting accountability requirements, such as student testing standards, is only part of the job. Effective implementation, including such basics as ensuring that tests are scored accurately, is also important.

Safeguarding Personal Information: In 2002, GAO reported and testified on the ways in which governments at all levels use the social security number (SSN) and the extent to which they protect it. Our work pointed particularly to the challenge of safeguarding the personal information, including SSNs, that appears on public records, is for the most part available to the public, and in some instances is available over the Internet. Our contacts with a variety of local record-keeping officials and national organizations representing such officials has helped bring these issues to public attention, and actions to secure such information, or remove it from public records entirely, are under consideration by such groups.

Alerting the Congress to the Prevalence and Cost of Identity Theft: Identity theft is the fastest-growing type of crime in the U.S. It involves "stealing" another person's personal identifying information—such as the SSN, date of birth, and mother's maiden name—and then using the information for fraudulent purposes. GAO's reporting helped the Congress devise the Identity Theft and Assumption Deterrence Act of 1998. Since then, most states have enacted laws that make identity theft a crime. Still, the growth of identity theft and the frequently multi- or cross-jurisdictional nature of this type of crime underscore the importance of cooperation among federal, state, and local law enforcement authorities. This year, we reported further on the prevalence and cost of identity theft and worked to promote awareness and use of intergovernmental mechanisms for enhancing data sharing and enforcement.

Formulating a Plan for the Multi-Billion-Dollar Everglades Restoration: Restoring the Everglades will take billions of dollars over 50 years and require many federal and non federal agencies to work together to achieve the goals of a healthy, restored ecosystem. Since 1999, we have identified several components missing from the initiative's basic planning and organizational structure and have made recommendations to improve the prospects for restoration. In response, the Congress required the task force that administers the initiative to develop a strategic plan and a conflict resolution process and to prepare a land acquisition plan. The task force developed its first strategic plan in 2000 and updated the plan, in part to address our comments, in 2002. It is currently finalizing the land acquisition plan and a conflict resolution process. Our ongoing work on the initiative includes a study on the coordination of scientific activities to support restoration and contributions to congressional oversight hearings on the progress made in developing scientific information.

Making the Food Supply Safer for the American People: Although the U.S. food supply is considered one of the safest in the world, foodborne illness remains an extensive and expensive problem, raising concerns about the federal government's ability to ensure the safety of domestic and imported foods. Recently, the threat of deliberate contamination of our food by terrorists has significantly elevated those concerns. After we issued a series of reports and testimonies on the federal government's ability to ensure the safety of the food supply, the Congress and federal agencies took action to strengthen oversight and enforcement of the

federal food safety system. For example, the Congress included several food safety provisions in the Public Health Security and Bioterrorism Preparedness and Response Act of 2002, including those that (1) strengthen the FDA's authority to prevent the reimportation of potentially unsafe food that has been refused entry into the U.S. and (2) require domestic food-processing firms to register with FDA to ensure that they are known to the agency and subject to its processing regulations. In addition, the U.S. Department of Agriculture developed a training and certification program and required statistical process controls for a pilot program testing a new inspection approach for slaughter facilities.

Strengthening Federal Efforts to Prevent and Fight Wildfires: In 1998, GAO first reported on the potential for large catastrophic wildfires to cause extensive damage to forests and nearby communities. Since then, we have facilitated the involvement of federal agencies in (1) coordinating their actions and providing overall leadership, (2) identifying the major causes of these types of fires and setting priorities for reducing their effect, and (3) identifying ways for the agencies to enhance their preparedness for fighting these fires. As a result of our efforts over the years, the Department of Agriculture and the Department of the Interior have developed a cohesive strategy to help restore and maintain the health of ecosystems damaged or threatened by catastrophic wildfires. This strategy includes setting priorities to deal with the problem, establishing a Wildlands Fire Leadership Council to provide coordination and leadership to address catastrophic wildfire threats, and beginning to hire additional firefighters and purchase additional fire-fighting equipment to enhance the agencies' fire-fighting capability.

Promoting a Clearer Understanding of Gulf War Illness: Since the mid-1990s, GAO has given visibility to ongoing privately funded research into the nature and causes of Gulf War Illness and the methodological obstacles faced by researchers. Early research sponsored by the DOD emphasized stress as a potential causal factor in Gulf War veterans' illnesses; however, privately funded research augmented this with the investigation of a range of physical exposures, including chemical agents. One result of our attention to this issue has been DOD's growing acceptance of alternative views on the nature and causes of Gulf War Illness.

Understanding Increasing Long-Term Care Demand and Expenditures: In a series of testimonies and a report, GAO showed that spending for long-term care could nearly quadruple by 2050 as the baby boom generation ages and demand for services increases. This burgeoning spending will especially impose burdens on federal and state budgets, because public programs—particularly Medicaid—finance most long-term care expenditures. We also demonstrated that services offered to elderly individuals needing long-term care could vary widely, depending on the coverage available through states' Medicaid programs and case managers' assessments of individuals' needs. The U.S. Senate Special Committee on Aging drew extensively on our work in developing its findings and in its ongoing consideration of long-term care financing reform.

Enhancing Aviation Safety: In response to a request from the Subcommittee on Aviation, House Committee on Transportation and Infrastructure, GAO reviewed the Federal Aviation Administration's (FAA) implementation of the Pilot Records Improvement Act of 1996. This act responded to seven fatal commercial airline accidents that were attributed, in part, to errors by pilots who had been hired without background checks. Our 2002 report found compliance problems at some airlines. In addition, we pointed out that FAA did not incorporate guidance on the act in its training or handbooks for inspectors. We made recommendations designed to assist FAA in overseeing the act's implementation and in determining whether carriers have conducted the required background checks before making final pilot hiring decisions.

Protecting the Public from Nuclear Terrorism: The U.S. has spent over \$5 billion to prevent the transfer of nuclear material and scientific expertise that could be used to develop a nuclear bomb or a radiological weapon from Russia and other states of the former Soviet Union to terrorists or countries of concern. Because of our work, the federal agencies involved have (1) begun to develop an overall plan to coordinate their international efforts, (2) consolidated programs to better target limited resources, (3) focused on ensuring that security improvements are sustained by the host countries, (4) decided to upgrade radiation detection equipment already installed and establish minimum standards for new installations, and (5) begun to develop a strategic plan for installing nuclear detection equipment on U.S. borders.

Improving Peace Corps Safety and Security Practices: GAO found that the Peace Corps' efforts to implement effective safety and security practices have produced mixed results and that a number of factors hamper the agency's efforts to ensure overall high-quality performance, including unclear guidance, staff training that is sometimes inadequate, uneven application of supervision and oversight mechanisms, and staff turnover (due largely to the "5-year rule"—a statutory restriction on tenure for U.S. direct-hire employees). As we completed our review, the Peace Corps announced a series of initiatives that, if effectively implemented, could improve its practices and thus reduce the potential risks facing volunteers. The Peace Corps has (1) developed a protocol for reporting on and reviewing implementation of agency policies, (2) expanded its Government Performance and Results Act reports to include 10 quantifiable performance indicators of safety and security performance, (3) stated that it will continue to update and strengthen these indicators as it gains experience in implementing its safety and security initiatives, and (4) launched a comprehensive review of the effect of the 5-year rule on agency operations.

Improving Pediatric Drug Research and Labeling: Partly on the basis of GAO's testimony, the Congress passed the Best Pharmaceuticals for Children Act of 2001, which reauthorizes what is known as the pediatric exclusivity provision of the FDA Modernization Act of 1997—a provision that extends manufacturers' exclusive marketing rights by 6 months for drugs that are studied in pediatric patients. We testified that this provision had been successful in generating clinical studies for drugs tested by manufacturers for pediatric use. The 2001 act also addresses another key issue we identified. Specifically, it requires that safety information from pediatric studies be added to drug labels in a timely manner and provides a process by which FDA can seek labeling changes to drugs granted pediatric exclusivity.

SAFEGUARDING GOVERNMENT INFORMATION SYSTEMS

Helping to Advance Major Information Technology Modernizations: GAO's ongoing work has helped to strengthen the management of complex, multibillion-dollar IT modernization programs at the Internal Revenue Service (IRS) and the Customs Service to improve operations, promote better service, and reduce costs. For example, our "constructive engagement" with IRS on its **\$2.5-billion** systems modernization program contributed to the development of enterprise architecture to guide and constrain the acquisition and deployment of IT systems, ensuring that they operate together properly, thus avoiding expensive rework. Similarly, Customs is following our recommendations to better align its ongoing modernization program with its enterprise architecture, as well as to improve cost estimating, human capital capacity, and software process maturity.

Helping Reduce Risks Involving Information Security: GAO has identified information security as a governmentwide high-risk area, and its ongoing work identifying information security vulnerabilities has helped mitigate risks to critical federal operations/assets and improve the government's ability to respond to cyber attacks and intrusions. Improvements stemming from recommendations in prior years' audits and recent follow-up work included actions by the Departments of Commerce, Defense, Interior, Education, and Veterans Affairs. Further, GAO's recommendations during fiscal year 2002 prompted new actions at the Departments of Defense and Treasury and at the Federal Deposit Insurance Corporation to strengthen information security for protecting sensitive data from unauthorized disclosure, modification, and loss.

Leveraging Technology to Make Government Information More Accessible: GAO reviewed the current status and implementation challenges associated with the Extensible Markup Language (XML), an Internet-based technology that promises to make it much easier for government agencies to organize and exchange information that may initially be dispersed among different systems and organizations. GAO's report was widely publicized in the IT community and sparked debate among federal officials about the next steps in advancing adoption of the technology. Efforts are underway to implement a key GAO recommendation regarding establishment of an electronic registry of government XML data definitions and structures.

Facilitating the Transition to E-Government: GAO helped the Congress reach a balanced view of the complex management and technical challenges involved in the transition to e-government and development of key tools. For example, as the government's FirstGov Web portal was being introduced, GAO identified steps needed to enhance and maintain the government's new "electronic connection" with citizens and threw the spotlight on important challenges to overcome in protecting FirstGov's sensitive Web-linked data. Similarly, GAO's detailed look into emerging technologies, such as public key infrastructure, identified potential opportunities for the government's use of this powerful new technology for digitally signing and securely transmitting electronic messages and data.

Helping Protect the Privacy of Individuals When Researchers Use Federal Data Bases: Academic and agency researchers and statisticians have access to a broad array of federal data bases, such as major public health survey results and Social Security records. Agencies share this information with the understanding that the identities of individuals will be protected. However, the risk exists that the "linkages" among various data sets can violate—whether purposely or inadvertently—the privacy of individuals. In response, GAO has developed strategies for "data stewardship"—specific steps that agencies can take to lessen privacy risks even as they put federal and other data bases to their most productive uses. We have applied our understanding of technical and research concerns, as well as political sensitivities, to alert researchers and agencies to both the risks to privacy and the practical means of mitigating those risks.

IMPROVING ACQUISITION AND SOURCING MANAGEMENT

Contributing to Improved Contracting Practices: GAO's July 2002 report addressing governmentwide acquisition contracts was the first across-the-board look at these relatively new contracting mechanisms, in which agencies use contracts and acquisition services offered by other agencies and pay a fee for these services. As a result of our analysis, two agencies have already taken actions to improve their financial reporting, and OMB has changed its guidance

governing the use of such contracts. In addition, we found that the GSA schedule program's fee structure generated excess revenues amounting to **\$151 million** for fiscal years 1999-2001. As a result, GSA agreed that it needs to revise its fee structure.

Accountability in the Federal Acquisition Process: GAO is statutorily vested with authority to resolve disputes concerning the awarding of government contracts. In this role, GAO issues decisions on bid protests, resolving complaints that solicitations for contracts unduly restrict competition or that contracts have been awarded improperly. When a bid protest is found to have merit, we recommend actions appropriate to correct the violation of law involved in the procurement at issue. Our decisions on several of these protests are widely viewed as contributing significantly to ensuring a fair process and protecting the integrity of public/private competitions. For example, bidders challenged the Department of the Air Force's award of an A-76 contract on the basis of cost comparisons. GAO found that the Air Force failed to ensure that the in-house cost estimate and the protester's offer were based upon the same scope of work and performance standards. As a result of GAO's decision and recommendation, the agency awarded the contract to the protesting bidder.

Improving DOD's Major Weapon System Acquisition Process: GAO issued a report in fiscal year 2002 that identified best practices for capturing knowledge about a product's design and manufacturing at critical points during its development, thereby reducing cost and schedule risk. On the basis of our analysis, we concluded that DOD could achieve better outcomes from its acquisition programs by ensuring that knowledge is captured at key decision points. We recommended that DOD require specific information as exit criteria at these key points during product development and require the program manager to document that information. We also recommended that DOD structure its contracts for major weapon system acquisitions to provide incentives to the contractor to capture knowledge by making such information the basis for continuing the program. DOD accepted our recommendations, endorsed the use of these best practices, and wrote several of them into its newly revised acquisition policy. If DOD successfully applies this policy to individual weapon system programs, it will enable better design and production decisions and will lessen the likelihood of unanticipated cost and schedule increases.

Helping to Advance Major Information Technology Modernizations: GAO's ongoing work has helped to strengthen the management of complex, multibillion dollar IT modernization programs at the IRS and the Customs Service to improve operations, promote better service, and reduce costs. For example, our "constructive engagement" with IRS on its \$2.5 billion systems modernization program contributed to the development of enterprise architecture to guide and constrain the acquisition and deployment of IT systems, ensuring that they operate together properly, thus avoiding expensive rework. Similarly, Customs is following our recommendations to better align its ongoing modernization program with its enterprise architecture, as well as to improve cost estimating, human capital capacity, and software process maturity.

Improving DOD's Acquisition of Services: DOD is the largest purchaser of services—including professional, administrative, and management support services; engineering services; and IT services—in the federal government, but GAO found that the department's spending on these purchases was not managed effectively. In January 2002, we recommended that DOD evaluate how a strategic reengineering approach—similar to that employed by leading companies—could be used as a framework to guide the department's reengineering efforts. In

response, in May 2002, DOD issued new policy that called for taking a more strategic approach to services acquisition and elevated the importance of major purchases of services to the same level as purchases of major defense systems. This action should help improve acquisition and result in significant financial savings.

D.C. Public Schools Modernization Program: In two reports and a testimony in 2001 and 2002, GAO reported on numerous contracting problems in the District of Columbia Public Schools and the lack of realistic cost, schedule, and budget assumptions in the District's plan to modernize all public schools over the next 10 to 15 years. Our warning that the school system must deal with a modernization program that will cost significantly more and take longer to accomplish than originally planned contributed to a public debate that has led the school system to reassess its modernization plans in light of the District's budget constraints.

Improving the Sourcing Decisions of the Federal Government: In response to a statutory mandate, the Comptroller General convened the Commercial Activities Panel to review the government's policies and procedures for deciding whether commercially available services should be performed by federal employees or by the private sector. The panel, which included senior officials from government agencies, federal labor unions, contractor groups, and academia, issued its report to the Congress in April 2002, unanimously adopting a set of principles to guide the government's sourcing policies. The panel used these principles to craft a package of specific recommendations designed to improve the way federal agencies make sourcing decisions. The OMB is revising the government's sourcing procedures based largely on the panel's recommendations.

Improving Government Charge Card Programs: In a series of recent reports and testimonies, GAO highlighted pervasive weaknesses in the specific controls and overall control environment surrounding the government's multi-billion dollar purchase and travel card programs. These weaknesses increased the government's vulnerability to theft and misuse of property and funds and resulted in high DOD travel card delinquency rates. GAO highlighted numerous instances of potentially fraudulent, improper, and abusive activity related to the government's charge cards, including the purchase of a wide variety of goods and services that were unrelated to official business. GAO recommended many specific corrective actions, particularly preventive actions, that, if implemented, should help reduce the government's financial risk substantially. Agencies have started to lower the government's vulnerability by decreasing the number of purchase cards by about 70,000 (15 percent), lowering excessive card spending limits, and improving specific controls and the overall control environment.

Accountability in the Federal Acquisition Process: GAO is statutorily vested with authority to resolve disputes concerning awards of government contracts. In this role, GAO issues decisions on bid protests, resolving complaints that solicitations for contracts unduly restrict competition or that contracts have been awarded improperly. When a bid protest is found to have merit, we recommend actions appropriate to correct the violation of law involved in the procurement at issue. Our decisions on several of these protests are widely viewed as significantly contributing to ensuring a fair process and protecting the integrity of public/private competitions. For example, bidders challenged the Department of the Air Force's award of an A-76 contract on the basis of cost comparisons. GAO found that the Air Force failed to ensure that in-house cost estimate and protester's offer were based upon the same scope of work and performance standards. As a result of GAO's decision and recommendation, the agency awarded the contract to the protesting bidder.

HIGHLIGHTING MANAGEMENT CHALLENGES AND RISKS FOR THE CONGRESS AND ADMINISTRATION

Serving as a Catalyst to the Postal Service's Transformation Efforts: Since we placed the Postal Service's transformation efforts and outlook on our High-Risk List and recommended in April 2001 that the Service develop a transformation plan, much of the public debate in the Congress and among postal stakeholders has focused on such a plan. In April 2002, the Postal Service issued a transformation plan. In response to requests from the Senate Committee on Governmental Affairs, we reported and testified in 2002 on the Service's deteriorating financial situation and highlighted why the Service's primary mission of providing universal postal service is at risk and transformation is needed. We noted that the Service's current business model, which assumes that growing mail volumes and revenues will cover the costs of an expanding infrastructure, is at odds with the decline in mail volumes attributable to several factors, including increased competition and electronic communication alternatives. We identified key transformation issues that need to be addressed, such as the Service's mission and role for the 21st century and possible approaches to addressing these issues.

Providing a "Roadmap" for Management Reform at HUD: GAO has designated programs in HUD as high risk since 1994. Although we removed the high-risk designation from one of HUD's programs (community planning and development) after the department strengthened its management controls, programs in two other areas (single-family mortgage insurance and rental housing assistance), which account for about two-thirds of HUD's budget, remain high risk. In response to requests from the Senate Committee on Banking, Housing and Urban Affairs, we reported and testified in 2002 on HUD's progress in achieving management reform as well as in addressing three major management challenges—improving its human capital policies, programmatic and information management systems, and contracting practices. HUD management is taking action in response to our work. During his confirmation hearings in early 2001, HUD Secretary Mel Martinez, citing our work, made improving HUD's management the department's highest priority. The administration then introduced HUD's first Performance Plan, noting that HUD was using our reports as a "roadmap" for making management improvements. In July 2002, the Deputy Secretary reiterated the department's position before the Senate Committee on Banking, Housing and Urban Affairs and endorsed our characterization of HUD's three major management challenges.

Reforming Social Security: This year, the Comptroller General testified before the House Budget Committee on issues related to reforming the Social Security program. GAO has also provided numerous informal briefings on this topic. These contributions have strengthened our reputation as an honest broker of objective information on this contentious and controversial issue. Using a complex simulation model, we have supplemented the agency's analytical work in this area and enhanced our ability to analyze the effects of different reform proposals.

Informing the Public about Employee Pension Issues: The bankruptcy of Enron came as a particularly painful shock to its employees, whose pensions were tied to the fate of the company. In the wake of the bankruptcy and the questions it raised for workers nationwide, GAO took steps to help the Congress and the public better understand private pension issues. For example, we alerted the Congress to potential weaknesses in the legal protections for employee pensions. In addition, we showed how employers' stock investment decisions can increase the risks to which their employees' pension plans are exposed and recommended improvements in the information employees must receive. Moreover, we provided technical assistance to Senators and their staffs in drafting pension reform legislation. Finally, our "pension primer," called *Answers to Key Questions about Private Pension Plans*, offered

Members of Congress, their staffs, and the public information about concepts and rules that have become increasingly relevant for Americans concerned about their future economic security.

Helping Enhance Federal Oversight of Restructured Energy Markets: With the restructuring of the electricity and natural gas industries, from regulated monopolies to competitors in the marketplace, GAO has contributed to the Congress's understanding of key issues in ongoing energy policy debates. These issues include the implications of the Enron collapse for the markets, the exercise of market power in California, reasons for price spikes in the natural gas markets, and the Federal Energy Regulatory Commission's capacity to oversee energy markets. Our work has also influenced federal agencies' decisions affecting concentration in the ethanol market and the petroleum industry.

Making Key Contributions to Transportation Security: Drawing on an extensive body of completed work, GAO provided significant background information to a number of committees as the Congress drafted the Aviation and Transportation Security Act. We have also continued to provide the Congress with information on aviation, port, and transit security. For example, in response to requests from House and Senate authorizing committees, we provided timely information on U.S. and foreign-owned screening companies and the capabilities of explosives detection systems and trace devices. We also provided information on the pros and cons of moving the Transportation Security Administration to the Department of Homeland Security and of arming commercial pilots. Additionally, we testified before the House Subcommittee on National Security that ports present security risks, not only because of the possibility that ships could carry weapons of mass destruction or other hazardous cargoes, but also because of the potential for terrorists to attack cruise ships or petrochemical facilities at or near ports. Finally, we testified before the Senate Committee on Banking, Housing and Urban Affairs on the challenges that transit agencies face in making their systems secure. These challenges include the systems' accessibility and high ridership, the high cost of security improvements, and the need to coordinate security concerns among federal, state, and local government agencies and private sector companies.

Aiding in Deliberations on New Surface Transportation Legislation: Responding to requests from authorizing committees, GAO provided information in testimonies and reports to assist the Congress in drafting legislation to reauthorize surface transportation programs. In 2002, GAO identified major challenges in surface and maritime transportation systems, reviewed the Departments of Treasury's and Transportation's procedures for projecting receipts for the highway account of the Highway Trust Fund over the next authorization period and beyond, and identified alternative approaches to funding investments in surface transportation. In addition, our work on highway research provided assistance to a Senate authorizing committee in drafting new legislation.

FOSTERING MORE EFFICIENT AND EFFECTIVE GOVERNMENT SERVICES AND OPERATIONS

Computerized Interfaces Identify Undisclosed Earnings: In 1998, GAO reported that an Office of Child Support Enforcement database, known as the National Directory of New Hires, could be used to help prevent or reduce overpayments of supplemental security income (SSI) that occur when recipients fail to fully disclose their earnings. We recommended that SSA develop computerized interfaces to access this database and detect undisclosed earnings

during initial and subsequent determinations of SSI eligibility. SSA developed these interfaces, gave all field offices direct access to the database, and instructed field staff to use the database for cases meeting specified criteria. These actions have resulted in financial benefits of about **\$797 million**.

Assessing the Challenges in Maintaining the Federal-State Fiscal Balance under Welfare Reform: In a report issued last year, GAO assessed changes to the way states financed programs supporting low-income families after the passage of welfare reform legislation. In that report, we found that California had improperly drawn down about \$1.1 billion from the U.S. Treasury and passed these funds along to its counties. The counties, in turn, deposited the funds into interest-bearing accounts. By distributing these funds to the counties before they were needed, the state was in violation of the Cash Management Improvement Act, which seeks to minimize the time between the transfer of federal funds and disbursement by the grantee or subgrantee. After we reported on this situation, California and the HHS agreed that California would return the interest earned by the counties and as of July 31, 2002, the counties had returned **\$90 million** in interest payments.

Auditing the U.S. Government's Financial Statements: As in the 4 previous fiscal years, GAO has been unable to express an opinion on the U.S. government's consolidated financial statements for fiscal year 2001 because of continuing material weaknesses in internal control and accounting and reporting issues. However, GAO's efforts are paying dividends in the form of significant improvements in estimating the cost of the government's lending programs and the net loan amounts expected to be collected, identifying errors or inaccuracies in reported amounts, and suggesting clarifications to financial statement disclosures. For example, our review of social insurance program information found numerous inaccuracies in the amounts presented and descriptive information that, if not corrected, could have misled readers.

Helping Congress Improve Corporate Governance and Accountability: Building on prior work in corporate governance, GAO was well positioned to respond when the Congress asked for help protecting the interests of American investors and workers in light of recent disclosures of financial irregularities at companies such as Enron and WorldCom. In quick order, GAO's testimonies and reports framed the issues for strengthening oversight of the accounting profession; auditor independence; financial reporting; and corporate governance functions, including fundamental principles for reform. These testimonies and reports provided the foundation for the July 2002 passage of the Sarbanes-Oxley Act. The act, the most far-reaching overhaul of the nation's business practices since the Great Depression, is aimed at tightening oversight of accountants, revamping securities laws, and imposing tougher penalties for corporate fraud after disclosures of irregularities.

Contributing to Election Reform: Voting problems during the September 2002 primaries demonstrated the continuing relevance of GAO's work arising from the November 2000 election. In a series of reports, we disclosed major challenges relating to the people, processes, and technology involved at each stage of the election process—registration, absentee and early voting, preparing for and conducting election day activities, and vote tabulations. We shared our observations and criteria for evaluating reform proposals not only with the Congress but also with state and local election commissioners. Nationwide, there are more than 10,000 local election jurisdictions, and our work has relevance for all of them. Our work also contributed to the elections reform legislation passed by the Congress, which addresses such matters as federal subsidies for voting machinery, standards for the equipment, improvements in voter registration rolls, and better access for voters with disabilities.

Obtaining Information on the Effectiveness of Federal Student Aid: The federal government uses a range of policy tools to help students finance postsecondary education, including primarily grants, loans, and tax credits. In 2002, GAO issued a report, prepared by a team of staff from across the agency, that addressed the relative effectiveness of these tools in promoting postsecondary attendance, choice, and completion, as well as the tools' impact on college costs. We found that little information was available for the Congress to weigh the relative effectiveness of the tools and recommended that the Secretaries of Education and the Treasury take steps to address this lack of information. Both agencies agreed with our recommendations and plan to do research on the relative effectiveness of various policy tools in providing access to higher education.

Improving Measures of Educational Progress: In 2000, GAO found that states chose different criteria for measuring the yearly progress of public school students and that all but two states defined progress solely in terms of assessment results, without including other educational outcome measures such as graduation, attendance, or dropout rates. Reacting to these findings, the Congress, in enacting the No Child Left Behind Act of 2001, required that the states apply the same standards of academic performance to all public school students in the state, measure the progress of public schools and local educational agencies primarily on the basis of yearly student academic assessments, and include a time line for achieving specific academic performance goals. In addition, the legislation required the states to include graduation rates for high schools and an additional outcome measure for middle and elementary schools, such as attendance rates, when defining adequate yearly progress.

Improving the Management of the Pension and Welfare Benefits Administration's (PWBA) Enforcement Program: In 2002, GAO reported that PWBA had not realized the expected level of participation in the Voluntary Fiduciary Correction (VFC) program, which encourages employee benefit plan officials to identify and correct violations of the Employee Retirement Income Security Act of 1974 (ERISA) on their own. PWBA had anticipated that 700 plans would apply for and use the program; however, only 37 plans had applied at the time we did our study. We found that certain requirements, such as those for notifying plan participants of potential violations and for levying excise taxes on prohibited transactions, may hinder participation in the program. We recommended that PWBA analyze barriers to the program and explore ways to reduce them. In response to our recommendation, PWBA modified key features of the program. For example, it eliminated the requirement for plans to notify participants of potential violations and established a limited.

Improving Distribution of the Social Security Administration's Death Master File Information: In light of concerns about identity theft and the potential for misuse of a deceased person's SSN, it is important for the Social Security Administration (SSA) to gather death information and distribute it expeditiously to financial institutions. GAO found that death information collected by SSA generally reached financial institutions and other entities within 1 to 2 months of a person's death; however, delays in processing and distributing the information sometimes occur. In testimony, we concluded that SSA and the National Technical Information Service (NTIS) could make death information available to financial institutions more quickly. Partly in response to our testimony, SSA began furnishing its death file information to NTIS on a weekly basis, and NTIS began making it available to its customers weekly. SSA also now updates the Death Master File electronically.

Improving Efforts to Combat Immigration Benefit Fraud: Immigration benefit fraud involves attempts by aliens to obtain benefits such as naturalization, work authorization, or adjustment of status (e.g., from student to permanent resident) through illegal means—for example, using

fraudulent documents. Immigration and Naturalization Service (INS) officials believe that the problem is serious; they also believe that some aliens are applying for benefits so that they will be able to carry out illegal activities, such as crimes of violence, narcotics trafficking, and terrorism. GAO reviewed INS's efforts to combat benefit fraud and identified shortcomings in the agency's enforcement strategy, working level guidance, case tracking and management, information sharing, and performance measurement. INS agreed with our findings and has begun implementing the corrective actions we recommended.

Improving Operations at the National Nuclear Security Administration: Through a series of reports and testimonies, the first of which were issued in 2001, GAO has monitored the start-up of the National Nuclear Security Administration (NNSA), a separately organized entity within the Department of Energy (DOE). The Congress created NNSA to correct long-standing management and security problems at DOE. At the time of NNSA's creation, the House Armed Services Committee established a special panel to oversee NNSA. We have provided the panel with briefings, testimonies, and reports on the problems NNSA has experienced in developing, as its implementing legislation requires, effective planning, budgeting, and organizational approaches. Our work has contributed to language in NNSA's appropriations and authorization acts requiring improved operations and has led NNSA to implement some of our recommendations for improving its organization.

Improving U.S. Customs Enforcement of Defense Exports: In March 2002, GAO reported that U.S. Customs inspectors did not have updated guidance to effectively conduct inspections of defense items subject to U.S. export control restrictions. As a result, in July 2002, U.S. Customs updated its guidance on defense export inspection requirements and is disseminating this guidance to inspectors at the ports. Inspectors now have the necessary guidance to help ensure that military weapons are exported in compliance with U.S. laws.

Strengthening Oversight of Activities to Detect Money Laundering: In July 2002, GAO reported that the extent of money laundering through credit card transactions was unknown. The Department of the Treasury used this report in drafting new requirements for credit card system operators under the PATRIOT Act. Treasury similarly used GAO's October 2001 report on money laundering in the securities industry to draft and implement regulations requiring securities dealers to file Suspicious Activity Reports. These reports are the principal tool used to detect money laundering. GAO's September 2002 interim report on Internet gambling also contributed to congressional debate on methods of preventing payments to illegal Internet gambling operations.

Enhancing the Effectiveness of the Securities and Exchange Commission (SEC): GAO found that SEC's resources had not kept pace with the tremendous growth in securities markets and the increased complexity and international scope of these markets. Since approximately 1996, SEC's workload increased at a much higher rate than its staff years. High staff turnover exacerbated this problem, with staff inexperience contributing to delays in SEC's regulatory process. GAO made numerous short-term and long-term recommendations to shore up weaknesses in SEC operations. Our work contributed to SEC obtaining authorization for additional resources and prompted SEC to review its operations and its resource needs.

Conducting Forensic Audits to Identify Waste, Fraud, and Abuse: GAO developed a forensic audit approach that includes data mining, data matching, and various other analyses that can be used to identify waste, fraud, and abuse of federal funds. This approach, which we have been sharing with other agencies, has vast potential for assisting agencies in identifying questionable transactions and serving as a basis to improve controls, recover losses, discipline

abusers, and deter future losses. Using the approach, we identified improper payments at HUD, Education, DOD, and other agencies. Improper payments included contract fraud, illegal or abusive uses of purchase and travel cards, fraudulent Pell Grants, and purchases of computer equipment that cannot be located.

Ensuring That Qualified Persons Claim the EIC: Administering the Earned Income Credit (EIC)—a refundable tax credit available to low-income, working taxpayers—is not easy. While it is important for the IRS to help ensure that all qualified persons claim the credit, it is equally important that the agency guard against fraud and other forms of erroneous claims. GAO estimated that of 17.2 million households that were eligible for the credit in 1999, about 12.9 million claimed it, for an overall participation rate of about 75 percent. In addition, we found that IRS's process for recertifying the eligibility of taxpayers whose claims had been disallowed by an audit could be unnecessarily burdensome for those taxpayers. Specifically, the taxpayers were asked to submit certain information that could be difficult for them to obtain or was inconsistent with what many IRS examiners considered acceptable for making recertification decisions. On the basis of our recommendations, IRS revised its EIC forms and clarified its guidance on the documentation needed to support a claim to help ensure that qualified persons receive the credit.

Collecting Delinquent Taxes Owed by Federal Vendors: Federal agencies pay billions of dollars each year to thousands of vendors that owe delinquent federal taxes. The Department of the Treasury's Financial Management Service (FMS) makes payments on behalf of most of these agencies, but a few agencies disburse their own payments. FMS's payments are subject to a tax levy through the Continuous Federal Tax Levy program, which the IRS operates in conjunction with FMS. This levy enables IRS to recover delinquent federal taxes owed by federal vendors. However, the payments made by the other agencies are not subject to the levy. To increase the potential for collecting delinquent federal taxes, GAO recommended that IRS and FMS work with the other agencies to develop plans for including their vendor payments in the continuous levy program. We estimated that IRS could recover at least **\$270 million** annually in delinquent federal taxes if the other agencies' payments were included in this program. IRS and FMS agreed to discuss ways to include the other agencies' vendor payments in the levy program.

Identifying Program Abuse: GAO identified program abuse and mismanagement by developing and analyzing information reported through FraudNET. FraudNET is GAO's system of collecting, evaluating, and acting on allegations of fraudulent activity received from government employees, whistleblowers, and the public at large. In fiscal year 2002, FraudNET analysts researched 1,023 reports of fraud and abuse and referred 213 of these to executive branch agencies for further investigation. These analysts also obtained records, located potential witnesses, and assembled background information for GAO teams on a variety of subjects. In a cooperative effort, staff briefed state officials on GAO's FraudNET operation and the elements of effective hotline operations.

Improving the Process for Recognizing Indian Tribes: GAO assisted the Congress in its deliberations over how to reform the Bureau of Indian Affairs' (BIA) regulatory process for federally recognizing Indian tribes. In fiscal year 2002, GAO issued a report and testified twice on the need for BIA to provide clear, timely recognition decisions. As of July 2002, there were 562 federally recognized Indian tribes, and hundreds more had petitioned BIA for federal recognition. We reported that because of weaknesses in the recognition process, the basis for BIA's tribal recognition decisions is not always clear and the time required to reach a decision can be substantial. Without improvements to address these problems, confidence in the

regulatory process will continue to erode. In response to our recommendations, BIA has developed a strategic plan to improve the objectivity and efficiency of the tribal recognition process.

Informing Congress about a Major Satellite Program: In July 2002, GAO testified on various aspects of a major polar-orbiting satellite acquisition program—the National Polar-orbiting Operational Environmental Satellite System—a tri-agency program that is jointly managed by the National Oceanic and Atmospheric Administration, the DOD, and the National Aeronautics and Space Administration. We reported on the nation's current polar-orbiting weather satellite program, plans for the future satellite acquisition, and key challenges in managing future satellite data volumes. Our analysis helped the Congress understand the scope and challenges of this planned \$6.5 billion program and led to increased coordination among the key agencies to address data management challenges.

Preventing Overpayments of Unemployment Insurance: This year, GAO examined the Department of Labor's Unemployment Insurance program, a key component in ensuring the financial security of America's workforce. In calendar year 2001, this federal-state partnership program paid out some \$30 billion in benefits to workers who lost their jobs. But of this \$30 billion, Labor estimated that some \$2.4 billion consisted of overpayments attributable to weaknesses in the program's management, oversight, and internal controls. Labor also estimated that nearly \$600 million of the overpayments involved fraud. Citing our findings, the Chairman of the Subcommittee on Human Resources, House Committee on Ways and Means, called on the nation's governors to combat unemployment insurance fraud and abuse and to use part of the \$8 billion in additional federal unemployment funding recently distributed to the states to strengthen the program's integrity.

Simplifying Requirements for Determining Food Stamp Eligibility and Benefits: In 2001, GAO reported and testified on the complexity of the regulations for determining eligibility and benefits for food stamps. Because of this complexity, the program was costly to administer and decisions were inherently error-prone. Accordingly, we recommended that the Department of Agriculture work with the Congress to identify ways to simplify certain program requirements. When the Congress reauthorized the Food Stamp program in 2002, it made a number of revisions to simplify the requirements for determining program eligibility and benefits.

PROMOTING BEST PRACTICES IN STATE, NATIONAL, AND INTERNATIONAL ACCOUNTABILITY ORGANIZATIONS

GAO Issues Standard to Increase Auditor Independence: This year, GAO significantly modified the Government Auditing Standards related to auditor independence to help protect the public interest and ensure public confidence in the independence of auditors of government financial statements, programs, and operations, and of organizations receiving federal financial assistance. This new standard, which the Comptroller General has characterized as "tough, but fair... to protect the public and insure the credibility of the auditing profession," specifies that it is inappropriate for the entity performing the financial statement audit to also perform certain consulting or other nonaudit services that could be considered to be managerial in nature or perceived as the auditor auditing his or her own work. The Comptroller General and GAO staff have launched an intensive outreach effort to the audit community to enhance understanding and acceptance of the new standard. In July 2002, we issued a detailed Q&A that offers concrete illustrations of what does and does not meet the standard and makes clear that auditors are to be independent in both fact and appearance.

Making Strategic Human Capital a Management Priority: In March 2002, GAO issued a special publication identifying critical success factors that help high-performing organizations align their human capital management with mission accomplishment. The model highlights the importance of a sustained commitment by agency leaders to maximize the value of their human capital and manage related risks. Since releasing the model, GAO has been working with the Office of Personnel Management and the OMB to revise the human capital Standards for Success as part of the President's Management Agenda and to explore other opportunities for developing more consistent guidance and tools for agencies to use to address their human capital challenges.

Accelerating Financial Management Reform: During the past year, the comptroller general, as chair of the Joint Financial Management Improvement Program (JFMIP), initiated a series of sessions at which the JFMIP principals (the Comptroller General, along with the heads of Treasury, OMB, and OPM) agreed on financial management approaches for transforming the way government does business. They focused on restructuring the Federal Accounting Standards Advisory Board to allow more public input, establishing audit committees, defining what constitutes successful financial management, addressing impediments to an audit opinion on the U.S. government's financial statements, and accelerating agency financial statement reporting.

Fostering International Knowledge-Sharing: Continuing to build working relationships with other international government organizations, GAO participated in a 3-day symposium in Kunming, China, sponsored by the Asian Development Bank. The meeting focused on construction of a legal framework for government procurement in the People's Republic of China. GAO's presentation on bid protests introduced the mechanism for administrative bid challenges and generated many questions. Through this opportunity, GAO shared the benefits of transparency in the bid protest process.

Increasing the Capacity of the International Audit Community to Assess Environmental and Agricultural Programs: GAO staff helped strengthen auditing practices in foreign countries by taking leadership roles in the activities of the International Organization of Supreme Audit Institutions (INTOSAI). In 2002, GAO staff on INTOSAI's Environmental Working Group were instrumental in developing guidance for conducting environmental audits, and GAO staff at a joint United Nations/INTOSAI meeting took the lead in developing guidance for auditing agricultural programs. Both guidance documents are being translated and published in five languages.

Quantifying Improper Payments in Federal Programs and Activities: Over the past several years, reviews of federal agency financial statements have identified about \$20 billion in improper payments annually. However, GAO reports have demonstrated that most federal agencies are not identifying and reporting the extent of their improper payments, the actions they are taking to reduce these payments, and the effect of these actions on reducing the payments. Consistent with our recommendations, the administration, through the President's Management Agenda and revisions to OMB documents, has required selected agencies to report improper payment rates and the causes of those payments. Also, the Improper Payments Information Act of 2002 calls for federal agencies to review all programs and activities, estimate the annual improper payments, and submit those estimates to Congress.

Second Edition of the *Principles of Federal Appropriations Law* Completed: GAO recently completed the second edition of its popular 2,500-page handbook on federal appropriations law, which governs the availability and use of federal public funds. This handbook, known as the

Red Book, gathers, organizes, and explains statutes, regulations, and cases from all relevant authorities in this complex area. It enables those responsible for federal funds to understand and comply with the purpose, time, and amount limitations imposed by the laws and Constitution of the United States. The Red Book is often cited in executive branch agency memoranda, in congressional reports and debates, and in the decisions of the Supreme Court and other courts of the U.S.

Improving Government Debt Management: In reviewing other nations' experiences in managing sovereign debt, GAO found that the selected nations used a number of the same debt management tools as the U.S. Department of the Treasury. We identified additional debt management tools used in other countries that may hold promise for the U.S. Our work also helped inform international efforts to improve government debt management. In an authoritative resource guide used by government debt managers worldwide, the Organization for Economic Cooperation and Development republished segments of GAO's analysis of benchmark securities; terms to maturity; and use of 15 debt management tools across the U.S., Australia, New Zealand, Norway, Sweden, and United Kingdom.

MANAGEMENT HIGHLIGHTS

During fiscal year 2002, we continued to make significant progress toward our fourth strategic goal: "Maximize the Value of GAO by Being a Model Federal Agency and a World Class Professional Services Organization." We provided emergency relocation support to the Congress, increased our congressional outreach efforts, and developed agency and international protocols. In the human capital area, we realigned our workforce to better meet mission needs, led the way in performance management, increased the linkage between compensation and performance, and emphasized training to enhance staff performance. The transformation of GAO's human capital management remains a work-in-progress and thus is a continuing management challenge.

We also have improved our approach to strategic management by better linking our strategic plan and workforce plan. With the improved stability and reliability of our computer network and routine updates of network and desktop operating systems and equipment, we have met our initial goals for improving our IT and systems. However, reviews of our information security program indicate that information security is a management challenge. We believe that continuing our investments in human capital and IT during fiscal years 2003 and 2004 also will improve the timeliness of our products while allowing us to maintain our high level of overall performance. We also will need to make the investments necessary to address another management challenge—enhancing the safety and security of GAO's people, facilities, and other assets. Finally, we are improving our efforts to better leverage the institutional knowledge and experience of our staff.

CULTIVATE AND FOSTERING EFFECTIVE CLIENT AND CUSTOMER SERVICE

GAO is always ready to contribute in whatever way may be needed to support the Congress. On October 23, 2001, we opened our doors to 435 members of the House of Representatives and their staffs. Later in the year, we continued with our traditional hill outreach meetings and completed a 7-month pilot test of a system for obtaining clients' views on our performance during an engagement. We also developed agency protocols to provide clearly defined, consistently applied, well-documented, and transparent policies for conducting our work with federal agencies. We continued our policy of outreach to the press, our congressional clients, and the public to enhance the accessibility of GAO products.

Provided Emergency Relocation Support: Following the October 2001 anthrax incidents, when three House of Representatives office buildings were closed, GAO provided office space and critical support services for Members and committees until the office buildings reopened. GAO's leadership and staff, working with the House Chief Administrative Office, were instrumental in providing emergency planning and support for the House move. GAO provided space, supplies, IT connectivity, security and logistical support to House members and staff while in residence, all within a very short time. We also moved 1,200 GAO staff to alternative work sites and provided them with notebook computers and remote access so that they could continue performing their jobs, upgraded the GAO headquarters building telephone and computer network capacity, and enabled 1,800 House Members and staff to move into their temporary quarters. Through it all, we continued to issue reports and testify on issues important to the Congress and the American people.

Increase Outreach and Service to GAO's Congressional Clients: To enhance our understanding of our congressional clients' needs, we pursued two feedback initiatives in fiscal year 2002. First, senior executives expanded their outreach to congressional clients to determine their satisfaction with GAO's work. This effort indicated that client satisfaction has increased over the past year. Second, we completed a pilot test of a system for obtaining clients' views on our performance during an engagement, including the timeliness of the product, the frequency of communications during the engagement, and the professionalism of the GAO staff during the engagement review. We plan to expand this system throughout Congress. We also launched the Congressional Hearing System, a database that facilitates our preparation of a consolidated hearing list, hearing notices, and testimony statistics. Finally, we updated a brochure for the Congress describing our services and how to obtain them. We plan to distribute this brochure, called *Serving the Congress*, to the new Congress early in fiscal year 2003.

Develop Agency and International Protocols: Paralleling our purpose and approach in implementing the congressional protocols, we developed agency protocols to provide clearly defined, consistently applied, well-documented, and transparent policies for conducting our work with federal agencies. The protocols incorporate comments from 28 entities as well as the President's Council on Integrity and Efficiency. We began using the protocols in a pilot test in December 2002. To facilitate this pilot, we developed an electronic Web-based tool accessible to GAO staff through their desktops. The tool's questions and answers, organized by engagement management process, provide analysts with quick, just-in-time information on what is expected of them and the agency during each segment of an engagement. We also developed an exposure draft of protocols for our work with international audit agencies and sent this draft to the Congress for comment.

In light of certain records access challenges during the past few years and with concerns about national and homeland security unusually high at home and abroad, it may become more difficult for us to obtain information from the Executive Branch and report on certain issues. If this were to occur, it would hamper our ability to complete congressional requests in a timely manner. We are updating GAO's engagement acceptance policies and practices to address this issue and may recommend legislative changes designed to re-enforce our ability to access appropriate information in the conduct of our work.

Make GAO's Work Accessible to the American People: We continued our policy of proactive outreach to our congressional clients, the press, and the public to enhance the accessibility of GAO products and highlight our work on homeland security, human capital, and corporate governance. We produced several products for use in providing information to new members of Congress, potential recruits and the press, including a video and "A Reporter's Guide to GAO". More than 22,000 GAO documents, dating back to the mid-1970s are now available in digital format on the Internet, providing the Congress, federal agencies and the American people with immediate access to GAO reports, testimonies and other publications. This e-Documents service, which provides free access to valuable information on a wide range of topics and on new publications the very same day they are issued, helps our government achieve greater transparency with its citizens. In fiscal years 2003 and 2004, we will continue our outreach efforts, continue the digital conversion of GAO products to be available electronically on the Internet, and redesign our external website to make it as easy as possible to locate relevant information and publications quickly.

ALIGN HUMAN CAPITAL POLICIES AND PRACTICES TO SUPPORT THE AGENCY'S MISSION

At the beginning of Comptroller General Walker's term in fiscal year 1999, we completed a self-assessment of the profile of our human capital workforce and identified several challenges facing our workforce, including significant issues involving succession planning and imbalances in the structure, shape, and skills of our workforce. At that time, we were experiencing the effects of a sustained hiring freeze and other actions taken to achieve significant funding reductions mandated by Congress in fiscal year 1995. Succession planning was a significant concern because about 60 percent of our SES managers and more than one-third of our analyst and related staff were projected to reach retirement age by fiscal year 2004. In addition, our workforce was sparse at the entry-level, and the mid-level had grown to a disproportionate share of the workforce. Our workforce also lacked sufficient numbers of staff with technical skills or subject matter expertise in key areas to effectively assist the Congress. Development and training of our staff had been drastically reduced. Our performance rewards and incentives were inadequate to attract or retain skilled and high caliber staff. Furthermore, our performance appraisal system, implemented in fiscal year 1984, had exceeded its useful life and did not adequately link compensation to performance and results.

Through a number of strategically planned human capital initiatives over the past few years, we have made significant progress in addressing these issues. We have reversed the trend of the number of separations exceeding the number of hires, almost doubled the percentage of our workforce at the entry level while decreasing the percentage of managers and support staff, and enhanced the diversity of our workforce. We implemented a strategy to address succession planning in our SES corps and began developing a new core training curriculum for managers and staff to provide additional training on the key competencies required to perform GAO's work. To ensure our ability to attract, retain, and reward high-quality staff, we plan to devote additional resources in fiscal years 2003 and 2004 to our employee benefits and training programs. To build on the human capital flexibilities provided by the Congress in 2000 and nonlegislative opportunities currently available, we may recommend legislation to provide additional flexibilities that would, among other things, facilitate GAO's continuing efforts to recruit and retain top talent, develop a more performance-based compensation system, realign our workforce, facilitate our succession planning efforts, and provide greater opportunities for staff to phase into retirement. In addition, to help attract new recruits and better describe the modern audit and evaluation entity GAO has become, we will work with the Congress to explore the possibility of changing the agency's name while retaining our well-known acronym of GAO. We will continue to focus our hiring efforts in fiscal years 2003 and 2004 on recruiting talented entry-level staff, along with strategic upper-level hires.

Continuing to Provide Leadership in Strategic Human Capital Management Planning and Execution: During fiscal year 2002, GAO strengthened its efforts to become a model in human capital management. We reviewed our human capital operations, roles and responsibilities, developed a vision for the future, designed initiatives to achieve this vision, and issued a plan that provides the context for our human capital activities.

Align GAO's Workforce and Mission Needs: To build a diverse workforce with the knowledge, skills, and abilities to meet the new century's challenges, GAO took several actions in fiscal year 2002 to expand and support its recruiting efforts. Overall, in fiscal year 2002, we hired nearly 430 permanent staff and 140 interns.

Most of those hired were entry-level professionals with advanced degrees needed to support our strategic initiatives and meet our succession-planning needs as more senior staff retires. In addition, we recruited students in specific degree programs to acquire expertise in certain specialties that GAO needs to carry out its strategic goals. We also developed and implemented a strategy to place more emphasis on diversity in campus recruiting. As a result of our efforts, we attracted a talented and diverse pool of applicants. In fiscal years 2003 and 2004, we plan to continue to address skill gaps by further refining our recruitment and hiring strategies to target gaps identified through our workforce planning efforts.

In fiscal years 2002 and 2003 to help meet our workforce planning objectives, we offered voluntary early retirement under new authority established in our October 2000 human capital legislation. Early retirement was granted to 52 employees in fiscal year 2002 and 35 employees in fiscal year 2003. We will assess the need to offer another early retirement opportunity in fiscal year 2004.

To enhance our retention and recruitment capabilities, in fiscal year 2002 we began offering student loan repayments and transit subsidies. To promote the retention of staff with critical skills and staff with less than 3 years of GAO experience, we implemented recent legislation authorizing federal agencies to offer student loan repayments in exchange for commitments to federal service. Annually, we develop eligibility criteria for the student loan repayments on the basis of retention data and recruitment needs in critical or specialty positions. In line with the practices of most federal agencies, we also began offering transit subsidies to all qualifying employees to encourage use of mass transit. In fiscal years 2003 and 2004, we plan to continue offering student loan repayments and mass transit subsidies.

Lead the Way in Performance Management: In fiscal year 2002, GAO implemented a new performance appraisal system for analysts and specialists, adapted the system for attorneys, and began modifying the system for administrative professional and support staff (APSS). These systems are part of a broader competency-based performance management system that is designed to align employees' performance with the agency's core values and strategic plan. Performance management includes performance planning, coaching, and feedback activities, as well as appraisal, recognition, reward, and pay and promotion processes. GAO views its performance management system as a framework for all of its human capital programs, including recruitment, training and development, and recognition and rewards. We implemented the new appraisal system for attorneys in fiscal year 2003 and plan to implement the revised appraisal system for the APSS in fiscal year 2004.

Link Compensation to Performance: Under its new performance management system, GAO is restructuring its compensation programs to better link pay and recognition to efforts that support its core values and strategic goals. We revised our performance-based compensation system for analysts and specialists to reward significant contributions that generate returns for taxpayers, serve clients, further institutional values, and support various GAO-wide efforts. For example, we revised our merit pay structure to more clearly delineate performance levels and recognize high performers. Additionally, we centralized various aspects of the performance recognition process to ensure more consistent criteria to identify top performers agencywide. Finally, we completed an assessment of the compensation system for APSS to identify the feasibility of converting to a broad banding pay system comparable to the systems used by our analyst and attorney staffs. In fiscal year 2003 and 2004, we plan to implement a new APSS broad banded pay structure including merit-based compensation.

Train Staff to Meet the New Competencies: The adoption of a new competency based performance management system for our analysts and evaluators prompted us to reengineer our training programs to fully align them with our new system and help staff master the competencies they need to perform their roles and responsibilities effectively. When fully implemented, the curriculum will include innovative monitoring and assessment systems to ensure that it provides GAO a solid return on our training investments with a minimum of time away from mission work. As part of the curriculum development process, we have completed a training needs assessment and a promising practices study to determine how our new training program could be organized and managed, and developed a comprehensive draft curriculum framework of required and elective courses and on-the-job-training activities. The curriculum emphasizes modern training approaches and sound business practices to ensure that training is reinforced on the job, linked to mission work and team needs, and that results can be tracked and used to make improvements. GAO plans to complete a study of promising practices for curriculum assessment by March 2003 and plans to implement the curriculum over the 2003-2005 period.

While the new curriculum is being implemented, we have also emphasized external training to meet our immediate technical, change management, and leadership needs. For example, to enhance the competencies of managers and executives, we expanded external training opportunities during fiscal year 2002. Under the program, managers and executives received specialized training in leadership and management.

During fiscal years 2003-2005, we plan to implement the new curriculum by focusing first on our areas of greatest risk. These are ensuring that staff are prepared to meet the challenges of GAO's work in light of the large numbers of anticipated retirements, and that the next generation of GAO managers and senior leaders have the leadership, client service, and human capital skills to help GAO fulfill its mission to the Congress and American people. Beginning in fiscal year 2003—under the leadership of a new Chief Learning Officer—we will pilot test courses in the new curriculum using innovative designs such as distance and e-learning where feasible, structured on-the-job training activities, and partnering GAO subject matter experts with seasoned commercial vendors. We plan to complete tests of the remaining courses in 2004, with a targeted completion date for this curriculum in fiscal year 2005.

EFFECTIVELY LEAD AND COLLABORATE WITH OTHERS TO MANAGE STRATEGICALLY

GAO implemented a strategic planning process that serves as a model for aligning our organization and resources and ensuring that we remain responsive to the needs of the Congress. Following the spirit of the Government Performance and Results Act, we established a process that provides for updates with each new Congress, ongoing analysis of emerging conditions and trends, extensive consultations with congressional clients and outside experts, and assessments of internal capacities and needs. Through newly established forums and a number of ongoing advisory boards and panels, we gather information and perspectives for GAO's strategic and annual performance planning efforts. Ongoing advisory boards and panels also support our strategic and annual work planning by alerting us to issues, trends, and lessons learned across the national and international accountability community that we should factor into our own work. In fiscal years 2003 and 2004, we plan to consult with the members of the 108th Congress and their staffs, along with other key stakeholders, in order to update our strategic plan for fiscal years 2004-2009.

Improve Strategic Management, Performance and Accountability: In fiscal year 2002, GAO issued its strategic plan for serving the Congress for fiscal years 2002 through 2007. The new plan reflects the changes in the national agenda brought about by the war against terrorism, the uncertain economic outlook, and the return of budget deficits. We also issued our 2001 performance and accountability report that combines information on our past year's accomplishments and progress in meeting our strategic goals with our plans for achieving our fiscal year 2003 performance goals. The report earned a Certificate of Excellence in Accountability Reporting from the Association of Government Accountants. We issued our fiscal year 2002 performance and accountability report in January 2003. In addition, our Performance and Accountability Report includes reports by our audit advisory committee and inspector general, and our fiscal year 2002 financial statements and the unqualified audit opinion rendered by an independent auditor. Our financial statements, which are integral to our performance and accountability, received an unqualified opinion for the 16th consecutive year. This year, we plan to issue a separate performance plan in the Spring and to make our performance reporting more timely, issue our report for fiscal year 2003 in the Fall 2003.

Better Align Our Organization and Resources: GAO made significant progress in better linking its strategic plan, performance and accountability efforts, workforce plan, and budget process. During fiscal year 2002, we improved the linkage between our strategic plan and budget by implementing a workforce planning process that establishes a more participatory and systematic approach for managers to identify the resources needed to meet our goals and objectives. The process addresses not only the appropriate size and deployment of our workforce, but also its profile—focusing on ensuring that the workforce has the knowledge, skills, and ability needed to pursue our strategic goals, both now and in the future. The strategic plan and workforce planning results serve as the foundation for our fiscal year 2003 operating plan and fiscal year 2004 budget request.

Collaborate with Key Partners and Stakeholders: In early 2002, the Comptroller General began to convene various experts from the public and private sectors in a series of forums intended to enhance GAO's understanding of emerging issues and to identify opportunities for action. The first of the forums, held in February, focused on corporate governance, transparency, and accountability issues. The results of this forum, along with other analyses, testimonies, and reports GAO developed, helped inform the Congress as it drafted legislation to strengthen government oversight of the nation's financial markets and protect the public interest by reducing the possibility of future Enron-like situations. The Mergers and Transformation Forum, held in September 2002, identified useful practices and lessons learned that federal agencies and the new Department of Homeland Security could use to merge its various originating components into a unified department. The Comptroller General convened another session on governance and accountability in December 2002. The results of this forum, to be released in late January 2003, will provide regulators and the accounting profession with additional information to help them effectively implement new legislation—notably, the Sarbanes-Oxley Act of 2002—and other related regulatory actions. In fiscal years 2003 and 2004, the Comptroller General plans to continue to hold a series of forums to discuss a range of topics including long-range budget challenges, human capital reform, and development of key national indicators.

A number advisory boards and panels also support our strategic and annual work planning by alerting us to issues, trends, and lessons learned across the national and international accountability community. These groups include the Comptroller General's Advisory Board, whose 40 members from the public and private sectors have broad expertise in areas related to our strategic objectives. The board meets with our leadership annually to share its views on

GAO's strategic direction and specific initiatives. Through the National Intergovernmental Audit Forum, chaired by the Comptroller General, and 10 regional intergovernmental audit forums, GAO consults regularly with federal inspectors general and state and local auditors. In addition, through the Domestic Working Group, the Comptroller General and the heads of 18 federal, state, and local audit organizations exchange information and seek opportunities to collaborate.

In 2002, GAO collaborated with numerous accountability organizations that enabled it to strengthen professional standards, provide technical assistance, leverage resources, and develop best practices. For example, several GAO teams consulted with the Private Sector Council, a nonprofit, nonpartisan, public service organization, committed to helping the federal government improve its efficiency, management, and productivity through cooperative sharing of knowledge. Council members provided assistance on leading practices in IT training and innovative practices for planning, delivering, and evaluating training, to be used in developing a guide for government agencies. In fiscal years 2003 and 2004, GAO plans to identify additional opportunities or mechanisms to further its collaboration with its current accountability partners and identify new organizations with whom GAO should partner. As part of this initiative, GAO plans to develop a communications strategy and outreach plan to strengthen its relationships with these partners.

Collaborate with and Build Capacity of Domestic and International Organizations: In keeping with GAO's mission, we worked with a number of other government organizations to strengthen the capacity of government for improved performance and accountability. For example, as part of the Joint Financial Management Improvement Program, we collaborated with the Department of the Treasury and the OMB on governmentwide financial management reform. We also worked with members of the Federal Accounting Standards Advisory Board in establishing generally accepted accounting principles for the federal government, and with the President's Council on Integrity and Efficiency (PCIE, a group primarily composed of presidential appointed inspectors general) in publishing and updating a joint GAO/PCIE Financial Audit Manual.

In addition, the Comptroller General, responding to a statutory mandate, convened a commercial activities panel that included senior officials from government agencies, federal labor unions, contractor groups, and academia. The panel reviewed government policies and procedures, unanimously adopted a set of principles to guide government sourcing policies, and used those principles to craft a package of specific recommendations designed to improve the way federal agencies make sourcing decisions. The OMB has revised its guidance on competitive sourcing to address the panel's recommendations.

In our work with the International Organization of Supreme Audit Organizations (INTOSAI), GAO chairs the accounting standards committee and is an active member of INTOSAI's auditing standards, internal control standards, and public debt committees. As a member of the auditing standards committee, we are collaborating with Sweden's National Audit Office, the World Bank and the International Federation of Accountants to help ensure that the public sector perspective is reflected as international auditing standards are being revised. As a member of the public debt committee, GAO identified and developed partnerships with the World Bank and the United Nations Conference on Trade and Development to design and deliver regionally based training programs for auditors and managers of public debt. We also publish, with the support of INTOSAI member allocations, INTOSAI's quarterly *International Journal of Government Auditing* in five different languages to further the understanding of standards, best practices, and technical issues globally.

In 2002, GAO began providing technical assistance to OLACEFS (INTOSAI's Latin American regional organization) through a joint project with the INTOSAI Development Initiative and the Inter-American Development Bank. This 3-year project will continue through the end of 2004 and is designed to strengthen the training infrastructure and build capacity in Latin American audit offices through the design, development, delivery, evaluation, and follow-up on training courses in performance, IT, and environmental auditing.

As a permanent member of the INTOSAI Governing Board and as chair of the National Intergovernmental Audit Forum, the Comptroller General has been actively involved in helping the organizations to become more strategic in their outlook and activities. The CG chairs the INTOSAI strategic planning task force that is developing a five-year strategic plan for the 184-member country organization. INTOSAI's Governing Board approved the framework for its first strategic plan in 2002 and anticipates approval of a complete plan by the full INTOSAI membership in 2004. In 2003, the CG will lead the development of a strategic plan for the National Intergovernmental Audit Forum to be more strategically focused and ensure that resources are used effectively. Members of this group will include representatives from the regional forums and the federal, state and local audit community.

ACQUIRE AND APPLY INFORMATION TECHNOLOGY TOOLS AND SYSTEMS TO SUPPORT GAO'S STRATEGIC OBJECTIVES

As the Clinger-Cohen Act requires, GAO has an enterprise architecture program in place to guide its IT planning and decision-making. In designing and developing systems, as well as in acquiring technology tools and services, we have applied enterprise architecture principles and concepts to ensure sound IT investments and the interoperability of systems.

During the past year, we acquired new hardware and software and developed user-friendly systems that enhanced our productivity and responsiveness to the Congress and helped meet our initial IT goals. For example, we replaced aging desktop workstations with notebook computers that provide greater computing power, speed, and mobility. In addition, we upgraded key desktop applications, the Windows desktop operating system, and telecommunications systems to ensure that GAO staff have modern technology tools to assist them in carrying out their work. We also developed new, integrated, user-friendly Web-based systems that eliminate duplicate data entry while ensuring the reusability of existing data.

These new systems improve our ability to obtain feedback from our congressional clients, facilitate access to GAO information for the external customer, and enhance productivity for the internal customer. In addition, we developed and implemented various Web sites to enhance knowledge-sharing, including a site for the Financial Accounting Standards Advisory Board. GAO implemented an IT continuous improvement effort beginning in 1997 with its first total cost of ownership study of IT costs. We have since implemented IT performance measures and routinely conduct an independent review of the total cost of ownership of our distributed computing activities and of customer satisfaction with technology and services. Results from prior reviews led us to develop detailed action plans in the form of strategic and tactical initiatives to improve performance. Our 2002 results demonstrated a marked improvement in performance from past reviews and placed GAO well above the contractor's database average in all measurement categories—quality, value, and customer satisfaction. We will be expanding our IT measurement program in fiscal year 2003 to include application development and asset measurement.

Some examples of continuous improvement actions we have taken based on the total cost of ownership study and customer satisfaction surveys include:

- reducing the number of workstation configurations from over 35 to 4;
- replacing standalone printers with standard network printers thereby significantly reducing the number of printers;
- improving customer service by deploying the help desk staff from a central phone-in location to the floors where their customers work; and
- reducing our cost per user below peer organizations that provide similar service.

In fiscal years 2003 and 2004, we plan to continue initiatives designed to increase our employees' productivity, facilitate knowledge-sharing, maximize the use of technology, and enhance the tools available at the desktop. We also will devote resources to reengineering the IT systems that support job management processes, such as our engagement tracking system, and continue implementing tools that will ensure a secure network operating environment.

ENSURE THAT OUR EMPLOYEES AND INFORMATION ARE SECURE

In the aftermath of the September 11, 2001 terrorist attacks and subsequent anthrax incidents, our ability to provide a safe and secure workplace and to secure our information emerged as a challenge for our agency. Protecting our people and information is critical to our ability to meet our mission. While we have implemented several measures to protect our employees, we plan to install additional measures in fiscal years 2003 and 2004. Ensuring information systems security and disaster recovery systems that allow for continuity of operations is a critical requirement for the agency. Although we made substantial progress in this area in fiscal year 2002, we need to complete certain key actions in fiscal years 2003 and 2004 to be better able to detect intruders in our systems, identify our users, and recover in the event of a disaster.

Provide a Safe and Secure Workplace: In fiscal year 2002, GAO assessed the vulnerability of its building and grounds to security risks and identified measures that it could take to protect the building against potential incidents; enhance security processes, procedures, and equipment; and provide for the continuity of operations. We determined which measures to implement and worked with the Congress to obtain supplemental funding. For example, in fiscal year 2002, we installed an X-ray machine at the H Street loading dock, upgraded the air filter system to protect against biological and chemical intrusion, and upgraded the GAO building fire alarm and public address systems. We also recommended procedures and identified sites for continuing GAO's work in alternative locations. Finally, we expanded the scope of the background investigations conducted on all contractors residing in the headquarters building. The investigations are comparable to those conducted for GAO employees and help ensure the safety of staff and property by holding contractors to the same standards as GAO employees. In fiscal years 2003 and 2004, we plan to implement additional measures to strengthen perimeter security and secure access to GAO facilities.

Increase Information Security: GAO has recognized the increased threat to its shared IT assets and is working to heighten awareness of this threat, maintain vigilance, and develop practices that protect its IT infrastructure. Fiscal year 2002 accomplishments in this area include:

- installing software that monitors network users' compliance with GAO's security standards and indicates corrective actions when necessary;
- installing software that monitors unauthorized access to GAO's servers and alerts operations staff when immediate actions may be needed to protect information assets;
- implementing a user authentication tool that increases network security, thereby eliminating the network's vulnerability to penetration because of weak passwords;
- developing a baseline disaster recovery strategy and plan that provide for the temporary operation of our essential computer systems; and
- completing security control reviews and risk assessments for two critical information systems—the Mission Assignment and Tracking System (MATS) and the Financial Management System (FMS)—that identified improvements necessary to maintain full compliance with federal IT security guidelines.

During fiscal years 2003 and 2004, we need to complete certain key actions to be better able to detect intruders in our systems, identify our users, and recover in the event of a disaster. Our plans for these areas are as follows:

- We will complete installation of the software installed on our external servers to help us detect intruders on our internal servers. We also plan to add more tools to facilitate the early detection and response to any suspicious activity.
- We will complete implementation of user and authentication tools on our network, including our remote access to the GAO network from any location. In addition, we will implement secure wireless access within the GAO headquarters building.
- We are refining the disaster recovery plan we developed last year and have begun limited testing at our off-site facility to ensure the continued operation of GAO's essential computer systems should a disaster occur. We will also implement our storage area network in headquarters, ensuring quick, effective backups of our network resources for off-site storage and retrieval in the event of a disaster.

LEVERAGE GAO'S INSTITUTIONAL KNOWLEDGE AND EXPERIENCE

Our investments in knowledge management were significantly curtailed during the mid- to late-1990s when we were faced with mandated spending reductions. This lack of investment combined with retirements of many of our most knowledgeable staff puts us at risk of losing much of our institutional memory. In fiscal year 2002, we improved our capacity for knowledge-sharing and collaboration with other professional service organizations. We also improved our access to retired records and conducted a records clean-up. In fiscal years 2003 and 2004, we plan to begin work on improving our Web-based knowledge management tools and developing a framework to manage the collection, use, distribution and retention of organizational knowledge.

Increase Capacity through Knowledge-Sharing and Collaboration: GAO's application and use of tools for exchanging information strengthened the capacity of GAO teams and other state and national audit entities to help improve the performance and accountability of governments worldwide. For example, through an ongoing relationship with the Private Sector Council, we obtained information on best practices in the design and manufacture of products that we used to develop recommendations for improving the DOD's acquisition of major weapon systems. We also used a Web-based tool, AGNet, to glean applicable knowledge and experience from 11 other countries to support our review of efforts to prevent the spread of mad cow disease in the U.S. In addition, we manage an international fellowship program through which we provided technical training on performance audits to over 100 auditors from 10 European countries, and entered into an agreement with the Inter-American Development Bank, the International Organization of Supreme Audit Institutions International Development Initiative, and the Organization of Latin American Supreme Audit Institutions to provide technical assistance to the developers of a training curriculum for auditors in 21 countries. Moreover, we participated in a joint audit of student assessment systems with the Department of Education's Office of Inspector General, the Texas and Pennsylvania state auditors, and the Philadelphia Office of the Comptroller that resulted in seven reports recommending improvements to management controls and data quality. Finally, to enhance our staff's ability to utilize web-based knowledge services, training in Lexis-Nexis, CourtLink, Leadership Directory, Internet Explorer, and other tools were offered during fiscal year 2002.

Improve the Management of Agency Records: In fiscal year 2002, GAO introduced several initiatives to enhance records management. To reduce the time required to obtain GAO records stored at the Washington National Records Center, we negotiated a contract with the Center's courier service to deliver files to the requesting office and back to the Records Center. We also sponsored a cleanup of files across GAO, providing direction and guidance for retiring files and preparing documents for secure destruction. Finally, to support GAO's leadership in the area of creating and managing key documentary source material, we reassessed our policies for workpaper management and identified opportunities to improve the effectiveness and efficiency of GAO's workpaper practices using new information technologies.

Pilot Knowledge-Sharing Among GAO Teams: Formed in the fall of fiscal year 2002, using Web technology GAO's National Preparedness Web Support Group fosters information-sharing to support collaboration on national preparedness issues across GAO. The Web Support Group created and implemented a National Preparedness Web portal in July 2002, which serves as a critical tool in coordinating activities of the National Preparedness virtual team (staff throughout GAO who work on national preparedness issues and rely on the Web to obtain current information about these issues).

DEVELOP EFFICIENT AND RESPONSIVE BUSINESS PROCESSES

We continue to negotiate innovative contracts and look for ways to cut costs in our business operations and to utilize our existing space to the maximum extent possible. In fiscal years 2003 and 2004, we plan to continue these efforts and complete the renovation of the GAO building. Also, we will continue to devote resources to reengineering the IT systems that support job management and administrative processes, such as our engagement tracking and human capital systems, increase employee productivity, facilitate knowledge-sharing and decision-making, maximize the use of technology to IT, and enhance tools available to staff at the desktop.

Realize Efficiencies and Savings: GAO continues to negotiate innovative contracts and obtain competitive lease rates for its IT equipment, end-user products such as workstations and peripherals, and infrastructure such as servers and software. As a result, we were able to acquire new notebook computers and flat panel monitors for most GAO staff. Furthermore, after replacing outdated computer hardware, we donated computers and other computer-related equipment to schools in the Washington, D.C., metropolitan area and in the metropolitan areas of the field offices, as allowed under Executive Order 12999, Computers for Education. This effort not only enabled us to dispose of our surplus equipment but also ensured that taxpayer dollars would continue to be put to good use in the local communities.

Our contract for electrical services and programs also has enabled us to cut costs. We negotiated a 4-percent discount on our electrical rates under a new contract with PEPCO Energy Services in fiscal year 2002. We also participated in PEPCO's electrical load curtailment program by reducing our demand for electricity in the GAO building during periods of high regional electrical consumption. Our efforts helped the electrical utilities avoid brownouts or blackouts and gave us a credit on our monthly utility bill.

GAO continued the digital conversion of prior GAO products, resulting in a decline in the number of hard copy requests, and a corresponding decrease in paper costs. In fiscal year 2002, we added GAO products from the 1978-1985 time period to the database. The number of hard copy requests has decreased substantially since the project began in fiscal year 1996, and reduced paper costs over that period.

Finally, instead of making each team responsible for obtaining, maintaining, storing, and distributing office supplies and equipment, we streamlined the process for requesting and delivering supplies by centralizing the responsibility in a Shared Service Center on each floor. Fewer staff are now required to manage supplies and equipment, and customers receive the materials and services they need more quickly.

Renovate the GAO Headquarters Building: At the GAO headquarters building, several renovation projects completed or initiated during the year provided more office space and new facilities to support GAO's mission. For example, the relocation of the printing facility to the basement freed valuable first floor space for conversion into usable office space and, in turn, allowed sixth floor office space to be cleared for asbestos removal and renovation. Furthermore, an old design for renovating the sixth floor was thoroughly updated to reflect lessons learned, the changing demographics of GAO's workforce, and an emerging need for expanding our e-security computer lab. While the process took some time, GAO's overall renovation project remained on schedule, new ideas were incorporated, and a disruptive retrofit of the computer lab was avoided. During fiscal year 2003, we will complete the removal of asbestos from GAO building office space. In addition, the construction of new, permanent storage space in the basement created a home for the GAO Historical Archives, and the use of existing air-handling equipment provided proper environmental conditions for preserving irreplaceable GAO documents.

Conduct Government Computer Security Reviews: GAO conducts technical control assessments of complex, diverse and interconnected computing environments at federal agencies. In 1997, GAO began assembling an experienced and skilled staff and investing in hardware and software to develop its own capability to conduct these reviews in lieu of using contract staff. This capability enables GAO to (1) facilitate computer security controls testing by modeling common federal computing environments prior to testing "live" operational systems; (2) test and develop automated tools and techniques for use in multi-tiered processing

environments; (3) launch external testing from a secure room in GAO of internet and remote dial-in access points; and (4) improve the technical skills of GAO, agency inspectors general and state auditors.

During fiscal year 2002, the Lab conducted technical assessments at numerous federal agencies, including the Federal Reserve Board, several IRS service centers, Federal Deposit Insurance Corporation, American Battlefield Monuments Commission, and GAO. Planned and ongoing work in fiscal year 2003 includes the Department of Agriculture, the Department of the Treasury's Bureau of Public Debt and the IRS, Federal Reserve, and projects for GAO's Special Investigations unit.

In fiscal year 2002 we upgraded obsolete equipment to support a most robust environment and allow for testing concurrent configurations or operating environments at the same time. In fiscal year 2003 we plan to upgrade the tape system supporting the enterprise server environment, and complete the installation and integration of the equipment purchased in fiscal year 2003. Finally, in fiscal year 2004, we plan to (1) upgrade the existing system to meet changes in technology; (2) meet increased computing resource demands, and (3) acquire additional hardware and software for new staff members.

**HIGHLIGHTS OF RESOURCES NEEDED TO ACHIEVE
FISCAL YEAR 2004 PERFORMANCE GOALS TO SUPPORT THE CONGRESS**

GAO is requesting budget authority of \$472.6 million for fiscal year 2004 to maintain current operations for serving the Congress as outlined in our strategic plan and to continue initiatives to enhance our human capital, support business processes, and ensure the safety and security of GAO staff, facilities, and information systems. This funding level will allow us to maintain our authorized level of 3,269 full-time equivalent (FTE) personnel. Our request includes \$466.6 million in direct appropriations and authority to use estimated revenue of \$6 million from reimbursable audit work and rental income. Our requested increase of \$18.4 million in direct appropriations represents a modest 4.1 percent increase, primarily for mandatory pay and uncontrollable costs. Our budget request also includes savings from non-recurring fiscal year 2003 investments in fiscal year 2004 which we propose to use to fund further investments in critical areas, such as security and human capital.

Also, our fiscal year 2004 budget includes \$3.9 million for safety and security needs for which we have also requested supplemental fiscal year 2003 funds. If supplemental fiscal year 2003 funds are provided, we would reduce our fiscal year 2004 budget from \$472.6 million to \$468.8 million, resulting in a net increase of \$14.6 million over fiscal year 2003. The following table presents our fiscal year 2003 and requested fiscal year 2004 resources by funding source.

Table 5: Fiscal Years 2003 and 2004 Resources - by Funding Source
(Dollars in thousands)

Funding Source	FY 2003	FY 2004	Change – FY 2003 to 2004	
	Revised	Request	Amount	Percent
Total Budget Authority*	\$451,202	\$472,627	\$21,425	
Less: Offsetting Collections	(3,000)	(6,006)	(3,006)	
Direct Appropriation	\$448,202	\$466,621	\$18,419	4.1

* Excludes request for supplemental funds of \$4.9 million.

Almost 80 percent of our requested fiscal year 2004 budget provides for employee compensation and benefits to support our greatest asset – our staff. The next largest component of our requested budget—about \$51 million—is for contract services supporting both GAO’s mission work and administrative operations, including information technology (IT), training, and building maintenance and operations services. About \$12 million will be spent on travel and transportation, critical components to accomplishing GAO’s mission to follow the federal dollar across the country and throughout the world and ensure the quality of our work. The remaining funds will be used for office equipment and space rentals; telephone, videoconferencing, and data communications services; and other operating expenses, including supplies and materials, printing and reproduction, and furniture.

The following table summarizes our requested fiscal year 2004 budgetary and human capital resource allocations among GAO’s four strategic goals.

Table 6: Fiscal Year 2004 Resources - by Strategic Goal
(Dollars in thousands)

Strategic Goal	FTEs	Amount
Goal 1	1,275	\$183.3
Provide timely, quality service to the Congress and the federal government to address current and emerging challenges to the well-being and financial security of the American people.		
Goal 2	854	123.7
Provide timely, quality service to the Congress and the federal government to respond to changing threats and the challenges of global independence.		
Goal 3	985	145.2
Help transform the federal government's role and how it does business to meet 21 st century challenges.		
Goal 4	155	20.4
Maximize the value of GAO by being a model federal agency and a world class professional services organization.		
TOTAL	3,269	\$472.6

During fiscal year 2004, we plan to sustain our investments in maximizing the productivity of our workforce by continuing to address key management challenges: human capital, and information and physical security. We will continue to take steps to "lead by example" within the federal government in connection with these and other critical management areas. On the human capital front, to ensure our ability to attract, retain, and reward high-quality staff, we plan to devote additional resources to our employee training and development program. We will target resources to continue initiatives to address skill gaps, maximize staff productivity, and increase staff effectiveness by updating our training curriculum to address organizational and technical needs and training new staff. Also, to enhance our recruitment and retention of staff, we will continue to offer a student loan repayment program and transit subsidy benefit established in fiscal year 2002. In addition, we will continue to focus our hiring efforts in fiscal year 2004 on recruiting talented entry-level staff.

On the information security front, in fiscal year 2004, we plan to implement tools that will ensure a secure environment, detect intruders in our systems, identify appropriate users, and recover in the event of a disaster. We plan to apply additional intrusion detection software to our internal servers and complete our disaster recovery plan.

We are continuing to make the investments necessary to enhance the safety and security of our people, facilities, and other assets for the mutual benefit of GAO and the Congress. In fiscal year 2004, we plan to complete installation of our building access control and intrusion detection system and supporting infrastructure, obtain an offsite facility for use by essential personnel in emergency situations, and provide life-safety devices.

In addition, we plan to continue initiatives designed to further increase employees' productivity, facilitate knowledge-sharing, maximize the use of technology, and enhance employee tools available at the desktop. We also will continue to devote resources to reengineer the IT systems that support business processes, such as our engagement tracking system, and our human capital operations.

The following table summarizes GAO's requested funding increase by budget category:

Table 7: Fiscal Year 2004 Requested Changes - by Budget Category
(Dollars in thousands)

Budget Category	FTEs	FY 2003 Enacted Amount	FY 2004 Requested Change	Percent of Increase
FY 2003 Resources				
Appropriation	3,269	\$448,202		
Offsetting Collections		<u>3,000</u>		
Total FY 2003 Resources		<u>\$451,202</u>		
FY 2004 Requested Changes				
Mandatory and Uncontrollable Costs				
• Mandatory Pay and Benefits			\$16,655	3.7
• Price-level Increases			<u>1,841</u>	<u>0.4</u>
Subtotal – Mandatory and Uncontrollable Costs			\$18,496	4.1
Program Changes				
• Non-recurring Costs			(8,321)	
• Initiatives			8,930	
• Ongoing Operations			<u>2,320</u>	
Subtotal – Program Changes			<u>\$ 2,929</u>	0.7
Total Increase Requested			<u>\$21,425</u>	4.8
Less: Increase in Offsetting Collections			(3,006)	
Net Increase Requested		\$451,202	\$18,419	4.1
FY 2003 Supplemental Request **		4,849	(3,849)	
Adjusted Total		\$456,051	\$14,570	3.2

* Includes rescission of \$2.9 million. Excludes request for supplemental funds of \$4.9 million.

** We have submitted a request for supplemental fiscal year 2003 funds to allow us to accelerate implementation of important security enhancements. If we were provided fiscal year 2003 funds, we would eliminate these items from our fiscal year 2004 funding request. Our fiscal year 2004 budget excludes \$1 million for life-safety devices, which are emergency items needed immediately and only included in our fiscal year 2003 supplemental request.

The requested funding increase to support GAO's fiscal year 2004 operations provides for the following:

Mandatory and Uncontrollable Costs

Mandatory Pay and Benefits: \$16,655,000 will be needed to cover mandatory pay and benefits costs resulting primarily from federal cost-of-living and locality pay adjustments estimated at 3.7 percent, annualization of prior year salary increases, and increased participation in the Federal Employees' Retirement System. Also included are funds needed to cover performance-based promotions and merit pay increases. These increases are offset by estimated savings from hiring new staff at lower annual salaries than departing staff. In addition, funds are requested to cover the cost of one additional day in fiscal year 2004.

Price Level Increases: \$1,841,000 will be needed to cover inflationary increases in travel and per diem, postage, supplies, contracts, and other essential mission support services, based on OMB's inflation index of 1.5 percent.

Program Changes

Non-Recurring Costs

Non-recurring fiscal year 2003 initiatives to complete our multi-year asbestos removal and space renovation, implement additional physical and information security enhancements, reengineer business processes and systems, and other efforts to enhance operations and increase productivity result in savings of \$8.3 million. We plan to use these savings to offset the cost of initiatives to further enhance physical and information security, implement technology improvements, facilitate knowledge sharing, upgrade building systems, and continue human capital improvements. These initiatives are discussed in more detail in the following paragraphs.

Initiatives

Physical and Information Security: We plan to allocate \$3,849,000 to help address identified management challenges in physical and information security. We have submitted a request for supplemental fiscal year 2003 funds to allow us to accelerate implementation of these important security enhancements. If we were provided fiscal year 2003 funds, we would eliminate these items from our fiscal year 2004 funding request.

In fiscal year 2002, GAO developed an emergency response plan and conducted an assessment of potential threats to the safety and security of our people, facilities, and other assets. We also developed a multi-year plan to implement key recommendations to enhance our security posture and ensure the continuity of our operations. We have initiated efforts to enhance perimeter security, improve vehicular access control, expand protection against chemical and biological intrusions, and ensure appropriate background investigations and security clearances for GAO and contractor staff are complete. We plan to use \$3,099,000 in fiscal year 2004 to complete installation of an agency-wide building access control and intrusion detection system, secure an offsite facility for essential personnel, and implement other security enhancements.

We also plan to allocate \$750,000 to continue enhancements to network and application systems to enhance user access controls to prevent unauthorized access facilitate early intrusion detection, and report and respond to suspicious activity.

Information Technology: We plan to allocate \$1,960,000 to continue reengineering systems which support mission and business processes by maximizing the use of technology, streamlining and automating routine and redundant processes, and further increasing staff productivity through the availability of tools at the desktop. We also plan to upgrade software and hardware to ensure we have adequate tools and capacity available to meet current requirements.

Knowledge Services: In fiscal year 2004, we plan to continue efforts begun in fiscal year 2003 to develop and implement a framework to manage the collection, use, distribution, and retention of organizational knowledge. We plan to allocate \$1,445,000 to digitize historical records, catalog and archive agency workpapers and files, and facilitate knowledge-sharing through other activities.

Building Improvements: We plan to allocate \$1,016,000 to implement needed improvements to building infrastructure systems, such as heating, air conditioning and ventilation systems to ensure employee comfort and safety, provide appropriate support for equipment, and ensure operational efficiency. We also plan to implement needed building and structural improvements, such as repairs to the loading dock.

Human Capital: We plan to allocate \$660,000 to continue initiatives to address skill gaps, maximize productivity, and increase staff effectiveness by updating our training curriculum to address organizational and technical needs, as well as competencies identified in our performance management system upgrade.

Ongoing Operations

We are seeking \$2,320,000 to support ongoing operational programs. These funds are needed to cover the cost of contract rate changes which exceed OMB's proposed inflation index, the annualized cost of fiscal year 2003 operations, and other anticipated changes in operating programs, such as an increased need to obtain expert assistance in security and counter-terrorism engagements.

Offsetting Collections

In fiscal year 2004, we will begin collecting an increased level of rent from the Army Corps of Engineers for space leased in the GAO headquarters building. Prior to fiscal year 2004, the Corps' rental payment was reduced to reimburse the Corps for funds advanced to GAO to fund asbestos removal and building renovations.

We also anticipate an increase in revenue from audit work performed at the Federal Deposit Insurance Corporation (FDIC) due to an increased level of GAO staff assigned to the engagement. Over the last few years, GAO has been training staff of the FDIC OIG in performing the financial audits at FDIC. As a result, the GAO and FDIC OIG staff jointly conducted tasks related to the annual audit of the FDIC's financial statements, with GAO retaining the ultimate responsibility for the audit based on its statutory mandate to audit the FDIC. This cooperative approach with the FDIC OIG was initially suggested by the IG as a means of increasing the financial audit expertise within the FDIC OIG. However, in fiscal year

2002, the FDIC OIG substantially reduced the staffing levels assigned to the FDIC financial audit, and as a result, GAO increased the level of GAO staff resources conducting the audit of the fiscal year 2001 financial statements.

We are requesting authority to use the increased revenue to offset the cost of GAO building operations and maintenance. The following table provides information on estimated revenue for fiscal years 2003 and 2004.

Table 8: Fiscal Years 2003 and 2004 Estimated Revenue -- Offsetting Collections
(Dollars in thousands)

Funding Source	FY 2003 Enacted	FY 2004 Request	Change
Revenue from Audit Work	\$790	\$1,200	\$410
Rental Income	<u>2,210</u>	<u>4,806</u>	<u>2,596</u>
Total	\$3,000	\$6,006	\$3,006

Fiscal Year 2003 Funding

We have requested supplemental fiscal year 2003 funding of \$4.9 million to make needed security and safety enhancements to ensure the security of our staff, facilities, and information systems. Without supplemental funding, we will have to defer important components of our multi-year security enhancement plan until fiscal year 2004. The requested funds would cover costs to upgrade our access control and intrusion detection system and supporting infrastructure, obtain an offsite facility for use by essential personnel in emergency situations, provide enhanced intrusion protection for our information systems, and provide life saving devices. When supplemental fiscal year 2003 funding is provided, we will reduce our fiscal year 2004 funding request. However, our fiscal year 2004 budget excludes \$1 million for life-safety devices due to their emergency nature.

Resources Required if Legislative Proposal to Transfer Accountability for Retirement Benefits is Enacted

The President has again proposed a governmentwide initiative to transfer accountability for accruing retirement benefits and post-retirement health benefits costs from OPM to individual agencies. This initiative would be a shift in the accounting treatment of these costs that are presently a component of OPM's mandatory costs, which in future would be included in GAO's discretionary budget authority. Implementation of this proposal is contingent upon enactment by the Congress of authorizing language submitted by the administration. If this proposal is enacted, GAO would require supplemental budget authority of \$22,263,000 to cover fiscal year 2004 costs.

Schedule A

GENERAL ACCOUNTING OFFICE
Summary by Program
(Dollars in thousands)

	FY 2002 Actual		FY 2003 ^a Revised		FY 2004 Estimate		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
Office of the Comptroller General	6	\$757	7	\$949	7	\$995		\$46
Acquisition and Sourcing Management	176	18,549	180	20,143	180	20,992		849
Applied Research and Methods	150	18,897	156	18,211	156	18,580		369
Defense Capabilities and Management	255	26,971	252	28,620	252	29,867		1,247
Education, Workforce, and Income Security	225	21,734	223	24,684	223	25,777		1,093
Financial Management and Assurance	269	30,168	266	30,359	266	31,690		1,331
Financial Markets & Community Investment	89	8,671	133	14,739	133	15,391		652
General Counsel	164	20,928	170	22,348	170	23,413		1,065
Health Care	202	21,153	212	23,151	212	24,193		1,042
Homeland Security and Justice			150	16,574	150	17,532		958
Information Technology	158	17,828	158	18,436	158	19,578		1,142
International Affairs and Trade	139	14,464	155	17,344	155	18,108		764
Natural Resources and Environment	251	26,889	249	27,713	249	28,935		1,222
Physical Infrastructure	242	24,079	157	18,207	157	18,726		519
Special Investigations	26	3,773	29	4,246	29	4,472		226
Strategic Issues	113	11,687	180	19,773	180	20,454		681
Tax Administration and Justice	145	14,940						
Mission Offices	214	18,574	211	19,660	211	21,055		1,395
Mission Support Offices	388	42,082	381	37,026	381	39,148		2,122
Support Operations		84,092		86,019		87,715		1,696
Subtotal Appropriation		\$426,236		\$448,202		\$466,621		\$18,419
Offsetting Collections		2,297		3,000		6,006		3,006
Total Funds Required for GAO Operations	3,210	\$428,533	3,269	\$451,202	3,269	\$472,627		\$21,425

^a Excludes request for supplemental funds of \$4.9 million.

Schedule A (cont.)

GENERAL ACCOUNTING OFFICE
Summary by Object Class
(Dollars in thousands)

	FY 2002 Actual		FY 2003 ^a Revised		FY 2004 Estimate		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	3,210	\$266,123	3,269	\$281,956	3,269	\$293,453		\$11,497
11.5 Other Personnel Compensation		5,735		6,060		6,147		87
12.1 Civilian Personnel Benefits		59,150		64,289		69,648		5,359
13.0 Benefits for Former Personnel		347		306		310		4
21.0 Travel and Transportation of Persons		12,284		12,004		12,183		179
22.0 Transportation of Things		36		80		80		
23.1 Rental Payments to GSA		6,655		7,180		7,539		359
23.3 Comm., Utilities, and Misc. Charges		11,512		11,520		12,558		1,038
24.0 Printing and Reproduction		1,208		1,745		1,745		
25.1 Advisory and Assistance Services		24,809		27,873		30,105		2,232
25.2 Other Services		7,838		8,625		9,535		910
25.3 Goods and Services from Gov't Accts.		3,011		3,817		3,756		(61)
25.4 Operation and Maint. of Facilities		9,240		5,765		2,887		(2,878)
25.7 Operation and Maintenance of Equip.		4,562		4,740		5,089		349
26.0 Supplies and Materials		1,619		1,824		1,875		51
31.0 Equipment		8,562		5,722		8,123		2,401
32.0 Land and Structures		3,315		4,646		1,338		(3,308)
42.0 Insurance Claims and Indemnities		230		50		250		200
Subtotal Appropriation		\$426,236		\$448,202		\$466,621		\$18,419
Offsetting Collections		2,297		3,000		6,006		3,006
Total Funds Required for GAO Operations	3,210	\$428,533	3,269	\$451,202	3,269	\$472,627		\$21,425

^a Excludes request for supplemental funds of \$4.9 million.

Schedule B

GENERAL ACCOUNTING OFFICE
Change Analysis by Program - FY 2003 to 2004
(Dollars in thousands)

	Mandatory	Price Level	Program Changes	Equipment, Alterations, Maintenance, Repairs, Etc.	Total
Office of the Comptroller General	\$45	\$1			\$46
Acquisition and Sourcing Management	885	13	(\$49)		849
Applied Research and Methods	767	5	(403)		369
Defense Capabilities and Management	1,238	27	(18)		1,247
Education, Workforce, and Income Security	1,095	12	(14)		1,093
Financial Management and Assurance	1,307	23	1		1,331
Financial Markets & Community Investment	654	10	(12)		652
General Counsel	1,061	2	2		1,065
Health Care	1,041	9	(8)		1,042
Homeland Security and Justice	736	26	196		958
Information Technology	777	38	327		1,142
International Affairs and Trade	761	13	(10)		764
Natural Resources and Environment	1,222	18	(18)		1,222
Physical Infrastructure	771	13	(265)		519
Special Investigations	222	3	1		226
Strategic Issues	885	6	(210)		681
Mission Offices	1,134	28	233		1,395
Mission Support Offices	2,080	21	21		2,122
Support Operations	(26)	1,573	3,309	(\$3,160)	1,696
Subtotal Appropriation	\$16,655	\$1,841	\$3,083	(\$3,160)	\$18,419
Offsetting Collections				3,006	3,006
Total Funds Required for GAO Operations	\$16,655	\$1,841	\$3,083	(\$154)	\$21,425

Schedule B (cont.)

GENERAL ACCOUNTING OFFICE
Change Analysis by Object Class - FY 2003 to 2004
(Dollars in thousands)

	Mandatory	Price Level	Program Changes	Equipment, Alterations, Maintenance, Repairs, Etc.	Total
11.1 Full-time Permanent	\$11,497				\$11,497
11.5 Other Personnel Compensation		\$87			87
12.1 Civilian Personnel Benefits	5,158	3	\$198		5,359
13.0 Benefits for Former Personnel		4			4
21.0 Travel and Transportation of Persons		179			179
23.1 Rental Payments to GSA		359			359
23.3 Comm., Utilities, and Misc. Charges		202		\$836	1,038
25.1 Advisory and Assistance Services		372	1,860		2,232
25.2 Other Services		130	780		910
25.3 Goods and Services from Gov't Accts.		104	(165)		(61)
25.4 Operation and Maint. of Facilities		86		(2,964)	(2,878)
25.7 Operation and Maintenance of Equip.		278	21	50	349
26.0 Supplies and Materials		25	26		51
31.0 Equipment		12	163	2,226	2,401
32.0 Land and Structures				(3,308)	(3,308)
42.0 Insurance Claims and Indemnities			200		200
Subtotal Appropriation	\$16,655	\$1,841	\$3,083	(\$3,160)	\$18,419
Offsetting Collections				3,006	3,006
Total funds Required for GAO Operations	\$16,655	\$1,841	\$3,083	(\$154)	\$21,425

Schedule C

GENERAL ACCOUNTING OFFICE
Detail Analysis - FY 2003 to 2004
(Dollars in thousands)

	FTEs	Amount
Total FY 2003 Enacted	3,269	\$451,202 ^a
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$7,759
2. One More Day		1,117
3. Other Personnel Costs		2,621
4. Civilian Personnel Benefits		5,158
		16,655
B. Price Level Increases		
1. Other Personnel Compensation		\$87
2. Civilian Personnel Benefits		3
3. Benefits for Former Personnel		4
4. Travel and Transportation of Persons		179
5. Rental Payments to GSA		359
6. Comm., Utilities, and Misc. Charges		202
7. Advisory and Assistance Services		372
8. Other Services		130
9. Goods and Services from Gov'l Accounts		104
10. Operation and Maintenance of Facilities		86
11. Operation and Maintenance of Equipment		278
12. Supplies and Materials		25
13. Equipment		12
		1,841
C. Program Changes		
1. Civilian Personnel Benefits		\$198
2. Advisory and Assistance Services		1,860
3. Other Services		780
4. Goods and Services from Gov't Accounts		(165)
5. Operation and Maintenance of Equipment		21
6. Supplies and Materials		26
7. Equipment		163
8. Insurance Claims and Indemnities		200
		3,083
D. Equipment, Alterations, Maintenance, Repairs, Etc.		
1. Comm., Utilities, and Misc. Charges		\$836
2. Operation and Maintenance of Facilities		(2,964)
3. Operation and Maintenance of Equipment		50
4. Equipment		2,226
5. Land and Structures		(3,308)
6. Offsetting Collections		3,006
		(154)
Net Increase (Decrease)		21,425
FY 2004 Total Funds Required for GAO Operations	3,269	\$472,627 ^b

^a The enacted level excludes pending request for supplemental funds of \$4.9 million. Includes offsetting collections of \$3.0 million.

^b Includes offsetting collections of \$6.0 million.

GENERAL ACCOUNTING OFFICE

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	3,269	\$7,759
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		1,117
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		2,621
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		5,158
B. Price Level Increases		
1. Other Personnel Compensation Provides funds needed to maintain rewards and recognition program at comparable levels to fiscal year 2003 and help ensure GAO's ability to attract, reward, and retain high quality staff based on performance.		\$87
2. Civilian Personnel Benefits Increase in employee contributions due to increase in Other Personnel Compensation costs.		3
3. Benefits for Former Personnel Anticipated cost of living increase in retirement annuity for two former Comptrollers General.		4
4. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		179
5. Rental Payments to GSA Anticipated increase in lease costs for office space in field locations.		359

GENERAL ACCOUNTING OFFICE

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
B. Price Level Increases (Continued)	FTEs	Amount
6. Commodities, Utilities, and Miscellaneous Charges Anticipated cost increases for ADP equipment leases, local telecommunications services, and postal rates.		202
7. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		372
8. Other Services Anticipated rate increase in the cost of contract services.		130
9. Goods and Services from Government Accounts Anticipated increase in the cost of services obtained from other government agencies.		104
10. Operation and Maintenance of Facilities Anticipated increase in contract rates for building operations and maintenance.		86
11. Operation and Maintenance of Equipment Anticipated increase in the cost of services to support the operations and maintenance of equipment.		278
12. Supplies and Materials Anticipated cost increase for supplies and materials used to perform GAO work.		25
13. Equipment Anticipated increase in the cost of publications for GAO's permanent collection.		12
C. Program Changes		
1. Civilian Personnel Benefits Provides funds to extend student loan repayments to staff to increase retention, and provide recruitment incentive to staff with skills in shortage categories or to meet workload demands. Also, provides funds to extend the mass transit subsidy to newly hired staff, and cover the annualization of fiscal year 2003 costs.		\$198

GENERAL ACCOUNTING OFFICE

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
C. Program Changes (Continued)	FTEs	Amount
2. Advisory and Assistance Services Provides funds to emphasize training to maximize staff skills in technical, change management, and leadership areas, and reengineer our training curriculum to align training with the performance management competencies. Also includes funds to upgrade and reengineer information systems and supporting business processes and provide information systems support.		1,860
3. Other Services Provides funds to obtain contract services to obtain experts for support security and counter-terrorism reviews, reengineer our job management process and communications strategy, and obtain mail management services.		780
4. Goods and Services from Government Accounts Reduces funds for non-recurring contract services related to offsite mail screening and provide funds for other services provided by government entities.		(165)
5. Operation and Maintenance of Equipment Provides funds to obtain contractor support to operate and maintain equipment.		21
6. Supplies and Materials Provides funds to obtain needed supplies and materials to support GAO's business processes.		26
7. Equipment Provides funds to update and enhance GAO's library to promote knowledge sharing and provide staff access to needed research tools.		163
8. Insurance Claims and Indemnities Anticipated increase in claims from employees and others for damages and property lost or damaged incident to work assignments.		200
D. Equipment, Alterations, Maintenance, Repairs, Etc.		
1. Commodities, Utilities, and Miscellaneous Charges Provides funds to obtain hardware and software to support our information systems and enhance information security. Also provides funds for changes in telecommunications service.		\$836

GENERAL ACCOUNTING OFFICE

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
D. Equipment, Alterations, Maintenance, Repairs, Etc. (Continued)	FTEs	Amount
2. Operation and Maintenance of Facilities Funds for GAO building maintenance and operations will be obtained from offsetting collections.		(2,964)
3. Operation and Maintenance of Equipment Provides funds to upgrade ADP software.		50
4. Equipment Provides funds to obtain and install an agency-wide user access control and intrusion detection system and supporting infrastructure. Also reflects savings from non-recurring requirements for ADP software and telecommunications equipment upgrades made in fiscal year 2003 to enhance systems to meet security requirements.		2,226
5. Land and Structures Reduction for non-recurring initiatives related to asbestos removal and building renovations.		(3,308)
6. Offsetting Collections Reflects increase in anticipated revenue from reimbursable audit work at the FDIC and rental income from the Army Corps of Engineers. Funds will be used to fund GAO building maintenance and operations contract services.		3,006

Schedule D

GENERAL ACCOUNTING OFFICE
 FY 2004 Budget Report
 (Dollars in thousands)

	Authorized FTEs	Amount
FY 2003 Enacted	3,269	\$451,202 ^a
FY 2004 Proposed Changes		
Mandatory Pay Costs		16,655
Price Level Increases		1,841
Program Changes		3,083
Equipment, Alterations, Maintenance, Repairs, Etc.		(154)
Total Proposed Changes Required to Maintain Ongoing GAO Operations		\$21,425
FY 2004 Budget Request Required to Maintain Ongoing GAO Operations	3,269	\$472,627 ^b

^a Includes \$3.0 million in offsetting collections: \$790,000 from reimbursable audit work at the FDIC and \$2.2 million primarily from rent receipts from the Army Corps of Engineers. Also reflects rescission of \$2.9 million. Excludes pending supplemental of \$4.9 million.

^b Includes \$6.0 million in offsetting collections: \$1.2 million from reimbursable audit work at the FDIC and \$4.8 million primarily from rent receipts from the Army Corps of Engineers.

Schedule E

GENERAL ACCOUNTING OFFICE

10-Year Quantitative Data

(Not adjusted for inflation)

(Dollars in thousands)^a

Item	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
									Revised	Estimate
11 Personnel Compensation	\$277,988	\$240,008	\$232,643	\$234,921	\$245,755	\$253,952	\$256,190	\$271,858	\$285,016	\$299,600
12 Personnel Benefits	50,183	43,235	41,510	44,179	48,028	51,174	51,722	59,150	64,289	69,648
13 Benefits for Former Personnel	749	4,669	1,266	278	264	343	822	347	306	310
21 Travel and Transportation	12,561	9,700	9,539	10,408	9,707	9,564	10,011	12,284	12,004	12,183
22 Transportation of Things	310	42	101	64	79	117	15	37	80	80
23 Rent, Communications and Utilities	29,665	22,992	14,534	12,138	15,447	15,607	16,655	18,167	18,700	20,097
24 Printing and Reproduction	2,038	1,341	1,124	988	1,123	959	718	1,208	1,745	1,745
25 Other Services ^b	42,651	38,031	29,000	37,002	29,252	41,069	40,302	49,460	50,820	51,372
26 Supplies and Materials	2,308	2,030	1,515	1,623	1,610	1,821	1,558	1,619	1,824	1,875
31 Furniture and Equipment	13,522	3,344	432	5,103	2,524	2,414	4,789	8,562	5,722	8,123
32 Land and Structures	7,049	7,797	182	168	161	249	1,099	3,315	4,646	1,338
42 Insurance Claims and Indemnities	42	22	13	8	6	104	56	229	50	250
Net Appropriation	\$439,066	\$373,211	\$331,859	\$346,980	\$353,956	\$377,379	\$403,111	\$426,236	\$448,202	\$466,621
Full-time Equivalent Staff	4,342	3,677	3,341	3,245	3,275	3,192	3,110	3,210	3,269	3,269

^a Excludes offsetting collections.

^b Fiscal year 1999 reflects a decrease in building operations and maintenance due to an uncontrollable reduction in offsetting collections. Fiscal year 1998 includes funds transferred to GAO by the Appropriations Committees to offset fiscal year 1999 needs.

DETAILS OF GAO's FISCAL YEAR 2004 BUDGET REQUEST

GAO is seeking budget authority for fiscal year 2004 of \$472.6 million to support 3,269 FTEs. The requested increase of \$21.4 million includes \$18.4 million in direct appropriations and authority to use estimated revenue from audit work and rental income of \$3 million. GAO's budget request provides funds to maintain current operations, cover mandatory pay and inflation costs, and support a few key initiatives to further strengthen GAO's effectiveness and efficiency.

GAO's key investments include funds needed to:

- maintain current operations to support the Congress as outlined in our strategic plan;
- provide training and development programs to satisfy the requirements of our new competency-based performance management system and to help ensure our ability to attract, retain, and reward high-quality staff;
- continue initiatives designed to increase employees' productivity, facilitate knowledge-sharing, maximize the use of technology, and enhance employee tools available at the desktop; and
- continue initiatives to increase the level of safety and security of our staff, information, and facilities, particularly as a result of September 11, 2001, terrorist attacks and anthrax incidents to ensure that we are prepared for, can respond to, and have reduced our vulnerability to major threats or crises.

The following chart depicts actual fiscal year 2002, revised fiscal year 2003, and estimated fiscal year 2004 costs by object class.

Summary by Object Class
(Dollars in thousands)

Object Class	FY 2002 Actual	FY 2003 ^a Revised	FY 2004 Estimated	Net Change 2003 to 2004
11.1 Full-time Permanent	266,123	281,956	293,453	\$11,497
11.5 Other Personnel Compensation	5,735	6,060	6,147	87
12.1 Civilian Personnel Benefits	59,150	64,289	69,648	5,359
13.0 Benefits for Former Personnel	347	306	310	4
21.0 Travel and Transportation of Persons	12,283	12,004	12,183	179
22.0 Transportation of Things	37	80	80	
23.1 Rental Payments to GSA	6,655	7,180	7,539	359
23.3 Comm., Utilities, and Misc. Charges	11,512	11,520	12,558	1,038
24.0 Printing and Reproduction	1,208	1,745	1,745	
25.1 Advisory and Assistance Services	24,809	27,873	30,105	2,232
25.2 Other Services	7,838	8,625	9,535	910
25.3 Goods and Services from Government Accounts	3,011	3,817	3,756	(61)
25.4 Operation and Maintenance of Facilities	9,240	5,765	2,887	(2,878)
25.7 Operation and Maintenance of Equipment	4,562	4,740	5,089	349
26.0 Supplies and Materials	1,619	1,824	1,875	51
31.0 Equipment	8,562	5,722	8,123	2,401
32.0 Land and Structures	3,315	4,646	1,338	(3,308)
42.0 Insurance Claims and Indemnities	230	50	250	200
Subtotal Appropriation	\$426,236	\$448,202	\$466,621	\$18,419
Offsetting Collections	2,297	3,000	6,006	3,006
Budget Authority Required for GAO Operations	\$428,533	\$451,202	\$472,627	\$21,425

^a Excludes request for supplemental funds of \$4.9 million.

Following are detailed explanations for each object class. All dollar amounts shown in the tables are in thousands.

11.1 Full-Time Permanent

This account provides funds to maintain GAO's authorized staffing level of 3,269 FTEs. Included in this object class are regular salaries and wages paid directly to employees and other payments that are part of employees' basic rate of pay.

FY 2003 Revised	FY 2004 Estimated	Change
\$281,956	\$292,453	\$11,497

The requested increase includes mandatory pay costs:

• Civilian Pay Raise	\$ 7,759
• One More Day	1,117
• Other Personnel Costs	<u>2,621</u>
Total Mandatory Pay Costs	\$11,497

The requested funding provides for mandatory pay increases due to the anticipated January 2004 pay raise, one additional day in fiscal year 2004 than in 2003, and other personnel costs for annualization of fiscal year 2003 increases offset by projected savings from hiring staff at lower salaries than departing staff.

11.5 Other Personnel Compensation

This category includes other personnel compensation paid to departing employees for earned compensatory time, annual leave or credit hours. GAO anticipates an increased number of attritions and retirements in fiscal years 2003 and 2004 due to the number of staff eligible for retirement. Currently, 29 percent of all staff will be eligible to retire by 2007.

Also included are funds to support our rewards and recognition program, and provide premium pay, such as night differential and overtime. The compensation and awards program is being restructured to better link pay and recognition to performance efforts that support core values and help achieve strategic goals.

	FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>	<u>Change</u>
Rewards and Recognition Programs	\$2,928	\$3,015	\$87
Differential Pay			
Overtime	5	5	
Leave Payments	127	127	
Total	<u>3,000</u>	<u>3,000</u>	<u>---</u>
	\$6,060	\$6,147	\$87

This increase provides funding for cost of living adjustments, and to revise the performance-based compensation system for attorneys and APSS to reward significant contributions that generate returns for taxpayers, serve clients, further institutional values and support various GAO-wide efforts.

12.1 Civilian Personnel Benefits

	FY 2003 Revised	FY 2004 Estimated	Change
Salary-Related Benefits	\$60,931	\$66,118	\$5,187
Employees' Compensation Act	981	955	(26)
Transfer of Station	115	115	
Relocation Income Tax Allowance	10	10	
Education Loan Repayments	750	850	100
Transit Benefit Subsidy	<u>1,502</u>	<u>1,600</u>	<u>98</u>
Total	\$64,289	\$69,648	\$5,359

The requested increase in salary-related benefits primarily funds mandatory changes in employer contributions to employee benefit plans resulting from the anticipated January 2004 civilian pay raise; the annualization of payments to the health benefits program; an increase in the taxable wage base for the payment of Social Security taxes; an increase in salaries and other compensation paid; and a change in the proportion of employees for whom full payments are made to the OPM retirement fund, Social Security trust funds, and FERS Thrift Savings Plan.

We anticipate a reduction in employee workmen's compensation costs from the Department of Labor due to changes in employee entitlements and to cover changes in program administration costs. We are also seeking an increase in funding for student loan repayments to offer retention and recruitment incentives to staff in areas where skills are needed to meet the demands of our workload. In addition, funds are needed to cover the annualization of fiscal year 2003 costs for the Transit Benefit Subsidy Program and cover increased participation due to hiring of new employees.

13.0 Benefits for Former Personnel

This funding covers the annuities of retired Comptrollers General and reimbursement to the U.S. Department of Labor for payments made to former employees who received state unemployment compensation benefits authorized by Title 5, U.S. Code, section 8509. The increase provides for the estimated cost-of-living change for retired civil servants.

	FY 2003 Revised	FY 2004 Estimated	Change
Retired Comptrollers General Annuities	\$271	\$275	\$4
Unemployment Compensation			
Total	<u>35</u>	<u>35</u>	<u></u>
	\$306	\$310	\$4

21.0 Travel and Transportation of Persons

FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>	<u>Change</u>
\$12,004	\$12,183	\$179

Travel is an important element in GAO's data collection and analyses of federal operations. Audit and evaluation work must be sufficiently representative in scope and in the number and type of locations covered to ensure the validity of GAO's conclusions and recommendations. GAO travels across the country and around the world to conduct extensive fieldwork. The increase provides for anticipated cost increases due to annual changes in per diem, mileage rates, and airfares which necessitate increased travel funds to maintain current levels of travel.

GAO has instituted a number of practices to ensure effective use of funds available for mission-essential travel. Also, increased communications through the GAO-wide network, electronic mail capability, and videoconferencing help reduce travel to and from field locations.

In addition, this funding provides for transporting household goods of relocating employees and agency supplies and materials between headquarters and field offices.

22.0 Transportation of Things

This funding provides for transporting household goods of employees who are relocating and agency supplies and materials between headquarters and field offices.

FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>	<u>Change</u>
\$80	\$80	

23.1 Rental Payments to GSA

This funding provides for the lease of office space and related services at field office worksites that are assessed by GSA. The increase provides for expected rate increases.

FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>	<u>Change</u>
\$7,180	\$7,539	\$359

23.3 Communications, Utilities, and Miscellaneous Charges

The following table lists the types of services included in this object class, which is one of the largest administrative categories of services.

	FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>	<u>Change</u>
<u>Rentals</u>			
ADP Equipment	\$5,670	\$6,465	\$795
Copying Equipment	488	488	
ADP Software	217	239	22
Other	<u>88</u>	<u>88</u>	<u></u>
Subtotal	\$6,463	\$7,280	\$817
<u>Communications</u>			
Long-Distance Commercial Telephones	\$1,735	\$1,837	\$102
Local Telecommunications	2,169	2,219	50
Wireless Communications	<u>436</u>	<u>472</u>	<u>36</u>
Subtotal	\$4,340	\$4,528	\$188
Postage and Fees	<u>\$717</u>	<u>\$750</u>	<u>\$33</u>
Total	\$11,520	\$12,558	\$1,038

ADP Equipment

The requested funding provides for lease of microcomputers, printers, servers, and other equipment used to support the agencywide network. The increase provides for the anticipated upgrade of ADP equipment and annualization of fiscal year 2003 costs.

Copying Equipment

Duplicating equipment is essential to audit groups for providing copies of materials for work papers. Expanded use of GAO's computer network and its components have enabled staff to share material electronically, reducing duplicating requirements. Staff consolidation into the GAO building, a reduction in the number of field offices and audit sites, and expanded use of copy centers in recent years has also controlled requirements dramatically since fiscal year 1995.

ADP Software

This account provides funds to lease software used to support agency applications. The increase covers the cost to upgrade software to ensure that it continues to meet industry standards, is supportable by the vendor, and is compatible with software utilized by our clients and customers.

Other

This category includes rental of non-ADP equipment, parking in commercial lots at field locations, and booth rentals at college job fairs.

Communications

This account provides funding for local and long distance communications charges, including telephone service, videoconferencing, and data communications. This category also includes the acquisition of all wireless telecommunication hardware such as cell phones, pagers, personal data assistants (PDA), email messaging devices such as the Blackberry, and other wireless hardware as well as the leased services required for the utilization of such devices. The increase provides funds to cover service changes needed to accommodate staff movements in GAO office buildings.

Postage and Fees

Funding for this category provides for reimbursement to the U.S. Postal Service for mailing costs and commercial firms for other delivery services. Use of GAO's computer network to provide communications among staff, provide documents to customers and clients electronically, and changes in the types of service delivery provided through carriers have helped reduce postage costs. The fiscal year 2004 funding level provides \$33,000 for anticipated price level increases.

24.0 Printing and Reproduction

This object class includes all charges incurred by the agency for contractual printing and reproduction as well as related composition and binding operations performed by the Government Printing Office and commercial printers.

	FY 2003 Revised	FY 2004 Estimated	Change
Printing and Binding	\$78	\$78	
GPO Printing of GAO Publications	1,405	1,405	
Publications Handled by GPO and Others	120	120	
Typesetting or Typing Services	1	1	
Other Illustrating/Photographic Services	<u>141</u>	<u>141</u>	
Total	\$1,745	\$1,745	

We expanded the number of GAO products and internal communications available on the GAO-wide computer network, eliminating the need to print those hardcopy documents. Increased focus on document quantity and content continues to help reduce printing costs.

25.1 Advisory and Assistance Services

	FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>	<u>Change</u>
Training and Development	\$1,720	\$1,745	\$25
Management Development	261	265	4
Contractual Training Agreements	1,387	1,808	421
Executive Development	283	287	4
Computer and ADP Services	21,189	22,967	1,778
Telecommunications Services	<u>3,033</u>	<u>3,033</u>	
Total	\$27,873	\$30,105	\$2,232

Training and Development

This account provides funds for training and development costs, including management and executive development. Training funds enable GAO-sponsored groups or individuals to participate in courses offered during regular working hours, as well as employee enrollment in job-related college and technical courses. GAO also provides managers and executives with specialized training in leadership and management.

In fiscal year 2002, GAO completed training and learning needs assessments and developed a draft curriculum for analyst staff that focuses on the competencies and work that analysts perform at each band level. The funding increase will allow GAO to implement the new curriculum, develop courses to facilitate our transition to the new competency-based performance management system, and help staff meet new competency requirements.

The requested increase also provides funds to target training that will meet immediate technical, change management and leadership needs.

Computer and ADP Services

This category includes contractual agreements with commercial vendors for the use of computers and other ADP equipment, databases, and personnel services to operate, manage, and maintain computer systems and software, and develop tools and systems to support agency needs. The requested increase provides funds to develop and upgrade agency applications and systems to enhance our ability to support business processes, enhance information security, and increase effectiveness and efficiency.

Telecommunications Services

This category includes contractual agreements with commercial vendors for the installation, maintenance, and upgrade of telecommunications equipment and lines.

25.2 Other Services

This category provides GAO with funding for contractual services that support administrative operations and that provide assistance with many of our audits, investigations, and reports.

FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>	<u>Change</u>
\$8,625	\$9,535	\$910

In fiscal year 2003, GAO used contract services to obtain expertise not readily available in the agency to respond to congressional requests related to security, conduct assessments of internal security and information technology requirements, and to conduct the congressionally mandated technology assessment pilot. In fiscal year 2004, we plan to increase contract services to address security and terrorism issues, reengineer job management and communications strategies, and support congressional engagements.

25.3 Goods and Services from Government Accounts

	FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>	<u>Change</u>
Computer and Other ADP Services	\$1,325	\$1,340	\$15
Personnel Security Investigations	775	825	50
Health Services	363	382	19
Contract Services	<u>1,354</u>	<u>1,209</u>	<u>(145)</u>
Total	\$3,817	\$3,756	(\$61)

Computer and Other ADP Services

This category includes contractual agreements with federal entities for the use of computers and other ADP equipment, databases, and personnel services. The fiscal year 2004 increase will cover costs related to system changes to support software, equipment or system upgrades.

Personnel Security Investigations

The requested funding provides for security investigations of GAO staff and contractors residing in the headquarters building. Investigation of contractors are comparable to those conducted for GAO employees. Security investigations help determine the suitability of employment and appropriate access to information and facilities. These investigations also ensure the safety of staff, property and classified information. The fiscal year 2004 funding increase is needed to maintain adequate coverage.

Health Services

The funding requested in this category is needed for the estimated increase in the cost of preventive health services and wellness programs offered by the U.S. Public Health Service (PHS) and various private vendors. In fiscal year 2004, GAO plans to maintain the current level of health services available to our staff. As GAO's primary provider of health and employee counseling services, PHS determines total facility costs per location to include medical and administrative staff salaries and benefits, contractual services and supplies, and necessary equipment acquisitions. The number of agency personnel participating at the location determines each agency's proportionate share of a facility's cost.

Government Contract Services

This category includes contract services not specified elsewhere with other government agencies. It includes the cost of mail sanitation and processing provided by the House of Representatives. In fiscal year 2003, these costs increased to cover the cost to sanitize significant backlogs of mail to ensure the absence of anthrax or other potential threats to our security. In fiscal year 2004, costs will decrease, as some of these requirements are non-recurring. These savings will be used to offset costs in other categories.

25.4 Operation and Maintenance of Facilities

	FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>	<u>Change</u>
Facilities Management Contract	\$2,920		(\$2,920)
GSA Contract Services	76	76	
Utility Services	<u>2,769</u>	<u>2,811</u>	<u>42</u>
Total	\$5,765	\$2,887	(\$2,878)

Operation and Maintenance of Facilities

During fiscal year 1989, the custody, control, and ownership of the GAO Building was transferred from the General Services Administration to GAO. GAO manages a comprehensive contract to provide professional building management services for the GAO Building. The contractor has responsibility to operate, maintain, and repair the GAO Building, including all mechanical equipment and building systems.

In fiscal year 2003 and 2004, we plan to use estimated revenue from audit work and rental income from GAO building tenants to offset costs related to our facilities management contract. We estimated available receipts of \$3 million for fiscal year 2003 and \$6 million for fiscal year 2004.

Other services provided under this category for the GAO Building and field offices include cleaning services, utility services, and construction and building renovation work. GAO is requesting an increase to support changes in utility services.

25.7 Operation and Maintenance of Equipment

This category provides for the cost of repairs, preventive maintenance, and upgrades for all classes of equipment and software.

	FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>	<u>Change</u>
Computer and ADP Equipment	\$1,944	\$2,041	\$97
ADP Software	1,245	1,454	209
Telecommunication Equipment	826	826	
Non-ADP Equipment	296	317	21
Copiers	<u>429</u>	<u>451</u>	<u>22</u>
Total	\$4,740	\$5,089	\$349

The increase provides for estimated inflationary costs and upgrades to network and application hardware and software to increase user access control and intrusion detection features.

26.0 Supplies and Materials

This category provides for subscriptions to electronic and printed periodicals and databases; other sources of information used to research assignments; subscriptions to computer-based training manuals; and a wide variety of supplies and materials, including paper and toner for copiers and network printers, required in GAO's operations.

FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>	<u>Change</u>
\$1,824	\$1,875	\$51

The requested increase is for anticipated price level increases to enable GAO to maintain its information sources and to supply photocopier paper.

31.0 Equipment

This object class provides funding to purchase furniture, publications for GAO's permanent collection, telecommunications and other equipment, and computer hardware and software.

	FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>	<u>Change</u>
Noncapitalized Furniture and Equipment	\$1,270	\$3,470	\$2,200
Publications for Permanent Collection	825	1,000	175
Purchase of Microcomputer Hardware	1,381	1,542	161
Purchase of Microcomputer Software	1,933	1,829	(104)
Purchase of Telecommunications Equipment	<u>313</u>	<u>282</u>	<u>(31)</u>
Total	\$5,722	\$8,123	\$2,401

In fiscal year 2002, GAO developed a multi-year plan to replace outdated systems furniture and related equipment with items meeting current ergonomics standards to ensure employee safety and avoid work-related stress and injury. The requested funds enable us to continue this program, and to obtain other furniture and equipment, as needed. We plan to reduce funds available for this program by \$300,000.

The requested increase will be used to obtain and install an agency-wide user access and intrusion detection control system. This system will help increase the safety and security of our staff, facilities, and other assets.

As part of our knowledge management program, we are seeking to upgrade and expand the availability of research and resource tools available in our library collection. Many of these tools will be available electronically through our agency-wide network to facilitate staff accessibility.

During fiscal 2002, we upgraded the hardware, software, and telecommunications tools used to support agency operations and conduct security reviews of executive branch computer systems to ensure that we maintain compatibility with current industry standards and executive branch systems. These upgrades provide a more robust operating environment to support increased utilization by staff, clients and customers, while ensuring appropriate access is granted only to authorized users, and unauthorized access is detected and prevented. These upgrades also help ensure that we have the capacity to effectively identify potential security and control weaknesses in our reviews of executive branch systems. We have developed a plan to identify and upgrade equipment based on standard life-cycle information. The decrease reflects savings from non-recurring requirements.

32.0 Lands and Structures

This object class provides funding for alternations to office space; upgrades to building infrastructure; and demolition, asbestos removal and abatement, and construction of building components.

<u>FY 2003</u> <u>Revised</u>	<u>FY 2004</u> <u>Estimated</u>	<u>Change</u>
\$4,646	\$1,338	(\$3,308)

In fiscal year 2002, we began the last phase of our asbestos abatement and removal program. In fiscal year 2003, GAO will complete asbestos removal and renovation of the 6th floor of the GAO building. Asbestos was removed from floors 1 through 5 and 7 in prior fiscal years. In fiscal year 2002, we began a number of projects to upgrade building systems, such as improved air handling to prevent chemical, biological and nuclear threats; improved pedestrian and vehicle security; installed boom-blast protection; and enhanced perimeter security. We plan to continue these initiatives in fiscal years 2003 and 2004 to enhance our physical security. Due to non-recurring requirements, fiscal year 2004 funding levels are reduced below fiscal year 2003.

42.0 Insurance Claims and Indemnities

This category provides funding to pay claims of employees and others for property lost or damaged during permanent change-of-station moves, government work assignments, and other liabilities. The increase will fund legal costs associated with cases arising out of changes in GAO's personnel management systems.

<u>FY 2003</u> <u>Revised</u>	<u>FY 2004</u> <u>Estimated</u>	<u>Change</u>
\$50	\$250	\$200

PERFORMANCE PLANS AND ACCOMPLISHMENTS BY STRATEGIC GOAL

Following is information on GAO's resources, performance and plans for fiscal years 2002 through 2004 presented by goal.

GOAL 1: PROVIDE TIMELY, QUALITY SERVICE TO THE CONGRESS AND THE FEDERAL GOVERNMENT TO ADDRESS CURRENT AND EMERGING CHALLENGES TO THE WELL-BEING AND FINANCIAL SECURITY OF THE AMERICAN PEOPLE

In keeping with our mission to support the Congress in carrying out its constitutional responsibilities, our first strategic goal focuses on several aspirations of the American people that were defined by the Founding Fathers: to "establish justice, insure domestic tranquility, . . . promote the general welfare, and secure the blessings of liberty to ourselves and our posterity. . . ." Our aging and more diverse population, rapid technological change, and Americans' desire to improve the quality of life have major policy and budgetary implications for the federal government. In particular, growing commitments to the elderly will crowd the capacity of a smaller generation of workers to finance the competing needs and wants brought to the federal doorstep.

Contributors, Performance Measures, and Resources

The following teams contribute toward this goal:

- Applied Research and Methods
- Education, Workforce, and Income Security
- Financial Markets and Community Investments
- Health Care
- Homeland Security and Justice
- Natural Resources and Environment
- Physical Infrastructure
- Tax Administration and Justice

The following table summarizes GAO's performance for fiscal years 1999–2002 and our targets for fiscal years 2003 and 2004 for strategic goal 1.

Table 1: GAO's Annual Performance Measures for Strategic Goal 1

Performance measure	Fiscal year					
	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Target	2004 Target
Financial benefits (dollars in billions)	\$13.8	\$14.1	\$8.9	\$24.1	\$21.2	\$21.3
Other benefits ^a	140	182	210	226	208	216
Recommendations implemented ^b	72%	72%	71%	72%	77%	77%
Testimonies	123	131	73	111	85	90
Recommendations made	350	435	396	524	363	363

^aThe number of legislative and executive actions to improve government operations resulting from GAO work.

^bThis measure gauges the implementation rate of recommendations made 4 years prior to each respective fiscal year.

Resources for Strategic Goal 1

	FY 2003 FTEs	FY 2004 FTEs
	1,275	1,275

PLANS FOR FISCAL YEARS 2003 AND 2004

GAO's objectives for this goal are to support congressional and federal efforts on:

- the health needs of an aging and diverse population;
- the education and protection of the nation's children;
- the promotion of work opportunities and the protection of workers;
- a secure retirement for older Americans;
- an effective system of justice;
- homeland security and justice;
- the promotion of viable communities;
- responsible stewardship of natural resources and the environment; and
- a secure and efficient national physical infrastructure.

THE HEALTH NEEDS OF AN AGING AND DIVERSE POPULATION

Several issues form the context of our work on health care. Federal health care spending has grown at an average annual rate twice that of the rest of the federal budget over the last 20 years. Expenditures on health-related programs are now one of the largest components of federal spending, totaling about \$433 billion in fiscal year 2001, about 23 percent of all federal spending. The Medicare Hospital Insurance Trust Fund is projected to begin running a deficit in 2016 and to be depleted by 2029. The Department of Veterans Affairs (VA) \$21 billion-a-year health system has many obsolete facilities with excess capacity and the size and requirements for the DOD's health system also are at issue.

The efficiency and effectiveness of the government's public health programs are other areas of concern, including those administered by the National Institutes of Health, the Food and Drug Administration (FDA), the Centers for Disease Control and Prevention, and the Health Resources and Services Administration. These programs support and conduct research, provide grants to states for public health programs, such as maternal and child health services and AIDs prevention and treatment, and conduct regulatory oversight of the United States' new drug and medical device research.

The number of bioterrorism incidents, including hoaxes, increased following September 11, 2001 and included reports of anthrax in Florida, New York, and Washington, DC. Concerns about preparedness for bioterrorism have placed additional strain on a public health infrastructure that was already experiencing difficulties in responding to community demand for public health services, heightening concern about the adequacy of trained personnel, laboratory capacity, disease surveillance systems, and coordinated communication systems among state and local emergency responders.

Finally, the baby-boom generation will undoubtedly place increasing pressure on the federal/state Medicaid program to help pay for nursing home and other community-based forms of long-term care services. At the other end of the population spectrum are millions of uninsured children whose families have no health insurance. Accounting for and overseeing

Medicaid and the State Children's Health Insurance Program, which help cover the health insurance costs of these low-income Americans, represent a formidable challenge for the federal government because of the variation in state policies, procedures, and delivery systems.

To support efforts by the Congress and the federal government to address these issues, GAO will:

- evaluate **Medicare reform**, financing, and operations;
- assess trends and issues in **private health insurance** coverage;
- assess actions and options for improving **VA's and DOD's health care services**;
- evaluate the effectiveness of federal programs to promote and protect the **public health**;
- evaluate the effectiveness of federal programs to improve the nation's preparedness for the public health and medical consequences of **bioterrorism**;
- evaluate federal and state program strategies for financing and overseeing **chronic and long-term health care**; and
- assess states' experiences in providing health insurance coverage for **low-income populations**.

THE EDUCATION AND PROTECTION OF THE NATION'S CHILDREN

Educating and protecting children are key to the continued vitality of our democratic society and to our long-term ability to compete in a global marketplace. To this end, the federal government invests more than \$90 billion a year on programs that foster the development, education and protection of children from childbirth through post-secondary education. In spite of these investments, there is concern about program fragmentation, overlap, and effectiveness. The U.S. places a high priority on educating its children at the elementary and secondary levels and has increased the federal investment from over \$20 billion in fiscal year 2000 to nearly \$30 billion in fiscal year 2002. The increased investment is accompanied by an increased emphasis on accountability for schools to raise all students to proficient levels in math and reading. With reauthorization of the Elementary and Secondary Education Act, Congress has placed additional requirements on states, beyond those in the 1994 Act.

There are also concerns about protecting children and ensuring families are financially able to provide for their needs. While responsibility in these areas falls primarily to state child protective service agencies, the federal government invests approximately \$6 billion annually in related areas.

Beyond preparing for basic educational needs, a competitive national economy depends on effectively preparing workers to compete in the labor workforce. To this end, the federal government currently supports over \$50 billion annually to enhance students' access to postsecondary, vocational, and adult education. A major concern with the nation's investment in postsecondary education is its exposure to significant losses. To support the Congress and the federal government in addressing these matters, our performance goals are to:

- analyze the effectiveness and efficiency of early **childhood education and care** programs in serving their target populations;
- assess options for federal programs to effectively address the educational needs of **elementary and secondary students** and their schools;
- determine the effectiveness and efficiency of **child support enforcement** and **child welfare programs** in serving their target populations; and

- identify opportunities to better manage **postsecondary, vocational, and adult education programs** and deliver more effective services.

THE PROMOTION OF WORK OPPORTUNITIES AND THE PROTECTION OF WORKERS

A strong national economy depends, in part, on effectively preparing workers to compete in the labor force, efficiently helping employers locate qualified job candidates, providing a work environment that promotes productivity, and finding ways to help workers when they become unemployed. To this end, the federal government currently invests more than \$50 billion annually to help new entrants to the workforce, support those who have become dislocated from their jobs and assist them to become reemployed, rehabilitate disabled and injured workers, help employers obtain adequate supplies of high-quality skilled labor, as well as protect employees' rights to fair and safe workplaces without unduly burdening employers. In addition, federal policies for providing income support for the low-income population have increasingly focused on promoting work in exchange for government assistance.

Technology is redefining the labor market for workers and employers, and federal employment support and worker protection programs must deal with these new challenges. New technologies, increased marketplace competition, and very tight labor markets have prompted employers to downsize, change employment patterns, move abroad, or seek qualified foreign workers to meet their needs. To support the Congress and the federal government in addressing this challenge, our performance goals are to:

- assess the effectiveness of federal efforts to help adults enter the workforce and to **assist low-income workers**;
- analyze the impact of programs designed to maintain a **skilled workforce** and ensure employers have the workers they need;
- assess the success of various enforcement strategies to **protect workers** while minimizing employers' burden in the changing environment of work; and
- identify ways to improve federal support for **people with disabilities**.

A SECURE RETIREMENT FOR OLDER AMERICANS

Social Security has long served as the foundation of the nation's retirement income system. About 39 million people receive Social Security retirement and survivor benefits, and for nearly one-fifth of the elderly, Social Security is the sole source of retirement income. Yet, Social Security expenditures are expected to exceed payroll tax revenues beginning in 2017, with the trust fund being depleted by 2041. Also, tens of millions of U.S. workers have no individual pension coverage. Of those with pensions, some workers are increasingly being enrolled in a new kind of plan—defined contribution plans. Further, some employers are shifting to “hybrid” systems that retain the defined benefit structure while adopting certain features of defined contribution plans. These changes pose new challenges to workers, government regulators, and policymakers. Accordingly, to help the Congress and the federal government provide a secure retirement for older Americans, our performance goals are to:

- assess the implications of various **Social Security reform** proposals;
- identify opportunities to foster greater pension coverage, increase personal saving, and **ensure adequate and secure retirement income**; and
- identify opportunities to improve the ability of federal agencies to **administer and protect workers' retirement benefits**.

HOMELAND SECURITY AND JUSTICE

The November 2002 legislation creating the Department of Homeland Security (DHS) provides a historic and unique opportunity for government to transform a disparate group of agencies with multiple missions, values, and cultures into a strong and effective cabinet department to protect U.S. borders, improve intelligence and information sharing, and prevent and respond to potential terrorist acts. DHS combines 22 agencies specializing in various disciplines such as law enforcement, aviation security, and disaster mitigation, to create the third largest government agency with an anticipated fiscal year 2003 budget of almost \$40 billion and over 170,000 employees. Yet with this opportunity comes significant risks and challenges, particularly since implementation of DHS will take considerable time, key component agencies already face a wide array of existing challenges, and failure to effectively carry out its mission exposes the nation to extremely severe consequences.

Recognizing the significant change in priorities and reallocation of resources for homeland security, and the critical importance of DHS' mission, GAO realigned its own resources to create the Homeland Security and Justice Team. Combining existing expertise from the former Tax Administration and Justice, Physical Infrastructure, and former National Preparedness teams, our performance goals are to:

- **strengthen the justice system** to more effectively address crime, illegal drug use, illegal immigration, and judiciary and prison operations;
- **secure our nation's borders** and citizens against terrorists and weapons of mass destruction;
- **facilitate information sharing and analysis** to enhance coordination among governments, private sector and communities;
- **protect critical infrastructure**; and
- **increase emergency preparedness** and capacity to respond to and recover from natural or man-made disasters, through effective use of federal tools of government, including grants and training programs

THE PROMOTION OF VIABLE COMMUNITIES

Federal commitment to strong and stable communities is demonstrated through the diversity of federal economic development assistance programs. More than 100 federal programs provide direct economic development assistance in the form of grants, loans, loan guarantees, and other types of assistance for community and economic development involving billions of dollars each year. The federal government supports housing finance through various programs, incentives, and requirements. America's small businesses also play a critical role in the nation's economy. In addition, the federal government also provides assistance to victims of disasters and emergencies. To aid the Congress and the federal government in the decision-making process on these issues, our performance goals are to:

- assess federal **economic development assistance** and its impact on communities;
- assess how the federal government can balance the **promotion of home ownership** with financial risk;
- assess the effectiveness of federal initiatives to assist **small and minority-owned businesses**;
- determine how federal leadership and assistance can enhance **national disaster preparedness and capacity** to prevent and respond to natural or man-made disasters; and

- assess how well **federally-supported housing programs** meet their objectives and affect the well-being of recipient households and communities.

RESPONSIBLE STEWARDSHIP OF NATURAL RESOURCES AND THE ENVIRONMENT

The nation's natural resources and the systems associated with their use are under unprecedented stress, generating intense debate and posing daunting challenges to policymakers at all levels of government. In part, this is the consequence of the country's growing population and economy, but other stress factors exist as well, such as the globalization of the world's economy and political tensions. Most glaringly, the tragic events of September 2001 revealed the nation's vulnerability to hostile acts, mandating heightened protection of its critical natural resources, including the air we breathe, the water we drink, the food we consume, and the energy supplies that keep the economy going.

Even before 2001's tragic events, however, part of the country faced an energy crisis. The chaos in California's electricity market underscored the difficulties of crafting energy policies and regulatory approaches that adequately protect against price volatility and supply disruptions. Stress is also evident in the management of the country's lands and waters, where difficult choices must be made on balancing the demands of often competing objectives—namely, economic growth for today versus natural resource protection for the future. Food safety lies at the forefront of concerns about the country's agricultural resources, an urgent matter given the potential for agricultural bioterrorism.

The increasing globalization of natural resource issues also affects pollution control matters, as seen in the federal government's discussions with other governments about global warming and what should be done about it. Such discussions add a new layer of complexity to the already difficult question of how to sustain economic growth when the engines of that growth—factories, cars and trucks, fertilizers, electricity generating plants—can adversely affect our air and water quality. Finally, significant challenges remain in cleaning-up the country's hazardous and nuclear waste sites. To support the Congress and help the federal government carry out its land management and environmental protection responsibilities, our performance goals are to:

- assess the nation's ability to ensure **reliable and environmentally sound energy** for current and future generations;
- assess federal strategies for managing **land and water resources** in sustainable fashion for multiple uses;
- assess federal programs' ability to ensure a **plentiful and safe food supply**, provide economic security for farmers, and minimize agricultural environmental damage;
- assess federal **pollution prevention and control strategies**; and
- assess efforts to reduce the threats posed by **hazardous and nuclear wastes**.

A SECURE AND EFFECTIVE NATIONAL PHYSICAL INFRASTRUCTURE

The nation's economic vitality and the safety of its citizens are heavily dependent on a physical infrastructure comprised of, among other things, transportation networks, telecommunications systems, water supply systems, wastewater treatment and solid waste disposal facilities, and postal facilities. The nation faces important infrastructure challenges as federal, state, and local governments confront aging systems, new demands created by changes in demographics,

technology, and life-styles and our infrastructure's vulnerability to terrorist threats. How the nation responds to these challenges poses important consequences for our future because of their effects on our quality of life and their significant costs. To support the Congress in addressing this challenge, our performance goals are to:

- assess strategies for identifying, evaluating, prioritizing, financing, and implementing integrated solutions to the nation's **infrastructure needs**;
- assess the impact of **transportation and telecommunications policies and practices** on competition and consumers;
- assess efforts to improve **safety and security** in all transportation modes;
- assess the **Postal Service's** transformation efforts to ensure its viability and accomplish its mission; and
- assess federal efforts to plan for, acquire, manage, maintain, secure, and dispose of the government's **real property assets**.

FY 2002 ACCOMPLISHMENTS

During fiscal year 2002, GAO made significant progress toward these strategic objectives as illustrated in the following examples:

THE HEALTH CARE NEEDS OF AN AGING AND DIVERSE POPULATION

Preventing Inappropriate Medicare Payments: Responding, in part, to a body of GAO work and recommendations, the Congress passed legislation in 1996 that increased funding from fiscal year 1998 through fiscal year 2003 for activities to help safeguard the Medicare program from improper payments. With this increased funding, the HHS created a fraud and abuse control program and a Medicare integrity program for a variety of abuse-constraining activities. The increased funding for these two programs helped the Medicare program control improper payments by an additional **\$8.1 billion** for fiscal years 2001 and 2002.

Strengthening FDA's Prescription Drug Oversight Activities: The 1992 Prescription Drug User Fee Act, which was reauthorized in 1997, has given the FDA the funding to approve new drugs and biologics more quickly. GAO's work showed that (1) drugs have been withdrawn from the market for safety reasons at a greater rate since the law's enactment in 1992 and (2) FDA has reduced its funding and staffing for other activities, such as the regulation of food and medical devices, so that it could fund its drug reviews adequately. Partly on the basis of our work, the Congress reauthorized the act in 2002 and allowed FDA to use user fees to fund a new risk management system for newly approved drugs that could lead to earlier detection of unanticipated drug side effects.

Improving the Nation's Supply of Childhood Vaccines: Over the past 2 years, supplies of vaccines for childhood illnesses, such as measles, mumps, rubella, and tetanus, have proved inadequate to meet public needs, causing some states to postpone vaccination requirements for schoolchildren and prompting federal authorities to recommend deferring some immunizations. GAO identified factors that contribute to the shortage of childhood vaccines and helped policymakers frame the problems, such as how to expedite the licensing of vaccine products and how to manage vaccine stockpiles, so that shortages do not become commonplace.

Improving Nursing Home Care: GAO's work over the past 5 years has helped raise public awareness of the unacceptable conditions prevalent in some 15 percent of America's nursing homes, where serious and recurring problems have harmed patients. As we recommended, the Centers for Medicare and Medicaid Services (CMS), which oversees nursing facilities, has increased the rigor of inspections conducted by state survey agencies, required states to be more responsive to complaints alleging patient harm, and mandated the application of sanctions to offending facilities. Our work has spurred a growing understanding of the dimensions of the problem and increased the likelihood that effective federal actions will be taken.

Maintaining an Adequate Blood Supply: Maintaining a safe and adequate blood supply is key to meeting the nation's emergency needs. In a 2002 report and associated testimony, GAO documented deficiencies in the collection and distribution of blood, as evidenced by experiences after September 11, 2001. Blood donations increased significantly then, leading to a nationwide surplus that stressed the collection system and resulted in six times the usual proportion of blood becoming outdated and discarded in the months following the attacks. Blood suppliers and the federal government now are reevaluating how blood is collected during and after disasters to avoid a repeat of this experience and to ensure that the inventory of blood on hand in the nation's blood banks is always sufficient to meet the medical needs of disaster victims.

Helping the Nation Prepare for Bioterrorism: Analyzing the results of its earlier work on the outbreak of West Nile virus, GAO identified a need for state and local governments to have the capacity to deal with conventional basic public health needs, because all epidemics, whether natural or terror-related, pose detection and treatment challenges. The Department of Homeland Security is expected to play a critical role in preparing for and responding to bioterrorism; therefore, we are working with the Congress and with federal public health agencies to better understand how to prepare for bioterrorism without compromising the government's ability to respond to basic public health needs. In addition, we are advising the Congress on ways the federal government can more effectively coordinate efforts to detect bioterrorism and treat its consequences.

Management Initiatives Reduce TRICARE's Open Change Orders: The DOD supplements its health care program, TRICARE, with contracts for civilian services. These contracts are modified through the use of change orders when new benefits are provided or when administrative changes occur. DOD's lack of focus on the change order process resulted in a backlog of over 500 outstanding change orders, with a potential liability in the hundreds of millions of dollars. As a result of our work, DOD implemented a new process that provides a structured approach to approve, prioritize, and track prospective changes. Changes are now negotiated and settled before they are implemented. With DOD's increased emphasis, the number of outstanding changes orders declined from more than 560 in July 2000 to about 50 in August 2002.

Improving VA's Health Care Resource Allocation: In one report and two testimonies in 2002, we identified changes that the VA needed to make in its system for allocating financial resources to its 21 health care networks, called the Veterans Equitable Resource Allocation (VERA) system. We reported that VA could most improve VERA by better adjusting for differences in networks' patient health care needs. In response to our report, VA acknowledged the limitations of its current adjustment process and said it is working internally and with an outside contractor on how best to correct these limitations. VA is also examining other improvements to VERA that we recommended. These include determining why some of VA's

health care networks experience budget shortfalls after receiving their VERA allocations and establishing a financial mechanism to partially offset the risk that some networks may have an unusually large number of high-cost, chronic care patients, whose costs are not well predicted by current cost predictors.

Ensuring Accountability in Medicaid and SCHIP: GAO informed policy deliberations on the appropriateness of recent Department of Health and Human Services (HHS) waivers of federal requirements granted to states for managing their Medicaid and State Children's Health Insurance Programs (SCHIP). We found that HHS had approved waivers for purposes not authorized by statute and had not ensured that the waivers received adequate public input before being approved. We suggested that the Congress and HHS take several actions to correct these problems. HHS has since revised its guidance to states on obtaining public input and has made waiver applications and decisions more readily available to the public. The leadership of the Senate Finance Committee, after highlighting the concerns with the waiver approvals and approval process in publicly released letters to HHS, proposed legislation to address the unauthorized uses of funds and inadequate public input process.

Understanding Increasing Long-Term Care Demand and Expenditures: In a series of testimonies and a report, GAO showed that spending for long-term care could nearly quadruple by 2050 as the baby boom generation ages and demand for services increases. This burgeoning spending will especially impose burdens on federal and state budgets, because public programs—particularly Medicaid—finance most long-term care expenditures. We also demonstrated that services offered to elderly individuals needing long-term care could vary widely, depending on the coverage available through states' Medicaid programs and case managers' assessments of individuals' needs. The U.S. Senate Special Committee on Aging drew extensively on our work in developing its findings and in its ongoing consideration of long-term care financing reform.

Improving Veterans' Access to Medicines for Treating Psychosis: GAO reported that because of cost considerations procedures at some VA facilities have limited or could restrict access to an atypical antipsychotic drug on VA's national list of drugs for treating schizophrenia and bipolar disorders. Such procedures are contrary to VA's prescribing guideline for atypical antipsychotic drugs. In response to our work, VA has reiterated to all its employees that they should follow the prescribing guideline that allows veterans access to the most appropriate medication for treatment. Furthermore, VA has enhanced the capability of its pharmacy database so that VA management can now monitor physicians' prescribing practices for these medications at each facility.

Improving Communication between Medicare and Physicians: GAO identified problems in the way that Medicare program requirements are communicated to physicians. We reported that Medicare instructions and guidance, which enable physicians to bill properly, were often difficult to use, out of date, inaccurate, and incomplete. Our work helped the CMS, the agency that administers the Medicare program, focus on the need to provide physicians with better information in its written communications and through its telephone call centers and Web sites. CMS has taken several steps to improve communication with physicians, including publishing a national bulletin that describes physicians' responsibilities and requirements under Medicare law, establishing new performance standards for its call centers so that questions are answered promptly and correctly, and reexamining its procedures for monitoring regional Web sites to ensure that the sites provide consistent and accurate information.

Including Women in Health Research: GAO has issued a series of reports on the inclusion of women as study subjects in clinical research funded by the National Institutes of Health (NIH) and clinical drug trials reviewed by the FDA. In response to our work, both agencies have taken steps to increase the participation of women in study populations. Most recently, NIH took action in response to our recommendation that, to better monitor inclusion, NIH staff who transmit data on study populations to the agency's tracking system should receive ongoing training on the system's purpose and requirements. After deploying a new tracking system to monitor the inclusion of women and minorities in clinical research, NIH provided extensive training, including demonstrations and hands-on training. In addition, all training materials will remain available to NIH staff on-line.

Improving Pediatric Drug Research and Labeling: Partly on the basis of GAO's testimony, the Congress passed the Best Pharmaceuticals for Children Act of 2001, which reauthorizes what is known as the pediatric exclusivity provision of the FDA Modernization Act of 1997—a provision that extends manufacturers' exclusive marketing rights by 6 months for drugs that are studied in pediatric patients. We testified that this provision had been successful in generating clinical studies for drugs tested by manufacturers for pediatric use. The 2001 act also addresses another key issue we identified. Specifically, it requires that safety information from pediatric studies be added to drug labels in a timely manner and provides a process by which FDA can seek labeling changes to drugs granted pediatric exclusivity.

THE EDUCATION AND PROTECTION OF THE NATION'S CHILDREN

Avoiding Duplicative Funding for Social Service Initiatives: In reviewing the Department of Health and Human Services' fiscal year 2002 budget request, GAO found that funds for existing programs could be used to accomplish the goals of three newly proposed programs. We pointed out that these new programs, which were designed to strengthen fatherhood and to provide group homes to teenage mothers and their children and mentoring services to the children of prisoners, could be funded through the Social Services and Temporary Assistance for Needy Families block grants. Our work resulted in financial benefits of **\$164 million**.

Understanding What It Takes to Ensure Accountability for Public Education: In 2001, the Congress passed the No Child Left Behind Act, building on earlier efforts to make the states more accountable for public education and signaling the continuing importance of improving student achievement. In 1994, concerned that federal funding was not significantly improving the educational progress of at-risk students, the Congress changed title I of the Elementary and Secondary Education Act to require that the states ensure accountability in their public school systems. A key requirement was student testing. The No Child Left Behind Act raised the stakes for schools that fail to achieve adequate test scores. But this year, collaborating with other audit organizations, GAO studied the states' implementation of the 1994 requirements and found widespread shortcomings, raising the question of the states' capacity to fulfill the additional requirements of the 2001 legislation. For Americans concerned about improving public education, the lesson of our work is that setting accountability requirements, such as student testing standards, is only part of the job. Effective implementation, including such basics as ensuring that tests are scored accurately, is also important.

Obtaining Information on the Effectiveness of Federal Student Aid: The federal government uses a range of policy tools to help students finance postsecondary education, including primarily grants, loans, and tax credits. In 2002, GAO issued a report, prepared by a team of staff from across the agency, that addressed the relative effectiveness of these tools in

promoting postsecondary attendance, choice, and completion, as well as the tools' impact on college costs. We found that little information was available for the Congress to weigh the relative effectiveness of the tools and recommended that the Secretaries of Education and the Treasury take steps to address this lack of information. Both agencies agreed with our recommendations and plan to do research on the relative effectiveness of various policy tools in providing access to higher education.

Establishing Criteria for Educational Progress for Disadvantaged Children: In 2000, GAO reported that states' criteria for assessing the performance of school children did not allow for specifically identifying the performance of disadvantaged children. As a result, the states could not gauge the impact of title I funds on these children. We recommended that the Congress consider requiring that the states establish criteria for progress specifically for disadvantaged children, as well as for all students. Responding to our recommendation, the No Child Left Behind Act of 2001 required that the states, in defining adequate yearly progress, set separate objectives for improvement in the achievement of economically disadvantaged students, students of major racial and ethnic groups, students with disabilities, and students with limited English proficiency.

Evaluating Outcomes of the Head Start Program: In 1998, GAO found that the HHS had little information on whether Head Start Programs were achieving their objectives. Without this information, it was not possible to determine the programs' impact on children's development. In 1998, the Congress passed the Community Opportunities, Accountability, and Training and Educational Services Act of 1998, which required HHS to study the impact of the Head Start Programs, as we had recommended. We had also recommended that HHS develop and implement a plan for assessing individual Head Start grantees' performance to ensure that the grantees are held accountable for achieving the programs' purposes. In response to our recommendation and the 1998 legislation, HHS put a process in place to assess grantees' outcomes.

Improving Measures of Educational Progress: In 2000, GAO found that states chose different criteria for measuring the yearly progress of public school students and that all but two states defined progress solely in terms of assessment results, without including other educational outcome measures such as graduation, attendance, or dropout rates. Reacting to these findings, the Congress, in enacting the No Child Left Behind Act of 2001, required that the states apply the same standards of academic performance to all public school students in the state, measure the progress of public schools and local educational agencies primarily on the basis of yearly student academic assessments, and include a time line for achieving specific academic performance goals. In addition, the legislation required the states to include graduation rates for high schools and an additional outcome measure for middle and elementary schools, such as attendance rates, when defining adequate yearly progress.

Ensuring the Timely Transfer of Information on Migrant Children: Children in migrant agricultural worker families often face significant developmental and educational obstacles that are compounded as families move from site to site in search of work. Recognizing the needs of these children, the Congress created the Department of Education's Migrant Education Program in 1965 and the HHS Migrant Head Start program in 1969. In reviewing these programs, GAO found that neither Education nor HHS has a system to transfer information on participants between locations, despite the need to transfer key information in a timely way as students move around the country. As a result, students may experience inappropriate classroom placements or delays in receiving services, may be given repeat immunizations, or may fail to complete high school graduation requirements. In enacting the No Child Left Behind Act of

2001, the Congress required, as we had recommended, that Education and HHS develop a nationwide system to transmit essential information about migrant children from school district to school district.

Better Targeting of Education Funds to High-Poverty School Districts: In 2001, GAO briefed congressional staff on the extent to which title I funds were targeted to low-income children. We pointed out (1) that the “hold harmless” provisions in the appropriations laws limited the extent to which funds were targeted because the provisions guaranteed school districts 100 percent of their previous year’s allotment of title I funds, rather than reflecting changes in their numbers of poor children; (2) the potential negative effects of the Title I Finance Incentive Grants, which had not been funded at the time of our briefing, on directing funds to higher-poverty school districts; and (3) the benefits of funding a Targeted Grant Formula in allocating proportionally more funding per poor child to districts with higher numbers and percentages of poor children. In enacting the No Child Left Behind Act of 2001, the Congress took action to remedy the problems we had identified and to ensure that funds are better targeted to high-poverty school districts.

Improving the District of Columbia’s Child Welfare System: In 2000, GAO studied efforts by the District of Columbia to reform its child welfare system. We found that a lack of integration in the District’s child welfare system worked against preventing children from entering the system and reducing the length of their stays. Compounding these challenges, we found, the child welfare system continued to operate without a fully developed collaborative structure and the effective working relationship needed to provide integrated services to children and their families. In response to these problems, the District issued a Child Welfare System Emergency Reform Plan. Our work helped to guide the development of the plan, which contains several major elements intended to address the challenges confronting the child welfare system.

Improving Child Care Quality and Availability: During fiscal year 2002, we conducted work in preparation for the reauthorization of the Child Care and Development Block Grant and briefed congressional staff on developing and marking up the reauthorization legislation. We reported the levels of state spending on child care quality initiatives, the factors that states weigh in determining these spending levels, and the ways states set reimbursement levels for child care providers. Our work was reflected in provisions of the reauthorization legislation that addressed the quality set-aside (the percentage of their grant funding that states must set aside to improve the quality and availability of child care) and state reporting on child care fees.

THE PROMOTION OF WORK OPPORTUNITIES AND THE PROTECTION OF WORKERS

Retaining the Substantial Gainful Activity Level for the Blind: To establish and maintain eligibility for disability insurance benefits, beneficiaries must not only meet medical eligibility criteria but also demonstrate that they are not earning above a certain amount—known as the Substantial Gainful Activity (SGA) level. In March 2000, congressional hearings focused on the role of earnings in determining initial and continuing eligibility for disability benefits for individuals who are blind or have other disabilities. Prior to these hearings, bills introduced in the House and Senate had proposed eliminating the SGA level for the blind. While an advocate organization for the blind testified that it wanted the Congress to eliminate the SGA level for the blind, GAO responded that doing so would increase the costs of disability insurance and

fundamentally alter the purpose of the disability insurance program by removing the connection between eligibility for benefits and the inability to work. As a result of our testimony, the Congress retained the SGA for the blind, resulting in a financial benefit of **\$1.124 billion** in fiscal years 2001 and 2002.

Computerized Interfaces Identify Undisclosed Earnings: In 1998, GAO reported that an Office of Child Support Enforcement database, known as the National Directory of New Hires, could be used to help prevent or reduce overpayments of supplemental security income (SSI) that occur when recipients fail to fully disclose their earnings. We recommended that the Social Security Administration (SSA) develop computerized interfaces to access this database and detect undisclosed earnings during initial and subsequent determinations of SSI eligibility. SSA developed these interfaces, gave all field offices direct access to the database, and instructed field staff to use the database for cases meeting specified criteria. These actions have resulted in financial benefits of about **\$797 million**.

Eliminating Maintenance-of-Effort Funding for a Food Stamp Program: In 1996, welfare reform tightened work requirements for some food stamp participants, potentially making it difficult for them to obtain benefits if they were unable to find jobs. To avoid cutting off benefits for participants who were willing to work but unemployed, the Congress authorized increased funding for the food stamp employment and training programs. These funds were called maintenance-of-effort funds because the states were required to maintain their state-funded expenditures for employment and training at a level no lower than in fiscal year 1996. GAO found that the states had spent \$98 million, or 30 percent of the funds available, for the food stamp employment and training program in fiscal year 2000. Because unobligated balances are carried over from prior years, \$426 million was available for employment and training in fiscal year 2001. Our findings led the Congress to eliminate the maintenance-of-effort funding and thereby reduce funding for the overall program by **\$343 million** in fiscal year 2002.

Improving Verification of Continued Eligibility for Supplemental Security Income: In 1998, GAO described the SSA's heavy reliance on recipients to self-report information on their financial status and recommended that SSA enhance its ability to verify this information by accelerating efforts to identify more timely and complete sources of financial eligibility information. In 2001, SSA distributed software to help its staff examine a variety of databases quickly to detect possible changes in factors that can affect recipients continued eligibility for benefits. After scanning the available databases, the new software creates an integrated review sheet for each recipient. With this information, SSA staff can more easily query recipients about factors that can affect their eligibility for benefit payments. Thus, the software improves the efficiency of SSA's continuing eligibility reviews.

Increasing Reliance on Electronic Data Sharing: Under certain circumstances, SSA reduces disability benefits if a person receives benefits from both the Disability Insurance (DI) and the Workers' Compensation (WC) programs. SSA relies heavily on beneficiaries to report their WC benefits. GAO found that a lack of reliable information on the WC benefits they received caused some DI beneficiaries to be overpaid and others to be underpaid. Our report gave new impetus to SSA's efforts to obtain better information through data sharing on the WC benefits received by DI beneficiaries. SSA awarded a grant to an industry association to gather more information about the capacity of states to provide computerized WC benefit information for individual claimants and to educate state WC agencies on the advantages and ease of sharing electronic records with SSA.

Preventing Overpayments of Unemployment Insurance: This year, GAO examined the Department of Labor's Unemployment Insurance program, a key component in ensuring the financial security of America's workforce. In calendar year 2001, this federal-state partnership program paid out some \$30 billion in benefits to workers who lost their jobs. But of this \$30 billion, Labor estimated that some \$2.4 billion consisted of overpayments attributable to weaknesses in the program's management, oversight, and internal controls. Labor also estimated that nearly \$600 million of the overpayments involved fraud. Citing our findings, the Chairman of the Subcommittee on Human Resources, House Committee on Ways and Means, called on the nation's governors to combat unemployment insurance fraud and abuse and to use part of the \$8 billion in additional federal unemployment funding recently distributed to the states to strengthen the program's integrity.

Simplifying Requirements for Determining Food Stamp Eligibility and Benefits: In 2001, GAO reported and testified on the complexity of the regulations for determining eligibility and benefits for food stamps. Because of this complexity, the program was costly to administer and decisions were inherently error-prone. Accordingly, we recommended that the Department of Agriculture work with the Congress to identify ways to simplify certain program requirements. When the Congress reauthorized the food stamp program in 2002, it made a number of revisions to simplify the requirements for determining program eligibility and benefits.

Improving the Job Corps Program: Between 1996 and 1999, GAO did a substantial body of work that provided information and recommendations to improve the operations of the Department of Labor's Job Corps program. As a result of our work, the program has (1) revised its definition of what constitutes completion of vocational training, (2) modified its performance measures for placement contractors to make them more meaningful, (3) revised its policy guidance on eligibility determination and screening factors to make the guidance clear and consistent, (4) implemented new performance measures and monitoring procedures to hold national training contractors more accountable, and (5) improved the accuracy of reports of jobs obtained by participants. In addition, the Congress passed legislation in 1998 requiring Job Corps to institute a policy of assigning Jobs Corps students to centers in their home states. Previously, students could be sent to centers outside their home states and traveled an average of four times as far as they would have if they had been assigned to the closest center in their state of residence.

Improving Data Collection for Agricultural Guestworker Program: Under the H-2A guestworker program, employers may bring workers into the country temporarily, as nonimmigrants, to perform seasonal agricultural work when domestic workers are unavailable. In 1997, the Congress was concerned that this program would not be able to provide enough workers in the event of a farm labor shortage. GAO found that the Department of Labor collected limited data for overseeing the program's daily operations and could not determine the extent to which regional offices complied with statutory and regulatory deadlines for processing applications. In response to our recommendation, Labor awarded a contract to a private firm to develop and implement an automated reporting and application-processing system. The system, to be implemented in March 2003, will allow Labor to use data to monitor and improve the performance of the H-2A program.

A SECURE RETIREMENT FOR OLDER AMERICANS

Informing the Public about Employee Pension Issues: The bankruptcy of Enron came as a particularly painful shock to its employees, whose pensions were tied to the fate of the company. In the wake of the bankruptcy and the questions it raised for workers nationwide, GAO took steps to help the Congress and the public better understand private pension issues. For example, we alerted the Congress to potential weaknesses in the legal protections for employee pensions. In addition, we showed how employers' stock investment decisions can increase the risks to which their employees' pension plans are exposed and recommended improvements in the information employees must receive. Moreover, we provided technical assistance to Senators and their staffs in drafting pension reform legislation. Finally, our "pension primer," called *Answers to Key Questions about Private Pension Plans*, offered Members of Congress, their staffs, and the public information about concepts and rules that have become increasingly relevant for Americans concerned about their future economic security.

Improving the Management of the Pension and Welfare Benefits Administration's (PWBA) Enforcement Program: In 2002, GAO reported that PWBA had not realized the expected level of participation in the Voluntary Fiduciary Correction (VFC) program, which encourages employee benefit plan officials to identify and correct violations of the Employee Retirement Income Security Act of 1974 (ERISA) on their own. PWBA had anticipated that 700 plans would apply for and use the program; however, only 37 plans had applied at the time we did our study. We found that certain requirements, such as those for notifying plan participants of potential violations and for levying excise taxes on prohibited transactions, may hinder participation in the program. We recommended that PWBA analyze barriers to the program and explore ways to reduce them. In response to our recommendation, PWBA modified key features of the program. For example, it eliminated the requirement for plans to notify participants of potential violations and established a limited excise tax exemption for plans that participate in VFC.

Limiting Potential Abuse of the Government Pension Offset Exemption: In August 2002, GAO completed a time-sensitive and high-profile review of potential abuse by state and local government employees of an exemption to the Government Pension Offset—a provision designed to equalize the treatment of workers covered by Social Security and those with uncovered government pensions. This review resulted in a congressional briefing and final GAO report documenting a practice that could cost the Social Security Trust Fund hundreds of millions of dollars. The Congress is currently considering legislation drafted in response to our report that would address the potential abuse.

Safeguarding Personal Information: In 2002, GAO reported and testified on the ways in which governments at all levels use the Social Security number (SSN) and the extent to which they protect it. Our work pointed particularly to the challenge of safeguarding the personal information, including SSNs, that appears on public records, is for the most part available to the public, and in some instances is available over the Internet. Our contacts with a variety of local record-keeping officials and national organizations representing such officials has helped bring these issues to public attention, and actions to secure such information, or remove it from public records entirely, are under consideration by such groups.

Improving Distribution of the Social Security Administration's Death Master File Information: In light of concerns about identity theft and the potential for misuse of a deceased person's SSN, it is important for the SSA to gather death information and distribute it expeditiously to financial institutions. GAO found that death information collected by SSA generally reached financial institutions and other entities within 1 to 2 months of a person's

death; however, delays in processing and distributing the information sometimes occur. In testimony, we concluded that SSA and the National Technical Information Service (NTIS) could make death information available to financial institutions more quickly. Partly in response to our testimony, SSA began furnishing its death file information to NTIS on a weekly basis, and NTIS began making it available to its customers weekly. SSA also now updates the Death Master File electronically.

Evaluating the Department of Labor's Retirement Saving Activities: In 2001, GAO reported that Labor's Pension and Welfare Benefits Administration (PWBA) had not assessed the effectiveness of its activities to promote saving for retirement. In particular, PWBA had little specific information about the effectiveness of individual publications and other outreach activities. We recommended that PWBA measure the effectiveness of its outreach program so that it could best target its limited resources. In response to our recommendation, PWBA contracted for focus group evaluations of its retirement savings materials to determine their usefulness. In addition, PWBA received recommendations from a contractor on ways to better target its outreach program.

Informing the Public about the Implications of the Aging of the U.S. Workforce: In November 2001, GAO issued a report describing and analyzing the challenges posed to the nation by the aging of the U.S. labor force. This report alerted the public and the Congress to potential adverse effects, not only on Social Security and the federal budget, but also on employers' ability to retain skilled workers and ultimately on long-term economic growth. We recommended that executive agencies develop comprehensive policy responses to these challenges. The Department of the Treasury and the IRS are already taking some action. For example, they have issued a notice requesting comments on issues relating to phased retirement arrangements under qualified defined benefit plans.

Reforming Social Security: This year, the Comptroller General testified before the House Budget Committee on issues related to reforming the Social Security program. GAO has also provided numerous informal briefings on this topic. These contributions have strengthened our reputation as an honest broker of objective information on this contentious and controversial issue. Using a complex simulation model, we have supplemented the agency's analytical work in this area and enhanced our ability to analyze the effects of different reform proposals on the level and distribution of Social Security benefits.

AN EFFECTIVE SYSTEM OF JUSTICE

Contributing to Election Reform: Voting problems during the September 2002 primaries demonstrated the continuing relevance of GAO's work arising from the November 2000 election. In a series of reports, we disclosed major challenges relating to the people, processes, and technology involved at each stage of the election process—registration, absentee and early voting, preparing for and conducting election day activities, and vote tabulations. We shared our observations and criteria for evaluating reform proposals not only with the Congress but also with state and local election commissioners. Nationwide, there are more than 10,000 local election jurisdictions, and our work has relevance for all of them. Our work also contributed to the elections reform legislation passed by the Congress, which addresses such matters as federal subsidies for voting machinery, standards for the equipment, improvements in voter registration rolls, and better access for voters with disabilities.

Alerting the Congress to the Prevalence and Cost of Identity Theft: Identity theft is the fastest-growing type of crime in the U.S. It involves “stealing” another person’s personal identifying information—such as the SSN, date of birth, and mother’s maiden name—and then using the information for fraudulent purposes. GAO’s reporting helped the Congress devise the Identity Theft and Assumption Deterrence Act of 1998. Since then, most states have enacted laws that make identity theft a crime. Still, the growth of identity theft and the frequently multi- or cross-jurisdictional nature of this type of crime underscore the importance of cooperation among federal, state, and local law enforcement authorities. This year, we reported further on the prevalence and cost of identity theft and worked to promote awareness and use of intergovernmental mechanisms for enhancing data sharing and enforcement.

Improving Efforts to Combat Immigration Benefit Fraud: Immigration benefit fraud involves attempts by aliens to obtain benefits such as naturalization, work authorization, or adjustment of status (e.g., from student to permanent resident) through illegal means—for example, using fraudulent documents. Immigration and Naturalization Service (INS) officials believe that the problem is serious; they also believe that some aliens are applying for benefits so that they will be able to carry out illegal activities, such as crimes of violence, narcotics trafficking, and terrorism. GAO reviewed INS’s efforts to combat benefit fraud and identified shortcomings in the agency’s enforcement strategy, working level guidance, case tracking and management, information sharing, and performance measurement. INS agreed with our findings and has begun implementing the corrective actions we recommended.

Improving the Monitoring and Evaluation of Department of Justice Grants: In a series of reports, GAO cited poor documentation of grant monitoring and weak impact evaluations as problematic in ensuring the efficiency and effectiveness of the Department of Justice’s (DOJ) grants. DOJ’s Office of Juvenile Justice and Delinquency Prevention and Office of Justice Programs have taken steps to address the shortcomings we identified, both in the monitoring of grants to ensure that funds are spent as intended and in the design of impact evaluations to ensure that they are more likely to yield valid results or have been scaled back and redirected to achieving other research purposes. In addition, proposed legislation responsive to our recommendations for improvements in evaluations of DOJ’s Drug Court program would mandate more rigorous data collection and affect evaluation.

THE PROMOTION OF VIABLE COMMUNITIES

Reducing the Cost of Federal Housing Programs: In response to GAO reports and recommendations over the past several years, the Congress, the Department of Housing and Urban Development (HUD), and the U.S. Department of Agriculture’s Rural Housing Service took actions that produced financial benefits totaling \$6.1 billion. Over **\$4.8 billion** resulted from GAO’s recommendation that HUD review unexpended balances in all of its programs to ensure timely expenditure of appropriated program funds. The remaining benefits resulted from a series of actions in response to our work. For example, the Congress (1) funded fewer new programs or set-asides than HUD had requested, (2) terminated Operation Safe Home, and (3) enacted legislation that replaced HUD’s home mortgage assignment program with less costly alternatives. Additionally, the Rural Housing Service centralized its servicing for rural single family housing loans.

Improving Human Capital Management at the Small Business Administration (SBA):

GAO examined SBA's organizational alignment and the effect this alignment has on SBA's ability to fulfill its mission. GAO found that SBA's current structure contributes to the challenges it faces in delivering services to the small business community. In particular, ineffective lines of communication; confusion over the mission of district offices; complicated, overlapping organizational relationships; and a field structure not consistently matched with mission requirements combine to impede the efforts of SBA staff to deliver services effectively. To guide the organizational changes needed to improve its delivery of services and to respond to issues and challenges raised by GAO, the OMB, and the SBA Inspector General, SBA has drafted a plan for a 5-year workforce transformation. The draft plan recognizes SBA's need to restructure its workforce and streamline its headquarters operation.

Providing a "Roadmap" for Management Reform at HUD: GAO has designated programs in the Department of Housing and Urban Development as high risk since 1994. Although we removed the high-risk designation from one of HUD's programs (community planning and development) after the department strengthened its management controls, programs in two other areas (single-family mortgage insurance and rental housing assistance), which account for about two-thirds of HUD's budget, remain high risk. In response to requests from the Senate Committee on Banking, Housing and Urban Affairs, we reported and testified in 2002 on HUD's progress in achieving management reform as well as in addressing three major management challenges—improving its human capital policies, programmatic and information management systems, and contracting practices. HUD management is taking action in response to our work. During his confirmation hearings in early 2001, HUD Secretary Mel Martinez, citing our work, made improving HUD's management the department's highest priority. The administration then introduced HUD's first Performance Plan, noting that HUD was using our reports as a "roadmap" for making management improvements. In July 2002, the Deputy Secretary reiterated the department's position before the Senate Committee on Banking, Housing and Urban Affairs and endorsed our characterization of HUD's three major management challenges.

Contributing to the Debate on Homeland Security: In a series of testimonies delivered in Washington, D.C., and throughout the country, GAO discussed the need for coordination and cooperation among all levels of government to develop a strategy to improve national preparedness and an effective response in the event of future terrorist attacks. Drawing on our body of work on terrorism, emergency preparedness, and policy options for the design of federal assistance, the testimonies noted the need for a national homeland security strategy to help redefine the roles of local, state, and federal government entities in light of new and emerging threats. The testimonies also discussed the need for developing performance goals and measures to assess the preparedness of all levels of government and for carefully choosing assistance tools, such as grants, regulations, and tax incentives, to facilitate the targeting of resources to the areas of highest risk and greatest need.

RESPONSIBLE STEWARDSHIP OF NATURAL RESOURCES AND THE ENVIRONMENT

Improving Farm Loan Programs: In 1990, GAO designated the Department of Agriculture's Farm Loan Programs as a high-risk area because of billions of dollars of losses attributable to significant problems primarily with the department's direct loan portfolio. Since then, the department has implemented many of our recommendations to improve the program, and the 1996 Farm Bill incorporated our key legislative recommendations. These changes eliminated the revolving-door credit for which the department had become known and gave farmers strong incentives to repay their loans rather than to seek loan forgiveness or loan refinancing that

included write-offs of delinquent debt. We estimated that, during the 5 years following enactment of the 1996 Farm Bill, improvements in the program reduced losses on direct loans by about **\$4.8 billion**, compared with the losses for the 5 preceding years.

Reducing Nuclear Waste Treatment Costs: In 1996, GAO reviewed DOE's Hanford, Washington, tank waste privatization project and found many unresolved technical and financial uncertainties. In 1998, GAO compared DOE's Hanford approach with several alternative contracting and financing strategies and suggested that DOE reassess its approach in light of significant cost growth. In June 2000, GAO testified that DOE should reevaluate its Hanford approach and consider other contracting and financing options. DOE subsequently terminated the Hanford tank waste project, and, after evaluating alternative contracting and financing options, awarded a new contract that is expected to achieve significant cost reductions—about \$4 billion—over the life of the construction phase. The financial benefit for fiscal years 2003, 2004 and 2005 is about **\$1.5 billion**.

Protecting the Taxpayer against Faulty Analyses in Public Works Programs: GAO found that the Corps of Engineers' economic justification for the proposed deepening of the Delaware River ship channel was seriously flawed. The Corps' justification contained numerous material errors, including miscalculations, invalid assumptions, and the use of significantly outdated information. Furthermore, the Corps' quality control process failed to identify these major flaws. Acting on GAO's findings, the Corps' Director of Civil Works suspended this **\$311 million** project pending a comprehensive reanalysis. Moreover, in light of the many problems identified for this individual project, the Director ordered a review of 164 other projects.

Improving the Process for Recognizing Indian Tribes: GAO assisted the Congress in its deliberations over how to reform the Bureau of Indian Affairs' (BIA) regulatory process for federally recognizing Indian tribes. In fiscal year 2002, GAO issued a report and testified twice on the need for BIA to provide clear, timely recognition decisions. As of July 2002, there were 562 federally recognized Indian tribes, and hundreds more had petitioned BIA for federal recognition. We reported that because of weaknesses in the recognition process, the basis for BIA's tribal recognition decisions is not always clear and the time required to reach a decision can be substantial. Without improvements to address these problems, confidence in the regulatory process will continue to erode. In response to our recommendations, BIA has developed a strategic plan to improve the objectivity and efficiency of the tribal recognition process.

Formulating a Plan for the Multi-Billion-Dollar Everglades Restoration: Restoring the Everglades will take billions of dollars over 50 years and require many federal and non federal agencies to work together to achieve the goals of a healthy, restored ecosystem. Since 1999, we have identified several components missing from the initiative's basic planning and organizational structure and have made recommendations to improve the prospects for restoration. In response, the Congress required the task force that administers the initiative to develop a strategic plan and a conflict resolution process and to prepare a land acquisition plan. The task force developed its first strategic plan in 2000 and updated the plan, in part to address our comments, in 2002. It is currently finalizing the land acquisition plan and a conflict resolution process. Our ongoing work on the initiative includes a study on the coordination of scientific activities to support restoration and contributions to congressional oversight hearings on the progress made in developing scientific information.

Improving the Management of Nuclear Waste Cleanup Projects: In 2000 and 2001, GAO reported on the Department of Energy's (DOE) cleanup of nuclear waste contamination at two nuclear processing sites, in Paducah, Kentucky, and West Valley, New York. At Paducah, we found that significant quantities of hazardous materials had not been included in the site cleanup plan. At West Valley, we found that differing cleanup standards and disagreements between DOE and the state were hindering progress. In response to our recommendations, (1) DOE incorporated the excluded hazardous materials into the Paducah site's cleanup plan and agreed to specify the plan's priorities, costs, and schedules and (2) federal regulators agreed on cleanup standards for the West Valley site and the Congress, as we had suggested, directed DOE and the state to resolve their differences.

Increasing the Capacity of the International Audit Community to Assess Environmental and Agricultural Programs: GAO staff helped strengthen auditing practices in foreign countries by taking leadership roles in the activities of the International Organization of Supreme Audit Institutions (INTOSAI). In 2002, GAO staff on INTOSAI's Environmental Working Group were instrumental in developing guidance for conducting environmental audits, and GAO staff at a joint United Nations/INTOSAI meeting took the lead in developing guidance for auditing agricultural programs. Both guidance documents are being translated and published in five languages.

Improving Grant Management and Oversight: GAO recommended in 2001 that the Environmental Protection Agency (EPA) improve its oversight of grantees and revise its outdated grant regulations to conform with current practices. EPA provides over half of its budget of about \$8 billion to grantees to accomplish its environmental programs, and effective oversight of these grantees is critical to achieving the agency's environmental goals. We found that EPA was not effectively scrutinizing grantees for unallowable costs or using single audit information as effectively as it could. We also found that existing grant regulations did not reflect actual practices. In response to our recommendations, EPA revised its grant regulations in 2002 to require testing for unallowable costs and to accurately reflect its grant fellowship practices. EPA also improved its training for grant personnel so that they could make better use of single audit information.

Helping Enhance Federal Oversight of Restructured Energy Markets: With the restructuring of the electricity and natural gas industries, from regulated monopolies to competitors in the marketplace, GAO has contributed to the Congress's understanding of key issues in ongoing energy policy debates. These issues include the implications of the Enron collapse for the markets, the exercise of market power in California, reasons for price spikes in the natural gas markets, and the Federal Energy Regulatory Commission's capacity to oversee energy markets. Our work has also influenced federal agencies' decisions affecting concentration in the ethanol market and the petroleum industry.

Making the Food Supply Safer for the American People: Although the U.S. food supply is considered one of the safest in the world, foodborne illness remains an extensive and expensive problem, raising concerns about the federal government's ability to ensure the safety of domestic and imported foods. Recently, the threat of deliberate contamination of our food by terrorists has significantly elevated those concerns. After we issued a series of reports and testimonies on the federal government's ability to ensure the safety of the food supply, the Congress and federal agencies took action to strengthen oversight and enforcement of the federal food safety system. For example, the Congress included several food safety provisions in the Public Health Security and Bioterrorism Preparedness and Response Act of 2002, including those that (1) strengthen the FDA's authority to prevent the reimportation of potentially unsafe food that has been refused entry into the U.S. and (2) require domestic food-processing

firms to register with FDA to ensure that they are known to the agency and subject to its processing regulations. In addition, the U.S. Department of Agriculture developed a training and certification program and required statistical process controls for a pilot program testing a new inspection approach for slaughter facilities.

Strengthening Federal Efforts to Prevent and Fight Wildfires: In 1998, GAO first reported on the potential for large catastrophic wildfires to cause extensive damage to forests and nearby communities. Since then, we have facilitated the involvement of federal agencies in (1) coordinating their actions and providing overall leadership, (2) identifying the major causes of these types of fires and setting priorities for reducing their effect, and (3) identifying ways for the agencies to enhance their preparedness for fighting these fires. As a result of our efforts over the years, the Department of Agriculture and the Department of the Interior have developed a cohesive strategy to help restore and maintain the health of ecosystems damaged or threatened by catastrophic wildfires. This strategy includes setting priorities to deal with the problem, establishing a Wildlands Fire Leadership Council to provide coordination and leadership to address catastrophic wildfire threats, and beginning to hire additional firefighters and purchase additional fire-fighting equipment to enhance the agencies' fire-fighting capability.

Enhancing the Credibility of Environmental Regulations: In developing regulations to protect the environment and public health, the EPA relies extensively on its Science Advisory Board for independent peer reviews of key scientific studies and methodologies. GAO found that the board's peer review results could be undermined by allegations of conflict of interest and bias because its policies and procedures were not sufficient to (1) ensure the independence of peer review panel members, (2) ensure a balance of viewpoints on each panel, or (3) inform the public about the points of view represented. In 2002, EPA responded fully to our recommendations, implementing new policies and procedures that significantly enhance the board's ability to identify and address potential conflicts of interest, develop balanced panels, and better inform the public about the panels.

A SECURE AND EFFECTIVE NATIONAL PHYSICAL INFRASTRUCTURE

Reducing the Federal Aviation Administration's Budget: GAO assisted the Senate Appropriations Committee, Subcommittee on Transportation, with markups of the FAA's budget. In briefings, we identified several facilities and equipment projects as candidates for budget reductions. On the basis of our analysis, the House and Senate Appropriations Committees reduced the agency's fiscal year 2002 budget by **\$99 million**.

Proceeds from States' Sale of Real Property Remain Federal Funds: In a legal opinion, GAO disagreed with a Federal Highway Administration's (FHWA) interpretation of a statute that allowed states to use the proceeds from sales of real property purchased with federal funds for other eligible projects. FHWA interpreted the statute to mean that proceeds from real property sales purchased with federal funds lose their federal character and become state funds. We concluded that the federal government retains its interest in the sale proceeds and, consequently, states may not convert federal money to state money by buying and selling real property.

Contributing to the Debate on Spectrum Reform: With the dramatic growth in wireless technologies during the past decade, government users and the commercial sector are competing more intensely for access to the radio frequency spectrum to meet needs for national defense, public safety, and the general public. In 2002, GAO testified before the Senate Committee on Commerce, Science and Transportation and subsequently reported on problems with the federal government's management of the spectrum. We recommended the development of a clearly defined national spectrum strategy to guide domestic and international spectrum management decision making, actions to address human capital needs in federal spectrum management, and enhanced accountability for federal agencies' use of this limited resource.

Enhancing Aviation Safety: In response to a request from the Subcommittee on Aviation, House Committee on Transportation and Infrastructure, GAO reviewed the Federal Aviation Administration's (FAA) implementation of the Pilot Records Improvement Act of 1996. This act responded to seven fatal commercial airline accidents that were attributed, in part, to errors by pilots who had been hired without background checks. Our 2002 report found compliance problems at some airlines. In addition, we pointed out that FAA did not incorporate guidance on the act in its training or handbooks for inspectors. We made recommendations designed to assist FAA in overseeing the act's implementation and in determining whether carriers have conducted the required background checks before making final pilot hiring decisions.

Serving as a Catalyst to the Postal Service's Transformation Efforts: Since we placed the Postal Service's transformation efforts and outlook on our High-Risk List and recommended in April 2001 that the Service develop a transformation plan, much of the public debate in the Congress and among postal stakeholders has focused on such a plan. In April 2002, the Postal Service issued a transformation plan. In response to requests from the Senate Committee on Governmental Affairs, we reported and testified in 2002 on the Service's deteriorating financial situation and highlighted why the Service's primary mission of providing universal postal service is at risk and transformation is needed. We noted that the Service's current business model, which assumes that growing mail volumes and revenues will cover the costs of an expanding infrastructure, is at odds with the decline in mail volumes attributable to several factors, including increased competition and electronic communication alternatives. We identified key transformation issues that need to be addressed, such as the Service's mission and role for the 21st century and possible approaches to addressing these issues.

Making Key Contributions to Transportation Security: Drawing on an extensive body of completed work, GAO provided significant background information to a number of committees as the Congress drafted the Aviation and Transportation Security Act. We have also continued to provide the Congress with information on aviation, port, and transit security. For example, in response to requests from House and Senate authorizing committees, we provided timely information on U.S. and foreign-owned screening companies and the capabilities of explosives detection systems and trace devices. We also provided information on the pros and cons of moving the Transportation Security Administration to the Department of Homeland Security and of arming commercial pilots. Additionally, we testified before the House Subcommittee on National Security that ports present security risks, not only because of the possibility that ships could carry weapons of mass destruction or other hazardous cargoes, but also because of the potential for terrorists to attack cruise ships or petrochemical facilities at or near ports. Finally, we testified before the Senate Committee on Banking, Housing and Urban Affairs on the

challenges that transit agencies face in making their systems secure. These challenges include the systems' accessibility and high ridership, the high cost of security improvements, and the need to coordinate security concerns among federal, state, and local government agencies and private sector companies.

Aiding in Deliberations on New Surface Transportation Legislation: Responding to requests from authorizing committees, GAO provided information in testimonies and reports to the Congress as it prepared to reauthorize surface transportation programs. In 2002, GAO identified major challenges in surface and maritime transportation systems, reviewed the Departments of Treasury's and Transportation's procedures for projecting receipts for the highway account of the Highway Trust Fund over the next authorization period and beyond; and identified alternative approaches to funding investments in surface transportation. In addition, our work on highway research provided assistance to a Senate authorizing committee in drafting new legislation.

Improving Federal Real Property Management: In a number of reports and testimonies for the House Committees on Transportation and Infrastructure and Government Reform and the Senate Committee on Governmental Affairs, GAO identified problems with and made recommendations to improve the management, acquisition, maintenance, protection, usage, and disposal of federal real property. The Congress considered legislation related to this work that would have given federal agencies more management tools, such as the ability to enter into public/private partnerships to better use and maintain their facilities. The General Services Administration made significant progress in 2002 toward pursuing all available alternatives to deal more expeditiously with deteriorated and underused buildings and to improve the quality of the data it uses in its reports. Finally, we made recommendations to strengthen building security and informed the Congress of issues to be considered in deliberations on establishing a Department of Homeland Security.

GOAL 2: PROVIDE TIMELY, QUALITY SERVICE TO THE CONGRESS AND THE FEDERAL GOVERNMENT TO RESPOND TO CHANGING SECURITY THREATS AND THE CHALLENGES OF GLOBAL INTERDEPENDENCE

As the world grows increasingly interconnected through more open markets and rapidly developing technology, the globalization of markets has created new opportunities for the nation as a whole and for American producers and consumers. At the same time, the U.S. is facing threats to its security and economy from sources that range from terrorism to regional conflicts to instability sparked by adverse economic conditions, corruption, ethnic hatreds, nationalism, and disease. Consequently, while seeking to anticipate and address diffuse threats to the nation's security and economy, the federal government also tries to promote foreign policy goals, sound trade policies, and other strategies to advance the interests of the U.S. and those of U.S. trading partners and allies in every corner of the world. In light of the globalization, technology, and security trends, the second goal of our strategic plan is to help the Congress and the federal government respond to changing security threats and the challenges of global interdependence.

Contributors, Performance Measures, and Resources

The following teams contribute toward this goal:

- Acquisition and Sourcing Management
- Applied Research and Methods
- Defense Capabilities and Management
- Financial Markets and Community Investments
- Homeland Security and Justice
- Information Technology
- International Affairs and Trade
- Natural Resources and Environment
- Physical Infrastructure

The following table summarizes GAO's performance for fiscal years 1999–2002 and our targets for fiscal years 2003 and 2004 for strategic goal 2.

Table 2: GAO's Annual Performance Measures for Strategic Goal 2

Performance measure	Fiscal year					
	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Target	2004 Target
Financial benefits (dollars in billions)	\$3.0	\$5.5	\$10.5	\$8.4	\$6.8	\$5.6
Other benefits^a	80	129	188	218	200	200
Recommendations implemented^b	65%	84%	81%	83%	77%	77%
Testimonies	37	56	34	38	36	43
Recommendations made	255	376	618	618	521	521

^aThe number of legislative and executive actions to improve government operations resulting from GAO work.

^bThis measure gauges the implementation rate of recommendations made 4 years prior to each respective fiscal year.

Resources for Strategic Goal 2

	FY 2003 FTEs	FY 2004 FTEs
	854	854

PLANS FOR FISCAL YEARS 2003 AND 2004

GAO's specific objectives are to support congressional and federal efforts to:

- respond to diffuse threats to national and global security,
- ensure military capabilities and readiness,
- advance and protect U.S. international interests, and
- respond to the impact of global market forces on U.S. economic and security interests.

RESPOND TO DIFFUSE THREATS TO NATIONAL AND GLOBAL SECURITY

The U.S. and other nations face increasingly diffuse threats in the post-cold war era. Adversaries have demonstrated they are more likely to strike vulnerable civilian or military targets in nontraditional ways to avoid direct confrontation with U.S. military forces on the battlefield. Porous borders and rapid technological change make such threats more viable. At risk are the nation's values, way of life, and the personal security of its citizens. In response to the most recent attacks, the President, on October 8, 2001, established the Office of Homeland Security to develop and coordinate a national homeland security strategy. The Office will coordinate preparedness efforts to prevent, respond, and recover from the aftermath of terrorist attacks and to plan and budget for its homeland security mission. To support this new strategy, there will also have to be a concerted effort to improve threat information from foreign and domestic sources, to understand the nature of the threats to vulnerable assets and processes, and to protect the nation's population and most critical infrastructures—including computer and telecommunications systems. Internationally, the U.S. and its allies will have to bolster their efforts to prevent the proliferation of dangerous weapons that can be used to carry out threats to the nation's security. To support the Congress and the federal government in addressing these important issues, our performance goals are to

- analyze the effectiveness of the federal government's approach to providing for **homeland security**;
- assess U.S. efforts to protect **computer and telecommunications systems** supporting critical infrastructures in business and government; and
- assess the effectiveness of U.S. programs and international efforts to prevent the proliferation of **nuclear, biological, chemical, and conventional weapons and sensitive technologies**.

ENSURE MILITARY CAPABILITIES AND READINESS

To ensure readiness to respond to major regional conflicts as well as diffuse threats, both today and in the future, the Congress has called for increased defense spending. After a decade of decline in defense spending, the DOD has seen a gradual increase in recent years. The President's fiscal year 2002 budget of about \$331 billion represented the largest increase in defense spending in recent years, and came amidst growing concerns over the readiness of U.S. forces. The budget included additional resources for operational maintenance, quality of life programs, pay raises, and improvements to crumbling facilities. The most recent

Quadrennial Defense Review charts a new defense strategy emphasizing homeland security, military transformation, joint operations, and advanced capabilities related to IT, intelligence, and space operations. Requests for significant additional increases in defense spending are planned for fiscal year 2003 and beyond. The debate about what capabilities DOD must maintain and develop, where they should exist, and to what extent additional defense spending is required will be significantly shaped by the debate over the military's role in homeland security and the augmentation of the civilian agencies' roles in the fight against terrorism. To support the Congress and the federal government's efforts to improve military capabilities and readiness, our performance goals are to

- assess the ability of DOD to maintain adequate **readiness levels** while addressing the **force structure** changes needed in the 21st century;
- assess overall human capital management practices to ensure a **high-quality total force**;
- identify ways to improve the economy, efficiency, and effectiveness of DOD's support **infrastructure and business systems and processes**;
- assess the National Nuclear Security Administration's efforts to maintain a safe and reliable **nuclear weapons stockpile**;
- analyze and support DOD's efforts to improve **budget analyses and performance management**;
- assess whether DOD and the services have developed **integrated procedures and systems to operate effectively together on the battlefield**; and
- assess the ability of **weapon system acquisition programs and processes** to achieve desired outcomes.

ADVANCE AND PROTECT U.S. INTERNATIONAL INTERESTS

Although U.S. leaders agree on the ultimate goal of promoting global peace, prosperity, and stability, intense debate is occurring over how to achieve that goal. Military and humanitarian interventions to make or keep the peace, stabilize and rebuild failed states, and deal with humanitarian emergencies have become major activities for the U.S. Countries in transition to democracies and private market structures are critical to U.S. economic and security interests. Strategic alliances established decades ago are undergoing changes to better reflect current and future needs and priorities. Conducting foreign affairs is becoming more complicated as the lines between domestic and international issues blur and the threat of terrorist attacks on U.S. facilities and personnel overseas changes how America does business. To help the Congress and the federal government advance and protect U.S. international interests, our performance goals are to

- analyze the plans, strategies, costs, and results of the U.S. role in conflict **interventions**;
- analyze the effectiveness and management of **foreign aid** programs and the tools used to carry them out;
- analyze the costs and implications of changing U.S. **strategic interests**;
- evaluate the efficiency and accountability of **multilateral organizations** and the extent to which they are serving U.S. interests; and
- **assess the strategies and management practices for U.S. foreign affairs functions and activities.**

FY 2002 ACCOMPLISHMENTS

During fiscal year 2002, GAO made significant progress toward these strategic objectives as illustrated in the following examples:

RESPOND TO DIFFUSE THREATS TO NATIONAL AND GLOBAL SECURITY

Progress Made in Unifying Homeland Security Efforts: The federal government has taken important first steps to unify the efforts of all levels of government and the private sector with regard to homeland security. As GAO recommended in reports from 1997 to 2002, the federal government has established a focal point for combating terrorism (the Office of Homeland Security), developed a plan for countering terrorism, implemented risk management to enhance security at certain federal departments, and defined key terms such as "homeland security" and included the definitions in the National Strategy for Homeland Security. These actions will promote leadership among the many entities involved in homeland security and help to ensure that their efforts are mutually reinforcing and that they are using resources efficiently.

Evaluating DOD's Chemical and Biological Defense Program: In response to congressional concern, GAO has been increasing its review efforts on the status and progress of DOD's Chemical and Biological Defense Program and military service readiness in this area. GAO's reports have identified problems and recommended a number of corrective actions, particularly in areas such as chemical and biological defense equipment and training, unit readiness reporting, program organization, and command emphasis and leadership. DOD has concurred with the vast majority of GAO's recommendations and is presently working on several major initiatives to resolve identified problems and make program improvements. These initiatives have resulted in savings of approximately \$2 million during fiscal year 2002.

Improving Department of Defense Force Protection Efforts: At the request of two congressional committees, GAO is continuing to evaluate the approach taken by each military service to protect military personnel, equipment, and capabilities from terrorist attacks and is examining the protection measures taken at domestic and overseas ports used for military deployments. In a collaborative effort, GAO worked with the DOD to identify and implement changes needed to improve the effectiveness of the department's force protection approach. This year, as a result of GAO recommendations, the department took steps to (1) improve its threat assessment methodology, (2) develop a departmentwide antiterrorism/force protection strategy, and (3) consistently apply risk management principles to prioritize requirements.

Upgrading U.S. Export Controls on Sensitive Technologies: GAO's many reviews of U.S. export control laws and programs have contributed to the congressional debate over how to revamp the current system and prevent sensitive technologies from falling into the hands of terrorists or states that support them. Among the improvements needed, GAO noted better justification for loosening controls over high-performance computers, better monitoring of the recipients of sensitive technologies, and greater information-sharing among supplier countries that export sensitive technologies. GAO's reports and testimonies have helped the Congress understand the weaknesses in the current process of controlling sensitive technology exports and how proposed changes to the Export Administration Act will affect the delicate balance between protecting our national security and promoting U.S. economic interests.

Helping Reduce Risks Involving Information Security: GAO has identified information security as a governmentwide high-risk area, and its ongoing work identifying information security vulnerabilities has helped mitigate risks to critical federal operations/assets and improve

the government's ability to respond to cyber attacks and intrusions. Improvements stemming from recommendations in prior years' audits and recent follow-up work included actions by the Departments of Commerce, Defense, Interior, Education, and Veterans Affairs. Further, GAO's recommendations during fiscal year 2002 prompted new actions at the Departments of Defense and Treasury and at the Federal Deposit Insurance Corporation to strengthen information security for protecting sensitive data from unauthorized disclosure, modification, and loss.

Focusing on Information Security As a Critical Element of National Preparedness: In the aftermath of the September 11, 2001, attacks, GAO assessed governmentwide progress in implementing critical infrastructure protection efforts, including (1) a discussion of related challenges facing the proposed Department of Homeland Security, (2) an analysis of the numerous organizations involved in protecting the nation's computer-based infrastructure, and (3) an identification of information-sharing practices that can benefit critical infrastructure protection. GAO's reports and testimonies detailed the growing array of threats, including cyber-terrorism, and related risks to our increasingly computer-dependent infrastructures, such as electric power, telecommunications, and key government services. In addition, GAO's products identified shortfalls and recommended solutions pertaining to the ability of the government to analyze threats effectively, respond to potentially damaging incidents, and work with the private sector to implement comprehensive risk-reduction measures.

Protecting the Public from Nuclear Terrorism: The U.S. has spent over \$5 billion to prevent the transfer of nuclear material and scientific expertise that could be used to develop a nuclear bomb or a radiological weapon from Russia and other states of the former Soviet Union to terrorists or countries of concern. Because of our work, the federal agencies involved have (1) begun to develop an overall plan to coordinate their international efforts, (2) consolidated programs to better target limited resources, (3) focused on ensuring that security improvements are sustained by the host countries, (4) decided to upgrade radiation detection equipment already installed and establish minimum standards for new installations, and (5) begun to develop a strategic plan for installing nuclear detection equipment on U.S. borders.

Testing the Security of Federal Buildings: In a test of the adequacy of security measures in federal offices around the country, GAO investigators breached the security of four federal office buildings in the Atlanta, Georgia area. Using fictitious law enforcement credentials and a pretext for their presence, agents were able to enter the buildings without proper authority, carrying a briefcase or package and bypassing magnetometers and X-ray machines. They moved freely throughout the facilities during day and evening hours. As a result of this test, GSA strengthened its process for verifying credentials and identification and issued guidance and recommendations for security operations at GSA-managed facilities throughout the country.

ENSURE MILITARY CAPABILITIES AND READINESS

Adjusting Department of Defense Funding: GAO reviewed the reasonableness of DOD's budget requests for fiscal year 2002 to assist subcommittees in their appropriation and authorization deliberations. On the basis of GAO's findings, the Congress adjusted DOD's budget request by about \$2.1 billion. Specifically, the Congress adjusted (1) the military personnel request by almost \$600 million; (2) the operations and maintenance request by about \$1 billion; and (3) the procurement and research, development, test, and evaluation request by \$539 million. Also, the Congress rescinded about \$562 million from DOD's fiscal year 2001 funds for DOD's supplemental appropriation. In addition, during internal DOD budget

deliberations, DOD officials reduced the agency's foreign currency exchange estimates by \$1.5 billion for fiscal years 2002 and 2003. These adjustments did not affect readiness and the Congress used the adjusted funds for other needs.

Delaying Full-Rate Production of the V-22: In January 2001, GAO briefed the Secretary of Defense's V-22 Blue Ribbon Panel about our findings on the aircraft. The Blue Ribbon Panel was formed to investigate the V-22 after a fatal crash in December 2000, just prior to the aircraft's planned full-rate production. The panel received information from GAO about reductions in development testing, test waivers, deficiencies identified during operational tests, and results of an earlier April 2000 crash investigation that also involved fatalities. Much of the information in our briefing about the V-22 had not been previously disclosed. The panel used the information to support its position that the V-22 was not ready for full-rate production and that only a minimum production rate should be continued during additional testing and evaluation of the aircraft. The Congress subsequently rescinded \$446.5 million from the fiscal year 2001 supplement request and reduced the fiscal year 2002 request by \$296.3 million. The net present value of the two actions is \$763.8 million.

More Efficient Use of In-orbit Satellite Capabilities: In 1998, GAO reviewed DOD's development of the Space-Based Infrared System (SBIRS), under which the launch of the first SBIRS satellite was planned for fiscal year 2002. We reported that implementing this plan would put eight excess satellites in orbit without providing sufficient ground processing capabilities for the data the satellites generated. We recommended that the Secretary of Defense review and assess launch alternatives. As a result, DOD delayed the launch of the first SBIRS satellite from fiscal year 2002 to fiscal year 2004 and subsequently delayed other such launches. These delays, which allow DOD to use existing satellites until the end of their expected lives and avoid 8 years of excess satellite capability, saved about \$702 million in satellite costs.

Assuring Contingency Funds Are Spent Properly: Since 1991, the DOD has spent more than \$25 billion in support of military operations in the Balkans and the Persian Gulf. In assessing DOD's use of contingency operations funds in fiscal years 2000 and 2001, we identified millions of dollars in questionable expenditures resulting from limited guidance and oversight combined with a lack of cost consciousness. In responding to our findings, the Congress reduced DOD funding for those operations by \$650 million in fiscal year 2002. In commenting on our report, DOD also stated its intention to improve its guidance for and oversight over the use of contingency funds.

Contributing to the Military Base Closure and Realignment Process: Since 1979, GAO has issued a number of reports documenting excess infrastructure within the DOD and supporting the need for a base closure and realignment process. The Congress authorized such a process and enacted legislation requiring us to provide it with a series of reports and testimonies validating DOD's implementation. We monitored and assessed all phases of the decision-making process, including executive-level sessions, for compliance with congressional requirements. In addition, GAO staff assisted commissions that recommended base closures and realignments in 1991, 1993, and 1995. The staff helped shape the commissions' decisions through analyses of issues associated with closing or realigning specific installations. Last year, we reported cost reductions of about \$6 billion associated with our work. Updated DOD data indicate further cost reductions of \$545 million.

Increasing Use of Excess Property: GAO reported that \$2.7 billion worth of military property recorded as shipped to disposal offices was never recorded as received, resulting in losses and write-offs of the property from the military services' books and inventory records. GAO recommended changes that avoided the write-offs and kept the items as part of the services' inventory records until the property was actually disposed of. As a result, the inventory was available for use by DOD customers during the period prior to disposal. For the first 2 years that the changes were in effect, they resulted in savings of \$526 million.

Promoting a Clearer Understanding of Gulf War Illness: Since the mid-1990s, GAO has given visibility to ongoing privately funded research into the nature and causes of Gulf War Illness and the methodological obstacles faced by researchers. Early research sponsored by the DOD emphasized stress as a potential causal factor in Gulf War veterans' illnesses; however, privately funded research augmented this with the investigation of a range of physical exposures, including chemical agents. One result of our attention to this issue has been DOD's growing acceptance of alternative views on the nature and causes of Gulf War Illness.

Reducing Risks in F/A-22 Aircraft Program: In a March 2002 mandated report, GAO recommended limiting production in the Air Force's F/A-22 aircraft program until operational testing is complete to minimize the risks of producing large quantities of aircraft that may require costly modifications. We reported the extent of the delay to development testing and predicted how this delay would likely further affect subsequent operational testing and thus increase program risks. Our analysis helped the House Appropriations Committee include language in the Fiscal Year 2003 Defense Appropriation Act to delay funding for seven F/A-22 production aircraft until DOD completes a formal risk assessment. This assessment will identify the potential cost, technical, schedule, or other risks resulting from increased F/A-22 production quantities prior to the conclusion of operational testing.

Reducing the Risk of Major Weapon System Acquisitions: Since 1998, GAO's work on best commercial practices has shown that maturing key technologies before they were included in new product development was a key factor in successful programs. We also reported on a technique—technology readiness levels—that accurately gauges the maturity of technology. The DOD agreed, making technology maturity a key factor in determining whether new programs should be started and endorsing use of technology readiness levels. We have since applied technology readiness levels in our assessments of several major weapon system programs, leading to recommendations on how changes in the programs could avert costly and time-consuming problems. Citing GAO's work on best practices, the Senate added its support for technology maturity through a provision to the Defense Authorization Act for Fiscal Year 2002 requiring that critical technologies be successfully demonstrated before they are incorporated into a major defense acquisition program.

Improving DOD's Major Weapon System Acquisition Process: GAO issued a report in fiscal year 2002 that identified best practices for capturing knowledge about a product's design and manufacturing at critical points during its development, thereby reducing cost and schedule risk. On the basis of our analysis, we concluded that DOD could achieve better outcomes from its acquisition programs by ensuring that knowledge is captured at key decision points. We recommended that DOD require specific information as exit criteria at these key points during product development and require the program manager to document that information. We also recommended that DOD structure its contracts for major weapon system acquisitions to provide incentives to the contractor to capture knowledge by making such information the basis for continuing the program. DOD accepted our recommendations, endorsed the use of these best practices, and wrote several of them into its newly revised acquisition policy. If DOD

successfully applies this policy to individual weapon system programs, it will enable better design and production decisions and will lessen the likelihood of unanticipated cost and schedule increases.

Senate Defers Procurement of Second Special Operations Mini Submarine: GAO's 2002 mandated review of the Special Operations Command's Advanced SEAL Delivery System identified significant problems with the first mini submarine's performance, cost, and schedule. Our analysis showed that if the problems were not resolved, they could lead to additional cost, schedule delays, and an inability to meet program objectives. In May 2002, citing GAO's analysis, the Senate reduced the Special Operation Command's fiscal year 2003 budget request, canceling funds for a second mini submarine until the problems with the first submarine are resolved. In August 2002, the DOD agreed, and the program is being restructured to ensure that the first mini submarine is fully operational and meets the user's requirements before procuring additional vehicles.

Assisting in Decisions on Funding for Military Operations: The Congress appropriated more than \$10 billion in support of ongoing military operations in fiscal year 2002, including those to combat terrorism and to support peacekeeping in the Balkans and the Persian Gulf. In a series of briefings for the Senate Appropriations Committee, GAO provided information on costs incurred to date for these operations, likely future costs, the adequacy of funds appropriated to support the operations, and the actual expenditures made with these funds. GAO also issued reports in May 2002 and September 2002 on the expenditure of such appropriated funds and funding needs in the Balkans, respectively. The committee used GAO's information in deciding on appropriations levels for these operations.

Improving the Management of DOD's Privatization of Military Family Housing: During fiscal year 2002, we issued a report and briefed congressional staff several times on areas where DOD could improve the management of its privatization of military family housing. We reported that privatization projects were not supported by reliable needs assessments and that the overall requirement for military housing was not well defined. We concluded that the military might be entering into unnecessary, long-term privatization contracts to construct, replace, or renovate housing. Accordingly, we recommended that DOD use a broader range of factors in defining military housing requirements, modify its guidance for performing life-cycle cost analyses, and implement several changes to enhance government protections in the privatization program. DOD generally agreed with the recommendations and has outlined ongoing management actions to address our suggestions. As a result of our report, congressional staff also opened up a dialogue with DOD officials on issues related to privatizing military family housing.

Improving Military Benefits: In response to a congressional request, GAO assessed the military benefits package provided to active duty members and their dependents. We noted in both our testimony and report that the military offered all the core benefits extended by most private sector firms, including health care, paid time off, life insurance, and retirement pay. Furthermore, military benefits, such as free housing, free health care for members, and discount shopping at commissaries and exchanges, may exceed private sector benefits. We also reported that although military benefits have generally kept pace with the demographic changes in the active duty force, there are opportunities for improvement. We recommended that DOD

(1) develop measures for tracking and assessing the effectiveness of the employment assistance services offered to military spouses at military installations and (2) assess the feasibility, costs, and benefits of offering extended time off to new parents as a way to increase retention of trained, experienced personnel.

Relations between Reservists and Their Employers: GAO reported in June 2002 that despite increases in military operations since 1992, the average operational tempo (the total days reservists spend participating in normal drills, training, exercises, and domestic and operational missions) DOD-wide increased only slightly between 1992 and 2001—from 43 days to 46 days a year. However, reservists in certain units or occupations, such as those in aviation, special forces, security, and civil affairs, experienced operational tempos two to seven times higher than those of other reservists. Among our findings on the department's outreach efforts to reservists' employers, we found that DOD lacks information on who reservists' employers are, and it views the Privacy Act as a constraint that prevents it from requiring reservists to provide this information. We also found that although approximately one-third of reservists are students, DOD does not have an active program in place to address problems that may arise between student reservists and their educational institutions. We made, and DOD agreed with, several recommendations designed to address these and other problems we identified during the course of our study.

Managing Encroachment on Military Training Ranges: During fiscal year 2002, we issued two reports and testified on the constraints that encroachment (the cumulative effect of outside influences that inhibit military training and testing) places on training in the continental U.S. and overseas. We recommended executive action that requires the DOD to finalize a comprehensive plan for managing encroachment issues, develop the ability to report critical encroachment-related training problems, and develop and maintain inventories of its training infrastructure and quantify its training requirements. DOD agreed with and has initiated actions to implement our recommendations. Our work also supported the House Committee on Government Reform's hearings on the effects of encroachment on military training and readiness and the congressional deliberations on DOD's appropriations for fiscal year 2003.

Assessing the Army's Transformation Efforts: GAO issued two reports assessing the Army's transformation efforts. Our report on the Army's Transformation Campaign Plan identified six challenges the Army faces as it manages transformation over the next 30 years: technology, schedule, acquisitions, operations, human capital, and funding. DOD concurred with the findings and stated that it will continue to address these challenges as it attempts to maintain timeliness. Our second report evaluated the Army's formation of the first two of the six planned Interim Brigade Combat Teams (IBCT). The report outlined challenges to logistical support planning and shortfalls in combat capability that the Army is facing as it forms the IBCTs. We made recommendations designed to assist the Army in overcoming these challenges. DOD generally concurred with the findings, and the Army began to take action to implement the recommendations.

Improving Equipment Maintenance Practices: GAO's reviews of maintenance programs in each of the military services supported congressional oversight of these issues and led to management actions by DOD to improve its depot maintenance operations. As we had recommended, the Air Force developed and provided to the Congress a depot maintenance strategic plan that, among other things, addressed human capital and facilities recapitalization needs. Using a strategic approach is key to ensuring that necessary repair capabilities are available to meet the Air Force's needs. Our review of the Army workload and performance system resulted in improvements that have increased the quality of the maintenance information available to Army depot managers, providing them with the means to improve the efficiency and

effectiveness of depot maintenance operations. Further, as a result of our recommendation, DOD implemented policy guidance to improve the management of public-private depot maintenance partnerships.

Improving Accountability Over Defense Inventory: In response to various congressional requests, GAO issued several reports on DOD's inventory management practices, which resulted in management improvements and enhanced congressional oversight for the DOD. As a result of our recommendations, the Army has significantly enhanced inventory management and integrated the wholesale and retail supply systems to create a single system, which the Army calls the single stock fund. The creation of a single stock fund has allowed the Army to consolidate redundant inventory and reduce customer wait time, and it is expected to result in savings of over \$1 billion. GAO also found that the Navy's Product Quality Deficiency Reporting Program was largely ineffective in gathering data needed for analyses. Without these data, managers lost opportunities to initiate important corrective and preventive actions with suppliers. To correct these weaknesses, GAO recommended that the Navy take steps to increase the level of training, incentives, management emphasis, and results reporting as necessary to improve program effectiveness. Subsequently, the Navy took actions to report premature parts failures as quality deficiencies.

Improving Operations at the National Nuclear Security Administration: Through a series of reports and testimonies, the first of which were issued in 2001, GAO has monitored the start-up of the National Nuclear Security Administration (NNSA), a separately organized entity within the DOE. The Congress created NNSA to correct long-standing management and security problems at DOE. At the time of NNSA's creation, the House Armed Services Committee established a special panel to oversee NNSA. We have provided the panel with briefings, testimonies, and reports on the problems NNSA has experienced in developing, as its implementing legislation requires, effective planning, budgeting, and organizational approaches. Our work has contributed to language in NNSA's appropriations and authorization acts requiring improved operations and has led NNSA to implement some of our recommendations for improving its organization.

ADVANCE AND PROTECT U.S. INTERNATIONAL INTERESTS

Adopting Standard State Department Embassy Construction Project Designs: For several years, GAO has encouraged the State Department, through improved planning, to exercise better control over the cost of new embassies it constructs overseas. To reduce costs and construction time, GAO strongly encouraged State to use standard designs for its new embassy construction projects. In 2001, State took several actions to improve planning and hold down construction costs, including the use of standard size and design criteria. Using this approach, State adopted three size and cost categories for its construction projects and was able to reduce the cost of six construction projects in late 2001. As a result, the expected costs for these projects were reduced by more than \$90 million.

Enhancing the Disposal and Sale of Overseas Property: GAO's work concerning the State Department's responsibility for managing overseas property showed that (1) State's property inventory contained inaccuracies that could prevent it from identifying and selling some unneeded properties and (2) the 2001 Agriculture Appropriations Act restricted State's authority to sell some valuable properties. Regarding State's overseas property inventory, we recommended that the department improve its accuracy, and State agreed. Regarding the 2001 Agriculture Appropriations Act, we suggested that Congress consider repealing the requirement that State obtain approval from the Foreign Agricultural Service before selling agricultural

attaché residences and use the sales proceeds to purchase new attaché residences. Congress repealed these restrictions in September 2002, clearing the way for State to proceed with the sale of several valuable unneeded properties. Increased sales of unneeded overseas property reduces the cost of U.S. diplomatic and consular operations in foreign countries and provides funds for acquiring new property and capital construction projects, such as building secure embassies.

Supporting Embassy Rightsizing Initiatives: GAO prepared a rightsizing framework, which the OMB is now using to assess staffing levels at U.S. embassies in Europe and Eurasia. We reported that such a systematic framework could aid executive branch efforts to have the right number of staff in overseas posts and recommended that the OMB use this framework to assess overseas posts' staffing levels. As a result of our report, the OMB sent a questionnaire to U.S. diplomatic posts in Europe and Eurasia to assess staffing levels. This effort should help achieve a more efficient allocation of limited overseas staffing resources and reduce operating costs.

Improving Human Capital Management: GAO examined the State Department's process for and performance in assigning staff to hardship posts where employees experience a variety of adverse living conditions. State's assignment system is not effectively meeting the staffing needs at these posts. As a result, diplomatic readiness could be at risk at posts that are of significant importance to the U.S., such as those in China, Saudi Arabia, and Ukraine. We recommended that State improve its human resources data, determine staffing priorities, consider a target hiring strategy, and develop incentives and implement actions to steer Foreign Service employees toward serving in hardship posts. In response, State has indicated that the department is expanding its information management system to improve its personnel and assignment data, filling positions in hardship posts first, and examining the legal basis and potential financial impact of possible incentives and initiatives. Since we issued our report, the Director-General of the Foreign Service has made the staffing of hardship posts a top priority.

Improving Language Skills in Key Federal Agencies: GAO's reports and testimony on problems with foreign language skills in federal agencies have focused congressional attention on a critical gap in the nation's fight against international terrorism, drug trafficking, and gang violence. Federal agencies have critical shortfalls in the numbers of Arabic, Chinese, Korean, and Russian interpreters and linguists on their staffs, resulting in the accumulation of thousands of hours of audiotape and thousands of pages of written material that have not been translated. Our reports analyzed the nature and extent of foreign language shortages, the strategies four federal agencies used to address shortages, and the agencies' efforts to implement an overall strategic workforce plan to address current and projected shortages. Numerous congressional committees have cited our work frequently as they considered strategies to prepare the federal workforce for the complex intelligence and foreign affairs challenges the nation faces.

Redirecting Development Assistance Program Funds: During 2001, GAO examined the U.S. Agency for International Development's (USAID) efforts in Colombia to provide growers of illicit crops a legal means to earn a living—generally called "alternative development." Colombia accounts for 90 percent of the cocaine entering the U.S. and approximately two-thirds of the heroin available on the East Coast. We found that the alternative development program in Colombia was not likely to achieve success until, at a minimum, the Colombian government could provide security in the illicit crop-growing areas, provide safe access to project sites, and attract the private investment needed for long-term development. We recommended that USAID modify its plans and spending proposals to better reflect the extreme difficulty in gaining access to the illicit crop-growing regions. In December 2001, on the basis of our findings and recommendation, USAID suspended its \$31.7 million alternative development program in

Colombia and began revising its approach. As a result, USAID halted its largely agricultural program and reoriented its efforts to emphasize social infrastructure and other projects that are not as dependent on security. USAID also initiated alternative development projects in areas where the security situation was more favorable. By making these adjustments, USAID redirected over \$30 million to activities and areas of Colombia that offered a greater likelihood of success.

Improving the Delivery of Disaster Recovery Assistance: GAO evaluated \$621 million in emergency supplemental funding appropriated in May 1999 for countries affected by Hurricanes Mitch and Georges. As a result of our observations, among other things, the quality of rural road projects improved, an abandoned rural health clinic was staffed and made operational, new latrines were built for a school, and an agricultural project received an irrigation component. Also, two other U.S. government agencies supporting the recovery effort modified their programs to meet reconstruction needs, and one agency returned unused funds to the Treasury. In July 2002, GAO recommended several actions for USAID that will help ensure that it has the flexibility needed to better respond to similar disaster recovery needs, such as in Afghanistan. USAID has begun several reforms in the areas of strategic planning, funding alternatives, and staffing.

Improving Peace Corps Safety and Security Practices: GAO found that the Peace Corps' efforts to implement effective safety and security practices have produced mixed results and that a number of factors hamper the agency's efforts to ensure overall high-quality performance, including unclear guidance, staff training that is sometimes inadequate, uneven application of supervision and oversight mechanisms, and staff turnover (due largely to the "5-year rule"—a statutory restriction on tenure for U.S. direct-hire employees). As we completed our review, the Peace Corps announced a series of initiatives that, if effectively implemented, could improve its practices and thus reduce the potential risks facing volunteers. The Peace Corps has (1) developed a protocol for reporting on and reviewing implementation of agency policies, (2) expanded its Government Performance and Results Act reports to include 10 quantifiable performance indicators of safety and security performance, (3) stated that it will continue to update and strengthen these indicators as it gains experience in implementing its safety and security initiatives, and (4) launched a comprehensive review of the effect of the 5-year rule on agency operations.

Controlling the Illicit Diamond Trade: Rebel movements in a number of African countries, including those attempting to overthrow legitimate governments, have used diamonds to finance their military activities. GAO's work demonstrated that the ease of transporting and selling diamonds creates opportunities for illicit trade. Specifically, we focused on assessing an effort to develop and implement an international diamond certification scheme to deter diamonds coming from countries subject to UN and U.S. sanctions from entering legitimate markets. We recommended that the diamond certification scheme incorporate better internal controls and other accountability activities into its deterrence efforts. Our testimony and report on this issue have contributed to the debate over U.S. legislation and to congressional oversight concerning the U.S. role in the negotiations over the diamond certification scheme.

RESPOND TO THE IMPACT OF GLOBAL MARKET FORCES ON U.S. ECONOMIC AND SECURITY INTERESTS

Improving the Management of the Foreign Military Sales (FMS) Program: In 1999, GAO reviewed several aspects of the FMS program. We reported that program decisions were not being made on the basis of adequate information and that items controlled by an international missile nonproliferation agreement were not properly reviewed and approved before being transferred to foreign governments. As a result, in fiscal year 2002, the Defense Security Cooperation Agency implemented a performance-based budgeting process to obtain sufficient information to enhance program decision making and to add transparency. A process to screen FMS cases for controlled missile items was established, which will prevent unapproved export of controlled missile items.

Improving U.S. Customs Enforcement of Defense Exports: In March 2002, GAO reported that U.S. Customs inspectors did not have updated guidance to effectively conduct inspections of defense items subject to U.S. export control restrictions. As a result, in July 2002, U.S. Customs updated its guidance on defense export inspection requirements and is disseminating this guidance to inspectors at the ports. Inspectors now have the necessary guidance to help ensure that military weapons are exported in compliance with U.S. laws.

Identifying National Security-Related Foreign Acquisitions: In a June 2000 report, GAO found that the DOD, State, and Treasury knew about national security-related foreign acquisitions but did not inform the Committee on Foreign Investment. We recommended that U.S. government agencies improve the process of identifying and reporting acquisitions that may adversely affect national security. To implement our recommendations, the Department of Treasury initiated procedures to formalize the way the Committee on Foreign Investment shares information among member agencies about national security-related foreign acquisitions. Further, the Departments of Treasury, Commerce, Defense, and State developed procedures to ensure that when they identify national security-related foreign acquisitions, they also provide relevant information to the committee for distribution among all member agencies.

Reducing Government Contingent Liabilities by Billions: As part of its plan for the Year 2000 transition, the National Credit Union Central Liquidity Facility (CLF) was allowed to increase the limit on loans to credit unions from about \$2.7 billion to \$20.7 billion. The National Credit Union Administration requested that this higher lending limit be maintained after the Y2K transition. GAO found that, although CLF lending to credit unions did increase during the 3 months before 2000, most credit unions' funding needs were met through corporate credit unions and CLF's own resources, not through the money CLF had borrowed for that period. GAO concluded that there would be no need to increase the lending limit. As a result, the Congress decided to increase CLF's lending limit by only a minimal amount, thereby reducing the government's potential liability.

Contributing to the Debate on Terrorism Insurance: In the aftermath of the September 11, 2001, attacks, GAO assessed the changes taking place in the insurance industry, the potential implications of these changes on the economy, and alternative approaches for government assistance to the industry. In October 2001, during testimonies before House and Senate Committees, GAO described alternative government-sponsored insurance programs used in other countries to cover losses from terrorist or catastrophic events. In February 2002, GAO again testified before the Congress to report that the insurance industry intended to largely exclude coverage for losses resulting from any future terrorist attacks, creating further uncertainty and economic vulnerability in the marketplace. GAO also outlined the desirable

features of any government-sponsored program established to help ensure the availability of terrorism insurance coverage in the financial marketplace. The House and Senate used this information in structuring reform proposals.

Strengthening Oversight of Activities to Detect Money Laundering: In July 2002, GAO reported that the extent of money laundering through credit card transactions was unknown. The Department of the Treasury used this report in drafting new requirements for credit card system operators under the PATRIOT Act. Treasury similarly used GAO's October 2001 report on money laundering in the securities industry to draft and implement regulations requiring securities dealers to file Suspicious Activity Reports. These reports are the principal tool used to detect money laundering. GAO's September 2002 interim report on Internet gambling also contributed to congressional debate on methods of preventing payments to illegal Internet gambling operations.

Enhancing the Effectiveness of the Securities and Exchange Commission (SEC): GAO found that SEC's resources had not kept pace with the tremendous growth in securities markets and the increased complexity and international scope of these markets. Since approximately 1996, SEC's workload increased at a much higher rate than its staff years. High staff turnover exacerbated this problem, with staff inexperience contributing to delays in SEC's regulatory process. GAO made numerous short-term and long-term recommendations to shore up weaknesses in SEC operations. Our work contributed to SEC obtaining authorization for additional resources and prompted SEC to review its operations and its resource needs.

Promoting Use of Electronic Transfers: In September 2002, at the request of the House Committee on Financial Services, Subcommittee on Oversight and Investigation, GAO reported on Treasury's efforts to promote the use of electronic fund transfers (EFT) by federal beneficiaries. On the basis of an analysis of Census Bureau survey data, we determined that the main obstacle in promoting EFTs was the high number of beneficiaries without bank accounts and that Treasury's current efforts were unlikely to overcome this obstacle. We identified alternative approaches to promote the use of EFTs, especially among those without bank accounts. For example, some banks were allowed to distribute information about bank products or enroll beneficiaries at the local SSA office. We recommended that Treasury use these approaches to develop a strategy for increasing the use of EFTs. As a result of GAO's analysis, Treasury is taking positive actions to further EFT use, which could save the government millions.

Helping Poor Countries Overcome Debt Problems: GAO's work demonstrated that existing debt relief efforts by the World Bank and the International Monetary Fund were insufficient to solve 42 impoverished countries' (mostly African) debt problems (amounting to more than \$200 billion). In contrast, we determined that the Bush administration's proposal to shift 50 percent of future debt relief from loans to grants would provide significant debt relief to these countries and would be affordable. GAO's findings contradicted the World Bank's, which projected a much higher cost over 40 years—\$100 billion for implementing the President's proposal compared to the \$15.6 billion that we projected. U.S. Treasury officials used our analysis and findings in negotiations with the World Bank and European countries; this resulted in a major shift in World Bank policies that now provide about 20 percent of debt relief in the form of grants.

Improving U.S. Export Promotion: GAO's work demonstrated that the effectiveness of coordinating U.S. agencies' activities designed to promote U.S. exports abroad, through efforts such as providing financing and identifying export opportunities, has varied from year to year. GAO recommended that the interagency Trade Promotion Coordinating Committee utilize the U.S. national export strategy more consistently to make the best use of federal export promotion

resources. In addition, we provided the Congress with information on the U.S. Export-Import Bank that improved the transparency of the bank's decision-making process so that the Congress could better perform its oversight function.

Improving Services to Workers, Firms, and Communities Affected by International Trade:

In response to congressional concern about how job losses associated with international trade affect workers, firms, and communities, GAO prepared four reports and a testimony that examined programs at the departments of Labor, Commerce, and Treasury. The reports provided comprehensive analyses of benefit use, discussed problems with performance and outcome data, and discussed administrative changes needed to ensure improved program management. In response to our recommendations, these agencies have taken multiple actions to improve program performance and accountability. Members of Congress also frequently cited this body of work as they debated reauthorization of these programs and the granting of trade promotion authority to the President.

Assessing Progress in Multilateral Trade Negotiations: In evaluating progress in multilateral trade negotiations, GAO issued two reports and a testimony on efforts to create a Free Trade Area of the Americas (FTAA) and a report on ongoing negotiations in the World Trade Organization (WTO). Our work on the FTAA highlighted the challenges that negotiators face, the status of technical negotiations in 12 key areas, and the potential economic effect of a completed FTAA on the U.S. Our work on the WTO negotiations analyzed the factors that led to the launch of the negotiations, identified the most critical milestones that need to be met, and evaluated the most significant obstacles negotiators face. This body of work has provided the Congress with the first comprehensive, objective analyses of the prospects for successful conclusion of both sets of negotiations, which they have been unable to obtain from U.S. trade agencies.

GOAL 3: HELP TRANSFORM THE FEDERAL GOVERNMENT'S ROLE AND HOW IT DOES BUSINESS TO MEET 21ST CENTURY CHALLENGES

The federal government faces an array of challenges, including the national response to terrorism, transition to a knowledge-based economy, rapid technological advances, and changing demographics. These challenges require a fundamental reexamination of the government's priorities, processes, policies, and programs to effectively address shifting public expectations, needs, and fiscal pressures. What has become obvious since September 11 is that the federal government will need to work better with other governments, nongovernmental organizations, and the private sector—both domestically and internationally—to achieve results. A mixture of critical resources is needed for the federal government to better deliver public services. Because the public expects demonstrable results from the federal government, government leaders need to increase strategic planning, address management challenges and high-risk issues, use integrated approaches, enhance their agencies' results orientation, and ensure accountability. Examining existing programs and operations for potential cost-savings can create much needed fiscal flexibility to address emerging needs. Moreover, addressing today's priorities must be balanced against the long-term fiscal pressures of financing existing programs and operations.

Contributors, Performance Measures, and Resources

The following teams contribute toward this goal:

- Applied Research and Methods
- Acquisition and Sourcing Management
- Education, Workforce, and Income Security
- Financial Management and Assurance
- Homeland Security and Justice
- Information Technology
- International Affairs and Trade
- Natural Resources and Environment
- Physical Infrastructure
- Strategic Issues
- Tax Administration and Justice

The following table summarizes GAO's performance for fiscal years 1999–2002 and our targets for fiscal years 2003 and 2004 for strategic goal 3.

Table 3: GAO's Annual Performance Measures for Strategic Goal 3

Performance measure	Fiscal year					
	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Target	2004 Target
Financial benefits (dollars in billions)	\$4.5	\$5.1	\$7.0	\$5.2	\$4.6	\$8.1
Other benefits ^a	414	503	401	462	392	404
Recommendations implemented ^b	78%	77%	85%	82%	77%	77%
Testimonies	100	105	42	65	52	60
Recommendations made	335	413	549	808	366	366

^aThe number of legislative and executive actions to improve government operations resulting from GAO work.

^bThis measure gauges the implementation rate of recommendations made 4 years prior to each respective fiscal year.

Resources for Strategic Goal 3

FY 2003 FTEs	FY 2004 FTEs
985	985

PLANS FOR FISCAL YEAR 2003 AND 2004

GAO has refined our third strategic goal and the accompanying strategic objectives in light of the comprehensive reassessment called for in the current environment. Specifically, GAO now focuses on the collaborative and integrated elements needed to achieve results, and it highlights the intergovernmental relationships that are necessary to achieve national goals.

To ensure that GAO helps transform the role of government and how it does business to meet 21st century challenges, it has established strategic objectives to:

- analyze the implications of the increased role of public and private parties in achieving federal objectives;
- assess the government's human capital and other capacity for serving the public;
- support congressional oversight of the federal government's progress toward being more results-oriented, accountable, and relevant to society's needs; and
- analyze the government's fiscal position and approaches for financing the government.

ANALYZE THE IMPLICATIONS OF THE INCREASED ROLE OF PUBLIC AND PRIVATE PARTIES IN ACHIEVING FEDERAL OBJECTIVES

As the federal government has sought to address more complex and pervasive societal needs, the traditional "bright lines" between the public sector and the private sector and between the federal government and other public sector institutions have become increasingly blurred. In fact, since the 1930's there has been a largely overlooked revolution in which the traditional hierarchical federal agency model—that is, a federal agency implementing a program through annually appropriated funding—has been essentially replaced by an incredibly diverse and blended service-delivery model involving many different parties and tools of intervention (for example, grants, tax expenditures, regulations, loans, and insurance). Nowhere does this revolution become more evident and more confounding than in federal agencies' efforts to become more results-oriented. In the 21st century, federal agencies' performance and accountability will, to an ever greater extent, be seen as a function of nonfederal entities and involve tools that are typically not subject to the same level of annual or even periodic oversight and reexamination as more traditional federal programs and activities.

To inform the Congress of the implications of the increased role of public and private parties in achieving federal objectives, we have established performance goals to:

- analyze the modern **service-delivery** system environment and the complexity and interaction of service-delivery mechanisms,
- assess how involvement of state and local governments and nongovernmental organizations affect federal program implementation and achievement of national goals, and
- assess the effectiveness of **regulatory administration and reforms** in achieving government objectives.

ASSESS THE GOVERNMENT'S HUMAN CAPITAL AND OTHER CAPACITY FOR SERVING THE PUBLIC

The federal government requires a mixture of critical resources—such as human capital, IT, and financial systems—to fulfill its roles and achieve intended results. Unfortunately, over the last decade, the federal government has missed opportunities to make needed investments in these resources effectively. For example, agencies have only recently started the analysis necessary to link their human capital policies and practices to their missions and goals. This situation puts the government at risk because an increasing number of federal employees will become eligible to retire over the next several years.

In addition, numerous poorly managed IT systems have produced multimillion-dollar cost overruns, schedule slippages, and poor results, and now the government's IT and management infrastructure faces security threats. Similarly, the federal government's financial management has suffered from neglect and financial systems with serious shortcomings.

While it is important to enhance the government's use of new technologies to improve the collection and dissemination of government information, it is also important that this information, especially that collected for statistical purposes, meet the current needs of federal programs and policymakers. Finally, despite recent reforms to transform the federal acquisition process, the government still does not have a world-class purchasing system. All too often, many of the products and services the government buys cost more than expected, are delivered late, or fail to perform as expected.

To assess the government's capacity to better deliver public services, GAO will:

- identify and facilitate the implementation of **human capital practices** that will improve federal economy, efficiency, and effectiveness;
- identify ways to improve the **financial management infrastructure capacity** to provide useful information to manage for results and costs day-to-day;
- assess the government's capacity to manage **information technology** to improve performance;
- assess efforts to manage the collection, use, and dissemination of **government information** in an era of rapidly changing technology;
- assess the effectiveness of **federal statistical system** in providing relevant, reliable, and timely information that meets federal program needs; and
- identify more businesslike approaches that can be used by federal agencies in **acquiring goods and services**.

SUPPORT CONGRESSIONAL OVERSIGHT OF THE FEDERAL GOVERNMENT'S PROGRESS TOWARD BEING MORE RESULTS-ORIENTED, ACCOUNTABLE, AND RELEVANT TO SOCIETY'S NEEDS

During the past decade, the Congress has sought to instill a greater focus on results and accountability by enacting a statutory framework with the Government Performance and Results Act as its centerpiece. However, GAO has reported that performance improvements do not take place merely because a set of management requirements has been established and that building organizational cultures that help create and sustain a focus on results remains a work in progress. In GAO's governmentwide surveys, for example, federal managers have reported that their top leaders still do not show a consistently strong commitment to achieving results. In addition, although the government has been made more accountable, much remains to be

done. The President's Management Agenda for Fiscal Year 2002 also seeks to instill a greater focus on governmental results, presenting a number of governmentwide initiatives, including human capital goals, and program-specific initiatives intended to improve federal management and to deliver results. For example, consistent with GAO's position, the agenda identified improving financial performance as an important initiative to stop erroneous benefit and assistance payments and to ensure that agencies supply reliable, accurate, and timely information to enhance accountability to the American people. Furthermore, among the specific initiatives is the development of better criteria for federal investment in science and technology.

Also, today, there are widespread concerns about the accountability profession's role in serving the public's interest. GAO assists the Congress in this important area, such as by overseeing the governance of the auditing profession, setting the standards auditors use to perform audits of federal funds and activities, and working collaboratively with the inspectors general to issue a methodology for conducting federal financial statement audits.

To support congressional oversight of the federal government's progress toward being more results-oriented, accountable, and relevant to society's needs, we have established performance goals to:

- analyze and support efforts to instill **result-oriented management** across the government,
- highlight the federal programs and operations at **highest risk** and the major **performance and management challenges** confronting agencies,
- identify ways to strengthen accountability for the federal government's **assets and operations**,
- provide accountability in the federal **acquisition process**,
- assess the management and results of the federal investment in **science and technology** and the effectiveness of efforts to protect intellectual property, and
- identify ways to improve the quality of evaluative information and explore the use of **governmentwide performance indicators** to gauge progress in meeting societal needs.

ANALYZE THE GOVERNMENT'S FISCAL POSITION AND APPROACHES FOR FINANCING THE GOVERNMENT

The federal budget is the principal annual vehicle through which the Congress and the President balance competing views about the allocation of federal resources, accountability for those resources, and the allocation of responsibility between the public and private sectors and among levels of government. After many years of attempting to balance the federal budget in the face of chronic deficits and mounting federal debt, federal fiscal policy in recent years focused on saving surpluses and reducing debt. In the past year, however, the near-term budget outlook has worsened with deficits projected for the next few years. GAO's long-term budget model has consistently suggested that without changes for the major retirement and health care programs, large deficits and mounting debt will emerge over the long term. It will be difficult to address today's urgent need to deal with terrorism and to increase national preparedness without unduly exacerbating the nation's long-term fiscal challenges.

American taxpayers annually pay more than \$2 trillion in taxes to fund the federal government. The federal tax system includes numerous tax provisions intended to influence taxpayers' behavior throughout the economy, but little is known about the effects of many of these provisions. Given the size and complexity of the federal tax code, the Congress remains interested in tax reform, particularly simplification. As the nation's chief tax collector, the IRS interacts with more Americans than any other government agency, and compliance with tax

laws is a significant burden imposed on businesses and individuals. IRS is in the midst of implementing major legislatively mandated reforms in how the nation's tax system is administered, and congressional interest remains focused on what progress IRS is making.

Congressional attention will also continue to focus on controlling spending. A key to making resource decisions is having reliable, useful, and timely financial information routinely available. Such information is also necessary to ensure financial accountability and to improve the economy, efficiency, and effectiveness of government actions that have a direct impact on achieving a more results-oriented government.

To analyze the government's fiscal position and identify ways to strengthen approaches for financing the government, GAO will:

- analyze the long-term **fiscal position** of the federal government,
- analyze the structure and information for **budgetary choices** and explore alternatives for improvement,
- contribute to congressional deliberations on **tax policy**,
- support congressional oversight of **IRS' modernization and reform efforts**, and
- assess the reliability of financial information on the government's **fiscal position and financing sources**.

FY 2002 ACCOMPLISHMENTS

During fiscal year 2002, GAO made significant progress toward these strategic objectives as illustrated in the following examples:

ASSESS THE IMPLICATIONS OF THE INCREASED ROLE OF PUBLIC AND PRIVATE PARTIES IN ACHIEVING FEDERAL OBJECTIVES

Assessing the Challenges in Maintaining the Federal-State Fiscal Balance under Welfare Reform: In a report issued last year, GAO assessed changes to the way states financed programs supporting low-income families after the passage of welfare reform legislation. In that report, we found that California had improperly drawn down about \$1.1 billion from the U.S. Treasury and passed these funds along to its counties. The counties, in turn, deposited the funds into interest-bearing accounts. By distributing these funds to the counties before they were needed, the state was in violation of the Cash Management Improvement Act, which seeks to minimize the time between the transfer of federal funds and disbursement by the grantee or subgrantee. After we reported on this situation, California and the HHS agreed that California would return the interest earned by the counties; and as of July 31, 2002, the counties had returned **\$90 million** in interest payments.

Improving Implementation of the Paperwork Reduction Act: The Paperwork Reduction Act (PRA) prohibits an agency from conducting or sponsoring the collection of information unless the OMB approves such a collection. OMB is also required to keep the Congress fully and currently informed about major activities falling under the PRA. We have reported several times in recent years on the implementation of the act, noting that there are hundreds of PRA violations each year—some of which have continued for years—and that a few agencies account for a disproportionate share of those violations. We said OMB could do more to address these violations and also noted that OMB's report to the Congress for fiscal year 2002 did not contain burden-hour or violations data on 12 agencies that had appeared in previous

reports. OMB subsequently required federal agencies to provide strategies for eliminating PRA violations and targeted five agencies for special attention. OMB also said that its fiscal year 2003 report would include information on the 12 agencies that had been omitted from the previous year's report.

Improving Civil Penalty Enforcement: Civil monetary penalties are one way federal agencies enforce federal health, safety, and environmental statutes. In 1996, the Congress amended the Federal Civil Penalties Inflation Adjustment Act and required agencies to adjust their penalties for inflation. GAO examined the implementation of the statute and concluded that certain agencies had not made the required penalty adjustments or had made adjustments that were inconsistent with the requirements of the act. Subsequently, two agencies published new penalty adjustment regulations, and six others indicated that they would do so shortly. Also in 1996, Congress enacted the Small Business Regulatory Enforcement Fairness Act (SBREFA), part of which required agencies to establish a policy or program of penalty relief for small entities (e.g., small businesses and small governments). In February 2001, GAO examined the implementation of that section of SBREFA and concluded that the Congress should require agencies to maintain certain data on enforcement actions and penalty relief to facilitate oversight of SBREFA. In June 2002, the Congress enacted legislation that required agencies to report information on their small entity enforcement programs to certain congressional committees.

Helping Improve Emergency Preparedness among the Federal, State, and Local Governments: By participating in field hearings in 11 cities across the U.S. this year, GAO provided the Congress with information on the need to effectively partner with state and local governments (the "first responders") to improve emergency preparedness and strengthen homeland security. At these hearings, GAO reported on the need to clarify the appropriate roles and responsibilities within and between the levels of government; the lack of national performance goals and measures for preparedness; and the importance of using the right policy tools—grants, regulations, or tax incentives—to target areas of highest need and greatest risk.

ASSESS THE GOVERNMENT'S HUMAN CAPITAL AND OTHER CAPACITY FOR SERVING THE PUBLIC

Consolidation Initiatives at Department of Defense Computer Centers Result in Substantial Savings: GAO recommended that DOD deploy cost savings measures such as consolidation, modernization and outsourcing of computer center activities and processes to make computer center operations more economical and efficient. As a result, the Defense Information Systems Agency (DISA)—the agency responsible for managing Defense Enterprise Computing Centers—undertook a major DOD project that led to savings or cost avoidance over a 4-year period covering fiscal years 1998 through 2001. More specifically, DOD estimated savings or cost avoidances of \$700 million from consolidation initiatives at computer centers, \$39 million from consolidating software licenses, and \$19 million from optimization of storage capabilities. The net present value of the estimated financial benefit is **\$859 million**.

Ensuring a Cost-Effective Census: Beginning in 2001, GAO initiated a series of congressionally requested reviews of the lessons learned from the 2000 Census to help improve the cost-effectiveness of the next national headcount, for which planning is already underway. This past year, GAO's recommendations led to operational improvements that could produce more accurate data and help control costs. For example, GAO's review of the Census

Bureau's field data collection activities prompted the bureau to develop more rigorous quality assurance procedures, while GAO's analysis of the Census Bureau's budget identified savings of **\$93 million** and helped make the bureau more financially accountable.

Assessing the Implications of Applying Biometric Technologies to Border Security: In fiscal year 2002, Congress asked GAO to conduct a technology assessment pilot and examine the implications of using biometric technologies for border security. This assessment became immediately significant because recent legislation, such as the USA PATRIOT Act and Enhanced Border Security and Visa Entry Reform Act, requires the use of biometric identifiers along America's borders by 2004. Passports, visas, and other tools used to track and control the flow of people during "border crossing events" will incorporate biometric technologies, such as fingerprint recognition, facial recognition, or iris recognition. Our research points out that the existing biometric technologies have not yet been used at a scale comparable to the U.S. border control system and that the price tag for a biometrics-based system could be significant. We identified the need for high-level policy decisions, such as defining the specific uses of biometrics technologies and performing a cost benefit analysis that weighs the effectiveness and security benefits of biometrics versus the resource costs and probable consequences of implementation, including the effects on the economy, privacy, travel, and international relations.

DOD Expands Efforts to Control Contract Overpayments: GAO issued a number of reports highlighting the hundreds of millions of dollars that DOD overpaid its contractors each year. In response, DOD added a provision to the Federal Acquisition Regulation requiring contractors to notify the government when the contractor sees an overpayment, the Defense Contract Audit Agency launched special audits of contractor billing systems, and the Defense Contract Management Agency alerted its staff of high-risk situations so overpayments could be avoided. Collectively, these actions will help DOD address its longstanding and chronic payment problems.

Improving DOD's Acquisition of Services: DOD is the largest purchaser of services—including professional, administrative, and management support services; engineering services; and IT services—in the federal government, but GAO found that the department's spending on these purchases was not managed effectively. In January 2002, we recommended that DOD evaluate how a strategic reengineering approach—similar to that employed by leading companies—could be used as a framework to guide the department's reengineering efforts. In response, in May 2002, DOD issued new policy that called for taking a more strategic approach to services acquisition and elevated the importance of major purchases of services to the same level as purchases of major defense systems. This action should help improve acquisition and result in significant financial savings.

Contributing to Improved Contracting Practices: GAO's July 2002 report addressing governmentwide acquisition contracts was the first across-the-board look at these relatively new contracting mechanisms, in which agencies use contracts and acquisition services offered by other agencies and pay a fee for these services. As a result of our analysis, two agencies have already taken actions to improve their financial reporting, and OMB has changed its guidance governing the use of such contracts. In addition, we found that the GSA schedule program's fee structure generated excess revenues amounting to \$151 million for fiscal years 1999-2001. As a result, GSA agreed that it needs to revise its fee structure.

D.C. Public Schools Modernization Program: In two reports and a testimony in 2001 and 2002, GAO reported on numerous contracting problems in the District of Columbia Public Schools and the lack of realistic cost, schedule, and budget assumptions in the District's plan to

modernize all public schools over the next 10 to 15 years. Our warning that the school system must deal with a modernization program that will cost significantly more and take longer to accomplish than originally planned contributed to a public debate that has led the school system to reassess its modernization plans in light of the District's budget constraints.

Improving the Sourcing Decisions of the Federal Government: In response to a statutory mandate, the Comptroller General convened the Commercial Activities Panel to review the government's policies and procedures for deciding whether commercially available services should be performed by federal employees or by the private sector. The panel, which included senior officials from government agencies, federal labor unions, contractor groups, and academia, issued its report to the Congress in April 2002, unanimously adopting a set of principles to guide the government's sourcing policies. The panel used these principles to craft a package of specific recommendations designed to improve the way federal agencies make sourcing decisions. The OMB is revising the government's sourcing procedures based largely on the panel's recommendations.

GAO Issues Standard to Increase Auditor Independence: This year, GAO significantly modified the Government Auditing Standards related to auditor independence to help protect the public interest and ensure public confidence in the independence of auditors of government financial statements, programs, and operations, and of organizations receiving federal financial assistance. This new standard, which the Comptroller General has characterized as "tough, but fair...to protect the public and insure the credibility of the auditing profession," specifies that it is inappropriate for the entity performing the financial statement audit to also perform certain consulting or other nonaudit services that could be considered to be managerial in nature or perceived as the auditor auditing his or her own work. The Comptroller General and GAO staff have launched an intensive outreach effort to the audit community to enhance understanding and acceptance of the new standard. In July 2002, we issued a detailed Q&A that offers concrete illustrations of what does and does not meet the standard and makes clear that auditors are to be independent in both fact and appearance.

Helping Congress Improve Corporate Governance and Accountability: Building on prior work in corporate governance, GAO was well positioned to respond when the Congress asked for help protecting the interests of American investors and workers in light of recent disclosures of financial irregularities at companies such as Enron and WorldCom. In quick order, GAO's testimonies and reports framed the issues for strengthening oversight of the accounting profession; auditor independence; financial reporting; and corporate governance functions, including fundamental principles for reform. These testimonies and reports provided the foundation for the July 2002 passage of the Sarbanes-Oxley Act. The act, the most far-reaching overhaul of the nation's business practices since the Great Depression, is aimed at tightening oversight of accountants, revamping securities laws, and imposing tougher penalties for corporate fraud after disclosures of irregularities.

Accelerating Financial Management Reform: During the past year, the comptroller general, as chair of the Joint Financial Management Improvement Program (JFMIP), initiated a series of sessions at which the JFMIP principals (the Comptroller General, along with the heads of Treasury, OMB, and Office of Personnel Management (OPM) agreed on financial management approaches for transforming the way government does business. They focused on restructuring the Federal Accounting Standards Advisory Board to allow more public input, establishing audit committees, defining what constitutes successful financial management, addressing impediments to an audit opinion on the U.S. government's financial statements, and accelerating agency financial statement reporting.

Improving Veterans Affairs' Information Technology (IT) Management: GAO's oversight at the VA has helped to strengthen management and accountability for the more than \$1 billion spent annually on the department's IT program. In response to our recommendations, the department established the position and selected a permanent chief information officer (CIO) to oversee its IT program and developed an initial version of its enterprise architecture for guiding the department's IT investments. Further, our work highlighting the need for VA to restructure IT functions, programs, and funding under the department-level CIO has helped to strengthen accountability over IT investments.

Leveraging Technology to Make Government Information More Accessible: GAO reviewed the current status and implementation challenges associated with the Extensible Markup Language (XML), an Internet-based technology that promises to make it much easier for government agencies to organize and exchange information that may initially be dispersed among different systems and organizations. GAO's report was widely publicized in the IT community and sparked debate among federal officials about the next steps in advancing adoption of the technology. Efforts are underway to implement a key GAO recommendation regarding establishment of an electronic registry of government XML data definitions and structures.

Informing Congress about a Major Satellite Program: In July 2002, GAO testified on various aspects of a major polar-orbiting satellite acquisition program—the National Polar-orbiting Operational Environmental Satellite System—a tri-agency program that is jointly managed by the National Oceanic and Atmospheric Administration, the DOD, and the National Aeronautics and Space Administration. We reported on the nation's current polar-orbiting weather satellite program, plans for the future satellite acquisition, and key challenges in managing future satellite data volumes. Our analysis helped the Congress understand the scope and challenges of this planned \$6.5 billion program and led to increased coordination among the key agencies to address data management challenges.

Facilitating the Transition to E-Government: GAO helped the Congress reach a balanced view of the complex management and technical challenges involved in the transition to e-government and development of key tools. For example, as the government's FirstGov Web portal was being introduced, GAO identified steps needed to enhance and maintain the government's new "electronic connection" with citizens and threw the spotlight on important challenges to overcome in protecting FirstGov's sensitive Web-linked data. Similarly, GAO's detailed look into emerging technologies, such as public key infrastructure, identified potential opportunities for the government's use of this powerful new technology for digitally signing and securely transmitting electronic messages and data.

Helping to Advance Major Information Technology Modernizations: GAO's ongoing work has helped to strengthen the management of complex, multibillion dollar IT modernization programs at the IRS and the Customs Service to improve operations, promote better service, and reduce costs. For example, our "constructive engagement" with IRS on its \$2.5 billion systems modernization program contributed to the development of enterprise architecture to guide and constrain the acquisition and deployment of IT systems, ensuring that they operate together properly, thus avoiding expensive rework. Similarly, Customs is following our recommendations to better align its ongoing modernization program with its enterprise architecture, as well as to improve cost estimating, human capital capacity, and software process maturity.

Effectively Managing and Archiving Electronic Records: Agencies are increasingly moving to an operational environment in which electronic records provide comprehensive documentation of their activities and business processes—a transformation that has created a new challenge to manage and preserve a vast and rapidly growing volume of electronic records. Working with the National Archives and Records Administration (NARA) and with selected agencies, GAO identified key weaknesses in federal records management policies; evaluated NARA's electronic records management and archival practices; and assessed NARA's capability to design, acquire, and manage an advanced electronic record archive (ERA) system. Our work in the electronic records management area has helped to set the stage for a reassessment of federal electronic record keeping and provided safeguards for the multimillion dollar acquisition of the proposed ERA system.

Facilitating Financial Management Improvements at DOD: GAO helped craft legislation allocating resources to correct deficiencies in DOD's financial management systems. These resources would otherwise have been used to produce financial statements that were not auditable. DOD was incurring significant costs in producing annual financial statements that were unreliable because of deficiencies in its financial management systems. Legislation drafted by GAO—Section 1008(b) of the National Defense Authorization Act for Fiscal Year 2002—frees DOD of the responsibility of preparing financial statements and directs DOD to use resources saved from not preparing the statements to correct the deficiencies in its financial management systems.

Facilitating Financial Management Improvements: GAO drafted legislation for both House and Senate Subcommittees on Legislative Appropriations that strengthened and improved the financial management infrastructures of the Architect of the Capitol and the U.S. Capitol Police. Language in the Legislative Branch Appropriations Act of 2002 requires the Architect of the Capitol to develop and maintain an accounting and financial management system that complies with federal accounting standards, including financial reporting and internal controls. Additionally, both House and Senate bills for the fiscal year 2003 Legislative Appropriations Act improve the Capitol Police financial management by naming the Chief of the Capitol Police as the single disbursing officer for that agency and by eliminating its current inefficient dual pay system.

Addressing Human Capital Issues in the Nation's Air Traffic Control System: Responding to a request from the Subcommittee on Aviation, House Committee on Transportation and Infrastructure, GAO reported in 2002 on a looming human capital crisis at the FAA. Thousands of air traffic controllers, who were hired in the early 1980s to replace striking controllers who had been fired, will soon become eligible to retire. The agency adjusted its hiring plans and has begun improving equipment at its training academy.

Making Strategic Human Capital a Management Priority: In March 2002, GAO issued a special publication identifying critical success factors that help high-performing organizations align their human capital management with mission accomplishment. The model highlights the importance of a sustained commitment by agency leaders to maximize the value of their human capital and manage related risks. Since releasing the model, GAO has been working with the OPM and the OMB to revise the human capital Standards for Success as part of the President's Management Agenda and to explore other opportunities for developing more consistent guidance and tools for agencies to use to address their human capital challenges.

SUPPORT CONGRESSIONAL OVERSIGHT OF THE FEDERAL GOVERNMENT'S PROGRESS TOWARD BEING MORE RESULTS-ORIENTED, ACCOUNTABLE, AND RELEVANT TO SOCIETY'S NEEDS

Improving Collection of Nontax Debt: GAO continues to promote the various tools prescribed by the Debt Collection Improvement Act of 1996 to recoup delinquent debt balances, which continue to be in the \$60 billion range. Acting on our recommendations, Treasury and other agencies have increased collection by using more efficient processes to identify and transfer eligible amounts to Treasury for centralized debt collection action and by increasing the types of federal payments that can be intercepted to recover delinquent debt. Although debt collection continues to be a major challenge, the amounts collected from these efforts have added over **\$300 million** to a steadily growing stream of recoveries.

Improving Medicare Debt Collection: In September 2000, GAO identified a multibillion dollar backlog of uncollected, delinquent Medicare debt owed by providers. Medicare's administering agency, the CMS, had made little progress in referring such debt for collection to the Department of the Treasury or its designee, as required by the Debt Collection Improvement Act of 1996. We also found in 2000 that Treasury had not worked with agencies, including the HHS, to develop adequate debt referral plans and to oversee debt referral. In fiscal year 2001, CMS began implementing our recommendations and accelerated the referral of its aged, delinquent debt. Under the revised debt referral process, in fiscal year 2001 and the first three quarters of fiscal year 2002, collections of delinquent debt amounted to almost **\$55 million**.

Helping Protect the Privacy of Individuals When Researchers Use Federal Data Bases: Academic and agency researchers and statisticians have access to a broad array of federal data bases, such as major public health survey results and Social Security records. Agencies share this information with the understanding that the identities of individuals will be protected. However, the risk exists that the "linkages" among various data sets can violate—whether purposely or inadvertently—the privacy of individuals. In response, GAO has developed strategies for "data stewardship"—specific steps that agencies can take to lessen privacy risks even as they put federal and other data bases to their most productive uses. We have applied our understanding of technical and research concerns, as well as political sensitivities, to alert researchers and agencies to both the risks to privacy and the practical means of mitigating those risks.

Improving NASA's Lesson-Learned Processes: The loss of the Mars Polar Lander and Climate Orbiter spacecraft in the late 1990s raised concerns that NASA was not applying lessons learned from past mistakes to future missions. GAO found that mistakes were not routinely identified, collected, or shared by NASA's program and project managers. As a result, managers were unfamiliar with knowledge generated by other NASA programs and centers. NASA agreed with GAO's findings and recommendations and has begun implementing measures to strengthen its lessons-learned processes and systems. By establishing more effective lessons-learned processes and systems, NASA could more successfully carry out its basic mission of exploring space faster, better, and more cheaply.

Quantifying Improper Payments in Federal Programs and Activities: Over the past several years, reviews of federal agency financial statements have identified about \$20 billion in improper payments annually. However, GAO reports have demonstrated that most federal agencies are not identifying and reporting the extent of their improper payments, the actions they are taking to reduce these payments, and the effect of these actions on reducing the payments. Consistent with our recommendations, the administration, through the President's Management Agenda and revisions to OMB documents, has required selected agencies to

report improper payment rates and the causes of those payments. Also, the Improper Payments Information Act of 2002 calls for federal agencies to review all programs and activities, estimate the annual improper payments, and submit those estimates to Congress.

Conducting Forensic Audits to Identify Waste, Fraud, and Abuse: GAO developed a forensic audit approach that includes data mining, data matching, and various other analyses that can be used to identify waste, fraud, and abuse of federal funds. This approach, which we have been sharing with other agencies, has vast potential for assisting agencies in identifying questionable transactions and serving as a basis to improve controls, recover losses, discipline abusers, and deter future losses. Using the approach, we identified improper payments at HUD, Education, DOD, and other agencies. Improper payments included contract fraud, illegal or abusive uses of purchase and travel cards, fraudulent Pell Grants, and purchases of computer equipment that cannot be located.

Improving Financial Accountability for the Medicare Program: In a report issued in spring 2000, GAO cited the CMS for ineffective oversight of Medicare contractors' multibillion dollar financial activities, lax policy guidance to contractors on financial accounting matters, and ineffective follow-up on findings from financial audits. We also cited CMS's lack of a financial management strategy to identify goals, improvement initiatives, and human capital planning. Our 2002 follow-up review showed that CMS had implemented more in-depth reviews of Medicare contractors' internal controls; provided these contractors with financial management guidance; developed written procedures for its staff in handling audit findings; developed a comprehensive financial management plan that defines financial management goals, objectives, and specific corrective actions to address weaknesses; and started to assess staff skills and competencies needed to manage Medicare's finances. These actions significantly improved CMS's ability to provide financial accountability for the more than \$200 billion spent annually to finance Medicare.

Improving Government Charge Card Programs: In a series of recent reports and testimonies, GAO highlighted pervasive weaknesses in the specific controls and overall control environment surrounding the government's multi-billion dollar purchase and travel card programs. These weaknesses increased the government's vulnerability to theft and misuse of property and funds and resulted in high DOD travel card delinquency rates. GAO highlighted numerous instances of potentially fraudulent, improper, and abusive activity related to the government's charge cards, including the purchase of a wide variety of goods and services that were unrelated to official business. GAO recommended many specific corrective actions, particularly preventive actions, that, if implemented, should help reduce the government's financial risk substantially. Agencies have started to lower the government's vulnerability by decreasing the number of purchase cards by about 70,000 (15 percent), lowering excessive card spending limits, and improving specific controls and the overall control environment.

Support to the Congress: GAO provided the Congress with legal research and analyses that aided lawmakers in their deliberations. For example, our legal team prepared a detailed chronology of legal developments in statutes and regulations, ranging from the enactment of the Communications Act of 1934 to the present, which was the centerpiece of a hearing concerning radio spectrum management. In work related to the DOE waste clean up compliance agreements, we provided important new insights into DOE's environmental cleanup program, including the first ever documentation of the number and scope of these agreements.

Tracking Funds for United Nations Population Fund: GAO investigated whether the Department of State failed to report an impoundment of \$34 million of a lump sum appropriation for International Organizations and Programs. State was authorized to make these funds

available for the United Nations Population Fund (UNFPA) after it ensured that UNFPA practices satisfied several statutory conditions. The State Department determined that UNFPA practices did not meet the conditions and that the funds would not be released. We concluded that to avoid an impoundment of the funds, the State Department must make the funds available for obligation to other programs financed by the International Organizations and Programs lump sum appropriation.

Antideficiency Act Violation Results in Procedural Improvements: In July 2002, GAO reported to the Chairman of the House Appropriations Committee that OMB and the Air Transportation Stabilization Board (ATSB) violated the Antideficiency Act when OMB apportioned \$172 million in subsidy budget authority to the ATSB for airline loan guarantees. The violation occurred because OMB's apportionment and ATSB's obligation were made before the President requested and designated the budget authority as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985. After GAO's inquiry into the apportionment, the ATSB submitted an Antideficiency Act report to the President and to the Congress. In the future, to prevent violations of this type, any ATSB request for apportionment related to a future loan guarantee will include a copy of its corresponding Presidential emergency designation letter. OMB is modifying Circular A-34 instructions to include a notice that "Agencies may obligate contingent funds only after the President formally designates the funds as an emergency requirement."

Accountability in the Federal Acquisition Process: GAO is statutorily vested with authority to resolve disputes concerning the awarding of government contracts. In this role, GAO issues decisions on bid protests, resolving complaints that solicitations for contracts unduly restrict competition or that contracts have been awarded improperly. When a bid protest is found to have merit, we recommend actions appropriate to correct the violation of law involved in the procurement at issue. Our decisions on several of these protests are widely viewed as contributing significantly to ensuring a fair process and protecting the integrity of public/private competitions. For example, bidders challenged the Department of the Air Force's award of an A-76 contract on the basis of cost comparisons. GAO found that the Air Force failed to ensure that the in-house cost estimate and the protester's offer were based upon the same scope of work and performance standards. As a result of GAO's decision and recommendation, the agency awarded the contract to the protesting bidder.

District of Columbia Authorized to Purchase Commercial Insurance against Catastrophic Risks: The District of Columbia Corporation Counsel asked GAO for an advance decision concerning whether the District of Columbia may properly use appropriated funds to purchase insurance to cover catastrophic exposures to risk (e.g., loss or damage to government property and tort liability). GAO concluded that the federal government's policy of insuring itself does not apply to the District government because the District does not have the U.S. government's resources or its wide dispersion of risk. Thus, we held that the District may use non earmarked appropriated funds generated by District revenues to purchase insurance, allowing the District to protect itself against losses it could not cover from its own revenues and ensuring the proper use of appropriated funds.

Identifying Program Abuse: GAO identified program abuse and mismanagement by developing and analyzing information reported through FraudNET. FraudNET is GAO's system of collecting, evaluating, and acting on allegations of fraudulent activity received from government employees, whistleblowers, and the public at large. In fiscal year 2002, FraudNET analysts researched 1,023 reports of fraud and abuse and referred 213 of these to executive branch agencies for further investigation. These analysts also obtained records, located

potential witnesses, and assembled background information for GAO teams on a variety of subjects. In a cooperative effort, staff briefed state officials on GAO's FraudNET operation and the elements of effective hotline operations.

Fostering International Knowledge-Sharing: Continuing to build working relationships with other international government organizations, GAO participated in a 3-day symposium in Kunming, China, sponsored by the Asian Development Bank. The meeting focused on construction of a legal framework for government procurement in the People's Republic of China. GAO's presentation on bid protests introduced the mechanism for administrative bid challenges and generated many questions. Through this opportunity, GAO shared the benefits of transparency in the bid protest process.

Identifying Compromised Navy Purchase Card Accounts: In reviewing a DOD investigation into the fraudulent use of 30 Navy purchase cards, GAO investigators identified as many as 866 purchase card account numbers that had been compromised. Our findings enabled the Naval Criminal Investigative Service to identify the source and point of compromise on the accounts. The numbers were subsequently cancelled or reissued, eliminating a significant potential for fraud.

Ensuring Full and Open Competition for Contracts at Washington-Area Airports: As mandated in the Metropolitan Washington Airports Act of 1986, GAO reviewed contracting practices at the Metropolitan Washington Airports Authority. Our 2002 report made a number of recommendations designed to ensure that the Authority provides full and open competition when contracting for supplies and services. We recommended, among other things, that the Authority (1) reevaluate its use of preset thresholds, which could exclude some contractors from consideration for awards and (2) publish its contracting procedures for review and comment by the public. We also recommended that the Department of Transportation follow up on the Authority's actions to address our recommendations. In response, the Authority published a draft of its contracting procedures, which prohibits the use of preset thresholds. Furthermore, the Department of Transportation has stated its willingness to comment on the Authority's contracting procedures and provide advice on significant procurement issues when requested.

Helping Address the Broad Challenges of National Preparedness: Through numerous testimonies and reports, GAO has provided information and assistance to the Congress as it addresses the challenges of transforming the federal government to reduce risks from terrorist attacks. GAO's work has emphasized strengthening the risk management framework; developing and refining the national strategy, policy, and guidance structures; and bolstering the fundamental management foundation integral to effective public sector performance and accountability. In particular, the reorganization of homeland security activities to create the Department of Homeland Security will be a very difficult undertaking, but also a unique opportunity to create an effective, performance-based organization. Strategic planning, building partnerships, human capital strategies, communication and information systems and other factors will be critical to successful transformation. Strong and visionary leadership will be vital to creating a unified, focused organization from its many parts. In the near term, GAO reported, it will be important to articulate a clear overarching mission and core values, establish initial priorities, and develop an overall implementation plan for the new national strategy and related reorganization.

ANALYZE THE GOVERNMENT'S FISCAL POSITION AND APPROACHES FOR FINANCING THE GOVERNMENT

Targeting Tax Credits: Several GAO studies in the early and mid-1990s evaluated aspects of the design of the Possessions Tax Credit and the Earned Income Tax Credit. As a result of these studies, the Congress modified the tax code, replacing the Possessions Tax Credit with a less generous credit that will be eliminated in 2006 and tightening the eligibility requirements for the Earned Income Tax Credit. More current information on the 5-year impact of these changes points to \$564 million in revenue savings that GAO has not claimed previously.

Auditing the U.S. Government's Financial Statements: As in the 4 previous fiscal years, GAO has been unable to express an opinion on the U.S. government's consolidated financial statements for fiscal year 2001 because of continuing material weaknesses in internal control and accounting and reporting issues. However, GAO's efforts are paying dividends in the form of significant improvements in estimating the cost of the government's lending programs and the net loan amounts expected to be collected, identifying errors or inaccuracies in reported amounts, and suggesting clarifications to financial statement disclosures. For example, our review of social insurance program information found numerous inaccuracies in the amounts presented and descriptive information that, if not corrected, could have misled readers.

Second Edition of the *Principles of Federal Appropriations Law* Completed: GAO recently completed the second edition of its popular 2,500-page handbook on federal appropriations law, which governs the availability and use of federal public funds. This handbook, known as the Red Book, gathers, organizes, and explains statutes, regulations, and cases from all relevant authorities in this complex area. It enables those responsible for federal funds to understand and comply with the purpose, time, and amount limitations imposed by the laws and Constitution of the U.S. The Red Book is often cited in executive branch agency memoranda, in congressional reports and debates, and in the decisions of the Supreme Court and other courts of the U.S.

Improving Government Debt Management: In reviewing other nations' experiences in managing sovereign debt, GAO found that the selected nations used a number of the same debt management tools as the U.S. Department of the Treasury. We identified additional debt management tools used in other countries that may hold promise for the U.S. Our work also helped inform international efforts to improve government debt management. In an authoritative resource guide used by government debt managers worldwide, the Organization for Economic Cooperation and Development republished segments of GAO's analysis of benchmark securities; terms to maturity; and use of 15 debt management tools across the U.S., Australia, New Zealand, Norway, Sweden, and United Kingdom.

Extending Budget Controls: Over several years, in reports and testimony for the House Budget Committee, GAO has emphasized the need to extend the budget controls embodied in the expired Budget Enforcement Act and provided suggestions for improving these controls. Our continued focus on the critical need for congressional action helped keep the issue in the forefront. Congressional leaders have acknowledged the need for action. On September 30, 2002, Congress introduced legislation to extend some controls and stated that other controls should be established through 2007.

Ensuring That Qualified Persons Claim the EIC: Administering the Earned Income Credit (EIC)—a refundable tax credit available to low-income, working taxpayers—is not easy. While it is important for the IRS to help ensure that all qualified persons claim the credit, it is equally important that the agency guard against fraud and other forms of erroneous claims. GAO

estimated that of 17.2 million households that were eligible for the credit in 1999, about 12.9 million claimed it, for an overall participation rate of about 75 percent. In addition, we found that IRS's process for recertifying the eligibility of taxpayers whose claims had been disallowed by an audit could be unnecessarily burdensome for those taxpayers. Specifically, the taxpayers were asked to submit certain information that could be difficult for them to obtain or was inconsistent with what many IRS examiners considered acceptable for making recertification decisions. On the basis of our recommendations, IRS revised its EIC forms and clarified its guidance on the documentation needed to support a claim to help ensure that qualified persons receive the credit.

Supporting Congressional Oversight of IRS: GAO continued to support congressional oversight of IRS's operations, including IRS's implementation of the IRS Restructuring and Reform Act of 1998, budget requests, and administration of various tax functions. For example, our work on the scope of abusive tax schemes and on IRS's efforts to combat them, despite declines in its compliance, enforcement, and collection activities, assisted the Congress in overseeing the adequacy of IRS's efforts to achieve appropriate levels of taxpayer compliance. In addition, our reviews of IRS's performance during the 2001 tax filing season led IRS to (1) improve the quality of its telephone service to taxpayers by better correlating the demand for service and hours of service and (2) develop information to increase electronic filing by surveying taxpayers who had prepared their tax returns electronically but submitted them to IRS on paper.

Improving IRS's Taxpayer Compliance Programs: Responding to congressional concerns, GAO evaluated IRS's tax compliance and collection programs to determine the effect on taxpayers of recent declines in these programs' activities and outcomes. We reported large and pervasive declines for fiscal year 1996 through 2001 in such areas as audit coverage and delinquent tax collections. Our analysis provided IRS with a basis for reexamining the extent to which some quantitative information on the impact of proposed program changes should be included in strategic assessments. In addition, IRS plans to take actions that we recommended to improve its Offer in Compromise program—an effort designed to settle the obligations of taxpayers who cannot afford to pay their full tax liability. For example, IRS plans to evaluate the effectiveness of initiatives designed to reduce the program's inventory of unresolved offers and to reexamine its basis for setting goals for case-processing times.

Collecting Delinquent Taxes Owed by Federal Vendors: Federal agencies pay billions of dollars each year to thousands of vendors that owe delinquent federal taxes. The Department of the Treasury's Financial Management Service (FMS) makes payments on behalf of most of these agencies, but a few agencies disburse their own payments. FMS's payments are subject to a tax levy through the Continuous Federal Tax Levy program, which the IRS operates in conjunction with FMS. This levy enables IRS to recover delinquent federal taxes owed by federal vendors. However, the payments made by the other agencies are not subject to the levy. To increase the potential for collecting delinquent federal taxes, GAO recommended that IRS and FMS work with the other agencies to develop plans for including their vendor payments in the continuous levy program. We estimated that IRS could recover at least \$270 million annually in delinquent federal taxes if the other agencies' payments were included in this program. IRS and FMS agreed to discuss ways to include the other agencies' vendor payments in the levy program.

GOAL 4: MAXIMIZE THE VALUE OF GAO BY BEING A MODEL FEDERAL AGENCY AND A WORLD-CLASS PROFESSIONAL SERVICES ORGANIZATION

To successfully carry out its responsibilities to the Congress for the benefit of the American people, GAO's work must be professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced. GAO should also lead by example. The focus of goal 4 is to make GAO a model organization—one that is client and customer driven; exhibits the characteristics of leadership and management excellence; leverages its institutional knowledge and experience; is devoted to ensuring quality in its work processes and products through continuous improvement; and is regarded as an employer of choice.

Contributors and Resources

The following offices contribute toward this goal:

- Chief Mission Support
- Controller/Administrative Services
- Congressional Relations
- Strategic Planning and External Liaison
- Human Capital
- Information Systems and Technology Services
- Knowledge Services
- Product and Process Improvement
- Public Affairs
- Quality and Continuous Improvement

Resources for Strategic Goal 4

	FY 2003 FTEs	FY 2004 FTEs
	155	155

PLANS FOR FISCAL YEARS 2003 AND 2004

To accomplish GAO's goal of being a model federal agency and a world class professional services organization, the strategic objectives are to:

- sharpen GAO's focus on clients' and customers' requirements,
- enhance leadership and promote management excellence,
- leverage GAO's institutional knowledge and experience,
- continuously improve GAO's business and management processes, and
- become the professional services' employer of choice.

SHARPEN GAO'S FOCUS ON CLIENTS' AND CUSTOMERS' REQUIREMENTS

GAO interacts and works with a diverse set of external clients and internal customers. GAO's principal client is the Congress but its work is also important to other stakeholders including federal and non-federal agencies and organizations, and international institutions. GAO's

internal customers are its staff who deliver quality services to our clients. Therefore, being a model agency depends on both determining and meeting the requirements of our clients and internal customers.

For external clients, GAO plans to continually update its understanding of their needs and expectations through expanded outreach efforts and strategic planning. GAO also plans to develop and use high quality measurement systems and feedback mechanisms to obtain external clients' views on GAO's products and services. In addition, to complement congressional protocols, GAO will develop protocols for each major stakeholder group—agencies and international organizations—to help govern interactions and manage expectations.

For internal customers, GAO plans to identify their needs and expectations through expanded outreach and planning efforts. GAO will identify and develop high quality measurements to assess customer satisfaction, business processes, and accomplishment of the agency's strategic direction. In addition, GAO will develop policies and procedures to guide how its work responds to customer needs.

To support our objective to deliver exceptional service in meeting client and customer needs, GAO will:

- continuously update **client requirements**;
- develop and implement **stakeholder protocols** and refine client protocols; and
- identify and assess **customer requirements and measures**.

ENHANCE LEADERSHIP AND PROMOTE MANAGEMENT EXCELLENCE

GAO intends to improve on results-oriented agency management practices that will establish GAO as a leader among high performing professional services organizations. To accomplish this objective, GAO will build on its established base of strategic planning, performance management, sound financial management, IT best practices, and leadership initiatives. GAO will also institute new ways of doing business to create management and leadership systems that are practical, flexible, and enable managers to efficiently use resources to solve problems. We will lead by example.

To support the objective to enhance leadership and promote management excellence, GAO will:

- foster an attitude of stewardship to ensure a commitment to GAO's mission and **core values**;
- implement an integrated approach to **strategic management**;
- continue to provide leadership in strategic **human capital** management planning and execution;
- maintain integrity in **financial management**;
- use **enabling technology** to improve GAO's crosscutting business processes; and
- provide a **safe and secure workplace**.

Note: For fiscal year 2004, we plan to move the performance goal of "use enabling technology to improve GAO's crosscutting business processes" to the strategic objective of "continuously improve GAO's business and management processes". However, in fiscal years 2002 and 2003, we are reporting the accomplishments for this performance goal under "enhance

leadership and promote management excellence". We also plan on adding "provide leadership in IT planning and management practices" as a new performance goal under the strategic objective "enhance leadership and promote management excellence".

LEVERAGE GAO'S INSTITUTIONAL KNOWLEDGE AND EXPERIENCE

GAO is a knowledge-based professional services organization. It needs to use a wide and expanding variety of media to communicate the results of its work to its clients and the public. It also needs to preserve information from its work for the long-term and to share knowledge among its staff and with others so that it can improve service to its clients, the executive branch, taxpayers, and other governments, both domestic (state and local) and international.

To support the objective to leverage its institutional knowledge and experience, GAO will:

- improve GAO's Web-based knowledge tools;
- develop a framework to manage the collection, use, distribution, and retention of **organizational knowledge**; and
- **strengthen relationships** with other national and international accountability and professional organizations.

CONTINUOUSLY IMPROVE GAO'S BUSINESS AND MANAGEMENT PROCESSES

GAO, as the federal government's accountability organization, evaluates the economy, efficiency, and effectiveness of a wide range of federal policies and programs to assist the Congress for the benefit of the American people. By continuously assessing and improving its products, as well as its business and management processes, GAO can determine whether the organization's operations are aligned with its strategic direction and comply with applicable professional standards in the conduct of its work.

To support the objective to continuously improve its business and management processes, GAO will:

- improve internal **business and administrative processes**;
- improve GAO's **product and service lines** to better meet client needs; and
- improve GAO's **job management processes**.

BECOME THE PROFESSIONAL SERVICES EMPLOYER OF CHOICE

To be a model organization, GAO hopes to build and maintain a diverse work environment that is conducive to performance excellence; encourages full participation by the workforce; and supports personal, professional, and organizational growth. GAO wants to be regarded as an employer of choice—one that recruits and retains excellent employees, and is considered one of the best places to work. The agency is committed to treating all employees fairly, respecting their diversity, and valuing their contributions. GAO's human capital initiatives should enable employees to develop and use their full potential, as aligned with agency objectives.

To become the professional services employer of choice, GAO will:

- maintain an environment that is **fair, unbiased, family-friendly, and promotes and values opportunity and inclusiveness**;
- improve **compensation and performance management** systems;
- develop and implement a **training and professional development** strategy targeted toward competencies; and
- provide GAO's people with **tools, technology, and a working environment** that is world class.

FY 2002 ACCOMPLISHMENTS

During fiscal year 2002, GAO made significant progress toward these strategic objectives as illustrated in the following examples:

SHARPEN GAO'S FOCUS ON CLIENTS' AND CUSTOMERS' REQUIREMENTS

Providing Emergency Relocation Support: Following last October's anthrax incident, when three House of Representatives office buildings were closed, GAO provided office space and critical support services for Members and committees until the office buildings reopened. GAO's leadership and members of GAO's staff offices were instrumental in providing emergency planning and support for the House move. Efforts included identifying adequate space; readying the space for occupation; providing equipment, supplies, and IT connectivity; determining and providing additional security requirements; and providing logistical support to House staff while they were in residence, all within a very short time. Within 48 hours, we moved 1,200 GAO staff to alternative work sites and provided them with notebook computers and remote access so that they could continue to perform their jobs, completely reconnected two floors of the GAO headquarters building to new telephone and computer networks, and enabled 1,800 House Members and staff to move into their temporary quarters. We later reversed that process, bought our staff back in, and resumed normal operations in fewer than 5 days. Through it all, we continued to issue reports and testify on issues important to the Congress and the American people.

Increasing Outreach and Service to GAO's Congressional Clients: To enhance our understanding of our congressional clients' needs, we pursued two feedback initiatives this year. First, senior executives continued their outreach to congressional clients to determine their views of GAO's work. These efforts indicated that client satisfaction has increased over the past year. Second, we completed a 7-month pilot test of a system for obtaining clients' views on our performance during an engagement, including the timeliness of the product, the frequency of communications during the engagement, and the professionalism of GAO staff during the engagement review. We plan to expand this system across the Congress in fiscal year 2003. We also launched the Congressional Hearing System, a database that facilitates our preparation of a consolidated hearing list, hearing notices, and testimony statistics. Finally, we updated a brochure for the Congress describing our services and how to obtain them. We plan to distribute this brochure, called *Serving the Congress*, to the new Congress.

Developing Agency and International Protocols: Paralleling our purpose and approach in implementing the Congressional Protocols, we developed draft Agency Protocols to provide clearly defined, consistently applied, well-documented, and transparent policies for our work with federal agencies. We solicited and incorporated comments on the draft from 28 departments,

agencies, and entities, as well as the President's Council on Integrity and Efficiency, and prepared a revised version of the protocols, which we began to pilot test in December 2001. To facilitate this pilot, we developed an e-learning (electronic Web-based) tool accessible to GAO staff through their desktops. The tool's questions and answers, organized by Engagement Management Gate, provide analysts with quick, just-in-time information on what is expected of them and what is expected of the agency during each segment of an engagement. We also developed an exposure draft of protocols for our work with international audit agencies and sent this draft to the Hill for comment.

Making GAO's Work Accessible to the American People: GAO's Office of Public Affairs (PA) continued its policy of proactive outreach to the press, our congressional clients, and the public to enhance the visibility of GAO products. In two nationwide mailings to the press, including 620 reporters and editors, PA distributed *A Reporter's Guide to GAO* and highlighted our work on homeland security, human capital, and corporate governance. PA also wrote and produced an award-winning video on GAO, "Impact 2000," and created a link for the press on GAO's external Web site, which receives almost 1,500 hits monthly. To inform news editors and editorial page writers of the value of GAO as a news source, PA staff met with the editorial boards of major media outlets, including *The Wall Street Journal*, *The New York Times*, *The Washington Post*, and *USA Today*, and visited three mid-Atlantic media outlets, *The Baltimore Sun*, *The Philadelphia Inquirer*, and the *Bergen County Record*. PA also continued its outreach efforts on the Hill, regularly attending congressional hearings and meeting with reporters and press secretaries.

ENHANCE LEADERSHIP AND PROMOTE MANAGEMENT EXCELLENCE

Improving Strategic Management: GAO issued its strategic plan for serving the Congress from fiscal year 2002 through fiscal year 2007. The new plan reflects the changes in the national agenda brought about by the war against terrorism, the uncertain economic outlook, and the return of budget deficits. We also issued our 2001 performance and accountability report, which combines information on our past year's accomplishments and progress in meeting our strategic goals with our plans for achieving our fiscal year 2003 performance goals. In addition, the report includes our fiscal year 2001 financial statements and the unqualified audit opinion rendered by an independent auditor. The report earned a Certificate of Excellence in Accountability Reporting from the Association of Government Accountants.

Better Aligning Our Organization and Its Resources: GAO made significant progress in linking its strategic plan, performance and accountability efforts, and budget process. During fiscal year 2002, we improved the linkage between our strategic plan and our budget by implementing a workforce planning process that establishes a more participatory and systematic approach for managers to identify the resources needed to meet our goals and objectives. The process addresses not only the appropriate size and deployment of our workforce, but also its profile—focusing on ensuring that the workforce has the knowledge, skills, and abilities needed to pursue our strategic goals, both now and in the future. The strategic plan and workforce planning results serve as the foundation for our fiscal year 2003 operating plan and fiscal year 2004 budget request.

Maintaining Integrity in Financial Management: As part of our effort to be a model agency, in fiscal year 2002 we retained the independent audit firm, Cotton & Co., to audit our financial statements. The auditors issued an unqualified opinion. Moreover, we conducted internal reviews of our compliance with requirements set forth in the Financial Integrity Act and Office of Management and Budget Circular A-127. The first review covered our Financial Management

System, including its internal controls and training and reporting requirements, the adequacy of its integration with other GAO systems, and the maintenance of its general ledger and the consistency of the general ledger with the Standard General Ledger. The second review covered several of our internal operations—disbursements, travel reimbursements, and credit card charges; payroll and personnel operations; time and attendance; external training costs; blanket purchase agreements with vendors; and service agreements with other agencies. These reviews uncovered no problems and showed that we have the proper controls in place and that they are being followed.

Continuing to Provide Leadership in Strategic Human Capital Management Planning and Execution: During fiscal year 2002, GAO strengthened its efforts to become a model in human capital operations. GAO's Human Capital Office (HCO) led a multi-unit effort to review HCO's roles and responsibilities, develop a vision for the future, and design initiatives for HCO to achieve this vision. These initiatives will be implemented in fiscal year 2003. In addition, HCO developed a draft agencywide human capital strategic plan to be finalized and implemented in fiscal year 2003.

Improved Human Capital Manager Network: Following GAO's mission support realignment, HCO management established a Human Capital Managers network to support managing directors and teams. To improve this network and its service to clients, human capital managers documented and streamlined procedures, identified users' and unit heads' needs, and clarified their roles within HCO. As a result, the human capital manager team improved support to customers, developed a smooth hiring process, and participated in the development and implementation of numerous human capital policies and programs. The team is currently representing HCO on many human capital initiatives.

Aligning GAO's Workforce and Mission Needs: To build a diverse workforce with the knowledge, skills, and abilities to meet the new century's challenges, GAO took several actions in fiscal year 2002 to expand and support its recruiting efforts. Overall, in fiscal year 2002, we hired more new staff than in any recent year—nearly 430 permanent staff and 140 interns. Most of those hired were entry-level professionals with advanced degrees needed to support our strategic initiatives and meet our succession-planning needs as more senior staff retire. In addition, we recruited students in specific degree programs to acquire expertise in certain specialties that GAO needs to carry out its strategic goals.

Recognizing the need to place more emphasis on diversity in college recruiting, HCO developed and implemented a strategy for recruiting a broad spectrum of candidates for professional positions at GAO. This strategy is designed to ensure that GAO recruits candidates at schools that matriculate significant numbers of women and racial minorities, trains its recruiters in best practices for recruiting a broad spectrum of candidates, ensures that its own diversity is reflected in its recruiters and recruiting materials, and collects and analyzes data on the effectiveness of its recruiting efforts, including the extent to which best practices are used. This year, we enlisted key minority executives as recruiters and added outreach efforts at 23 schools. As a result, we attracted a talented and diverse pool of applicants.

The Comptroller General's Educators' Advisory Panel held its second annual meeting. The Panel's purpose is to establish long-term, multidimensional, and mutually beneficial working relationships between GAO and leading deans, professors, and others in academia. The Panel also advises the Comptroller General on human capital practices that can support GAO's efforts to become a model for the federal government, including strategies, best practices, operations, and emerging issues and trends related to the recruitment, hiring, development, and retention of a diverse, talented, dedicated, and results-oriented workforce.

To promote the retention of staff with critical skills and 1 to 3 years of GAO experience, we implemented recent legislation (5 U.S.C. 5379) authorizing federal agencies to offer student loan repayments in exchange for commitments to federal service. Following the OPM's 2001 implementing regulations, we disbursed repayments of between \$3,400 and \$6,000 directly to lending institutions for 169 employees, each of whom signed a 3-year agreement to continue working at GAO.

To address budgetary constraints or mission needs, correct skill imbalances, or reduce expenditures for high-grade managerial or supervisory positions while meeting the desires of selected GAO personnel, we exercised our new Voluntary Early Retirement Authority (VERA). This authority, established in our October 2000 human capital legislation, allowed us to grant early retirement to 52 employees in fiscal year 2002.

Acquiring and Applying Information Technology to Support GAO's Strategic Objectives and Business Plans: As the Clinger-Cohen Act requires, GAO is developing an Enterprise Architecture program to guide its IT planning and decision making. In designing and developing systems, as well as in acquiring technology tools and services, we have applied enterprise architecture principles and concepts to ensure sound IT investments and the interoperability of systems.

During the past year, we acquired new hardware and software and developed user-friendly systems that enhance our ability to be productive and responsive to the Congress. For example, we replaced aging desktop workstations with lightweight notebook computers that provide greater computing power, speed, and mobility. In addition, we upgraded key desktop applications, the Windows desktop operating system, and our telecommunications systems to ensure that GAO staff have modern technology tools to assist them in carrying out their work. We also developed new, integrated, user-friendly Web-based systems that eliminate duplicate data entry while ensuring the reusability of existing data. These new systems improve our ability to obtain feedback from our congressional clients, facilitate access to GAO information for the external customer, and enhance productivity for the internal customer. Among the new Web-based systems are:

- a system for obtaining clients' views on our performance during an engagement,
- desktop IPTV (streaming video) for live and prerecorded programs (e.g., CG chats, c-span, CNN),
- an applicant-handling system to support recruiting and hiring efforts,
- a docket database for the Office of General Counsel,
- an e-learning tool on the new Agency Protocols for analysts,
- a system for reporting the accomplishments—that is, the financial and other benefits—attributable to our engagements,
- a competency-based performance management system,
- an employee locator system,
- a videoconferencing reservation system,
- a system that allows employees to register themselves for internal training and obtain information on courses and classes, and
- a system that tracks employees' training requirements and training records.

In addition, we developed and implemented various Web sites to enhance knowledge-sharing, including a site for the Financial Accounting Standards Advisory Board, a site for employees with information on travel and subsequent reimbursement, and a site with guidance for

nominating employees for external awards sponsored by federal and nonfederal organizations and schedules on the categories, criteria, and deadlines for awards to support timely nominations.

Increasing Information Security: GAO has recognized the increased threat to its shared IT assets and is working to heighten awareness of this threat, maintain vigilance, and develop practices that protect its IT infrastructures. Fiscal year 2002 accomplishments in this area include:

- installing software that monitors network users' compliance with GAO's security standards and indicates corrective actions when necessary;
- installing software that monitors unauthorized access to GAO's servers and alerts operations staff when immediate action may be needed to protect information assets;
- implementing a tool—the two-factor user authentication (SecurID)—that increases network security by requiring a PIN and a constantly changing number generated on a token to gain access to the GAO network, thereby eliminating the network's vulnerability to penetration because of weak passwords;
- developing a baseline disaster recovery strategy and plan that provide for the temporary operation of our essential computer systems; and
- completing security control reviews and risk assessments for two critical information systems—the Mission Assignment and Tracking System and the Financial Management System—that identified improvements necessary to maintain full compliance with federal IT security guidelines.

Providing a Safe and Secure Workplace: In fiscal year 2002, GAO assessed the vulnerability of its building and grounds to security risks and identified measures that it could take to reduce the risk of potential incidents; enhance security processes, procedures, and equipment; and provide for the continuity of operations. This year, we put several low-cost or relatively simple measures in place. For example, we installed an X-ray machine at a primary loading dock, upgraded the air filter system, and upgraded the fire alarm and public address systems. We also recommended procedures and identified sites for continuing GAO's work in alternative locations. Finally, we began conducting background investigations on all contractors who work in the headquarters building. The investigations are comparable to those conducted for GAO employees and help ensure the safety of staff and property by holding contractors to the same standards as GAO employees.

LEVERAGE GAO'S INSTITUTIONAL KNOWLEDGE AND EXPERIENCE

Increasing Capacity through Knowledge-Sharing and Collaboration: GAO's application and use of tools for exchanging information strengthened the capacity of GAO audit teams and other state and national audit entities to help improve the performance and accountability of governments worldwide. For example, through an ongoing relationship with the Private Sector Council, we obtained information on best practices in the design and manufacture of products that we used to develop recommendations for improving the DOD's acquisition of major weapon systems. We also used a Web-based tool, AGNet, to glean applicable knowledge and experience from 11 other countries to support our review of efforts to prevent the spread of mad cow disease in the U.S. In addition, we managed a 4-month international fellowship program for 14 fellows, provided technical training on performance audits to more than 150 auditors from 10 European countries, and entered into an agreement with the Inter-American Development Bank, the International Organization of Supreme Audit Institutions International Development Initiative, and the Organization of Latin American and Caribbean Supreme Audit Institutions to provide

technical assistance to strengthen training for auditors in 21 countries. Moreover, we participated in a joint audit of student assessment systems with the Department of Education's Office of Inspector General, the Texas and Pennsylvania state auditors, and the Philadelphia Office of the Comptroller that resulted in seven reports recommending improvements to management controls and data quality. Finally, to enhance staff's ability to utilize Web-based knowledge services, GAO offered training in Lexis-Nexis, CourtLink, Leadership Directory, and Internet Explorer during fiscal year 2002.

Improving the Management of Agency Records: In fiscal year 2002, GAO's Knowledge Services Office (KSO) introduced several initiatives to enhance records management. To reduce the time required to obtain GAO records stored at the Washington National Records Center, KSO negotiated a contract with the center's courier service. The courier service guarantees a 4-hour turnaround for emergency requests, and the couriers have a clearance to deliver files directly to the requesting office and back to the Records Center. KSO also sponsored a cleanup of files across GAO, providing direction and guidance for retiring files and preparing documents for secure destruction. As a result, 800 feet of files were retired and approximately 1,178 feet of records were identified for destruction, freeing storage space and equipment. Finally, to support GAO's leadership in the area of creating and managing key documentary source material, KSO and Quality and Risk Management cosponsored a Workpaper Task Force to reassess GAO's policies for workpaper management and identify opportunities to improve the effectiveness and efficiency of GAO's workpaper practices using new information technologies.

Piloting Knowledge-Sharing among GAO Teams: Formed in the fall of fiscal year 2002, the National Preparedness Web Support Group fosters information-sharing to support collaboration on national preparedness issues across GAO. The Web Support Group created and implemented a National Preparedness Web portal in July 2002, which served as a critical tool in coordinating activities of the National Preparedness virtual team (staff throughout GAO who work on national preparedness issues and rely on the Web to obtain current information about these issues).

CONTINUOUSLY IMPROVE GAO'S BUSINESS AND MANAGEMENT PROCESSES

Enhancing GAO's Guidance and Tools: To improve the engagement process, GAO clarified and enhanced its guidance for project plans and message agreements—efforts that should lead to providing better products for our clients. A GAO team also developed an electronic workpaper set to help analysts determine the documentation requirements for engagements of various lengths. Additionally, we enhanced our desktop policy guidance tool, known as the EAGLE (Electronic Assistance Guide for Leading Assignments), by adding individual teams' guidance, thereby making it easier for staff to find and follow GAO and team policies and procedures.

Improving GAO's Products and Business Processes: In fiscal year 2002, GAO streamlined the graphics and report production processes for *Highlights*, a one-page summary that presents the key findings and recommendations of a GAO report or testimony, and implemented this new reporting format first piloted in fiscal year 2001. Feedback from congressional clients, federal agencies, the media, accountability organizations, and universities has been overwhelmingly positive. In addition, *Highlights* was showcased at the annual conference of the Federal Audit Executive Council and has been adopted as a new product by the Postal Service Inspector General.

GAO's successful implementation of the risk management approach introduced in fiscal year 2000 improved the engagement management process. An assessment of critical aspects of this approach showed there has been an increase in the number of draft reports meeting all quality standards the first time they are submitted for official review outside the originating team.

In fiscal year 2002, we centralized our process for notifying other federal agencies and private parties of visits by GAO staff. As a result, we are able to send clearance information more quickly and accurately, and GAO employees are more aware of the pre-visit requirements and the information needed to arrange their visits.

To increase the efficiency of the report production process and improve communication between audit teams and the product assistance groups (PAG), we implemented the PAG Management Tracking System in September 2002. This system provides real- or nearly real-time information on the status of GAO publications during the production process, including editing, graphics preparation, composition, printing, and distribution. The system tracks the report package throughout the process, simultaneously generating metrics on the process and providing users with easier and faster access to information on the report's progress through the production process, the estimated completion date, and the date of release for distribution.

Realizing Efficiencies and Savings: GAO continues to negotiate innovative contracts and obtain competitive lease rates for its IT equipment, end-user products such as workstations, and infrastructure such as servers and software. By taking advantage of multiyear funding flexibility and by treating the IT leases as services, we are able to amortize the costs of acquisitions over multiple years. As a result, we were able to acquire new notebook computers and flat panel monitors for most GAO staff. Furthermore, after replacing our computer hardware, we donated over 2,300 computers and other computer-related equipment to schools in the Washington, D.C., metropolitan area and in the metropolitan areas of the field offices, as allowed under Executive Order 12999, Computers for Education. This effort not only enabled us to dispose of our surplus equipment but also ensured that taxpayer dollars would continue to be put to good use in local communities.

Our contract for electrical services and programs has also enabled us to cut costs. We negotiated a 4 percent discount on our electrical rates under a new contract with PEPCO Energy Services, which enabled us to save over \$52,000 in fiscal year 2002. We also participated in PEPCO's electrical load curtailment program by reducing our demand for electricity in the GAO building during periods of high regional electrical consumption. Our efforts helped the electrical utilities avoid brownouts or blackouts and gave us a credit on our monthly utility bill.

GAO continued the digital conversion of prior GAO products, resulting in a decline in the number of hard copy requests and a corresponding decrease in paper costs. In fiscal year 2002, we added 10,200 files of GAO products from 1978-1985 to the database. The number of hard copy requests has decreased from over 800,000 to 137,000 per year since the project began in fiscal year 1997, for a total annual average paper cost avoidance of \$24,400, or \$48,800 total for the past 2 fiscal years.

In fiscal year 2001, a Web-based Meeting Room Booking System was developed to provide information on the location, capacity, and availability of audio-visual or video-conferencing equipment of meeting rooms in the headquarters building. The system also allows anyone in GAO to schedule the rooms, a feature that has decreased the time necessary to reserve a meeting room from an average of 10 to 15 minutes to an average of 1 to 2 minutes. This

translates to an average monthly savings of \$8,552. Net savings for fiscal year 2001 after development and implementation costs were approximately \$64,000. Net savings for fiscal year 2002 and beyond are over \$100,000 annually.

Finally, instead of making each team responsible for obtaining, maintaining, storing, and distributing office supplies and equipment, we streamlined the process for requesting and delivering supplies by establishing Shared Service Centers on each floor. Now, fewer staff are required to manage supplies and equipment, and customers receive the materials and services they need more quickly.

BECOME THE PROFESSIONAL SERVICES EMPLOYER OF CHOICE

Leading the Way in Performance Management: In fiscal year 2002, GAO implemented a new performance appraisal system for analysts and specialists, adapted the system for attorneys, and began modifying the system for Administrative Professional and Support Staff. This system is part of a broader competency-based performance management system that is designed to align employees' performance with the agency's core values and strategic plan. Performance management includes performance planning, coaching, and feedback activities, as well as appraisal, recognition, reward, and pay and promotion processes. GAO views the system as a framework for all of its human capital programs, including recruitment, training and development, and recognition and rewards.

Linking Compensation and Awards to Performance: Under its new performance management system, GAO is restructuring its compensation and award programs to better link pay and recognition to efforts that support its core values and strategic goals. We revised our performance-based compensation system for analysts and specialists to reward significant contributions that generate returns for taxpayers, serve clients, further institutional values, and support various GAO-wide efforts. Finally, we took a first step toward tying our compensation system for Administrative Professional and Support Staff to performance by reinstating quality step increases, which allow us to raise General Schedule salary levels for high-quality contributions. The costs of this change were minimal, but the impact on staff morale was great.

Training Staff to Meet the New Competencies: To support GAO's transition to the new competency-based performance management system and help staff meet the new competencies, GAO and its contractors completed training and learning needs assessments, "promising practices" research, and a draft curriculum for analysts that focuses on the competencies and the work that analysts perform at each band level.

To provide some training while we are completing our curriculum development, the Center for Performance and Learning (CPL) contracted for the delivery of more than 100 commercially available training classes to GAO staff in topics related to the new competencies. CPL staff monitored and evaluated the extent to which courses addressed the new competencies and provided immediate feedback to the contractors on ways to make the course materials more relevant to GAO staff. To increase the availability of courses, particularly in the field offices, we began a project to create a virtual classroom. An application implemented in December 2001 provides Web-based distance learning for GAO staff and employs both individual and collaborative activities. Students can communicate with the instructor and other course participants both directly and through chat sessions and e-mail. It is anticipated that as this type of program expands and becomes more universally available, the timing and quality of training will improve, while the amount of downtime and expense associated with other types of traditional training will be reduced.

To enhance the competencies of selected managers and executives, CPL reinstated a centrally funded external training program during fiscal year 2002. Under the program, approximately 60 managers and executives received specialized training in leadership and management.

Providing Career Transition Services: To assist GAO employees seeking career alternatives, HCO established an on-site Career Transition Center, staffed with a full-time career counselor, to provide confidential career-transition services. The center assists employees with career assessments and planning, job searches, resume and cover-letter writing, and interviewing techniques. It also includes a resource center with related books, periodicals, and videos. During fiscal year 2002, the Career Transition Center provided services to more than 100 GAO employees.

Modernizing the GAO Headquarters Building: At the GAO headquarters building, several modernization projects completed or initiated during the year provided more office space and new facilities to support GAO's missions. For example, the construction of a new printing facility in the basement freed valuable first floor space for conversion into usable office space and, in turn, allowed sixth floor office space to be cleared for modernization. In addition, the construction of new, permanent storage space in the basement created a home for the GAO Historical Archives, and the use of existing air-handling equipment provided proper environmental conditions for preserving irreplaceable GAO documents. The space formerly occupied by the archives was converted to offices. Furthermore, an old design for modernizing the sixth floor was thoroughly updated to reflect lessons learned, the changing demographics of GAO's workforce, and an emerging need for a new e-security computer lab. While the updating took some time, GAO's overall modernization project remained on schedule, new ideas were incorporated, and a disruptive retrofit of the existing computer lab was avoided.

Transit Benefit Program Implementation: GAO's Financial Management Policy staff matrixed with staff in the Controller and Administrative Services Office, the Human Capital Office, and the Office of the General Counsel to develop and document transit benefit policy and coordinate legal clearances, coordinate administration and distribution of benefits with the Department of Transportation, and develop internal marketing strategies to announce the program rollout. As an indicator of the program's success, almost one-half of all GAO employees receive transit benefits.

OFFICE OF THE COMPTROLLER GENERAL

The Office of the Comptroller General consists of the Comptroller General, Deputy Comptroller General, and their immediate staff. Both the Comptroller General and the Deputy Comptroller General are nominated by the President and confirmed by the Senate. The Deputy Comptroller General's position is currently vacant and until a Deputy Comptroller General is selected, the duties of this position are being performed by GAO's Chief Operating Officer, who oversees the day-to-day aspects of GAO's mission-related work.

The Office of the Comptroller General is responsible for the leadership and oversight of over 3,000 employees in 12 cities nationwide whose mission is to support the Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people. The Comptroller General functions as the nation's chief accountability officer and Chief Executive Officer of the GAO. As such, his office oversees the work of 13 teams whose scope spans the entire spectrum of the federal government's responsibilities, including national defense, international affairs, education, homeland security, environment, health care, Social Security, transportation, and other program areas.

FTEs	FY 2002 <u>Actual</u>	FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>
Headquarters	6	7	7

OFFICE OF THE COMPTROLLER GENERAL
 Summary by Object Class
 (Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	6	\$590	7	\$719	7	\$747		\$28
11.5 Other Personnel Compensation		31		25		25		
12.1 Civilian Personnel Benefits		92		154		171		17
21.0 Travel and Transportation of Persons		44		46		47		1
25.1 Advisory and Assistance Services				5		5		
Total	6	\$757	7	\$949	7	\$995		\$46

Schedule B-1

OFFICE OF THE COMPTROLLER GENERAL
 Change Analysis - FY 2003 to 2004
 (Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$28			\$28
12.1 Civilian Personnel Benefits	17			17
21.0 Travel and Transportation of Persons		\$1		1
Total	\$45	\$1		\$46

Schedule C-1

OFFICE OF THE COMPTROLLER GENERAL
 Detail Analysis - FY 2003 to 2004
 (Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	7	\$949
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$17
2. One More Day		3
3. Other Personnel Costs		8
4. Civilian Personnel Benefits		17
		<u>45</u>
B. Price Level Increases		
1. Travel and Transportation of Persons		\$1
		<u>1</u>
Net Increase (Decrease)		<u>46</u>
FY 2004 Total Budget Request	7	\$995

OFFICE OF THE COMPTROLLER GENERAL

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	7	\$17
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		3
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		8
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		17
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$1

ACQUISITION AND SOURCING MANAGEMENT

Federal agencies spend billions of tax dollars each year to acquire goods and services—ranging from multi-billion dollar weapon systems to complex space and satellite systems, network services, and everyday supplies and equipment. Acquisition and Sourcing Management (ASM) team examines whether agencies are efficiently and effectively acquiring these goods and services and whether acquisitions maximize agencies' ability to meet mission performance objectives and requirements.

ASM conducts work with an eye toward helping the Congress and agencies improve their ability to acquire cost-effective items. In the face of a rapidly expanding global economy, ASM also focuses on enhancing competitiveness and protecting critical capabilities and technologies. This work concentrates heavily on the DOD and the National Aeronautics and Space Administration (NASA) because they invest most heavily in acquisitions, but ASM also examines opportunities for bringing about governmentwide improvements.

ASM focuses on achieving the following results:

- improving DOD's access to efficient and technologically superior suppliers while protecting critical capabilities;
- improving DOD's ability to acquire needed weapons cost-effectively;
- minimizing acquisitions contracting risks faced by government agencies;
- enhancing congressional oversight of NASA programs and activities; and
- maintaining a presence in acquisition and sourcing issues in order to respond to congressional requests and to support congressional oversight activities.

<u>FTEs</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Revised</u>	<u>FY 2004 Estimated</u>
Headquarters	80	90	90
Field	<u>96</u>	<u>90</u>	<u>90</u>
Total	<u>176</u>	<u>180</u>	<u>180</u>

ACQUISITION AND SOURCING MANAGEMENT
 Summary by Object Class
 (Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	176	\$14,568	180	\$15,706	180	\$16,314		\$608
11.5 Other Personnel Compensation		90		50		41		(9)
12.1 Civilian Personnel Benefits		2,881		3,363		3,640		277
21.0 Travel and Transportation of Persons		916		895		908		13
25.1 Advisory and Assistance Services		78		114		74		(40)
25.2 Other Services		13		15		15		
26.0 Supplies and Materials		1						
31.0 Equipment		2						
Total	176	\$18,549	180	\$20,143	180	\$20,992		\$849

Schedule B-1

ACQUISITION AND SOURCING MANAGEMENT
 Change Analysis - FY 2003 to 2004
 (Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$608			\$608
11.5 Other Personnel Compensation			(\$9)	(9)
12.1 Civilian Personnel Benefits	277			277
21.0 Travel and Transportation of Persons		\$13		13
25.1 Advisory and Assistance Services			(40)	(40)
Total	\$885	\$13	(\$49)	\$849

Schedule C-1

ACQUISITION AND SOURCING MANAGEMENT

Detail Analysis - FY 2003 to 2004

(Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	180	\$20,143
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$433
2. One More Day		62
3. Other Personnel Costs		113
4. Civilian Personnel Benefits		<u>277</u>
		885
B. Price Level Increases		
1. Travel and Transportation of Persons		<u>\$13</u>
		13
C. Program Changes		
1. Other Personnel Compensation		(\$9)
2. Advisory and Assistance Services		<u>(40)</u>
		(49)
Net Increase (Decrease)		<u>849</u>
FY 2004 Total Budget Request	180	\$20,992

ACQUISITION AND SOURCING MANAGEMENT

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	180	\$433
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		62
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		113
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		277
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$13
C. Program Changes		
1. Other Personnel Compensation Transfer unit rewards and recognition funds from teams and offices and reallocate under a centrally managed program.		(\$9)
2. Advisory and Assistance Services Reduction reflects non-recurring costs for training provided in fiscal year 2003.		(40)

APPLIED RESEARCH AND METHODS

Applied Research and Methods (ARM) brings together certain GAO experts and staff with advanced academic degrees in highly specialized fields, such as economics, and other technical and scientific experience who primarily work with other GAO engagement teams to help ensure high-quality analyses across the spectrum of GAO's work. It includes GAO's Chief Economist, Chief Technologist, Chief Accountant, Chief Statistician, and Senior Actuary. They are supported by an experienced staff in widely diverse specialties such as economics, statistics, social science research and survey design, demographics, and program evaluation. ARM also includes specialists in visual communications, large database analysis, software engineering, computer security, and other scientific and engineering disciplines. ARM staff contribute to engagements under each of GAO's strategic goals by designing or implementing appropriate methodological approaches and scientific analyses to address congressional requests and by providing guidance and training to staff as needed on research and analytical methods. When a congressional request or GAO-initiated research requires skills only available in ARM or when new methodologies are needed, ARM teams design, implement, and report on assignments.

ARM was established during GAO's realignment to provide more systematic attention to utilizing the appropriate technical and specialist skills in the work GAO does for the Congress.

<u>FTEs</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Revised</u>	<u>FY 2004 Estimated</u>
Headquarters	150	156	156

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Schedule A-1

APPLIED RESEARCH AND METHODS
 Summary by Object Class
 (Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	150	\$13,851	156	\$13,612	156	\$14,139		\$527
11.5 Other Personnel Compensation		76		42		35		(7)
12.1 Civilian Personnel Benefits		2,989		2,915		3,155		240
21.0 Travel and Transportation of Persons		317		297		301		4
23.3 Comm., Utilities, and Misc. Charges		24		23		23		
25.1 Advisory and Assistance Services		156		243		248		5
25.2 Other Services		309		500		100		(400)
25.7 Operation and Maintenance of Equip.		28		207		207		
26.0 Supplies and Materials		3						
31.0 Equipment		1,144		372		372		
Total	150	\$18,897	156	\$18,211	156	\$18,580		\$369

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Schedule B-1

APPLIED RESEARCH AND METHODS
Change Analysis - FY 2003 to 2004
(Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$527			\$527
11.5 Other Personnel Compensation			(\$7)	(7)
12.1 Civilian Personnel Benefits	240			240
21.0 Travel and Transportation of Persons		\$4		4
25.1 Advisory and Assistance Services		1	4	5
25.2 Other Services			(400)	(400)
Total	\$767	\$5	(\$403)	\$369

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Schedule C-1

APPLIED RESEARCH AND METHODS
Detail Analysis - FY 2003 to 2004
(Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	156	\$18,211
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$375
2. One More Day		54
3. Other Personnel Costs		98
4. Civilian Personnel Benefits		240
		767
B. Price Level Increases		
1. Travel and Transportation of Persons		\$4
2. Advisory and Assistance Services		1
		5
C. Program Changes		
1. Other Personnel Compensation		(\$7)
2. Advisory and Assistance Services		4
3. Other Services		(400)
		(403)
Net Increase (Decrease)		<u>369</u>
FY 2004 Total Budget Request	156	\$18,580

APPLIED RESEARCH AND METHODS

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	156	\$375
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		54
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		98
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		240
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$4
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		1
C. Program Changes		
1. Other Personnel Compensation Transfer unit rewards and recognition funds from teams and offices and reallocate under a centrally managed program.		(\$7)
2. Advisory and Assistance Services Provides funds to emphasize training to maximize staff skills in technical, change management, and leadership areas, and reengineering our training curriculum to align training with the performance management competencies.		4

APPLIED RESEARCH AND METHODS

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
C. Program Changes (Continued)	FTEs	Amount
3. Other Services		(400)
Reduces funds due to non-recurring contract services related to technology assessment and other services.		

DEFENSE CAPABILITIES AND MANAGEMENT

Defense Capabilities and Management (DCM) team leads GAO's efforts to support congressional oversight of the Department of Defense (DOD) as it modernizes to meet a broad array of threats in the 21st century. Charting a course for the future composition and deployment of the "total force" including the U.S. Army, Navy, Air Force, and Marines, active reserve, and Guard components, has been viewed as a major challenge facing the President and Congress. In addition to conventional conflicts globally, the United States is confronted with threats from terrorism, the proliferation of weapons of mass destruction, information operations, and other diffuse sources, which are harder to identify, prevent, and mitigate. The United States must prepare against attacks, which will likely strike vulnerable civilian or military targets in nontraditional ways to avoid direct confrontation with U.S. military forces on the battlefield. Currently, U.S. military forces costs about \$400 billion annually, with the war on terrorism and DOD's role in homeland security having the potential to significantly increase this amount.

DCM focuses on assisting Congress to:

- assess DOD's ability to maintain adequate readiness levels while addressing the force structure changes needed in the 21st century;
- assess DOD's effectiveness in combating terrorism under emerging plans for ensuring homeland security and in responding to terrorists acts at home and abroad;
- assess overall human capital management practices to ensure a high-quality total force;
- improve the economy, efficiency, and effectiveness of DOD's logistical systems;
- evaluate DOD's management of military facilities using best business practices;
- improve the responsiveness and effectiveness of DOD's logistical systems to provide better support at less cost;
- analyze DOD's future year budgets for affordability and realism; and
- evaluate DOD's efforts to adopt modern management principles.

<u>FTEs</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Revised</u>	<u>FY 2004 Estimated</u>
Headquarters	138	137	137
Field	<u>117</u>	<u>115</u>	<u>115</u>
Total	<u>255</u>	<u>252</u>	<u>252</u>

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DEFENSE CAPABILITIES AND MANAGEMENT
Summary by Object Class
(Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	255	\$20,938	252	\$21,989	252	\$22,840		\$851
11.5 Other Personnel Compensation		109		70		50		(20)
12.1 Civilian Personnel Benefits		3,997		4,709		5,096		387
21.0 Travel and Transportation of Persons		1,795		1,705		1,731		26
25.1 Advisory and Assistance Services		132		132		135		3
25.2 Other Services				15		15		
Total	255	\$26,971	252	\$28,620	252	\$29,867		\$1,247

Schedule B-1

DEFENSE CAPABILITIES AND MANAGEMENT
 Change Analysis - FY 2003 to 2004
 (Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$851			\$851
11.5 Other Personnel Compensation			(\$20)	(20)
12.1 Civilian Personnel Benefits	387			387
21.0 Travel and Transportation of Persons		\$26		26
25.1 Advisory and Assistance Services		1	2	3
Total	\$1,238	\$27	(\$18)	\$1,247

Schedule C-1

DEFENSE CAPABILITIES AND MANAGEMENT

Detail Analysis - FY 2003 to 2004

(Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	252	\$28,620
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$606
2. One More Day		87
3. Other Personnel Costs		158
4. Civilian Personnel Benefits		387
		<u>1,238</u>
B. Price Level Increases		
1. Travel and Transportation of Persons		\$26
2. Advisory and Assistance Services		1
		<u>27</u>
C. Program Changes		
1. Other Personnel Compensation		(\$20)
2. Advisory and Assistance Services		2
		<u>(18)</u>
Net Increase (Decrease)		<u>1,247</u>
FY 2004 Total Budget Request	252	\$29,867

DEFENSE CAPABILITIES AND MANAGEMENT

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	252	\$606
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		87
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		158
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		387
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$26
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		1
C. Program Changes		
1. Other Personnel Compensation Transfer unit rewards and recognition funds from teams and offices and reallocate under a centrally managed program.		(\$20)
2. Advisory and Assistance Services Provides funds to emphasize training to maximize staff skills in technical, change management, and leadership areas, and reengineering our training curriculum to align training with the performance management competencies.		2

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EDUCATION, WORKFORCE, AND INCOME SECURITY

Education, Workforce, and Income Security (EWIS) team focuses on issues related to the effective use of government resources to

- ensure that our nation's children are well-educated, cared for, and raised in safe, stable homes;
- foster a well-educated, skilled workforce of the future, facilitate work for the low-income population and disabled and injured workers, and improve workplace protections for employees without excessively burdening employers; and
- maintain adequate retirement benefits for current and future retirees.

Together, these programs account for over 40 percent of federal spending and touch the lives of virtually every American.

EWIS will focus on such issues as the (1) implementation of the No Child Left Behind Act, (2) integration of welfare services into the one-stop centers under the Workforce Investment Act and whether further consolidation is needed, and (3) policy challenges associated with Social Security Administration's (SSA) retirement and disability programs. In addition, EWIS will continue to identify opportunities to save taxpayer dollars by better ensuring that benefit payments are provided only to those eligible in a more efficient manner. For example, EWIS will

- investigate the vulnerability of the student loan programs to fraud and mismanagement,
- identify steps SSA can take to improve the cost-effectiveness of the continuing disability reviews process, and
- determine the extent to which SSA has reinstated earnings from social security numbers (SSNs) that appear frequently in the suspense file—which represents all earnings records reported to SSA where the employee's name and SSN don't match and SSA cannot determine the source of the error—and the impact this has on benefit payments.

<u>FTEs</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Revised</u>	<u>FY 2004 Estimated</u>
Headquarters	170	173	173
Field	<u>55</u>	<u>50</u>	<u>50</u>
Total	<u>225</u>	<u>223</u>	<u>223</u>

EDUCATION, WORKFORCE, AND INCOME SECURITY
 Summary by Object Class
 (Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	225	\$16,920	223	\$19,458	223	\$20,211		\$753
11.5 Other Personnel Compensation		101		62		46		(16)
12.1 Civilian Personnel Benefits		3,734		4,167		4,509		342
21.0 Travel and Transportation of Persons		757		702		713		11
25.1 Advisory and Assistance Services		47		70		73		3
25.2 Other Services		164		225		225		
25.3 Goods and Services from Gov't Accts.		4						
26.0 Supplies and Materials		3						
31.0 Equipment		4						
Total	225	\$21,734	223	\$24,684	223	\$25,777		\$1,093

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Schedule B-1

EDUCATION, WORKFORCE, AND INCOME SECURITY
 Change Analysis - FY 2003 to 2004
 (Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$753			\$753
11.5 Other Personnel Compensation			(\$16)	(16)
12.1 Civilian Personnel Benefits	342			342
21.0 Travel and Transportation of Persons		\$11		11
25.1 Advisory and Assistance Services		1	2	3
Total	\$1,095	\$12	(\$14)	\$1,093

Schedule C-1

EDUCATION, WORKFORCE, AND INCOME SECURITY
 Detail Analysis - FY 2003 to 2004
 (Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	223	\$24,684
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$536
2. One More Day		77
3. Other Personnel Costs		140
4. Civilian Personnel Benefits		342
		<u>1,095</u>
B. Price Level Increases		
1. Travel and Transportation of Persons		\$11
2. Advisory and Assistance Services		1
		<u>12</u>
C. Program Changes		
1. Other Personnel Compensation		(\$16)
2. Advisory and Assistance Services		2
		<u>(14)</u>
Net Increase (Decrease)		<u>1,093</u>
FY 2004 Total Budget Request	223	\$25,777

EDUCATION, WORKFORCE, AND INCOME SECURITY

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	223	\$536
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		77
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		140
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		342
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$11
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		1
C. Program Changes		
1. Other Personnel Compensation Transfer unit rewards and recognition funds from teams and offices and reallocate under a centrally managed program.		(\$16)
2. Advisory and Assistance Services Provides funds to emphasize training to maximize staff skills in technical, change management, and leadership areas, and reengineering our training curriculum to align training with the performance management competencies.		2

FINANCIAL MANAGEMENT AND ASSURANCE

Significant financial weaknesses, problems in fundamental record-keeping, incomplete documentation, and weak internal controls have prevented the federal government from accurately reporting a large portion of its assets, liabilities, and costs. The quality of this data has important ramifications for management decisions and for assessing entity or program performance. Financial management reform is a high priority, and efforts are underway across government to address pervasive, generally long-standing financial management problems. Through the Chief Financial Officers Act and other financial management improvement legislation, the Congress has set a goal of ensuring that federal agencies' financial management systems routinely produce reliable, useful, and timely financial information for managing operations day to day. This legislation also requires GAO to audit the U.S. government's annual financial statements. In addition, GAO has been in the forefront of emphasizing the need for reform in auditing and corporate governance. GAO is actively involved in monitoring the current corporate statutory and regulatory reforms which are being put in place in the United States. These reforms are critical to restoring investor confidence in U.S. markets, and also have high visibility internationally, due to the potential impacts on foreign companies operating in the United States.

Through entity and governmentwide financial audits and other financial reviews, Financial Management and Assurance (FMA) team helps ensure federal accountability and instill discipline in financial management systems, internal controls and reporting processes. As part of these audits, FMA analyzes the financial condition of federal entities and their operating results. In related efforts, FMA assesses the implications of identified financial management and system weaknesses. This work points out the inherent risks that poor data poses for ensuring accountability over assets as well as for making decisions, including budgetary determinations, and to assess performance.

FMA plays a key role in assessing the progress being made to develop and implement effective financial systems. It assesses governmentwide cross-cutting issues such as debt collection, cash management, and improper payments and participates in setting accounting standards for federal agencies. Other GAO teams frequently address issues that deal with financial matters or have financial implications. For that work, FMA will typically be involved to either offer its perspective or actually perform the relevant analyses.

These efforts and related recommendations help to ensure accountability over trillions of dollars of tax revenue; improve the reliability of financial information for making decisions on critical government programs; and strengthen stewardship for the government's operations and investments.

<u>FTEs</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Revised</u>	<u>FY 2004 Estimated</u>
Headquarters	184	186	186
Field	<u>85</u>	<u>80</u>	<u>80</u>
Total	<u>269</u>	<u>266</u>	<u>266</u>

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Schedule A-1

FINANCIAL MANAGEMENT AND ASSURANCE
Summary by Object Class
(Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	269	\$23,092	266	\$23,210	266	\$24,108		\$898
11.5 Other Personnel Compensation		128		74		56		(18)
12.1 Civilian Personnel Benefits		5,123		4,970		5,379		409
21.0 Travel and Transportation of Persons		1,479		1,389		1,410		21
25.1 Advisory and Assistance Services		206		258		279		21
25.2 Other Services		138		458		458		
26.0 Supplies and Materials		2						
Total	269	\$30,168	266	\$30,359	266	\$31,690		\$1,331

Schedule B-1

FINANCIAL MANAGEMENT AND ASSURANCE
 Change Analysis - FY 2003 to 2004
 (Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$898			\$898
11.5 Other Personnel Compensation			(\$18)	(18)
12.1 Civilian Personnel Benefits	409			409
21.0 Travel and Transportation of Persons		\$21		21
25.1 Advisory and Assistance Services		2	19	21
Total	\$1,307	\$23	\$1	\$1,331

Schedule C-1

FINANCIAL MANAGEMENT AND ASSURANCE
 Detail Analysis - FY 2003 to 2004
 (Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	266	\$30,359
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$639
2. One More Day		92
3. Other Personnel Costs		167
4. Civilian Personnel Benefits		409
		<u>1,307</u>
B. Price Level Increases		
1. Travel and Transportation of Persons		\$21
2. Advisory and Assistance Services		2
		<u>23</u>
C. Program Changes		
1. Other Personnel Compensation		(\$18)
2. Advisory and Assistance Services		19
		<u>1</u>
Net Increase (Decrease)		<u>1,331</u>
FY 2004 Total Budget Request	266	\$31,690

FINANCIAL MANAGEMENT AND ASSURANCE

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	266	\$639
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		92
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		167
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		409
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$21
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		2
C. Program Changes		
1. Other Personnel Compensation Transfer unit rewards and recognition funds from teams and offices and reallocate under a centrally managed program.		(\$18)
2. Advisory and Assistance Services Provides funds to emphasize training to maximize staff skills in technical, change management, and leadership areas, and reengineering our training curriculum to align training with the performance management competencies.		19

FINANCIAL MARKETS AND COMMUNITY INVESTMENT

With rapid advances in technology and the ease with which human and financial capital can cross borders, nations' economies have become increasingly interdependent. This interdependence has important implications for the economic well-being of the American people. At the same time, vibrant communities are an integral part of the quality of life of our citizens and are dependent on sustainable economic growth. The challenge the U.S. faces is to take advantage of the opportunities of these global market forces while mitigating their risks and the negative effects on certain communities and segments of the population.

In this context, the Financial Markets and Community Investment (FMCI) team views the effectiveness of financial markets broadly to include

- assessing the effectiveness of the financial services industry and its regulators from the perspective of efficiency, stability, and customer access and protection;
- assessing risk and benefits in federal mortgage assistance programs; and
- developing a strong small business and community base.

FMCI plans to devote additional resources in four major areas to:

- understand the impact of financial modernization and consolidation in the financial industry on borrowers, savers, and investors in terms of choices available and fees paid; and evaluate corporate governance structures and regulators' capability of overseeing these increasingly complicated institutions;
- evaluate the effectiveness of different approaches to fostering economic development to provide Congress with information and recommendations on which programs best serve which purposes;
- take a broad look at the Securities and Exchange Commission's use of additional resources in its attempt to restore investor confidence by enhancing corporate governance, disclosure, and enforcement; and
- evaluate various property management activities at the Department of Housing and Urban Development.

<u>FTEs</u> ¹	FY 2002 <u>Actual</u>	FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>
Headquarters	65	85	85
Field	<u>24</u>	<u>48</u>	<u>48</u>
Total	<u>89</u>	<u>133</u>	<u>133</u>

¹ In fiscal year 2003, responsibility for performing reviews related to Housing was transferred from the Physical Infrastructure team to FMCI.

FINANCIAL MARKETS AND COMMUNITY INVESTMENT
 Summary by Object Class
 (Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	89	\$6,846	133	\$11,605	133	\$12,055		\$450
11.5 Other Personnel Compensation		46		36		23		(13)
12.1 Civilian Personnel Benefits		1,453		2,485		2,689		204
21.0 Travel and Transportation of Persons		295		571		580		9
25.1 Advisory and Assistance Services		29		41		43		2
25.2 Other Services		1		1		1		
26.0 Supplies and Materials		1						
Total	89	\$8,671	133	\$14,739	133	\$15,391		\$652

Schedule B-1

FINANCIAL MARKETS AND COMMUNITY INVESTMENT
 Change Analysis - FY 2003 to 2004
 (Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$450			\$450
11.5 Other Personnel Compensation			(\$13)	(13)
12.1 Civilian Personnel Benefits	204			204
21.0 Travel and Transportation of Persons		\$9		9
25.1 Advisory and Assistance Services		1	1	2
Total	\$654	\$10	(\$12)	\$652

Schedule C-1

FINANCIAL MARKETS AND COMMUNITY INVESTMENT
 Detail Analysis - FY 2003 to 2004
 (Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	133	\$14,739
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$320
2. One More Day		46
3. Other Personnel Costs		84
4. Civilian Personnel Benefits		<u>204</u>
		654
B. Price Level Increases		
1. Travel and Transportation of Persons		\$9
2. Advisory and Assistance Services		<u>1</u>
		10
C. Program Changes		
1. Other Personnel Compensation		(\$13)
2. Advisory and Assistance Services		<u>1</u>
		(12)
Net Increase (Decrease)		<u>652</u>
FY 2004 Total Budget Request	133	\$15,391

FINANCIAL MARKETS AND COMMUNITY INVESTMENT

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	133	\$320
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		46
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		84
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		204
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$9
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		1
C. Program Changes		
1. Other Personnel Compensation Transfer unit rewards and recognition funds from teams and offices and reallocate under a centrally managed program.		(\$13)
2. Advisory and Assistance Services Provides funds to emphasize training to maximize staff skills in technical, change management, and leadership areas, and reengineering our training curriculum to align training with the performance management competencies.		1

GENERAL COUNSEL

The office of the General Counsel (GC) provides legal services to the Comptroller General and GAO. Its principal responsibilities include advising GAO management and staff on legal issues that arise during audits and evaluations; assisting in the preparation of reports, testimonies, and other materials for congressional legislative and oversight activities; conducting litigation in which GAO is involved; preparing Comptroller General decisions and opinions on fiscal and program issues affecting federal programs and activities; and reporting to Congress on federal agencies' major rules. Some decisions and opinions advise congressional committees and Members on the legality of federal agency activities or the legal implications of legislative proposals before the Congress. Others resolve protests from bidders for government contracts alleging that a contract has been or is about to be improperly awarded to another bidder. Still other decisions and opinions interpret the laws governing public expenditures as guidance for government agencies. GAO's expertise in these areas is widely recognized by government agencies, contractors, and the federal courts.

GC also manages the GAO FraudNet, which focuses on potential criminality, fraud and abuse. FraudNet is a hotline through which the public can report allegations of fraud and abuse on-line, by mail or over the telephone. Analysts evaluate allegations and refer them to the appropriate federal agency or to GAO's Office of Special Investigations for further assessment and development.

<u>FTEs</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Revised</u>	<u>FY 2004 Estimated</u>
Headquarters	164	170	170

GENERAL COUNSEL
 Summary by Object Class
 (Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	164	\$16,898	170	\$18,161	170	\$18,886		\$725
11.5 Other Personnel Compensation		86		68		69		1
12.1 Civilian Personnel Benefits		3,304		3,889		4,225		336
21.0 Travel and Transportation of Persons		84		90		91		1
25.1 Advisory and Assistance Services		52		78		80		2
25.2 Other Services		404		50		50		
25.7 Operation and Maintenance of Equip.		12		12		12		
26.0 Supplies and Materials		81						
31.0 Equipment		7						
Total	164	\$20,928	170	\$22,348	170	\$23,413		\$1,065

Schedule B-1

GENERAL COUNSEL
 Change Analysis - FY 2003 to 2004
 (Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$725			\$725
11.5 Other Personnel Compensation			\$1	1
12.1 Civilian Personnel Benefits	336			336
21.0 Travel and Transportation of Persons		\$1		1
25.1 Advisory and Assistance Services		1	1	2
Total	\$1,061	\$2	\$2	\$1,065

Schedule C-1

GENERAL COUNSEL
 Detail Analysis - FY 2003 to 2004
 (Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	170	\$22,348
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$496
2. One More Day		72
3. Other Personnel Costs		157
4. Civilian Personnel Benefits		336
		<u>1,061</u>
B. Price Level Increases		
1. Travel and Transportation of Persons		\$1
2. Advisory and Assistance Services		1
		<u>2</u>
C. Program Changes		
1. Other Personnel Compensation		\$1
2. Advisory and Assistance Services		1
		<u>2</u>
Net Increase (Decrease)		<u>1,065</u>
FY 2004 Total Budget Request	170	\$23,413

GENERAL COUNSEL

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	170	\$496
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		72
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		157
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		336
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$1
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		1
C. Program Changes		
1. Other Personnel Compensation Provide funds to maintain rewards and recognition program.		\$1
2. Advisory and Assistance Services Provides funds to emphasize training to maximize staff skills in technical, change management, and leadership areas, and reengineering our training curriculum to align training with the performance management competencies.		1

HEALTH CARE

Health care has been one of the most rapidly rising elements of federal spending, growing over the last 20 years at an average annual rate that is nearly twice that of the rest of the federal budget. The cost pressures of serving a growing and increasingly diverse population are compounded by scientific advances in medical treatments which can blur the lines between health needs and wants and make it difficult to reasonably assess what society can afford.

Health Care (HC) team is responsible for examining matters related to Medicare and Medicaid, private health insurance, public health, and veterans' and military health care systems. With regard to Medicare and Medicaid, for example, we look at issues affecting program design, service delivery, and financial and programmatic safeguards for Medicare's fee-for-service and managed care services for the nation's elderly and disabled, as well as Medicaid coverage for low-income families and the aged, blind, and disabled. HC also reviews the State Children's Health Insurance Program and private health insurance issues, with a particular focus on the interaction of public and private markets. HC work in public health encompasses the federal public health role in disease surveillance and management, medical product safety, response to bioterrorist incidents, management of public health scientific research, and the distribution of health resources and services. Lastly, HC examines the efficiency and effectiveness with which the Veterans Administration (VA) and Department of Defense (DOD) health care programs operate, the restructuring of VA and DOD health care systems to better accomplish their missions, and the implementation of managed care in DOD.

Congressional demand for GAO work on health care issues continues to far exceed demand. Increasingly complex requests with shorter and shorter turn-around times, especially for GAO testimony, are the driving force necessitating an expansion of capacity to respond, in terms of both quantity and rigor of our work. The increase in staff capacity and analytic capabilities will better enable GAO to respond to the continuing high number of new legislative mandates for health-care work, especially on Medicare reform, and the ever-growing number of planned and unplanned requests for work and technical assistance that require informed insight and health expertise.

FTEs	FY 2002 <u>Actual</u>	FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>
Headquarters	148	161	161
Field	<u>54</u>	<u>51</u>	<u>51</u>
Total	<u>202</u>	<u>212</u>	<u>212</u>

HEALTH CARE
 Summary by Object Class
 (Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	202	\$16,664	212	\$18,498	212	\$19,213		\$715
11.5 Other Personnel Compensation		110		58		49		(9)
12.1 Civilian Personnel Benefits		3,738		3,961		4,287		326
21.0 Travel and Transportation of Persons		544		547		555		8
25.1 Advisory and Assistance Services		65		79		81		2
25.2 Other Services		18		8		8		
26.0 Supplies and Materials		12						
31.0 Equipment		2						
Total	202	\$21,153	212	\$23,151	212	\$24,193		\$1,042

Schedule B-1

HEALTH CARE
 Change Analysis - FY 2003 to 2004
 (Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$715			\$715
11.5 Other Personnel Compensation			(\$9)	(9)
12.1 Civilian Personnel Benefits	326			326
21.0 Travel and Transportation of Persons		\$8		8
25.1 Advisory and Assistance Services		1	1	2
Total	\$1,041	\$9	(\$8)	\$1,042

Schedule C-1

HEALTH CARE
 Detail Analysis - FY 2003 to 2004
 (Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	212	\$23,151
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$509
2. One More Day		73
3. Other Personnel Costs		133
4. Civilian Personnel Benefits		326
		<u>1,041</u>
B. Price Level Increases		
1. Travel and Transportation of Persons		\$8
2. Advisory and Assistance Services		1
		<u>9</u>
C. Program Changes		
1. Other Personnel Compensation		(\$9)
2. Advisory and Assistance Services		1
		<u>(8)</u>
Net Increase (Decrease)		<u>1,042</u>
FY 2004 Total Budget Request	212	\$24,193

HEALTH CARE

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	212	\$509
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		73
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		133
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		326
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$8
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		1
C. Program Changes		
1. Other Personnel Compensation Transfer unit rewards and recognition funds from teams and offices and reallocate under a centrally managed program.		(\$9)
2. Advisory and Assistance Services Provides funds to emphasize training to maximize staff skills in technical, change management, and leadership areas, and reengineering our training curriculum to align training with the performance management competencies.		1

HOMELAND SECURITY AND JUSTICE

The November 2002 legislation creating the Department of Homeland Security (DHS) provides a historic and unique opportunity for government to transform a disparate group of agencies with multiple missions, values, and cultures into a strong and effective cabinet department to protect U.S. borders, improve intelligence and information sharing, and prevent and respond to potential terrorist acts. DHS combines 22 agencies specializing in various disciplines such as law enforcement, aviation security, and disaster mitigation, to create the third largest government agency with an anticipated fiscal year 2003 budget of almost \$40 billion and over 170,000 employees. Yet with this opportunity comes significant risks and challenges, particularly since implementation of DHS will take considerable time, key component agencies already face a wide array of existing challenges, and failure to effectively carry out its mission exposes the nation to extremely severe consequences.

Recognizing the significant change in priorities and reallocation of resources for homeland security, and the critical importance of DHS' mission, GAO realigned its own resources to create the Homeland Security and Justice Team (HSJ). Combining existing expertise from the former Tax Administration and Justice, Physical Infrastructure, and National Preparedness teams, this new team will focus on federal efforts to:

- Strengthen the justice system to more effectively address crime, illegal drug use, illegal immigration, and judiciary and prison operations;
- Secure our nation's borders and citizens against terrorists and weapons of mass destruction;
- Facilitate information sharing and analysis to enhance coordination among governments, private sector and communities;
- Protect critical infrastructure; and
- Increase emergency preparedness and capacity to respond to and recover from natural or man-made disasters, through effective use of federal tools of government, including grants and training programs.

<u>FTEs</u>	FY 2002 ¹ <u>Actual</u>	FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>
Headquarters		87	87
Field		<u>63</u>	<u>63</u>
Total		<u>150</u>	<u>150</u>

¹ HSJ was created in fiscal year 2003.

HOMELAND SECURITY AND JUSTICE

Summary by Object Class

(Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent		\$ 150		\$13,088	150	\$13,594		\$506
11.5 Other Personnel Compensation				42		37		(5)
12.1 Civilian Personnel Benefits				2,803		3,033		230
21.0 Travel and Transportation of Persons				572		581		9
25.1 Advisory and Assistance Services				44		37		(7)
25.2 Other Services				25		250		225
Total		\$ 150		\$16,574	150	\$17,532		\$958

Schedule B-1

HOMELAND SECURITY AND JUSTICE
Change Analysis - FY 2003 to 2004
(Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$506			\$506
11.5 Other Personnel Compensation			(\$5)	(5)
12.1 Civilian Personnel Benefits	230			230
21.0 Travel and Transportation of Persons		\$9		9
25.1 Advisory and Assistance Services		1	(8)	(7)
25.2 Other Services		16	209	225
Total	\$736	\$26	\$196	\$958

Schedule C-1

HOMELAND SECURITY AND JUSTICE
 Detail Analysis - FY 2003 to 2004
 (Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	150	\$16,574
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$360
2. One More Day		52
3. Other Personnel Costs		94
4. Civilian Personnel Benefits		230
		736
B. Price Level Increases		
1. Travel and Transportation of Persons		\$9
2. Advisory and Assistance Services		1
3. Other Services		16
		26
C. Program Changes		
1. Other Personnel Compensation		(\$5)
2. Advisory and Assistance Services		(8)
3. Other Services		209
		196
Net Increase (Decrease)		<u>958</u>
FY 2004 Total Budget Request	150	\$17,532

HOMELAND SECURITY AND JUSTICE

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	150	\$360
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		52
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		94
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		230
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$9
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		1
3. Other Services Anticipated rate increase in the cost of contract services.		16
C. Program Changes		
1. Other Personnel Compensation Transfer unit rewards and recognition funds from teams and offices and reallocate under a centrally managed program.		(\$5)
2. Advisory and Assistance Services Reduction reflects non-recurring costs for training provided in fiscal year 2003.		(8)

HOMELAND SECURITY AND JUSTICE

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
C. Program Changes (Continued)	FTEs	Amount
3. Other Services		209
Provides funds to obtain contract services to support mission work related to security issues.		

INFORMATION TECHNOLOGY

Information technology can be a key element of management reform, dramatically reshaping government to make it more responsive and efficient. Today's rapid technological change and innovation, including the growth of the Internet, offer unprecedented opportunities to use information technology to enhance service to citizens by improving performance and reducing costs. These opportunities, however, create great challenges; ensuring that new electronic technologies are effectively applied and used, that government information is properly managed, and that the privacy and security of government data in computerized systems and networks are fully protected. GAO's Information Technology (IT) team leads GAO's efforts to help the government address these and other important information technology challenges by working to build the government's capacity to manage information technology and to manage the collection, use, and dissemination of information in an era of rapidly changing technology. It also seeks to strengthen information security and to protect computer and telecommunications systems that support the nation's vital infrastructures.

IT work focuses on

- strengthening information security and critical computer-support infrastructure protection;
- enhancing the collection, use, and dissemination of government information;
- assessing opportunities for electronic (e-) government;
- promoting sound enterprise architectures/infrastructures;
- fostering mature systems acquisition, development, and operational practices;
- developing and building upon best practices methodologies to better ensure use of sound information technology investment practices; and
- developing information technology human capital strategies.

With the ever-expanding role that information technology plays in all aspects of federal government operations, GAO anticipates needing to devote additional staff resources to evaluating this vital area. As federal agencies grapple with many complex challenges, such as electronically providing services to our citizens; effectively, efficiently, and properly managing the uses of vast amounts of information; and hardening computer systems and networks against terrorist threats, cyber-crime, and other unlawful intrusions, IT needs to be positioned to assess the agencies' plans and practices for doing so and to recommend where and when improvements may be needed.

<u>FTEs</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Revised</u>	<u>FY 2004 Estimated</u>
Headquarters	129	128	128
Field	<u>27</u>	<u>30</u>	<u>30</u>
Total	<u>156</u>	<u>158</u>	<u>158</u>

INFORMATION TECHNOLOGY
 Summary by Object Class
 (Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	156	\$13,166	158	\$13,787	158	\$14,321		\$534
11.5 Other Personnel Compensation		78		44		35		(9)
12.1 Civilian Personnel Benefits		2,755		2,952		3,195		243
21.0 Travel and Transportation of Persons		879		731		742		11
25.1 Advisory and Assistance Services		384		347		360		13
25.2 Other Services		564		575		925		350
31.0 Equipment		2						
Total	156	\$17,828	158	\$18,436	158	\$19,578		\$1,142

Schedule B-1

INFORMATION TECHNOLOGY
 Change Analysis - FY 2003 to 2004
 (Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$534			\$534
11.5 Other Personnel Compensation			(\$9)	(9)
12.1 Civilian Personnel Benefits	243			243
21.0 Travel and Transportation of Persons		\$11		11
25.1 Advisory and Assistance Services		2	11	13
25.2 Other Services		25	325	350
Total	\$777	\$38	\$327	\$1,142

Schedule C-1

INFORMATION TECHNOLOGY
 Detail Analysis - FY 2003 to 2004
 (Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	158	\$18,436
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$380
2. One More Day		55
3. Other Personnel Costs		99
4. Civilian Personnel Benefits		243
		<u>777</u>
B. Price Level Increases		
1. Travel and Transportation of Persons		\$11
2. Advisory and Assistance Services		2
3. Other Services		25
		<u>38</u>
C. Program Changes		
1. Other Personnel Compensation		(\$9)
2. Advisory and Assistance Services		11
3. Other Services		325
		<u>327</u>
Net Increase (Decrease)		<u>1,142</u>
FY 2004 Total Budget Request	158	\$19,578

INFORMATION TECHNOLOGY

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	158	\$380
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		55
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		99
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		243
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$11
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		2
3. Other Services Anticipated rate increase in the cost of contract services.		25
C. Program Changes		
1. Other Personnel Compensation Transfer unit rewards and recognition funds from teams and offices and reallocate under a centrally managed program.		(\$9)

INFORMATION TECHNOLOGY

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
C. Program Changes (Continued)	FTEs	Amount
2. Advisory and Assistance Services Provides funds to emphasize training to maximize staff skills in technical, change management, and leadership areas, and reengineering our training curriculum to align training with the performance management competencies.		11
3. Other Services Provides funds to obtain contract services to support mission work related to security and counter-terrorism issues.		325

INTERNATIONAL AFFAIRS AND TRADE

U.S. leaders agree on the ultimate goals of promoting global peace, prosperity, and stability, but there is intense debate about how to achieve them. Whether addressing military and humanitarian interventions or strategic alliances, opinions vary on the level of U.S. commitment, the approach to sharing costs, and the question of whether U.S. interests are being served. Economic and ideological pressures also complicate solutions to worldwide problems. For example, globalization is increasing the interdependence of the world's economies and affecting national security and the economic well-being of the American people. Global markets offer opportunities for expansion of trade and commerce, but they also increase U.S. vulnerabilities to overseas economic fluctuations and crises.

The work of the International Affairs and Trade team focuses on:

- the plans, strategies, costs, and results of the U.S. intervention in international conflicts;
- the effectiveness and management of U.S. foreign aid programs and the tools to carry them out;
- the costs and implications of ongoing changes in U.S. strategic interests;
- the efficiency and accountability of multilateral organizations and the extent to which they are serving U.S. interests;
- the strategies and management practices for U.S. foreign affairs functions and activities;
- the ways in which trade agreements and programs help promote U.S. interests;
- the efficacy of the tactics the U.S. employs in influencing improvements in the world's financial systems; and
- the effectiveness of U.S. programs and agreements in preventing the proliferation of nuclear, biological, and chemical weapons, as well as sensitive technologies.

<u>FTEs</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Revised</u>	<u>FY 2004 Estimated</u>
Headquarters	124	133	133
Field	<u>15</u>	<u>22</u>	<u>22</u>
Total	<u>139</u>	<u>155</u>	<u>155</u>

Schedule A-1

INTERNATIONAL AFFAIRS AND TRADE

Summary by Object Class

(Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	139	\$10,933	155	\$13,525	155	\$14,048		\$523
11.5 Other Personnel Compensation		75		43		34		(9)
12.1 Civilian Personnel Benefits		2,484		2,896		3,134		238
21.0 Travel and Transportation of Persons		856		790		802		12
25.1 Advisory and Assistance Services		52		52		55		3
25.2 Other Services		40		13		10		(3)
25.3 Goods and Services from Gov't Accts.		14		24		24		
26.0 Supplies and Materials		9						
31.0 Equipment		1		1		1		
Total	139	\$14,464	155	\$17,344	155	\$18,108		\$764

Schedule B-1

INTERNATIONAL AFFAIRS AND TRADE
 Change Analysis - FY 2003 to 2004
 (Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$523			\$523
11.5 Other Personnel Compensation			(\$9)	(9)
12.1 Civilian Personnel Benefits	238			238
21.0 Travel and Transportation of Persons		\$12		12
25.1 Advisory and Assistance Services		1	2	3
25.2 Other Services			(3)	(3)
Total	\$761	\$13	(\$10)	\$764

Schedule C-1

INTERNATIONAL AFFAIRS AND TRADE

Detail Analysis - FY 2003 to 2004

(Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	155	\$17,344
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$372
2. One More Day		54
3. Other Personnel Costs		97
4. Civilian Personnel Benefits		<u>238</u>
		761
B. Price Level Increases		
1. Travel and Transportation of Persons		\$12
2. Advisory and Assistance Services		<u>1</u>
		13
C. Program Changes		
1. Other Personnel Compensation		(\$9)
2. Advisory and Assistance Services		2
3. Other Services		<u>(3)</u>
		(10)
Net Increase (Decrease)		<u>764</u>
FY 2004 Total Budget Request	155	\$18,108

INTERNATIONAL AFFAIRS AND TRADE

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	155	\$372
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		54
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		97
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		238
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$12
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		1
C. Program Changes		
1. Other Personnel Compensation Transfer unit rewards and recognition funds from teams and offices and reallocate under a centrally managed program.		(\$9)
2. Advisory and Assistance Services Provides funds to emphasize training to maximize staff skills in technical, change management, and leadership areas, and reengineering our training curriculum to align training with the performance management competencies.		2

INTERNATIONAL AFFAIRS AND TRADE

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
C. Program Changes (Continued)	FTEs	Amount
3. Other Services		(3)
Reduces funds due to non-recurring contract services related to other contract services.		

NATURAL RESOURCES AND ENVIRONMENT

The Nation's natural resources and systems associated with their use are under increasing stress, generating intense debate and posing daunting challenges to policymakers at all levels of government. In part, the growing stress stems from a growing population and economy, but it also reflects the increasing globalization of the world's economies and political tensions. Most glaringly, the tragic events of September 2001 mandate stepped-up attention to protecting the country's critically important natural resources, including the air we breathe, the water we drink, the food we consume, and the energy supplies that keep our economy going. These trends make it more difficult than ever to achieve a balance between using the country's natural resources for current economic and security purposes, or protecting and conserving them for future generations.

The Natural Resources and Environment (NRE) team addresses these matters across a broad spectrum of federal programs, conducting assessments of

- the nation's ability to ensure reliable and environmentally sound energy for current and future generations;
- federal strategies for managing land and water resources in a sustainable fashion for multiple uses;
- federal programs' performance in ensuring a plentiful and safe food supply while protecting the environment and providing economic security to farmers;
- federal pollution prevention and control strategies;
- efforts to reduce the threats posed by hazardous and nuclear wastes;
- the National Nuclear Security Administration's efforts to maintain a safe and reliable nuclear weapons stockpile;
- the management and effectiveness of executive branch efforts to minimize the proliferation of former Soviet nuclear assets; and
- the management and results of federal investments in science and technology and the effectiveness of efforts to protect intellectual property.

NRE's work focuses mainly on the activities of the Departments of Energy, Agriculture, and the Interior; the Environmental Protection Agency; the Federal Energy Regulatory Commission; the Nuclear Regulatory Commission; the National Marine Fisheries Service; the National Nuclear Security Administration; the National Science Foundation; and the civil activities of the Corps of Engineers.

<u>FTEs</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Revised</u>	<u>FY 2004 Estimated</u>
Headquarters	156	169	169
Field	<u>95</u>	<u>80</u>	<u>80</u>
Total	<u>251</u>	<u>249</u>	<u>249</u>

NATURAL RESOURCES AND ENVIRONMENT
 Summary by Object Class
 (Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	251	\$21,005	249	\$21,727	249	\$22,567		\$840
11.5 Other Personnel Compensation		112		70		50		(20)
12.1 Civilian Personnel Benefits		4,217		4,653		5,035		382
21.0 Travel and Transportation of Persons		1,198		1,134		1,151		17
25.1 Advisory and Assistance Services		61		79		82		3
25.2 Other Services		291		50		50		
26.0 Supplies and Materials		5						
Total	251	\$26,889	249	\$27,713	249	\$28,935		\$1,222

Schedule B-1

NATURAL RESOURCES AND ENVIRONMENT
 Change Analysis - FY 2003 to 2004
 (Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$840			\$840
11.5 Other Personnel Compensation			(\$20)	(20)
12.1 Civilian Personnel Benefits	382			382
21.0 Travel and Transportation of Persons		\$17		17
25.1 Advisory and Assistance Services		1	2	3
Total	\$1,222	\$18	(\$18)	\$1,222

Schedule C-1

NATURAL RESOURCES AND ENVIRONMENT
 Detail Analysis - FY 2003 to 2004
 (Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	249	\$27,713
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$598
2. One More Day		86
3. Other Personnel Costs		156
4. Civilian Personnel Benefits		<u>382</u>
		1,222
B. Price Level Increases		
1. Travel and Transportation of Persons		\$17
2. Advisory and Assistance Services		<u>1</u>
		18
C. Program Changes		
1. Other Personnel Compensation		(\$20)
2. Advisory and Assistance Services		<u>2</u>
		(18)
Net Increase (Decrease)		<u>1,222</u>
FY 2004 Total Budget Request	249	\$28,935

NATURAL RESOURCES AND ENVIRONMENT

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	249	\$598
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		86
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		156
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		382
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$17
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		1
C. Program Changes		
1. Other Personnel Compensation Transfer unit rewards and recognition funds from teams and offices and reallocate under a centrally managed program.		(\$20)
2. Advisory and Assistance Services Provides funds to emphasize training to maximize staff skills in technical, change management, and leadership areas, and reengineering our training curriculum to align training with the performance management competencies.		2

PHYSICAL INFRASTRUCTURE

The Nation's economic vitality and the quality of life of its citizens are influenced to an important degree by the soundness and availability of its physical infrastructure (transportation and telecommunication systems, federal facilities, wastewater facilities, etc.). In both the short and the long term, the nation faces important infrastructure challenges as federal, state, and local governments plan to meet new demands brought on by demographic, technological, and life-style changes. The challenges are complex, cutting across many interrelated issues, and require coordinated intergovernmental responses. How government responds to these challenges will have important consequences for our nation's future, including staggering costs that could test the economy's ability to pay. It is therefore essential for government at all levels to have the information needed to make well-informed decisions about how to allocate funds among competing priorities, evaluate the challenges to determine which solutions are most cost-effective, and implement these solutions as efficiently and effectively as possible.

The work of the Physical Infrastructure (PI) team includes reviews of:

- the strategies for identifying, evaluating, prioritizing, financing, and implementing integrated solutions to the nation's infrastructure needs;
- efforts to improve safety in all transportation modes;
- the impact of transportation and telecommunications policies and practices on competition and consumers;
- the U.S. Postal Service's transformation efforts to ensure its viability and accomplish its mission; and
- federal efforts to plan for, acquire, manage, maintain, secure, and dispose of the government's real property assets.

<u>FTEs¹</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Revised</u>	<u>FY 2004 Estimated</u>
Headquarters	147	114	114
Field	<u>95</u>	<u>43</u>	<u>43</u>
Total	<u>242</u>	<u>157</u>	<u>157</u>

¹ In fiscal year 2003, responsibility for performing reviews related to Housing was transferred from Physical Infrastructure to the Financial Markets and Community Investment team. Also, work related to the Federal Emergency Management Administration, the Transportation Security Administration, and the Coast Guard was transferred to the Homeland Security and Justice team to reflect the recent creation of the Department of Homeland Security.

PHYSICAL INFRASTRUCTURE
 Summary by Object Class
 (Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	242	\$18,375	157	\$13,699	157	\$14,229		\$530
11.5 Other Personnel Compensation		104		52		36		(16)
12.1 Civilian Personnel Benefits		3,844		2,934		3,175		241
21.0 Travel and Transportation of Persons		1,299		823		835		12
25.1 Advisory and Assistance Services		61		49		51		2
25.2 Other Services		393		650		400		(250)
26.0 Supplies and Materials		3						
Total	242	\$24,079	157	\$18,207	157	\$18,726		\$519

1060

Schedule B-1

PHYSICAL INFRASTRUCTURE
Change Analysis - FY 2003 to 2004
(Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$530			\$530
11.5 Other Personnel Compensation			(\$16)	(16)
12.1 Civilian Personnel Benefits	241			241
21.0 Travel and Transportation of Persons		\$12		12
25.1 Advisory and Assistance Services		1	1	2
25.2 Other Services			(250)	(250)
Total	\$771	\$13	(\$265)	\$519

PHYSICAL INFRASTRUCTURE

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	157	\$377
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		54
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		99
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		241
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$12
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		1
C. Program Changes		
1. Other Personnel Compensation Transfer unit rewards and recognition funds from teams and offices and reallocate under a centrally managed program.		(\$16)
2. Advisory and Assistance Services Provides funds to emphasize training to maximize staff skills in technical, change management, and leadership areas, and reengineering our training curriculum to align training with the performance management competencies.		1

PHYSICAL INFRASTRUCTURE

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
C. Program Changes (Continued)	FTEs	Amount
3. Other Services		(250)
Reduces funds due to non-recurring contract services.		

SPECIAL INVESTIGATIONS

The Office of Special Investigations (OSI) is a specialized unit of senior criminal investigators, whose primary mission is to identify and investigate potential fraud, criminal misconduct, and serious wrongdoing involving federal funds, programs, and activities. Working with congressional committees and GAO's other teams, OSI identifies specific examples of abuse that illustrate program weaknesses, demonstrate systemic problems, and support findings and recommendations in GAO's work. OSI also undertakes proactive work, such as tests to determine whether security vulnerabilities exist in federal facilities or in U.S. border exit and entry systems. In similar work, OSI has tested programs—such as student loans and federal firearms licensing--and identified gaps in federal laws that leave programs vulnerable to abuse.

In addition, OSI acts as GAO's liaison with federal and state law enforcement and provides subject matter expertise to congressional committees and GAO on law enforcement policy and legislative proposals that may involve investigative matters and techniques.

<u>FTEs</u>	FY 2002 <u>Actual</u>	FY 2003 <u>Revised</u>	FY 2004 <u>Estimated</u>
Headquarters	26	29	29

SPECIAL INVESTIGATIONS
 Summary by Object Class
 (Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	26	\$2,797	29	\$3,338	29	\$3,503		\$165
11.5 Other Personnel Compensation		7		17		18		1
12.1 Civilian Personnel Benefits		842		715		772		57
21.0 Travel and Transportation of Persons		115		156		158		2
25.1 Advisory and Assistance Services		4		11		12		1
25.2 Other Services		2		2		2		
26.0 Supplies and Materials		6		7		7		
Total	26	\$3,773	29	\$4,246	29	\$4,472		\$226

Schedule B-1

SPECIAL INVESTIGATIONS
 Change Analysis - FY 2003 to 2004
 (Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$165			\$165
11.5 Other Personnel Compensation			\$1	1
12.1 Civilian Personnel Benefits	57			57
21.0 Travel and Transportation of Persons		\$2		2
25.1 Advisory and Assistance Services		1		1
Total	\$222	\$3	\$1	\$226

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Schedule C-1

SPECIAL INVESTIGATIONS
 Detail Analysis - FY 2003 to 2004
 (Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	29	\$4,246
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$93
2. One More Day		13
3. Other Personnel Costs		59
4. Civilian Personnel Benefits		57
		222
B. Price Level Increases		
1. Travel and Transportation of Persons		\$2
2. Advisory and Assistance Services		1
		3
C. Program Changes		
1. Other Personnel Compensation		\$1
		1
Net Increase (Decrease)		<u>226</u>
FY 2004 Total Budget Request	29	\$4,472

SPECIAL INVESTIGATIONS

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	29	\$93
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		13
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		59
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		57
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$2
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		1
C. Program Changes		
1. Other Personnel Compensation Provide funds for rewards and recognition programs.		\$1

STRATEGIC ISSUES

Transforming what the federal government does, how it does it today, and how it will meet the 21st Century challenges is the mission of the Strategic Issues (SI) team. Working both independently and in partnership with other GAO teams, SI assists the Congress and federal agencies in improving government accountability and performance that benefits the American people. Its key issues encompass common and shared elements that will drive the federal government's transformation toward being more results oriented, accountable, and relevant to society's needs. In pursuing these oversight issues, SI's work focuses on several key agencies, such as the central management agencies like OMB and OPM, as well as IRS, the Bureau of the Census and others. In advancing its mission, SI focuses on four broad objectives and anticipates far-reaching outcomes from its work to include:

- Analyzing the implications of the increased role of public and private parties in achieving federal objectives and the national performance context in which those interactions take place;
- Assessing the government's total capacity to better deliver the right public services at the highest level of performance, with a special focus on human capital considerations;
- Supporting congressional oversight of the federal government's progress toward being more results-oriented, accountable, and relevant to society's needs—including attention to promoting effective management at IRS and identifying ways to simplify the tax code and reduce the compliance burden on taxpayers; and
- Analyzing the government's fiscal position and its implications for major choices about the allocation of public resources to achieve federal purposes including assessing the impact of current and proposed tax policies, from their affect on individuals to their broader economic influences.

SI staff conducts specific studies—either at the request of the Congress or as self-initiated research and development efforts—and also assist other teams throughout GAO. Collaborating with others on work that cuts across the federal government enables SI to (1) identify institutional reforms in decision making and management processes that promise greater accountability for results and recognition of the longer term fiscal implications of today's decisions, and (2) help ensure that these issues are brought to bear on other GAO engagements.

<u>FTEs</u> ¹	<u>FY 2002 Actual</u>	<u>FY 2003 Revised</u>	<u>FY 2004 Estimated</u>
Headquarters	113	150	150
Field	<u>0</u>	<u>30</u>	<u>30</u>
Total	<u>113</u>	<u>180</u>	<u>180</u>

¹ In fiscal year 2003, responsibility for tax issues was transferred from the former Tax and Justice team to SI.

STRATEGIC ISSUES
 Summary by Object Class
 (Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	113	\$9,338	180	\$15,706	180	\$16,314		\$608
11.5 Other Personnel Compensation		49		49		39		(10)
12.1 Civilian Personnel Benefits		1,943		3,363		3,640		277
21.0 Travel and Transportation of Persons		208		306		311		5
25.1 Advisory and Assistance Services		43		49		50		1
25.2 Other Services		105		300		100		(200)
26.0 Supplies and Materials		1						
Total	113	\$11,687	180	\$19,773	180	\$20,454		\$681

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Schedule B-1

STRATEGIC ISSUES
Change Analysis - FY 2003 to 2004
(Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$608			\$608
11.5 Other Personnel Compensation			(\$10)	(10)
12.1 Civilian Personnel Benefits	277			277
21.0 Travel and Transportation of Persons		\$5		5
25.1 Advisory and Assistance Services		1		1
25.2 Other Services			(200)	(200)
Total	\$885	\$6	(\$210)	\$681

Schedule C-1

STRATEGIC ISSUES
 Detail Analysis - FY 2003 to 2004
 (Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	180	\$19,773
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$433
2. One More Day		62
3. Other Personnel Costs		113
4. Civilian Personnel Benefits		<u>277</u>
		885
B. Price Level Increases		
1. Travel and Transportation of Persons		\$5
2. Advisory and Assistance Services		<u>1</u>
		6
C. Program Changes		
1. Other Personnel Compensation		(\$10)
2. Other Services		<u>(200)</u>
		(210)
Net Increase (Decrease)		<u>681</u>
FY 2004 Total Budget Request	180	\$20,454

STRATEGIC ISSUES

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	180	\$433
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		62
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		113
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		277
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$5
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		1
C. Program Changes		
1. Other Personnel Compensation Transfer unit rewards and recognition funds from teams and offices and reallocate under a centrally managed program.		(\$10)
2. Other Services Reduces funds due to non-recurring contract services.		(200)

MISSION OFFICES

<u>Offices</u>	<u>FTEs</u>		
	<u>FY 2002 Actual</u>	<u>FY 2003 Revised</u>	<u>FY 2004 Estimated</u>
Congressional Relations	14	15	15
Federal Accounting Standards Advisory Board	10	10	10
Inspector General	7	7	7
Knowledge Services	134	134	134
National Preparedness	4		
Product and Process Improvement	6		
Public Affairs	6	6	6
Quality and Continuous Improvement	20	24	24
Strategic Planning and External Liaison	<u>13</u>	<u>15</u>	<u>15</u>
Total	<u>214</u>	<u>211</u>	<u>211</u>

Congressional Relations

Congressional Relations (CR) coordinates GAO's activities with congressional leadership, committees, and members. These activities include the development of testimony, products, legal opinions, bill comments, and the assignment of GAO staff as detailees to committees. CR assists, advises, and acts as a liaison for the Comptroller General and GAO's teams and offices in furnishing the Congress with timely and useful assistance.

Federal Accounting Standards Advisory Board

The Federal Accounting Standards Advisory Board promulgates accounting standards in accordance with Rules of Procedure established by the Joint Financial Management Improvement Program Principals. These rules provide for consideration of the financial and budgetary information needs of congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

Inspector General

The Office of Inspector General (IG) seeks to achieve honest, efficient management and full accountability throughout GAO. IG serves the Comptroller General and the taxpayer by conducting audits, evaluations, and investigations and providing advice to GAO's senior management on options available to achieve the best possible results.

Knowledge Services

Knowledge Services (KS) is a multi-faceted organization responsible for planning, developing, implementing and managing agency-wide knowledge and information services and policies, and preparing, publishing and disseminating the results of GAO's work. Specifically, KS oversees agency knowledge and information services and policies pertaining to the physical/virtual library, research services, web-based management and information services, communities of practice, and records management. The organization also plans and manages the overall production of GAO products, creates and incorporates graphics into products, formats and prints audit and evaluation reports and special publications, converts printed products to electronic files for dissemination on

the worldwide web, and distributes hard-copy products to congressional addressees, agencies and the public. KS develops GAO's communications standards; prepares visual communications and electronic media presentations; performs independent reviews of product quality; provides support for developing standard work processes, workflow tracking and collection and analysis of performance metrics. KS also provides general administrative services such as mail screening and delivery, bulk photocopying, preparation of survey packages, loaner equipment, and supply distribution through centralized shared services centers.

Public Affairs

Public Affairs (PA) coordinates GAO's communications with the news media and the public. It assists GAO management and staff with press contacts and sets the agency's press policies. PA also works to continually improve the accessibility of GAO products via the Internet. The office publishes GAO's Today's Reports, a daily electronic list of GAO products as they are released for distribution to the press and public at large, writes and publishes Management News, a weekly newsletter for GAO employees; compiles Clippings, a daily collection of articles and other published materials relevant to GAO and its ongoing assignments; and manages publication of the Month in Review, which lists all reports and testimony released each month. PA manages an external web page designed expressly to address the needs of reporters. PA also provides writing assistance to GAO executives on speeches, articles, and other assignments.

Quality and Continuous Improvement

Quality and Continuous Improvement (QCI) assists the Comptroller General and the Chief Operating Officer in ensuring that GAO is doing the right work to support the Congress and that GAO's products and services are of the highest quality. QCI produces GAO's annual GPRA-compliant performance plans and reports and develops and maintains a performance measurement system that measures progress toward strategic goals and objectives, the efficiency of GAO's processes, and the quality of its products and services. In addition, QCI is responsible for implementing changes to GAO's main business process—the Engagement Management Process—including full integration of risk-based management, documenting the policies and protocols that define the process, and establishing quality controls to ensure they are followed. QCI manages processes to ensure individual product quality, develops policy for GAO's mission work, and facilitates process and product improvement to help make GAO more efficient and responsive to the needs of its external clients and internal customers. QCI identifies opportunities to enhance operational effectiveness and efficiency and works with other units to help develop new procedures and practices that can help reduce the cost of our work and enhance its quality. QCI identifies best practices and helps deploy them throughout the agency and, at times, the Federal audit community.

Strategic Planning and External Liaison

Strategic Planning and External Liaison (SPEL) leads and coordinates GAO's strategic planning efforts and manages GAO's relationships with domestic and international accountability organizations; foreign governments, and state and local agencies; and selected colleges and universities. SPEL identifies appropriate staff in GAO to work cooperatively with these entities to advance GAO's goals, enhance strategic planning efforts, and facilitates knowledge sharing with the ultimate objective of making governments better.

MISSION OFFICES
 Summary by Object Class
 (Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	214	\$15,008	211	\$15,552	211	\$16,333		\$781
11.5 Other Personnel Compensation		190		147		146		(1)
12.1 Civilian Personnel Benefits		2,964		3,331		3,684		353
21.0 Travel and Transportation of Persons		196		297		301		4
25.1 Advisory and Assistance Services		135		176		183		7
25.2 Other Services		66		141		392		251
25.3 Goods and Services from Gov't Accts.		2		5		5		
26.0 Supplies and Materials		12		11		11		
31.0 Equipment		1						
Total	214	\$18,574	211	\$19,660	211	\$21,055		\$1,395

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Schedule B-1

MISSION OFFICES
Change Analysis - FY 2003 to 2004
(Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$781			\$781
11.5 Other Personnel Compensation			(\$1)	(1)
12.1 Civilian Personnel Benefits	353			353
21.0 Travel and Transportation of Persons		\$4		4
25.1 Advisory and Assistance Services		5	2	7
25.2 Other Services		19	232	251
Total	\$1,134	\$28	\$233	\$1,395

Schedule C-1

MISSION OFFICES
Detail Analysis - FY 2003 to 2004
(Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	211	\$19,660
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$425
2. One More Day		62
3. Other Personnel Costs		294
4. Civilian Personnel Benefits		353
		<u>1,134</u>
B. Price Level Increases		
1. Travel and Transportation of Persons		\$4
2. Advisory and Assistance Services		5
3. Other Services		19
		<u>28</u>
C. Program Changes		
1. Other Personnel Compensation		(\$1)
2. Advisory and Assistance Services		2
3. Other Services		232
		<u>233</u>
Net Increase (Decrease)		<u>1,395</u>
FY 2004 Total Budget Request	211	\$21,055

MISSION OFFICES

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	211	\$425
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		62
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		294
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		353
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$4
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		5
3. Other Services Anticipated rate increase in the cost of contract services.		19
C. Program Changes		
1. Other Personnel Compensation Transfer unit rewards and recognition funds from teams and offices and reallocate under a centrally managed program.		(\$1)

MISSION OFFICES

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
C. Program Changes (Continued)	FTEs	Amount
2. Advisory and Assistance Services Provides funds to emphasize training to maximize staff skills in technical, change management, and leadership areas, and reengineering our training curriculum to align training with the performance management competencies.		2
3. Other Services Provides funds to obtain contract services to support business process reengineering efforts for mission processes.		232

MISSION SUPPORT OFFICES

A full range of operations is provided by the offices that provide guidance and support to the teams and offices that conduct audit, evaluation, and legal work. The primary objective of the mission support offices is to provide quality and timely services to the agency.

<u>Offices</u>	<u>FTEs</u>		
	<u>FY 2002 Actual</u>	<u>FY 2003 Revised</u>	<u>FY 2004 Estimated</u>
Chief Mission Support	13	11	11
Controller/Administrative Services	100	101	101
Field Operations	67	61	61
Human Capital	89	88	88
Information Systems and Technology Services	106	105	105
Opportunity and Inclusiveness	5	6	6
Personnel Appeals Board	<u>8</u>	<u>9</u>	<u>9</u>
Total	<u>388</u>	<u>381</u>	<u>381</u>

Chief Mission Support

The Chief Mission Support Officer (CMSO) serves as the agency's Chief Financial Officer and leads GAO's fiscal and administrative support services. The CMSO provides internal services to support GAO staff in the accomplishment of GAO's mission. CMSO oversees GAO's human capital services, fiscal and administrative support, enabling information technology, editing and publishing, information systems, knowledge sharing and management services, and professional staff development. CMSO enhances GAO's ability to perform its mission by providing customer-focused, best-in-class services that maximize the value of GAO by positioning it as a model federal agency and a world-class professional services organization.

Controller/Administrative Services

The Controller/Administrative Services Office provides the facilities, property management, procurement, security and safety, financial, and budgetary functions of GAO. These activities include managing GAO's building and equipment inventory, developing and promulgating policies and guidance covering the full range of planning and budgeting for financial activities, and monitoring employee health and safety issues.

Field Operations

The Managing Director, Field Operations, Regional Directors, and support staff throughout the U.S. provide a variety of professional services and support to staff located in GAO's 11 field locations.

Human Capital

The Human Capital Office (HCO) provides human capital services to all headquarters and field staff. These services are in support of GAO's strategic direction and key efforts. HCO builds relationships with its customers to ensure an understanding of their needs, delivers quality services when its customers need them, and obtains feedback to gauge service quality and assess human capital staff performance.

Information Systems and Technology Services

Information Systems and Technology Services (ISTS) is a customer-focused team that champions information technology (IT) best practices and provides quality IT services to enhance the mission success of the GAO community. ISTS (1) manages GAO-wide and local management/administrative systems to support the agency's human resources, fiscal, job process, and management functions; (2) designs, develops, and operates voice, data, and video communications systems; (3) manages local and wide-area network operations, evaluates hardware and software for agency-wide application, manages information resource management equipment and software inventories, and provides hardware/software maintenance services; and (4) develops agency-wide information resources policy and standards and technology applications/solutions. ISTS has adopted management practices—including an active enterprise architecture program, IT investment process and oversight committee, and performance metrics—to ensure that GAO complies with Clinger Cohen and that GAO's IT systems and services provide the best value possible.

Opportunity and Inclusiveness

Opportunity and Inclusiveness (OOI) is charged with overseeing GAO's efforts to foster a work environment that ensures that all members of its diverse workforce are treated fairly and that individual differences are respected. OOI's Managing Director reports directly to the Comptroller General. A key OOI effort is monitoring and recommending appropriate changes to the agency's compensation and performance management systems.

OOI staff conducts informal pre-complaint counseling and manages the agency's formal discrimination complaint process. OOI also assists employee and managers in resolving work-related concerns and difficulties through its voluntary mediation program.

OOI also is a stakeholder on mission team engagements that involve civil rights and diversity issues.

Personnel Appeals Board

The GAO Personnel Appeals Board is responsible for considering, deciding and ordering corrective or disciplinary action, as appropriate, in cases involving employee appeals, prohibited personnel practices, prohibited political activities, determinations of collective bargaining units, union elections, unfair labor practices and discrimination. In effect, the Board acts for GAO in place of the following executive branch agencies: Merit Systems Protection Board, Office of Special Counsel, Federal Labor Relations Authority and the Equal Employment Opportunity Commission (EEOC). The Board also has the responsibility for EEO oversight of GAO as the EEOC has EEO oversight of the executive branch agencies. The Board's Office of General Counsel investigates complaints, and, where appropriate, prosecutes cases before the Board.

MISSION SUPPORT OFFICES
 Summary by Object Class
 (Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent	388	\$33,220	381	\$28,576	381	\$30,031		\$1,455
11.5 Other Personnel Compensation		297		340		345		5
12.1 Civilian Personnel Benefits		7,181		6,671		7,296		625
21.0 Travel and Transportation of Persons		770		777		789		12
23.3 Comm., Utilities, and Misc. Charges		1						
25.1 Advisory and Assistance Services		295		347		366		19
25.2 Other Services		170		202		208		6
25.7 Operation and Maintenance of Equip.		10		3		3		
26.0 Supplies and Materials		129		110		110		
31.0 Equipment		9						
Total	388	\$42,082	381	\$37,026	381	\$39,148		\$2,122

Schedule B-1

MISSION SUPPORT OFFICES
 Change Analysis - FY 2003 to 2004
 (Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Total
11.1 Full-time Permanent	\$1,455			\$1,455
11.5 Other Personnel Compensation			\$5	5
12.1 Civilian Personnel Benefits	625			625
21.0 Travel and Transportation of Persons		\$12		12
25.1 Advisory and Assistance Services		6	13	19
25.2 Other Services		3	3	6
Total	\$2,080	\$21	\$21	\$2,122

Schedule C-1

MISSION SUPPORT OFFICES
Detail Analysis - FY 2003 to 2004
(Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base	381	\$37,026
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Pay Raise		\$790
2. One More Day		113
3. Other Personnel Costs		552
4. Civilian Personnel Benefits		625
		<u>2,080</u>
B. Price Level Increases		
1. Travel and Transportation of Persons		\$12
2. Advisory and Assistance Services		6
3. Other Services		3
		<u>21</u>
C. Program Changes		
1. Other Personnel Compensation		\$5
2. Advisory and Assistance Services		13
3. Other Services		3
		<u>21</u>
Net Increase (Decrease)		<u>2,122</u>
FY 2004 Total Budget Request	381	\$39,148

MISSION SUPPORT OFFICES

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Pay Raise Anticipated January 2004 civilian and locality pay raises based on the location of GAO employees at 3.7 percent.	381	\$790
2. One More Day Estimated cost of one more day in fiscal year 2004 than in fiscal year 2003.		113
3. Other Personnel Costs Estimated cost of annualization of fiscal year 2003 increases offset by savings from hiring staff at lower salaries than departing staff.		552
4. Civilian Personnel Benefits Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting from increases in personnel compensation and the Social Security taxable wage base; increases resulting from greater participation in the FERS retirement system; rate changes in the Federal Employees Health Benefits Program; and a decrease in workmen's compensation costs.		625
B. Price Level Increases		
1. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		\$12
2. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		6
3. Other Services Anticipated rate increase in the cost of contract services.		3
C. Program Changes		
1. Other Personnel Compensation Provide funds for rewards and recognition programs.		\$5

MISSION SUPPORT OFFICES

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
C. Program Changes (Continued)	FTEs	Amount
2. Advisory and Assistance Services Provides funds to emphasize training to maximize staff skills in technical, change management, and leadership areas, and reengineering our training curriculum to align training with the performance management competencies.		13
3. Other Services Provides funds to obtain contract services.		3

Schedule A-1

SUPPORT OPERATIONS
Summary by Object Class
(Dollars in thousands)

Object Class	FY 2002 Actual		FY 2003 Revised		FY 2004 Estimated		Net Change (2003 to 2004)	
	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
11.1 Full-time Permanent		(\$15)						
11.5 Other Personnel Compensation		3,972		\$4,771		\$5,013		\$242
12.1 Civilian Personnel Benefits		3,258		3,358		3,533		175
13.0 Benefits for Former Personnel		347		306		310		4
21.0 Travel and Transportation of Persons		(15)		176		177		1
22.0 Transportation of Things		36		80		80		
23.1 Rental Payments to GSA		6,655		7,180		7,539		359
23.3 Comm., Utilities, and Misc. Charges		11,487		11,497		12,535		1,038
24.0 Printing and Reproduction		1,208		1,745		1,745		
25.1 Advisory and Assistance Services		22,995		25,699		27,891		2,192
25.2 Other Services		5,138		5,395		6,326		931
25.3 Goods and Services from Gov't Accts.		2,991		3,788		3,727		(61)
25.4 Operation and Maint. of Facilities		9,240		5,765		2,887		(2,878)
25.7 Operation and Maintenance of Equip.		4,512		4,518		4,867		349
26.0 Supplies and Materials		1,348		1,696		1,747		51
31.0 Equipment		7,390		5,349		7,750		2,401
32.0 Land and Structures		3,315		4,646		1,338		(3,308)
42.0 Insurance Claims and Indemnities		230		50		250		200
Subtotal		\$84,092		\$86,019		\$87,715		\$1,696
Offsetting Collections		2,297		3,000		6,006		3,006
Total		\$86,389		\$89,019		\$93,721		\$4,702

Schedule B-1

SUPPORT OPERATIONS
Change Analysis - FY 2003 to 2004
(Dollars in thousands)

Object Class	Mandatory	Price Level	Program Changes	Equipment, Alterations, Maintenance, Repairs, Etc.	Total
11.5 Other Personnel Compensation		\$87	\$155		\$242
12.1 Civilian Personnel Benefits	(\$26)	3	198		175
13.0 Benefits for Former Personnel		4			4
21.0 Travel and Transportation of Persons		1			1
23.1 Rental Payments to GSA		359			359
23.3 Comm., Utilities, and Misc. Charges		202		\$836	1,038
25.1 Advisory and Assistance Services		345	1,847		2,192
25.2 Other Services		67	864		931
25.3 Goods and Services from Gov't Accts.		104	(165)		(61)
25.4 Operation and Maint. of Facilities		86		(2,964)	(2,878)
25.7 Operation and Maintenance of Equip.		278	21	50	349
26.0 Supplies and Materials		25	26		51
31.0 Equipment		12	163	2,226	2,401
32.0 Land and Structures				(3,308)	(3,308)
42.0 Insurance Claims and Indemnities			200		200
Subtotal	(\$26)	\$1,573	\$3,309	(\$3,160)	\$1,696
Offsetting Collections				3,006	3,006
Total	(\$26)	\$1,573	\$3,309	(\$154)	\$4,702

Schedule C-1

SUPPORT OPERATIONS
Detail Analysis - FY 2003 to 2004
(Dollars in thousands)

	FTEs	Amount
FY 2003 Budget Base		\$89,019 ^a
Adjustments to Base		
A. Mandatory Pay Costs		
1. Civilian Personnel Benefits		<u>(\$26)</u> (26)
B. Price Level Increases		
1. Other Personnel Compensation		\$87
2. Civilian Personnel Benefits		3
3. Benefits for Former Personnel		4
4. Travel and Transportation of Persons		1
5. Rental Payments to GSA		359
6. Comm., Utilities, and Misc. Charges		202
7. Advisory and Assistance Services		345
8. Other Services		67
9. Goods and Services from Gov't Accounts		104
10. Operation and Maintenance of Facilities		86
11. Operation and Maintenance of Equipment		278
12. Supplies and Materials		25
13. Equipment		<u>12</u> 1,573
C. Program Changes		
1. Other Personnel Compensation		\$155
2. Civilian Personnel Benefits		198
3. Advisory and Assistance Services		1,847
4. Other Services		864
5. Goods and Services from Gov't Accounts		(165)
6. Operation and Maintenance of Equipment		21
7. Supplies and Materials		26
8. Equipment		163
9. Insurance Claims and Indemnities		<u>200</u> 3,309
D. Equipment, Alterations, Maintenance, Repairs, Etc.		
1. Comm., Utilities, and Misc. Charges		\$836
2. Operation and Maintenance of Facilities		(2,964)
3. Operation and Maintenance of Equipment		50
4. Equipment		2,226
5. Land and Structures		(3,308)
6. Offsetting Collections		<u>3,006</u> (154)
Net Increase (Decrease)		<u>4,702</u>
FY 2004 Total Budget Request		\$93,721 ^b

^a The enacted level excludes pending request for supplemental funds of \$4.9 million. Includes offsetting collections of \$3.0 million.

^b Includes offsetting collections of \$6.0 million.

SUPPORT OPERATIONS

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
Adjustments to Base	FTEs	Amount
A. Mandatory Pay Costs		
1. Civilian Personnel Benefits Anticipated reduction in workmen's compensation costs paid to the Department of Labor.		(\$26)
B. Price Level Increases		
1. Other Personnel Compensation Provides funds needed to maintain rewards and recognition program at comparable levels to fiscal year 2003 and help ensure GAO's ability to attract, reward, and retain high quality staff based on performance.		\$87
2. Civilian Personnel Benefits Increase in employee contributions due to increase in Other Personnel Compensation costs.		3
3. Benefits for Former Personnel Anticipated cost of living increase in retirement annuity to two former Comptrollers General.		4
4. Travel and Transportation of Persons Anticipated increase in travel per diem and airfare rates.		1
5. Rental Payments to GSA Anticipated increase in lease costs for office space in field locations.		359
6. Commodities, Utilities, and Miscellaneous Charges Anticipated cost increases for ADP equipment leases, local telecommunications services, and postal rates.		202
7. Advisory and Assistance Services Anticipated increase in the cost of training provided by government agencies and commercial vendors.		345
8. Other Services Anticipated rate increase in the cost of contract services.		67
9. Goods and Services from Government Accounts Anticipated increase in the cost of services obtained from other government agencies.		104

SUPPORT OPERATIONS

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
B. Price Level Increases (Continued)	FTEs	Amount
10. Operation and Maintenance of Facilities Anticipated increase in contract rates for building operations and maintenance.		86
11. Operation and Maintenance of Equipment Anticipated increase in the cost of services to support the operations and maintenance of equipment.		278
12. Supplies and Materials Anticipated cost increase for supplies and materials used to perform GAO work.		25
13. Equipment Anticipated increase in the cost of publications for GAO's permanent collection.		12
C. Program Changes		
1. Other Personnel Compensation Transfer funds for rewards and recognition programs from teams and offices to centralize responsibility for program management.		\$155
2. Civilian Personnel Benefits Provides funds to extend student loan repayments to staff to increase retention, and provide recruitment incentive to staff with skills in shortage categories or to meet workload demands. Also, provides funds to extend the mass transit subsidy to newly hired staff, and cover the annualization of fiscal year 2003 costs.		198
3. Advisory and Assistance Services Provides funds to emphasize training to maximize staff skills in technical, change management, and leadership areas, and reengineer our training curriculum to align training with the performance management competencies. Also includes funds to upgrade and reengineer information systems and supporting business processes and provide information systems support.		1,847
4. Other Services Provides funds to obtain contract services to obtain experts for security and counter-terrorism reviews, reengineer our job management process and communications strategy, and obtain mail management services.		864

SUPPORT OPERATIONS

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
C. Program Changes (Continued)	FTEs	Amount
5. Goods and Services from Government Accounts Reduces funds for non-recurring contract services related to offsite mail screening and provides funds for other services provided by government entities.		(165)
6. Operations and Maintenance of Equipment Provides funds to obtain contractor support to operate and maintain equipment.		21
7. Supplies and Materials Provides funds to obtain needed supplies and materials to support GAO's business processes.		26
8. Equipment Provides funds to update and enhance GAO's library to promote knowledge sharing and provide staff access to needed research tools.		163
9. Insurance Claims and Indemnities Anticipated increase in claims from employees and others for damages and property lost or damaged incident to work assignments.		200
D. Equipment, Alterations, Maintenance, Repairs, Etc.		
1. Commodities, Utilities, and Miscellaneous Charges Provides funds to obtain hardware and software to support our information systems and enhance information security. Also provides funds for changes in telecommunications service.		\$836
2. Operation and Maintenance of Facilities Funds for GAO building maintenance and operations will be obtained from offsetting collections.		(2,964)
3. Operation and Maintenance of Equipment Provides funds to upgrade ADP software.		50

SUPPORT OPERATIONS

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C (Dollars in thousands)		
D. Equipment, Alterations, Maintenance, Repairs, Etc.(Continued)	FTEs	Amount
<p>4. Equipment</p> <p>Provides funds to obtain and install an agency-wide user access control and intrusion detection system and supporting infrastructure. Also reflects savings from non-recurring requirements for ADP software and telecommunications equipment upgrades made in fiscal year 2003 to enhance systems to meet security requirements.</p>		2,226
<p>5. Land and Structures</p> <p>Reduction for non-recurring initiatives related to asbestos removal and building renovations.</p>		(3,308)
<p>6. Offsetting Collections</p> <p>Reflects increase in anticipated revenue from reimbursable audit work at the FDIC and rental income from the Army Corps of Engineers. Funds will be used to fund GAO building maintenance and operations contract services.</p>		3,006

TUESDAY, MAY 20, 2003.

UNITED STATES CAPITOL POLICE

WITNESSES

WILLIAM H. PICKLE, SERGEANT AT ARMS, U.S. SENATE, AND CHAIRMAN, CAPITOL POLICE BOARD

WILSON LIVINGOOD, SERGEANT AT ARMS, U.S. HOUSE OF REPRESENTATIVES, AND MEMBER, CAPITOL POLICE BOARD

ALAN M. HANTMAN, FAIA, ARCHITECT OF THE CAPITOL, AND MEMBER, CAPITOL POLICE BOARD

TERRANCE W. GAINER, CHIEF, CAPITOL POLICE, AND EX-OFFICIO MEMBER, CAPITOL POLICE BOARD

OPENING STATEMENT

Mr. KINGSTON. I want to welcome everyone here today, and thank you for coming. The Subcommittee will come to order. We will hear the testimony from the U.S. Capitol Police and the Government Printing Office on their fiscal year 2004 budget requests. We welcome Mr. William H. Pickle, Sergeant at Arms of the Senate and the Chairman of the Capitol Police Board. He is accompanied by other Board Members, Mr. Bill Livingood, Sergeant at Arms of the House of Representatives, Mr. Alan Hantman, Architect of the Capitol, and Ex-officio Board Member, Chief Terrance W. Gainer.

Mr. Moran, do you have a statement at this time?

Mr. MORAN. Very quickly, Mr. Chairman. Obviously, we all know about Mr. Livingood. He has done a great job. The new Capitol Police Chief did a very fine job for the District of Columbia, and so he comes with an impressive resume. But as with everything, we need coordination, cooperation, and consultation with Congress. I am not sure in terms of the Capitol Police how much of that consultation has been accomplished, but that is the reason for this special hearing. I am glad that you called it.

Mr. KINGSTON. Chairman Pickle and Chief Gainer, your prepared statements have been submitted to the committee and will be inserted into the record at this time. You are welcome to make an opening statement, that would be in order. If not, the Subcommittee will move on to its line of questions.

[The prepared statements submitted by the Chairman of the Capitol Police Board and the Chief of the United States Capitol Police follow as well as the bio of the Chief of Police.]

Testimony of

William H. Pickle
Chairman, United States Capitol Police
before the
Committee on Appropriations
Subcommittee on Legislative
U.S. House of Representatives

May 20, 2003

Mr. Chairman and members of the Committee, we are honored to appear before you to discuss the fiscal year 2004 Budget Request for the United States Capitol Police. With me today are the other members of the U. S. Capitol Police Board, Mr. Bill Livingood, Mr. Alan Hantman, and Chief Terrance Gainer. As you know Chief Gainer was sworn in as Chief of Police in June of last year.

Having been appointed on March 17, 2003, I have been a member and the Chairman of the Capitol Police Board for a relatively short period of time. During that time, and based on past experiences, I have developed a strong respect for the capabilities and professionalism of the men and women of the United States Capitol Police. I would also like to express my appreciation to Bill Livingood, Alan Hantman, and Chief Gainer for their outstanding contributions and for their wise counsel during this learning period I am traversing. We have developed an excellent working relationship in this short period of time. A spirit of cooperation and unity has developed between us that will be evident in the future and I feel will best serve the Members of Congress, staff and visitors to the Capitol complex during these times of uncertainty and heightened security.

This spirit of cooperation is strengthened by our shared focus and mission to protect and support the Congress in meeting its Constitutional responsibilities. The three thrusts that the Department has identified – Prevention, Response, and Support are key to meeting their mission. I support the vision of the United States Capitol Police to be a model federal law enforcement agency, leveraging partnerships, and being in the forefront in developing and implementing state-of-the-art security, law enforcement, and incident response programs to ensure the continued protection of the Congress and legislative process in a changing threat environment. I further support training and other measures being taken to enable the men and women of the Department to meet the increasing challenges, and to perform at the highest levels of professionalism. I will undoubtedly have these items in mind when making decisions that impact the security of the Congress and impact the Capitol Police.

I know that there are issues facing the Capitol Police. Facilities and space requirements are one of the critical issues. It appears that progress is being made in this area and in the not to distant future we could have movement on a new headquarters facility. I feel it is critical that we make sure that this momentum continues, because

other plans are dependent upon it. One plan, which is dependent upon facilities and space, is staffing increases. The Capitol Police began, with committee support, an aggressive staffing increase. This budget addresses critical security needs for more officers and support staff to carry out the mission of the Capitol Police. These staffing increases are vital and I urge your support of the staffing strengths laid out in this budget plan, as well as coming decisions regarding facilities.

Mr. Chairman and members of the Committee, I want you to know that I am very excited to be here and that I am looking forward to working with this Board, and the Committee on the security of the Capitol complex and the issues facing the Capitol Police. Thank you for this opportunity to appear before you today, Chief Gainer will present his remarks regarding current operations and Capitol Police plans for the coming fiscal year.

Testimony of

Terrance W. Gainer
Chief, United States Capitol Police
Before the
Committee on Appropriations
Subcommittee on Legislative
U.S. House of Representatives

Mr. Chairman and Members of the Subcommittee, I am honored to appear before you today to discuss the United States Capitol Police Fiscal Year 2004 budget request.

Mr. Chairman, I first would like to thank the Committee for their continued support of the Capitol Police. The pay and other incentives received in the FY 2003 appropriation are a significant advantage in recruiting, hiring and retaining good men and women in officer positions, as well as attracting highly qualified civilian professionals for key support roles and functions.

It is my honor to serve as Chief of Police for such a fine organization that continues to make great strides in our mission to protect and support the Congress in meeting its Constitutional responsibilities. The Department has advanced greatly in the post 9-11 era, but there are still many challenges ahead. As we look to the future, we must also remember the past. It is a fact that the Capitol building was a target of terrorists on September 11. The terrorists were not successful that particular day. We were fortunate, but we must remain steadfast in ensuring the Department continues moving forward. Expansion, as well as, consistently fine-tuning how we currently operate is imperative to ensuring that we provide a safe and secure environment that enables Congress to fulfill its Constitutional responsibilities and protects all those who work and visit the Capitol complex. There remains a constant underlying threat and that reality is ever changing. The Agency needs to maintain the ability to be prepared for any situation, which means we must have assets to detect, deter and mitigate a wide-range of threats to public safety and the legislative process. We work very closely with the Sergeants at Arms and with leadership of both the House and Senate to ensure that the security of the Congress is appropriately managed.

Our budget request of approximately \$290.5 million, which as a result of the supplemental, can be reduced to \$275.5 million, represents a necessary and balanced plan to directly address the threats of today and proposes the utilization of resources to ensure the protection of Congress, its Members, staff, visitors and the legislative process in the future. Our proposal is robust, but we have taken great efforts – for the first time in this Department - to tie our Strategic Plan to our budget and staffing requests. The strategic plan is our roadmap for the next five years to guide our operations and directs our efforts to secure the Capitol complex and protect the members of Congress, staff and visitors.

Our plan identifies three focus areas – or strategic thrusts – that demand attention at all levels of the Department. They are: prevention, response and support. Specifically, these are defined as preventing the occurrence of unlawful acts that will disrupt the business and operations of the Congress; developing and deploying an effective incident management capability and establishing a fully integrated and professional administrative support infrastructure. To reach all of our goals tied to these thrusts, it equates to additional staffing, increased and enhanced technology and physical security.

This Committee has begun funding, and the Capitol Police is engaging in an aggressive increase in police officers and civilian support personnel. This increase in staff is the largest and most important part of our budget, and hence our plans that will enable us to effectively carry out our mission. The attainment of our goals depends, in part, on having the right people, in the right strength and the right numbers, organized into an effective and flexible blend of capabilities and skills. In order to meet this goal and provide a measured approach to adequately staff the Department, we have compiled a comprehensive staffing study of all areas within the Department. This study – as I previously stated is tied to our strategic plan - represents our professional recommendations for adequately staffing the Capitol Police with the right mix of sworn and civilian personnel. As of May 3rd, we have 1,437 sworn personnel and 230 on-board civilians, and plan on finishing fiscal year 2003 with 1,569 on-board sworn and 326 civilians. Our FY 2004 budget request will position us to finish FY 2004 with 1,833 sworn officers and 573 civilian professionals. The FY 2004 estimate for salaries is \$218.3 million or a 25.1 percent increase over the previous year.

In strengthening our numbers, we are working towards many goals, including staffing posts according to a model standard – a 1998 study conducted by the United States Capitol Police, in concert with several other federal agencies that developed a standard for staffing of entrance posts to buildings within the complex. While we have been afforded great opportunities to increase our technology, we also know that the technology cannot replace officers who are needed to operate the magnetometers, X-ray machines and other technology that has become available in the post 9-11 era. It is not technology but our officers who provide information to the public visiting the Capitol complex and it is our employees who will respond in the event of any critical incident. Towards prevention, the Department has new mission requirements as a result of vulnerability assessments conducted after September 11 and the Anthrax incident. Without discussing details at this juncture, as a result of those assessments, we have identified additional measures to be taken to fully secure the Capitol complex and its perimeters. This too requires additional staffing.

The FY 2004 request also will provide improvements to patrol mobile response, allow expansion of our Containment Emergency Response Team, provide greater expertise in hazardous device related work, allow new training initiatives, enhance physical and technical security measures, expand and modernize personnel management, fiscal services and information technology capabilities. In the area of protective services, it would allow for appropriate staffing of dignitary protection, intelligence gathering and threat assessment capabilities. The additional staff also would allow expansion of

facilities management, property management and vehicle maintenance activities to more effectively manage these assets. It also would provide for much needed administrative support for our bureaus and offices. Another important initiative is the development of a Hazardous Materials Response Team (HMRT) to ensure we adequately can prevent and respond to any threat or incident that we may encounter. This highly trained team of civilian professionals will stand ready to deal with any chemical, biological or radiological incident, which might occur on the Capitol Complex. This team is a needed addition to our other highly trained elements that deal with explosives, armed intruders, unruly crowds and disturbed individuals.

Our general expense request of approximately \$72.2 million will be reduced by \$15 million, related to the FY 2003 supplemental, for a total of approximately \$57.2 million to fund the operational and administrative capacity of the Department. We have designed and implemented security systems to detect and prevent unauthorized physical and electronic access around the complex. Much of this budget will go to maintaining these systems at peak performance and creating necessary expansions. Maintenance, life cycle replacement and expansion of services will cost approximately \$8 million over the previous year. Also included is the fit out of the new off-site delivery facility. The Capitol Police will incorporate, in the facility, cutting edge technologies to examine all incoming deliveries and stop any harmful package from entering the Capitol complex. The equipment and technology required to appropriately complete this facility will cost \$4.3 million. Funding also is requested for the accommodation, such as personal equipment, of new staff, modernization of core IT systems and creation of the Capitol's first mounted unit, which has proven effective in many agencies across the country, such as U.S. Park Police and the Metropolitan Police Department, for crowd control, demonstration activity, patrol activity and community relations.

Furthermore, I would be remiss not to mention our critical deficiencies in required space. We have interim and long-range space requirements. The interim requirements are being met by looking outside the Capitol complex. The long-term solution lies with a new headquarters building. We have identified a site and processes are underway for leadership approvals and design. In conjunction with the Architect of the Capitol, we continue to look for a suitable site to meet the requirements for a new off-site delivery center.

As we speak about the future – and our funding requests – it is important to recognize the Department's accomplishments in the past year, which could not have been achieved without your prior support. On behalf of the Department, I submitted, and the Capitol Police Board unanimously approved the Facilities Master Plan. Additionally, I have made some staffing adjustments – and am requesting approval of a larger reorganization – that will enable us to continue to quickly move forward in our many initiatives. As I previously mentioned, for the first time we have tied our strategic plan to our budget and staffing requests. The Department in November became nationally accredited by the Commission on Accreditation for Law Enforcement Agencies, otherwise known as CALEA. Additionally, as we all know that communication is the most fundamental and vital area to a healthy organization, we have improved

communication within the Department by several mediums to include a bi-weekly newsletter; I meet regularly with officials to address their concerns and have opened a line of communication with officers by setting up an e-mail account in which they can e-mail me directly to voice their concerns or kudos.

We also are broadening the communications links by planning "town hall" meetings with officers, producing an annual report and soliciting volunteers for a Chief's Advisory Council to be comprised of various levels of members across the Department to bring forward policies and issues that may need attention. I also have fostered close and constructive working relationships with both sworn and civilian unions. Effective communication – in that the employees know they are being heard – goes a long way toward morale. With improved morale, I believe, we have cultivated a better workforce.

Additionally, we are rejuvenating and recreating an awards program that will consistently recognize our employees' hard work and are creating a fitness program that will generate healthier employees. The work that has gone into this planning and the other accomplishments that I have briefly mentioned, are just a few of the hundreds of accomplishments achieved by our Department since last summer.

The Department clearly is in a state of transition, but the USCP employees are meeting challenges head-on. I commend the men and women of the United States Capitol Police for continually performing their duty in a diligent and professional manner. The responsibilities that rest on their shoulders are daunting. Each day, they must ensure the safety and security of the Congressional community and the thousands who visit these buildings by protecting them from acts of violence. In doing so, they allow the national legislative process to proceed unhindered. The level of support and funding provided to the U.S. Capitol Police must be commensurate with the level and quality of service expected by the Congress and the American people. We all shoulder the responsibility to ensure the safety and security of all those who work and visit within these symbolic and historic buildings. This budget request is integral to ensuring that the continued development and operational readiness of the Department.

In closing, I would like to again thank the Committee for the support you have provided to the United States Capitol Police over the past year. As I have said, there are many challenges that still lay before us. With the continuing support of this Committee and the Congress, we can ensure the United States Capitol Police remains strong and up to those challenges.

I thank you for your time and am ready to take any questions you may have.

TERRANCE W. GAINER, CHIEF OF POLICE, UNITED STATES CAPITOL POLICE

Terrance W. Gainer was appointed chief of the United States Capitol Police on June 3, 2002. Chief Gainer began his law enforcement career as a Chicago Police officer in 1968, and rose through the ranks as a homicide detective, sergeant and executive assistant in the Administrative Services Bureau. An accomplished attorney who was admitted in Illinois, Federal District Court and U.S. Supreme Court, Chief Gainer served as the chief legal officer of the Chicago Police Department from 1981 through 1984, where he assisted in negotiating the city's first labor contract with the police union.

Chief Gainer entered Illinois state government in 1987, serving first as Deputy Inspector General, then, until 1989, as Deputy Director of the Illinois State Police, where he also served as Chief of Staff. He then served for nearly two years at the U.S. Department of Transportation as Special Assistant to the Secretary and Director for Drug Enforcement and Compliance. In March 1991, Governor Jim Edgar appointed Chief Gainer to the position of Director of the Illinois State Police. In May 1998, Chief Gainer moved to Washington, D.C., to accept the position of Executive Assistant Chief of the Metropolitan Police Department, where he served as second-in-command of the 4,200-member department.

As Chief of the United States Capitol Police, Chief Gainer commands a force of sworn and civilian personnel who provide comprehensive law enforcement, security, and protective operations services for the United States Congress, its staff, and visitors.

Chief Gainer was born in Chicago, Illinois, and received his bachelor's degree from St. Benedict's College in Atchison, Kansas, and both his master's and juris doctor degrees from DePaul University of Chicago. A 1993 graduate of the FBI National Executive Institute, Chief Gainer has taught at national law enforcement training centers and the Chicago and Springfield campuses of the University of Illinois. Chief Gainer is a decorated veteran who served in Vietnam and retired as a Captain in the United States Naval Reserve in 2000.

OPENING STATEMENT OF MR. PICKLE

Mr. PICKLE. Thank you, Mr. Chairman. I will rehash mine and I will be very brief, sir.

Again, good morning, Mr. Chairman. Good morning, Mr. Moran.

We, the Board, are very honored to be here this morning to appear before you. As you mentioned before, I have with me Alan Hantman, Bill Livingood and Chief Terry Gainer. Terry was appointed the Chief just this past June and from all accounts, I am relatively new here myself, I have been here three months, but from all accounts Terry has done a wonderful job and we all applaud his efforts.

In the very short time that I have been here, I have to tell you that I have come to respect and admire this police department a great deal. I have been exposed to them now for almost 30 years on and off, and they have grown as world security and world events have pushed them into a direction that none of us thought was possible here a number of years ago.

There is a strong sense of cooperation, a strong sense of commitment by this Board to do the right thing by the police department, and we are very supportive of the police department, both in its request for staffing and in its desire to be one of the premier Federal law enforcement agencies, because it truly is a unique agency.

The Capitol is probably one of the most unique sites in the world, certainly in this country, because we have what we call the people's House, a place that we want to maintain as open as possible and, at the same time, we have over 100,000 people coming and going here each day. We ask this police department to do an almost impossible task: keep it open, but also keep it secure. They are really very difficult, but parallel, duties.

The Department is at a crossroads on several issues. The first is space. We are very supportive of their space request to you and the Committee has been very supportive. Hopefully, we will have some movement on the new headquarters in the near future and the off-site delivery center will hopefully be identified soon as well. We thought we had identified a place previously, but that has been sold out from under us, so to speak.

These two particular spaces are especially important right now because, as you know, there is a large staffing increase request before you, and I am sure you are going to cover that quite thoroughly during this hearing. We believe these staffing increases are important. We believe they are critical. We are working closely not only internally, but we have looked at outside vulnerability studies, outside consulting studies, and we are trying to do the best we can, not only in providing security, but also we want to scrub these numbers and make sure that they are things we have to have and there are not more resources being requested than are truly needed.

With that, Mr. Chairman, I have nothing further. I will turn it over to Chief Gainer, but we are prepared to answer any questions you may have. Thank you.

OPENING STATEMENT OF CHIEF GAINER

Mr. KINGSTON. Thank you.

Chief GAINER. Thank you, Mr. Chairman. I will try to summarize my remarks because I think it is important to keep in context of the requests we have. I join with the Board in appreciating the opportunity to come here and present our fiscal year 2004 budget, and I thank the Committee for their continued support of the police. Frankly, the pay and other incentives that were approved in the Fiscal Year 2003 Appropriations are a significant advantage to recruiting, hiring, and retaining good people, men and women, in officer positions as well as attracting highly qualified civilian professionals for key support roles and functions.

Truly it is my honor to serve as Chief of Police for this fine organization that continues to make great strides in our mission to protect and support the Congress in meeting its constitutional responsibilities.

We have done a lot since 9-11, but there are still many challenges ahead. In fact, the Capitol building we know was a target of the terrorists on September 11 and even the most recent briefings we have had today indicate that we are still a target. The terrorists clearly were not successful on that day. We were fortunate, but we must remain steadfast in ensuring the Department continues moving forward. Expansion as well as consistently fine-tuning how we currently operate is imperative to ensuring that we provide a safe and secure environment that enables Congress to fulfill its responsibility.

There remains a constant underlying threat and that reality is ever changing. The Agency needs to maintain the ability to be prepared for any situation, which means we must have assets to detect, deter, and mitigate a wide range of threats to the public safety and the legislative process. We continue to work closely with the

Sergeants at Arms and both the House and Senate leadership on this issue.

BUDGET REQUEST

Specifically, our budget request of approximately \$290.5 million, which is a result of the supplemental, can be reduced to \$275.5 million, represents a necessary and balanced plan to directly address the threats of today and proposes the utilization of resources to ensure the protection of Congress, its Members, staff, and visitors, and the legislative process. I acknowledge that our plan is robust, it is ambitious, but we have taken great efforts for the first time to tie both our budget, and our staffing request to a strategic plan. The strategic plan that we have crafted and will continue to work on at the direction of this Committee and others is a road map for the next 5 years to guide our operation and direct our efforts.

Our plan identifies three focus areas or strategic thrusts. They are prevention, response, and support. Specifically, these are defined as preventing the occurrence of unlawful acts that could disrupt the business and operations of Congress, developing and deploying an effective incident management capability, and establishing a fully integrated and professional administrative support infrastructure. To reach those goals we have asked for additional staffing and increased technology and physical security.

We know this Committee has been very supportive in their funding of us and our increased number of police officers and civilian personnel, but it is still regrettably not enough. This increase in staff is the largest and most important part of our budget and, hence, our plans that will enable us to effectively carry out our mission. We need the right numbers, organized into an effective and flexible blend of capabilities and skills.

The study that I previously mentioned on the manpower is tied to our strategic plan and represents our professional recommendations. As of May 3, we have 1,437 sworn personnel and 230 civilians on-board, and plan ending the fiscal year with 1,569 personnel sworn and 326 civilians. Our fiscal year 2004 budget request will position us to finish 2004 with 1,833 sworn and 573 civilian. The fiscal year 2004 budget estimate for salaries is \$218.3 million, a 25.1 percent increase over the previous year.

The fiscal year 2004 budget also requests that we provide improvements to patrol mobile response, allow expansion of our Containment Emergency Response Team, provide greater expertise and hazardous device-related work, allow new training initiatives, enhance physical and technical security measures, expand and modernize personnel management, physical services, and information technology.

In the area of protective service, it would allow for appropriate staffing of dignitary protection, intelligence-gathering, and threat assessment capabilities. The additional staff would also allow expansion of facilities management, property management, vehicle maintenance and activities to more effectively manage the assets we have and seek. It also provides for much needed administrative support for our bureaus and offices.

Another important initiative is the development of a Hazardous Material Response Team, HMRT, to ensure that we adequately can

mitigate and respond to any threat or incident that we encounter. This highly trained team of civilian professionals stands ready to deal with any chemical, biological, or radiological incident which might occur on the Capitol complex. This team is needed in addition to the other highly trained elements that deal with explosives, armed intruders, unruly crowds, and disturbed individuals.

GENERAL EXPENSES

Our general expense request of approximately \$72.2 million will be reduced by the \$15 million related to the Fiscal Year 2003 Supplemental for approximately \$57.2 million to fund the operational and administrative capacity of the department. We have designed and implemented security systems to detect and prevent unauthorized physical and electronic access around the complex.

Much of this budget will go to maintaining these systems at peak performance and creating necessary expansions. Maintenance, life cycle replacement, and expansion of services will cost an additional \$8 million over the previous year. Also included is the fit-out of our new off-site delivery facility. The Capitol Police will incorporate in that facility cutting edge technologies to examine all incoming deliveries and stop any harmful package from entering the Capitol complex. The equipment and technology required to appropriately complete this facility will cost \$4.3 million.

Funding is also requested for personnel equipment for new staff, modernization of core IT systems, creation of the Capitol's first horse-mounted unit, which has proven effective in many other agencies across the country, including the Park Police and the Metropolitan Police Department for crowd control, demonstration activity, patrol activity, and community relations.

I want to join with the Chairman, in his emphasis on our critical deficiencies in space. We have interim and long-range space requirements. The interim requirements are being met by looking outside the Capitol complex. The long-term solution lies with the new headquarters building. We have identified a site and processes are under way for leadership approvals and design in conjunction with the Architect of the Capitol. We continue to look for a suitable site to meet the requirements for a new off-site delivery center.

DEPARTMENT'S ACCOMPLISHMENTS

As we speak about the future and our funding request, it is important to recognize the Department's accomplishments in the past year which could not have been achieved without the support of this Committee. On behalf of the Department I have submitted, and the Capitol Police Board unanimously approved, the Facilities Master Plan. Additionally, I have made staffing adjustments and I am requesting approval of a reorganization that will enable us to continue to quickly move forward on many of these initiatives.

As I previously mentioned, for the first time we have tied our strategic plan to our budget and staffing requests. The Department in November, as you may know, became accredited by the National Commission on Accreditation for Law Enforcement Agencies, otherwise known as CALEA.

Additionally, as we all know, communication is the most fundamental and vital area to a healthy organization. We have improved

communication within the Department by several mediums to include a biweekly newsletter; I meet regularly with officials to address their concerns; and I have opened up a line of communications with officers by setting up an e-mail account in which they can e-mail me directly to either voice their concerns, which happens more often than I would wish, or to send kudos. It is a way to get to know what they are feeling.

We are also broadening the communications links by planning town hall meetings with officers, producing an annual report, which has not been done at all or in many years, and soliciting volunteers for a Chief's Advisory Council to be comprised of various levels of members across the Department to bring forward policies and issues that may need attention. I have also fostered close and constructive working relationships with both the sworn and the civilian unions.

Effective communication in that the employees know that they are being heard goes a long way towards morale. With improved morale, I believe we can cultivate a better work force.

Additionally, we are rejuvenating and recreating an awards program that will quickly recognize our employees' hard work and get awards to them as quickly as we are able to get discipline. We are creating a fitness program that will generate healthier and happier employees. The work that has been done in planning this and other accomplishments that I have briefly mentioned are just a few of the hundreds of accomplishments achieved by this Capitol Police team.

STATE OF TRANSITION

We are in a state of transition, as the Chairman mentioned. I commend the men and women of the United States Capitol Police for continually performing their duty in a diligent and professional manner. The responsibilities that rest on their shoulders are daunting. Each day, they must ensure the safety and security of the Congressional community and the thousands who visit these buildings by protecting them from acts of violence. In doing so, they allow the national legislative process to proceed unhindered.

The level of support and funding provided to the U.S. Capitol Police must be commensurate with the level and quality of service expected by Congress and the American people. We all shoulder the responsibility to ensure the safety and security of all of those who work and visit these symbolic and historic buildings. This budget request is integral to ensuring that the continued development and operational readiness of the Department continues.

In closing, again, I would like to thank you for the support that you have provided to the police over this past year and the years prior to my arrival. As I have said, there are many challenges ahead, but I think together we can meet those challenges.

I would be happy to answer any questions that I may, sir. Thank you.

STRATEGIC PLAN IMPLEMENTATION

Mr. KINGSTON. Thank you very much. You have certainly done a great job on outlining, you are a very focused guy, and I think your Department is doing a great job. I enjoy working with the United States Capitol Police and I have great appreciation for the

officers on the line. And like every other Member of Congress, I have a few relationships where the rapport is good and useful. We like what your Department is doing.

In the fiscal year 2003 appropriations bill, a procedure was established requiring an initial plan to be submitted to Congress. The plan would provide policies, procedures, time lines, and actions to be taken to meet the mandate of the legislation, including the actual development of a long-range strategic plan and yearly implementation plans in consultation with the Comptroller General.

It appears that you are moving forward without the plan being submitted. Am I wrong on that?

Chief GAINER. Are you referring to the strategic plan, sir?

Mr. KINGSTON. The action plan.

Chief GAINER. The strategic plan. An action plan?

Mr. KINGSTON. As I understand it, you were required to have an initial action plan approved by the Police Board.

Chief GAINER. Correct.

Mr. KINGSTON. And then submit it to the Committees of Congress. And has that been done?

Chief GAINER. No. It is still a work in progress. What happened is when I came here, in meetings with this Committee it was pointed out that we did not have a strategic plan. We immediately began working on a strategic plan and a manpower analysis. Then, in February of this year, when the budget was ultimately passed, in the law was a direction to develop an updated strategic plan and to submit an initial action plan.

Mr. KINGSTON. As I understood it, by August the plan was to be submitted that would outline the future implementation.

Chief GAINER. That is correct, and we will meet that date.

Mr. KINGSTON. So we will have that plan, and none of it will be implemented beforehand. There is some concern that some implementation has begun before it has been submitted.

Chief GAINER. Well, I think some of the dilemma is since I have arrived here the requirements have changed somewhat. If we go to the organizational chart as far as the thing we are talking about and the implementation, for instance, of the Office of Plans and Operations, we formed that plan, advised the Board, and we started to implement it and then we were told by the Committee that I could not do that until the Committee approved our organization. I then worked on and submitted the organization, the strategic plan, through the Board and have done that, and the Board has approved it, and we would be passing the initial plan on, the organization chart, the strategic plan on to the Committee. Then again, the 2003 budget put a further requirement for a strategic plan that mirrored closer to the GAO's requirement, and also laid the requirements on for the submission of these plans to the three other committees besides this one. So I am really trying to get the plans together and to the appropriate committees before any action is taken.

Mr. KINGSTON. I understand from Chairman Taylor that we didn't want anything done until we looked at the plan. Is that your understanding?

Chief GAINER. Yes, sir.

Mr. KINGSTON. Has the Comptroller General been included in this? He has to review it too, right?

Chief GAINER. Yes. Again, we were in the midst of a strategic plan, of getting it done when the 2003 legislation passed. Given the new requirements in the 2003 legislation, we have contacted the GAO, we have met with them, they have the plan, they have their strategic plan, they have a staffing plan and they are working on that with us.

Mr. KINGSTON. GAO has the plan?

Chief GAINER. Yes, sir.

Mr. KINGSTON. They told us they did not. So we need to make sure.

Chief GAINER. Well, they have the plan, the strategic plan that I completed. From that strategic plan we will develop with them the plan required under 2003. So they do not have that finished product because it is a work in progress.

As I understand it, their initial reaction to the strategic plan that I had commissioned and finished simultaneously with the 2003 request is that frankly it is a good plan, but it is more detailed than needed and that it will be adjusted to eliminate some of the detail, but it is a good guidepost for us. So I don't think there is a conflict on where our current strategic plan will be and the one required by the legislation.

Mr. KINGSTON. We may need to have a further meeting on that. GAO is telling us that it is complicated and time-consuming. Their concern, as I understand it, is they want to make sure that this thing is vetted, well thought out, and that everybody is on board before it is implemented. We want the Capitol complex to be as secure as possible, so you are doing what you should be doing—moving it along; however, maybe the Washington bureaucracy isn't ready to react as quickly as you are right now. We may need to talk to them, because GAO is saying that they don't have the plan and they are not comfortable right now.

Chief GAINER. We will go back to GAO and work through that. But, I also would point out to the Committee that actually the reorganizational change that is suggested in any of the plans is not whopping. Now, the number of people is a different issue, but some of the changes actually, I guess whopping is in the eyes of the beholder. I don't think our reorganizational requests that I would submit to the Committee, are significant or I would hope that I could work with the committee staff or GAO to move this along. Because, we are going to be at a security disadvantage, I feel, if we are not able to move on some of the things I am suggesting. But it is the will of the Committee.

EXPANDING ROLE

Mr. KINGSTON. Mr. Moran.

Mr. MORAN. Thank you, Mr. Chairman.

Well, "whopping," it is your word, but I think it is an appropriate word. Three thousand police officers for Capitol Hill is a whopping big number. You are expanding the role of the Capitol Police substantially, including in the areas where I question are necessary. The idea of being able to make arrests pretty much anywhere in D.C., Maryland, or Virginia is a substantial expansion and appears

to raise constitutional issues where separation of powers are defined, as well as the appointments clause. We can talk about that later, but that is just part of the context of this whopping expansion, which is the word you used. I have some concerns about it.

Your police officers are going to take another gun home with them in addition to their official weapons. Everyone is going to be issued Blackberries in addition to the radio communication that you already have. You are going to set up a mounted police force in addition to the mounted officers that the Park Police have, which is just a stone's throw away in terms of jurisdiction. You have all kinds of additional money for emergency response. You are going to triple the civilian work force in less than 4 years. We once used to have a criteria where you would have two officers at each entranceway, but that was when you had 1,680 sworn officers. You are now going up to substantially beyond that and it will represent an—if you take into consideration this request and the 2005 request, you are going to have an 80 percent increase in sworn officers as well as the tripling of the civilian personnel work force in less than 4 years.

Whopping is an appropriate term, I guess, for your expansion plans. You can start anywhere you want, but it goes from the bizarre to the ridiculous. Half a million dollars for laundry for shirts cleaned every week that we are going to be paying for. I think you may be going a little into an area where a whole lot of scrutiny is going to be assigned to the Capitol Police. We don't have to worry about an invading Army; we are prepared for that. It is almost as though we are in medieval times. The lords and the nobles had their own armies, you know, and they were prepared to defend a fortress. This is not a fortress. We have a whole lot of help and you are supposed to be coordinating with the other branches of law enforcement.

I want good pay, benefits, the highest level of professionalism for all of the Capitol Police officers, but I do not want to see this Congress funding a new army. I don't think we need a general, we need someone that recognizes the context and the jurisdiction of the Capitol Police.

Do you have any comments?

Chief GAINER. Yes, sir. Congressman, you raise a lot of issues, and if I could just go back to probably one of the more mundane ones and that is the organization of the Department and my using the term "whopping," which I clearly now regret.

That was in reference to the changes in the organization. The additional things we would like in the budget, whether it is personnel or jurisdiction, which I think are different issues, all need to be wrestled with individually. But I was referring first again to the "W" word, the reorganization I would like to make in the Department which includes, if I can, just the consolidation of the three different offices that are in three different places in the Department and consolidating that with our communications unit for better communication, plus to elevate our physical security operation, which is now part of administrative services, and put Mr. Greeley on an equal footing with operations and administration. And some changes in training to make training more focused. I would hope that if nothing else that we could move on this, because that needs

to be done irrespective of if I get one more civilian or one more sworn officer or a mounted unit or any of the others. So that is what I was referring to. That is the difference.

But let me try to connect some of these in the order that you mentioned.

EXPANSION OF JURISDICTION

Mr. MORAN. I didn't mention training. I don't have any problems with training. That falls under professionalism, and I want our officers to have all of the professional skills and training that they seek and that you think are necessary. That is part higher compensation, getting the very best people in the Capitol Police force. I don't have a problem with training. I do have some concerns that there may not be enough room at Glenco because of the Homeland Security Department's needs there. You may be competing with the same training slots. Training is not a problem. It is expansion of your turf beyond any conceivable grounds that I could have imagined, since I have been on this subcommittee.

Chief GAINER. If I may then, sir, let me address the expanded jurisdiction issue. The reason that was proposed is multiple. One of the first reasons is we now have responsibilities for assets that are not in the District of Columbia, whether it is in Cheltenham or whether it is the combined computer center out in Virginia. So in theory, whenever officers go to either of those places on duty, they don't have typical police authority. That is just one aspect.

Another aspect is, at the request of Congress, both the House and the Senate, we perform checks of various locations of Members of Congress and Senators' homes, and when we send our officers out there on duty, they are actually going with no authority. So I may go to a leader's home or a Congressman's home and see someone burglarizing the house next door to that Congressman. Our officer has no authority other than what a citizen has, to call the police, and it just strikes me that is an unbelievable underutilization of some people who are as well trained or as trained as any other policemen in this vicinity.

The other issue is I would rather fight the terrorists, and we still believe they are coming, away from the portals of Congress rather than on the steps of Congress. And as we move towards an expanded truck jurisdiction which, for instance, the City and others are looking at as a model of how to regulate truck traffic and antiterrorist activities, the first step that has already been approved will take our jurisdiction to the Anacostia on the east and on 14th Street along Independence and Constitution on the west. Under the current milieu, I don't have authority, once we see a truck that we think is suspicious, we think it may be a terrorist, I don't have authority to go down and take action and do something about that truck.

I know the Committee recognizes that our officers see a lot of different criminal activity. The expanded jurisdiction is not meant to take the place of what Chief Ramsey and his people do or any other local jurisdictions. In the papers that I have crafted and the orders that would go along with this, it would limit the officers to take action in those incidents where life was in jeopardy or serious prop-

erty crime. They would always be secondary to backing up the local law enforcement officers.

The legislation that we proposed mirrors that of the United States Park Police that includes the environs of the District of Columbia. Currently we have to summons people. I have called every major law enforcement agency in the area, Virginia State Police, Maryland State Police, all of the contiguous county chiefs, all of the local chiefs of the largest departments, and I can provide a list. All of them were surprised that we did not have that jurisdiction. Because in states such as Virginia and cities such as your own, they have interjurisdictional compacts with each other, and they were astounded we did not have jurisdiction outside the complex. I could have an officer there performing what the officer thinks is a duty and they cannot take police action. Plus, when our officers are out doing that, it leaves them with a terrible liability where they have to take some action that the most reasonable person thinks a sworn officer ought to take, and then someone comes back and says you had no jurisdiction.

[The information submitted for the record by the USCP follows:]

State and Local Law Enforcement Agencies in support of USCP Expanded Authority

Metropolitan Police Department

Chief Charles H. Ramsey

Maryland State Police

Col. Edward T. Norris

Prince George's County Police Department

Chief Melvin High

Montgomery County Police Department

Acting Chief Bill O'Toole

Virginia State Police

Col. W. Gerald Massengill

Arlington Police Department

Chief M. Douglas Scott

Alexandria Police Department

Chief Charles E. Samara

Fairfax County Police Department

Chief Thomas Manger

Fairfax City Police Department

Col. Rich Rappoport

Falls Church Police Department

Chief Robert T. Murray

Prince William County Police Department

Chief Charlie Deane

Loudoun County Sheriff Office

Sheriff Steve Simpson

Hyattsville Police Department

Chief Douglas Holland

Metro Transit Police Department

Chief Polly Hanson

EXPANDED JURISDICTION CONTINUED

Mr. MORAN. Well, there have been some court cases that have said that the Constitution does not permit the execution of the laws to be vested in an officer answerable only to the Congress. So I think you may have some legal problems in doing that.

Mr. KINGSTON. If the gentleman will yield.

Mr. MORAN. I am happy to yield to the Chairman, because I think this is an area that needs more explanation.

Mr. KINGSTON. I want to talk about the jurisdictional issue also, Chief Gainer.

First of all, is it really a problem right now—your officers checking on a Member's house and they see somebody breaking in? Probably not. To me the broader question is how often are they going out there? My concern would be the utilization of police officers for unintended purposes by Members of Congress. I don't think they should be going out to people's houses to begin with. If I live in Arlington and I think there is a problem, I should call the Arlington police. It is not your job to take care of my house in Arlington, Virginia. And to me, if Members of Congress are asking your personnel to do that, they should not, and perhaps our committee should focus on an abuse of your officers. The jurisdiction, as I understand it, would be expanded to all of the District of Columbia, Arlington, Fairfax, Loudoun, Prince William, Stafford Counties and the City of Alexandria, Prince George's, Charles, Anne Arundel and Montgomery Counties in Maryland. That is a lot of new territory and it is a lot of money at a time of big budget constraints. I want to be safe while I am here, but if something happens to me back home, it is simply a chance I take. I am probably not having my house broken into because I am a Member of Congress, but because it might be an attractive target for some other reason.

Chief GAINER. Mr. Chairman, I hear you, but a couple of issues, Sir. Number one, I don't see that this would be additional funds, because the expanded jurisdiction is just related to our authority, and no Member of Congress, to my knowledge, is asking or abusing the request. We do our analysis of what homes we visit or don't visit based on the security analysis, and it does have to do with leaders and some members of key committees, and it is those individuals who live outside our normal jurisdiction. So we are not just paying visits to anyone; it is threat and analysis driven.

You asked the question, how often do we do that? Again, we now have facilities, and if the Library of Congress merger takes place, we will have more facilities outside this immediate jurisdiction. But even without the LOC, which is controversial in itself, we have facilities in Virginia for which I am responsible. We have officers going continually to and from Cheltenham, Maryland, and they do not have the legal authority to take any action. There are numerous cases that I could share with you. For instance our officers see dangerous drunk drivers in their direct commutes to these places for which their authority to make arrests, again that are very reasonable and lifesaving, is questionable.

One of the reasons that I have asked for the statute is to confront directly the limit of our power, and I think attorneys, as I am, can argue both sides of whether it is an abuse of our discretion.

Finally, if I may, Sir, again I know you all know this, but Timothy McVeigh, the murderer from Oklahoma, was not caught within what would be the parameters of the Oklahoma Federal Building's jurisdiction. He was stopped at a traffic stop by a State trooper well out of the jurisdiction of the local law enforcement authorities. And if my officers have the authority and the power to just capture or prevent one of those individuals, then I do think it is worth it.

Mr. MORAN. Mr. Chairman, would you yield for a moment?

Mr. KINGSTON. Yes.

Mr. MORAN. Any of your police officers that make arrests, you then have to be involved with the prosecution. So you have to go to court, local court, you have to sit through all of those trials. I know the way it works. My brother was a prosecutor in Arlington, and I was mayor in Alexandria. I mean it makes sense if you have half a dozen cases that are coming up on the docket. It does not make sense if you have one Capitol Police officer having to wait much of the day for that particular case to come up sitting there in court because they have to be there; if they are not there, then the case normally gets thrown out for lack of the arresting officer.

I think you are taking on an awful lot of additional responsibility that is way beyond the original scope of law enforcement responsibility that was vested with the Capitol Police, to give you powers that go beyond our immediate protection.

And I agree with the Chairman. I would like to know how many Members are asking you to go to their homes to provide any kind of personal protection, because it just doesn't seem necessary. I can understand with regard to the buildings, but those buildings are in other jurisdictions and also are within the jurisdiction of other local police forces to protect them, as would any other building that have to be protected. That falls within their responsibility.

So thanks for yielding.

QUESTIONS FOR THE RECORD

[CLERK'S NOTE.—The following questions were submitted to the Capitol Police to be answered for the record regarding expanded jurisdiction. The Committee also requested the General Accounting Office to review the responses and provided observation regarding the responses.]



United States General Accounting Office
Washington, DC 20548

August 1, 2003

The Honorable Jack Kingston
Chairman
The Honorable James P. Moran
Ranking Minority Member
Subcommittee on the Legislative Branch
Committee on Appropriations
House of Representatives

As part of its fiscal year 2004 budget submission, the U.S. Capitol Police proposed expanding its jurisdiction to selected localities in Virginia and Maryland and portions of the District of Columbia to address its concerns about personal liability should an officer respond to emergency situations in those locations in connection with official duties. Expanding the U.S. Capitol Police jurisdiction was discussed during their recent appropriation hearing, and the subcommittee asked the U.S. Capitol Police to respond to questions for the record regarding their jurisdiction proposal.

As requested, the U.S. Capitol Police provided written responses to the subcommittee's questions, and we were asked to review those responses and provide you with our observations on them. The enclosure to this letter provides our observations.

Please feel free to contact us should you need further assistance.

Sincerely yours,

Richard M. Stana
Director, Homeland Security and Justice Issues

Enclosure

Question. What is the purpose for seeking the expanded jurisdiction? What problem is the Capitol Police attempting to address by expanding its jurisdiction?

Response. In legally empowering sworn officers with increased authority, Congress would be protecting the individuals employed by the United States Capitol Police from certain personal liabilities if they should act in performance of their duties while in various areas of the District of Columbia, the State of Maryland, and the Commonwealth of Virginia. There would be less legal risk to Congress, Committees, the Capitol Police Board and the Department. Currently, unless on an assignment, (where authority is strictly limited to U.S. Code violations) Sworn employees have little more legal authority than any other citizen. Sworn officers have a moral obligation to stop and render help to individuals in need of immediate assistance, as well as, if they should find themselves in the middle of a life-threatening situation. As representatives of the Congress, sworn employees should be able to assist the public, if needed. With the increased role the Department has taken in protecting Congress and its Members, it is extremely important to legally empower United States Capitol Police officers with the requisite legal authority to carry out their mission on a daily basis. Sworn officers of this Department traverse many areas of the District of Columbia outside the current extended jurisdiction zone, the State of Maryland and the Commonwealth of Virginia all the time, on assignments related to the mission of protecting Congress, Committees, or individual Members. The current legal authority does not reflect the increased role that Department sworn employees play in the current world climate. We have obligations and responsibilities in both Maryland and Virginia.

GAO Observation. On October 6, 1992, the Capitol Police were granted its request to extend its jurisdiction to the area immediately surrounding the Capitol Complex in an effort to provide needed liability protection for the Capitol Police officers operating in an official capacity. At the time of the request, there were media reports of increased crime in the District and several vicious attacks on Capitol Hill. The police officers complained that when they walked on the streets between the Capitol and other nearby facilities, they could not make arrests when they saw crimes occurring on those streets without fear of personal liability. At the time, there were also examples where arrests were being invalidated in Court when the officer did act because the Courts viewed the arrest as being outside his jurisdiction. The Capitol Police response seems to imply that the justification for expanding the jurisdiction is similar to its reason in 1992 and the need is magnified by the increased role the Capitol Police have in the current world climate. The response did not include specific examples of any legal obstacles currently experienced by the Capitol Police and any specific threats that exist now that did not exist in 1992, what the Capitol Police's role should be in addressing those threats, and what is the deficiency in the 1992 law in addressing those threats. Furthermore, it is not clear as to what obligations and responsibilities the Capitol Police have for geographic areas in nearby Maryland and Virginia.

Question. Please explain how the boundaries were determined and the factors that led to the inclusion of Maryland and Virginia jurisdictions?

Response. The boundaries were determined based on the jurisdictions in which Congress has facilities outside the Capitol grounds, such as Canine facility, AOC facility in Blue Plains, the Alternative Computer Facility in Prince William County, as well as facilities in which members visit and residences outside of the District of Columbia. It also includes jurisdictions in which Capitol Police may traverse frequently such as Andrews Air Force Base, Dulles International Airport, Reagan National Airport, Arlington Cemetery. The term environs mirrors current legislative authority for U.S. Park Police.

GAO Observation. The boundaries for the proposed expanded authority were based on criteria of where U.S. Capitol Police traverse frequently in connection with their official duties, which would appear to be a reasonable approach. The reference to mirroring U.S. Park Police raises the issue of whether the U.S. Capitol Police and U.S. Park Police are similar enough in their mission, roles and responsibilities to use the U.S. Park Police authority as an appropriate guide for the U.S. Capitol Police. For example, the U.S. Park Police have primary responsibility for a wide range of geographic areas in the greater metropolitan Washington area, including the George Washington Parkway. The Capitol Police does not have primary responsibility for such a broad geographic area. As a result, the USCP should be more specific as to how the U.S. Capitol Police situation is similar to the U.S. Park Police to include similarities that exist in the need for extended authority in other jurisdictions, how it works, and the rationale behind it.

Question. Why are the standard coordination efforts among law enforcement agencies insufficient to meet the needs of the Capitol Police and it therefore needs explicit arrest authority in jurisdictions around the D.C. area?

Response. The coordination efforts among law enforcement agencies is strong and practical for most planned events. Emergency, life-threatening situations have different requirements. Police officers often have to take immediate action in order to protect life and property, therefore, it is not sufficient to delay action for fear of civil liability when this authority would allow us to stop, detain, and/or arrest an individual committing a serious crime in order to protect life and property. Capitol Police officers must currently call the local or state law enforcement agency in emergencies. The public has an expectation for a police officer to take action to protect life and property. Calling for another law enforcement agent to arrive can delay the process and increase the risk of life or loss of property.

GAO Observation. See observation for questions (1) and (8). To justify the extent to which this is a problem, the Capitol Police might have provided information on the extent to which their personnel have taken action and been at risk; taken action and had a civil suit filed; and not taken action or delayed action until local or state law enforcement agencies were notified and complaints were received from citizens.

Question. What would Capitol Police officers be able to do with their new authority that they are currently unable to do? Should any limitations be placed on the use of this authority?

Response. We would be able to have the legal authority to act, if necessary, in furtherance of the mission of the Capitol Police to facilitate Congress in carrying out its Constitutional responsibilities in this post 9–11 era. Capitol Police would have police authority to protect members of Congress, secure Congressionally owned, leased or occupied facilities, as well as protect life and property with legal authority while carrying out the day-to-day responsibilities. As was the case in 1993, when Congress created the Extended Jurisdictional Zone, the Department will utilize internal administrative controls to ensure that employees remain focused on the mission-based purpose of expanding legal authority. (Please refer to previously received documents that contain an explanatory chart and proposed General Order).

GAO Observation. The Capitol Police's answer, in conjunction with the explanatory chart and proposed General Order cited, was responsive to the question.

Question. Would the Capitol Police always have the increased policing authority or should it be for only emergency situations? Should there be a "trigger" mechanism to permit the use of this expanded policing authority?

Response. The Capitol Police would have the legal authority to protect employees while conducting official duties in the expanded area in order to conduct daily assignments in carrying out the mission of the Department to support and facilitate Congress in carrying out its Constitutional responsibilities. Employees must have the ability to respond to perceived threats coming from outside the Capitol Grounds, while en route on official duties, or at a Congressional facility. For example, the Capitol Police should not have to wait to act on a suspected truck carrying explosives, it is more advantageous to stop the vehicle off Capitol Grounds prior to detonation, rather than wait for the vehicle to arrive on the Grounds, or to respond following detonation of any hazardous devices. Therefore, authority would be needed to act. Additionally, for example, while en route to a Congressional facility in Prince William County, Virginia, an employee observes a woman being beaten by a male on Interstate 66. Rather than simply notify the Virginia State Police, the employee would be able to stop, detain, and place in custody the perpetrator and call for medical attention for the victim. The employee would have the legal authority to take the male into custody under statutory authority. Under current law, the employee takes on the risk of civil liability and is acting as a citizen outside the scope of legal authority. Once in custody, the employee would notify the State Police and turn over custody.

GAO Observation. Similar to the response to question 3, the Capitol Police response bases the need for the expanded authority on the need to respond and not be personally liable. The examples provided are illustrative of the type of situations where the Capitol Police theoretically would want to be able to respond to emergency, life-threatening events. To help ensure that any new authority is fully understood and used appropriately, the Capitol Police might have expanded upon circumstances and criteria for triggering when and how its personnel are to exercise expanded policing authority. They should clearly state what authority they feel they need to effectively perform their role and mission in specific circumstances.

Question. Has this proposal been vetted with other area law enforcement agencies and the political leadership in the affected jurisdictions? What process did you use to vet the proposal? What has been the reaction of other law enforcement agencies and the political leadership in the affected jurisdictions?

Response. Chief Gainer spoke to the chief or superintendents of the agencies listed on the document provided during the week of June 9 in a package regarding ex-

panded authority. The Department sent documents regarding the proposal to the affected political leadership, as well as several meetings that have been conducted.

GAO Observation. The Capitol Police appear to have shared the proposal with area law enforcement agencies and political leadership; however, the extent to which the Capitol Police actually followed a systematic and documented process for vetting the proposal is not addressed. Importantly, the Capitol Police response does not summarize or detail the reactions of other law enforcement agencies and political leadership in the affected jurisdictions to the proposal.

Question. Is the Capitol Police proposing/allowing similar authorities for area law enforcement organizations in the areas traditionally under the jurisdiction of the Capitol Police? Why or why not?

Response. The Capitol Police is not proposing nor has Capitol Police received a request from other agencies for similar authority on Capitol Grounds. The Capitol Police is seeking to expand the authority of the Department to provide legal authority for employees when conducting their official duties.

GAO Observation. While it might not be deemed necessary for Maryland or Virginia police officers to have reciprocal arrangements with the Capitol Police, it may make sense for MPDC to have a reciprocal agreement. In response to question 5, the Capitol Police cite the example that while en route to a Congressional facility in Prince William County, Virginia, an employee may observe a woman being beaten on Interstate 66, and not be in a position to take action. MPDC police officers could similarly see a life threatening or serious property offenses occurring on Capitol Grounds. The Capitol Police response does not take into consideration whether it would be appropriate to reciprocate the expanded jurisdiction to MPDC on the Capitol Grounds in life threatening or serious property offenses. The Capitol Police response explains that they do not seek to provide reciprocal arrangements for other area law enforcement.

Question. Regarding the expanded jurisdiction within the District, has an attempt been made to enter into a cooperative agreement with the Metropolitan Police Department under DC Code § 5-133.17 to provide the expanded jurisdiction you are requesting?

Response. Chief Ramsey and the Deputy Mayor of Public Safety and Justice support the expanded jurisdiction within the District.

GAO Observation. Section 133.17 of Title 5 of the DC Code provides authority for the Capitol Police to enter into a cooperative agreement with the Metropolitan Police Department to assist in carrying out crime prevention and law enforcement activities in the District, including the power to arrest in the District. The Capitol Police's response does not address whether the Capitol Police intends to have a formal agreement with the Metropolitan Police Department on the circumstances under which the Capitol Police will exercise any new expanded jurisdiction either unilaterally or in coordination with the Metropolitan Police. If there is to be such an agreement, the response does not provide any indication of the process or mechanism the Capitol Police expects to follow in satisfying that intent.

Question. If the requested expansion were approved, what arrangements, if any, would need to occur with other law enforcement agencies in Maryland and Virginia jurisdictions?

Response. Memorandum of Understandings were discussed with a number of chiefs and Chief Gainer anticipates executing them as appropriate, for clarification.

GAO Observation. The Capitol Police response indicates that discussions have occurred with other police chiefs but does not address other officials—county attorneys, county board members, etc.—in extended jurisdictions/areas who also might need to be involved. Furthermore, the Capitol Police's response does not address what arrangements, if any, would be needed to train the Capitol Police on various state crimes.

Question. The Capitol Police is preparing a comprehensive strategic plan at the Subcommittee's request. (a) Is this jurisdictional issue addressed in that plan? (b) How does the proposal for an expanded jurisdiction relate to the Capitol Police's overall vision and mission?

Response. There are no staffing implications and budget implications are minimal and indirect.

GAO Observation. The Capitol Police's response does not directly address how the request for expanded jurisdiction is consistent with Police's strategic plan, including its vision and mission, rather than the staffing and budget implications, which are covered in a separate question.

Question. How would the Capitol Police operationalize its increased policing authority in the expanded jurisdiction? Does the Capitol Police envision an active or passive role in the expanded jurisdiction? Would the Capitol Police expand their routine patrol areas under the expanded jurisdiction? Under what circumstances

would these patrols be carried out? Under what circumstances would arrests be made?

Response. The Capitol Police envisions conducting official duties both passive and active in nature in support of the Department's mission in the expanded authority/jurisdiction areas. The expanded authority is not intended to authorize the rendering of routine law enforcement functions. Department employees will only conduct official duties in furtherance of the mission of the Department in the expanded jurisdictions. Arrests would be made in order to protect life and property.

GAO Observation. The Capitol Police does not envision the proposed expanded authority to involve the Capitol Police rendering routine law enforcement functions. However, the Capitol Police response does not discuss more specific policies, procedures, and guidance to define circumstances under which their personnel should act and to establish the working relationship with local law enforcement.

Question. As you know, the Subcommittee is carefully reviewing the Capitol Police's request for a very large increase in staffing. What are the staffing and budgetary implications, for the both the sworn and civilian personnel, of the expanded jurisdiction?

Response. There are no staffing implications and budget implications are minimal. GAO Observation. The response appears to be consistent with the Capitol Police's response on how it plans to use the new authorities. However, as noted in our observation on the Capitol Police's response to question number 3, additional information from the Capitol Police on cases where in the past the Police have needed the authority and have not been able to use it, would be helpful to further assessing any budget and staff implications, as well as processes and procedures on how the expanded authority would work including training.

Question. Where are the staffing implications reflected in the comprehensive staffing analysis prepared by the Capitol (Police) and provided to the Subcommittee?

Response. The draft staffing analysis shared with the subcommittee plan does not reflect proposed expanded authority since there are no additional staff implications. This merely is a tool for our officers for the protection of the public and themselves.

GAO Observation. The response appears to be consistent with the Capitol Police's response on how it plans to use the new authorities. However, as noted in our observation on the Capitol Police's response to question number 3, additional information from the Capitol Police on cases where in the past the Police have needed the authority and have not been able to use it, would be helpful to further assessing any budget and staff implications.

Question. Would you agree that making arrests is generally an executive function? If so, how do you vest the Capitol Police, which is a legislative branch entity with the arrest authority to enforce any violation of federal or state law anywhere in the District and parts of Maryland and Virginia without raising a question under the doctrine of separation of powers?

Response. Outside Capitol Grounds, arrests are made by Capitol Police personnel in furtherance of the mission of the Department in ensuring that Congress is able to carry out its Constitutional responsibilities.

GAO Observation. Even if expanded jurisdiction furthers law enforcement generally, the Capitol Police response does not explain how and under what circumstances arrest authority for any federal or state law furthers the Capitol Police's mission in ensuring that Congress is able to carry out its constitutional authority. In this regard, like the response to question 4, the Capitol Police response provides no clear criteria for when the Capitol Police believe that it will be authorized to make arrests in the District, Maryland, and Virginia as a matter of law under its expanded jurisdiction proposal and how the expanded authority, as the Capitol Police defines it, directly relates to the activities of Congress.

Question. Similarly, under the Appointments Clause of the Constitution, persons who perform a significant governmental duty exercised pursuant to a public law are officers of the U.S., and as such must be appointed pursuant to the Appointment Clause. The Capitol Police Board appoints the Chief of the Capitol Police. How does vesting general authority in members of the Capitol Police to enforce the law by making arrests for any violations of federal or district law within DC not violate the Appointments Clause because the Capitol Police are not subject to the control or supervision of an officer of the U.S.?

Response. While admittedly, it is essential that significant constitutional issues such as those raised by the Appointments Clause which may require limitation on any additional grant of the Capitol Police policing authority must be thoughtfully reconciled, the Appointments Clause has not historically prevented the other branches of government from exercising some necessary authority, provided that such authority is essential to the safeguarding of coordinate branches of the government, including certain arrest authority of the Capitol Police, and has not been

viewed as executing laws nor an improper “encroachment beyond the legislative sphere.”

GAO Observation. The Capitol Police’s response recognizes the constitutional concerns but did not contain factual support for its response and did not completely address the issue in question. We agree that this issue needs to be given more thought.

Question. Article 1, § 8, cl. 17 provides Congress with exclusive authority to legislate in all cases whatsoever over the District. How would you harmonize Article 1, § 8, cl. 17 that empowers Congress to delegate authority to officials of the District to act on local matters with this expanded jurisdiction?

Response. As stated, Article 1, § 8, Clause 17 provides Congress with the “exclusive authority to legislate in all areas whatsoever over the District” as the federal enclave for the seat of the federal government. Even the “Home Rule Act” provides the Congress with authority to reserve this prerogative. Thus, if the Congress determined that the expansion of the USCP authority within such federal enclave were necessary to protect the federal legislative function, it would appear that this constitutional provision would bolster the authority of Congress to legislate regarding such an issue.

GAO Observation. The Capitol Police’s response recognizes Congress’ authority to legislate in this area.

Question. Similarly, how would you harmonize Article 1, § 8, cl. 17 with the authority for the USCP to act on state matters with this expanded jurisdiction in the neighboring States?

Response. Article 1, § 8, Clause 17 deals essentially with the exclusivity of legislative authority over the seat of the government but does not preclude the prerogative of the Congress to legislate federally even through such legislation may have impact on the various states.

GAO Observation. The Capitol Police’s proposal would extend its jurisdiction outside the District of Columbia into various counties of both Maryland and Virginia. The Capitol Police’s response acknowledges that Congress is not precluded from legislating over matters in the District but does not state the source of Congress’s power to authorize its agent, the Capitol Police, to exercise police power in the states for state crimes and the limitations, if any, on that power.

Question. What is the authority of federal law enforcement officials to enforce laws on purely state or local matters?

Response. While this question requires more extensive research, certain federal law enforcement officials have authority to “enforce laws on . . . state and local matters.” (See, for example, authority of US Park Police; US Secret Service; US Marshall Service, Federal Bureau of Investigations, Drug Enforcement Administration, etc.)

GAO Observation. We agree that more extensive research is needed and it should include the authority of federal law enforcement officials to enforce laws on purely state and local matters, particularly when the activity does not involve federal officials and is not occurring on federal property.

Question. It is your understanding that a Capitol Police arrest for a state crime during an emergency situation when the Congress is temporarily relocated to Maryland or Virginia would federalize the state crime?

Response. No, although it is recommended that consideration be given to the applicability and sufficiency of criminal sanctions for interference and/or disruption of congressional functions if relocated due to emergency situations.

GAO Observation. We have no additional observations.

Question. Who is going to prosecute violations in these expanded areas? Will the violations be prosecuted in federal or state courts?

Response. Prosecutorial decisions will be made by prosecutors. If the violation is a federal crime, presumably, federal prosecutors will prosecute. If the violation is a state crime, presumably, state prosecutors will prosecute. It should be noted that it is anticipated that USCP, even in circumstances wherein they may be authorized to act, will have a limited role in prosecution, for instance, as a witness and would not be required to be in court for each court appearance unless specifically needed to testify at a particular hearing.

GAO Observation. The Capitol Police’s answer was responsive to the question.

Question. With respect to the District, this expanded language makes the Capitol Police equivalent with the Metropolitan Police Department. As such, the Capitol Police would be responsible for policing the District. If not, explain who would retain primary responsibility for police services in these local jurisdictions?

Response. The expanded authority language does not make the Capitol Police equivalent with the Metropolitan Police Department. The primary policing responsibility for the District of Columbia remains with the Metropolitan Police Department,

except for the Capitol buildings and grounds. USCP personnel would take appropriate enforcement action to protect life or in cases of serious property offenses.

GAO Observation. See our observation on the responses to questions 8 and 16. We do note that in 1992 when the Capitol Police's jurisdiction was extended, the statute included clarifying language in providing that the authority granted "does not affect the authority of the metropolitan police force of the District of Columbia with respect to the [expanded area]."

IMF DEMONSTRATION SUPPORT

Mr. KINGSTON. Chief Gainer, another issue that concerns me is the loaning of our Capitol Hill police. I understand that when the IMF and anti-war demonstrations occurred, we had 200 Capitol Police officers assisting. Is that right?

Chief GAINER. Yes, sir, approximately.

Mr. KINGSTON. We are hearing a steady drumbeat of we are understaffed, we are understaffed. However, this was a day when the United States Congress was in session and yet we had enough extra staff to send 200 to the Washington, D.C. Police Department?

Chief GAINER. Yes, sir.

Mr. KINGSTON. Well, why should the United States Capitol Police assist if the incident wasn't on Capitol Hill grounds?

Chief GAINER. Well, for two reasons in no particular order. Number one, they needed the help. They needed the help, and I provided that. By the same token, when I was the Executive Assistant Chief of the Metropolitan Police Department, I brought eight platoons up to the Capitol to assist the Capitol Police. As recently as January, when we had the State of the Union Address, we brought in 200 local officers from both Maryland and Virginia in addition to several platoons from the Metropolitan Police Department. So the practice of us assisting the Metropolitan Police Department started years ago, and the number that I have introduced has only changed slightly from that.

Again, the intelligence at that point was that the anarchists that we thought would attack IMF last time and did in the year 2001 and 2002 are just a stone's throw away from here. The anarchists began, the ones that we are concerned about, at Union Station, which is contiguous to our jurisdiction. We trade back and forth.

Mr. KINGSTON. Is there an accounting procedure for payment of services?

Chief GAINER. Actually, the Metropolitan Police Department through a grant of Congress does pay all of the officers who come there except us because we are under a grant of Congress. So but for the law that the Congress has established, they would reimburse us. But that having been said, Congress has also directed us, when I again was at MPD, to work closely with each other and we do that.

I looked at the numbers, because I knew this was a concern based on our last testimony. Less than one-tenth of 1 percent of the hours that were available were spent assisting the District of Columbia, and I have not even added up how many times they were up here as recently as a month ago. They put their platoon of horses on our West Front to assist us with the protestors. So it really is a good working relationship to do that together, sir, and it was very good training for our officers, and it was very good for morale.

Mr. KINGSTON. If you had expanded jurisdictional arrest power, wouldn't there be more pressure to borrow our officers for demonstrations or activities?

Chief GAINER. That potential exists, and I think our request, even under how we operate today, has to be evaluated on what is going on. For instance, 2 or 3 months ago when there was a concern by the FBI that terrorists had brought and secreted explosive devices in the various rental storage units throughout the area, we assisted in the search. We are the department who has the most bomb dogs, so we did look internally and did assist the other departments in securing those storage units. I did not take away from the K-9 unit what was required here. We did spend extra money to do that because those people might have been off but, again, sir, I frankly think that is exactly what we should be doing. If I can help find terrorists who have allegedly secreted explosive devices in Arlington, I would rather do it there than on the front steps.

Mr. KINGSTON. It would appear to me that a bomb dog or specialist unit would make more sense than 200 personnel. If they need that many, a better alternative would be to call the National Guard or another law enforcement entity.

OFFICE INSPECTIONS AND SURVEYS

Mr. PRICE. Thank you, Mr. Chairman. We are glad to have you here. We appreciate your testimony.

Let me ask you about your request for inspections and surveillance, which is \$1.2 million, and then an additional \$800,000 to perform security surveys of Members' and Senators' district and State offices.

What is that request based on? Why do you think it is necessary? Is there any specific threat or assessment that it responds to?

Chief GAINER. On various occasions over the years and in the year that I have been here, there have been requests for our security specialists, especially in the leadership area, to go and do a professional evaluation of the physical security of the office and the IT security of the office. It was our desire, frankly, to set up a unit that would afford this opportunity to more Members. So many of the Members of Congress, be it the House or Senate, are involved in some very, very high level activities from an intelligence point of view or financial point of view, and it seemed like we could be in the best position to take the skills that we have honed and share them with Members at their district or state offices.

Specifically I will tell you, again during the past year, there was some specific intel on certain Members of Congress and threats to their office, we went to those offices and looked at it from a security point of view, worked with the local law enforcement officers to ensure that they could repel any attacks or minimize the risk.

Mr. PRICE. So your activities in this area thus far have been mainly in response to Member requests?

Chief GAINER. Member requests, senior Members of the House and Senate, and based on intelligence or threats. But again, sir, as I was analyzing it, and when you ask the people to think what the best prevention mode is, it seemed incongruous that we would do all we can to protect you on the days you are here and do nothing

to at least advise and give you information on the days you are not here.

Actually, I think our obligation and charter is to provide for your security, whether you are in the Washington, D.C. area or in your home State. Mostly, you work with the local officials in that regard, but most of the time the offices, especially of the Congress, are in locations and places where the local police department has neither the skills, the training, or the tools that we do.

Mr. PRICE. Well, I expect there is not a member of this body that has not in the last couple of years taken a look at our district office situations and the kinds of vulnerabilities there may be there, whether it is opportunity to people who want to come in and occupy the office or other sorts of issues.

To what extent are your resources to assess these situations unique, and what is going to be done about it once the assessment is over? What is going to be the net result that you would anticipate? I can imagine going out and pointing out certain vulnerabilities; I am not sure I see what your responsibility is beyond that.

Chief GAINER. Well, from our perspective, from the police departments, there may be none, other than alerting you to what your vulnerabilities are, and then you would be responsible for your office. You would be in the best position to determine whether local law enforcement can assist you with that, or your contract with the person who is leasing you the facility can help you change locks or move the phone access box, or whether you go back into your own budget and say I think it is important enough to spend X amount of my own budget to correct this error. But sir, without that information, I think you could be at a disadvantage.

A couple of times in the past several months, Members of Congress' offices were taken over by people who wanted to take over their office, and then the Member and the local police department is in a dilemma about that, but then the next question is, is there a simple way that we could have avoided someone compromising our office or getting into this space or that space? Mostly any person with any background in security could say, this little bit of tinkering will improve the safety of the people who are at your offices while you are here.

Mr. PRICE. Well, I am one of those members, and I have to say that our cooperative relationship with the local police department was exemplary. It never occurred to me to bring in outsiders to help us deal with that. The people who occupied the office came in a very legitimate fashion. I cannot imagine closing that off. The problem is they decided not to leave, and then the question was, how do we handle that? We handled it, I believe, very patiently and in a noninflammatory way and we had ideal cooperation from local police.

Now, my question is, is this kind of capacity greatly lacking, do you think, out in our local communities? Are you anticipating interjecting yourselves into these local situations in a much more systematic way, as opposed to the present practice of coming in at a Member's request?

Chief GAINER. Let me answer that I have utter confidence in local law enforcement to respond to your situations. Again, a lot of

times all we do is consult with them because they want some information on whether it is a Federal property or not a Federal property, when can we charge, when can we not. But what I am talking about is we could interject ourselves and go out and do a site survey, a security survey if the locals do not have the ability to do that. In a perfect world, I wish we had a unit large enough to do that systematically.

Now again, when we first proposed this, when it was first brought to my attention it was huge because of the numbers of Members of Congress. So we scaled that back, but the preference would be to make available to those who need it, and I think more need it than don't, an ability to do some type of survey of their offices.

LIBRARY POLICE MERGER

Mr. PRICE. All right. Let me ask you about the proposed merger with the Library of Congress police. The Librarian of Congress, in hearings before the Subcommittee a few weeks ago, did express some concerns about that. I understand that there are unique functions of the securities force at the Library, specific security needs. What is the Capitol Police's position on the idea of merging those forces?

Chief GAINER. The direction of the Congress is for me to submit a plan by August 19th. We intend to do that. We have formed an executive working group that is chaired by myself and the Deputy Librarian. We have an executive committee that then oversees, I think it is seven working groups that are tackling the issues that would come up: operations, personnel, training, physical security, and legal. They are working through those issues. I have had very frank conversations with both the Librarian and the Deputy Librarian about what their desire is and what our desire is. And we have at least pledged in the plan that we will fully vet the yin and yang of everybody's position, so when Congress goes back and takes a look at it, they will have all the information they need to approve a merger or not.

Mr. PRICE. So you are confident you are in a position to assess these specific, unique security needs that the Library has flagged? Chief GAINER. Yes, sir.

RECRUITMENT EFFORTS

Mr. PRICE. Can you address briefly your recruitment efforts, how successful those have been, what sorts of plans you have? You are obviously here talking about a substantial increase in additional personnel. What can we learn about recruiting the kinds of people you need from the effort you have already undertaken.

Chief GAINER. We are blessed in that regard and blessed, I think specifically, because it is an organization that first has a fundamentally good reputation, and second what Congress has done in the last couple of years, whether it is the handsome pay raise and cost of living increases or the educational benefits or the specialty pay incentives. All those have made this a place where people want to stay, or people want to come. Right now in this greater metropolitan area, we lead the agencies in starting salary. Right now we have inquiries of people who left to go to the TSA to come back.

So at the moment we have no problem meeting our recruiting needs. The only thing we have to slow down for is the ability of FLETC to accommodate our training needs. They can handle about 360 individuals a year. The next request that I have for FY-04 would be 320 new people plus attrition. Right now attrition has dropped to about 6 percent down from double that of last year. So frankly, between attrition decreasing and the numbers that we would be—respectively asking Congress, I think we can do that.

We are also exploring, based on the will of the Congress, our ability to bring people in via a lateral program, that is other officers from other Federal agencies or accredited agencies would go directly into our police department with training that is substantially abbreviated from that of FLETC. So we have unlimited opportunities. We are getting a good cadre of people, a diverse group and very highly educated.

Mr. PRICE. Perhaps for the record, you could indicate what the numbers look like in terms of the positions you fill and the kind of applicants you have had so we have some sense of the kind of selectivity you have been able to exercise, and how attractive these positions have been.

[The information follows:]

UNITED STATES CAPITOL POLICE
RECRUITMENT STATISTICS FOR FISCAL YEAR 2002
As of May 1, 2003

	<u>Number</u>	<u>Percent</u>	<u>Note</u>
Candidates Tested	3,578		
Candidates Passed	2,697	75.4	
Candidates Applied	1,959	72.6	Percent of those that passed
Disposition of Candidates Who Applied			
Disapproved Prior to Conditional Offer	571	29.1	
Declined Prior to Conditional Offer	257	13.1	
Disapproved After Conditional Offer	545	27.8	
Declined After Conditional Offer	185	9.4	
Background Investigation Pending	46	2.4	
Appointed	315	16.1	
Scheduled for Appointment	11	0.6	
Recommended for Appointment	29	1.5	
TOTAL	1,959	100.0	
Total Appointed, Scheduled & Recommended	355		
Percent of Candidates Tested		9.9	
Ratio of Appointed to Tested		1 of 10	

NOTES:

A Conditional Offer is given prior to the polygraph exam, physical exam, and psychological evaluation.

Appointments from the 46 candidates currently pending completion of background investigation would slightly increase the percentage. If all were appointed the Percentage would increase to 11.2.

TRAINING CAPACITY

Mr. PRICE. If I might, Mr. Chairman? I would appreciate, Chief Gainer, your saying a little more about the crunch on your training capacity. Are you going to be able to continue getting those training slots and getting the quick turnaround that you need with these new personnel and with the pressures we know are coming from other agencies and departments?

Chief GAINER. The ability of the Federal Law Enforcement Training Center at Glynco, Georgia, is really critical. Their ability to take all we can send is critical. And I can say the bad news is as recently as Friday, the Federal officials in Georgia notified us that they may move us from FLETC which was a surprise to me. We were just in the midst this week of sending down four members who volunteered to go down for a 3-year stint, sold their homes, changing schools with their families, taking spouses out of work to go down there when they called Friday and said to keep them here.

I called the senior officials in the FLETC organization and said it was unacceptable because they were just in my office and never told me. They advised me that there is a discussion of moving all basic law enforcement training out of FLETC in Georgia and either go to Artesia, New Mexico or possibly to train all our individuals at Cheltenham. I said much of that is speculative. What about the poor souls who just sold their houses and getting ready to move down there? I need to know whether they are going to be accepted and housed. They called back late Friday night, yes, send them. They said, it probably won't be much before about 6 months to a year before we would reach a decision.

I give you this background because it is important about FLETC. To uproot families, sell homes, take kids out of school is not a deal I would want. They assured me it would probably be no worse, no shorter than a year and they would compensate our officers or their families for any discombobulation caused by reversal in their decision to have us train down there.

All that having been said, I am operating under the premises they can train and will accept 360 of our officers, and I am confident, based on our hiring that I will be able to send 360 officers there.

Mr. PRICE. Sounds like that may be a rather shaky premise, though.

Chief GAINER. It could be if it changed. They assured me they would not do that without further consultation. If they decided to change, frankly I just don't see government moving in 6 months to say you are out of Glynco and you are some place else. But that is at least the information I had in a very circuitous manner.

Mr. KINGSTON. Mr. Tiahrt.

STAFFING PLANS

Mr. TIAHRT. Thank you, Mr. Chairman. Just looking at your projected head count, it looks like fiscal year 2001 that ended September 30th, 2001, right after the September 11th attacks, and then fiscal year 2003, your total head count went up by about 100. Then over the next 3 years, you plan on doubling that head count. Does part of this increase come by absorbing other officers from the

Library of Congress? I am trying to understand why we are doubling the number of officers over the next 3 years.

Chief GAINER. The potential merger of the Library of Congress has nothing to do with the numbers I am talking about. There is probably a little bit of confusion on the actual numbers because a budget was submitted pursuant to the procedures that said one set of numbers that was based on decisions 9 months or so ago. We then did a staffing plan that had another set of numbers, and again we continually share that with the committee. It was a draft proposal. I then sat down with the Board, rescrubbed our numbers and substantially changed those.

So the bottom line, if the staffing plan and strategic plan passes, all the various committees musters, what I am actually asking for in the number of officers for fiscal year 2004 is 320.

Mr. TIAHRT. Is that an increase of 320 officers?

Chief GAINER. Over today's number.

Mr. TIAHRT. How many civilians does that include?

Chief GAINER. The 2004 increase of civilians would be 233. Just to give a perspective, because you mentioned 2005, I would then be asking in our staffing plan not here, for another increase of 427 officers and only five civilians. I think it is important that the numbers don't stand alone, that we then talk about why I am asking for those numbers and what categories of events they would be involved in.

Mr. TIAHRT. You apparently had a threat assessment and you looked at what you are going to be dealing with and what threats you are anticipating over the next few years. Is that the basis for your increase?

Chief GAINER. Our staffing plan, the threat analysis, the studies that were done in 1998 as part of a best practices review. We are learning what is going on on a daily basis. If I could, as an example in response to Congressman Moran, the thought that you could have either one or two officers at a door, it would be a unique circumstance where one officer would ever work. Some doors two could. But in this day and age it needs to be three or four. Now, the reason for that is we have various electronic devices we are working there, none the least of which is the magnetometer, the itemizer, and then officers positioned to back them up.

If I can just point out what we learned in the last 24 hours from the bombings overseas. This is law enforcement information, from open sources in the news, that indicated the terrorists dismounted from their vehicles and attacked the entrance of these buildings, whether it was the guard tower or where the gates are.

So to think that you can only have one officer or two officers there in the current milieu just puts those people at risk.

We know that the terrorists, based on what is going on in Europe, open source information, are attacking multiple sites at multiple locations. The plan we have lays out what we think is the optimum staffing plan for the doors that the Congress wants open. Frankly, we could do with less numbers than we have today or tomorrow if we make decisions about how we want to balance security here and openness.

Unlike other police departments, we have a bit of dilemma because we try to maintain a very open sieve but keep out the wrong people from coming through the door.

Mr. TIAHRT. Was there a threat report written about this threat assessment that you used to come up with the head count, or did you have a group of people get together and come up with these figures and this projection?

Chief GAINER. The study that was originally done prior to when I arrived, the formula that we are using to arrive at the particular numbers at the particular doors and the particular units I have all that written out plus the intelligence which could not be shared in this open forum but could be gleaned from many of the open things that we are reading about in the paper that I would be happy to share with you.

HAZARDOUS MATERIALS RESPONSE TEAM

Mr. TIAHRT. You are naming several things that are included in FY 2004 as far as activities. One is the Hazardous Material Response Team. Is this a new development or is this something you have been doing in the past?

Chief GAINER. The work that our Hazardous Material Response Team would do is based on prior approval from the Congress. The work has been done in the past by our Hazardous Device Section, our bomb unit. What the Hazardous Material Response Team would do is to provide civilian personnel, mostly with long fire-fighter backgrounds who are better trained, and better experienced, to deal with the chem bio area.

So they would work in close conjunction with our current bomb unit but they would be a separate division. We have actually scaled back the number of people that was originally envisioned when I arrived here the number I think was in the neighborhood of 60-plus, seemed too big to me and we have scaled that back to 40-plus.

CVC IMPACT

Mr. TIAHRT. How much of your headcount has changed because of what we are doing on the east side of the Capitol? When the Capitol Visitor Center opens, how does that impact the head count for the Capitol Police?

Chief GAINER. Part of the manpower allowance is for the CVC, I will dig my numbers out, or my helpers will help me. But it is significant because we anticipate, based on my conversations, that the CVC will provide an unprecedented level of security. We anticipate no lessening of any of the doors or garages or openings. So there will be people added.

STAFFING NEEDS

Mr. TIAHRT. With the Transportation Security Agency, they went out and hired a lot of people. Now they are contracting some because they found out they overprojected some of their risks and potential points of where they check people. Do you have any padding built into your projections where you may have overshot the mark?

Chief GAINER. No. I mean, someone could go back through this and I can rescrub it, but I don't think that would be significant be-

cause it has less to do with the number of visitors, although the number of visitors is significant, unlike the airport issue about large, and small airports, and more to do with the amount of portals that are open and what equipment we have at each one of those portals. Regrettably, if you have a door at one of the office buildings, that is going to be open 12 hours a day, I cannot operate the machinery there without the right staffing whether it is going to be 10 people or 200 people entering.

What you will see unfortunately is 300 people queued up because the spurts come and go. So the brief answer is no, I don't believe there is a lot of fat in here. Unless we make a decision as an institution to begin closing doors, closing garages and limiting how people come in and out and/or make a decision to employ more technology.

Mr. TIAHRT. So, you are saying you picked out your portals, as you refer to them, did the head count for that portal and did that for each location where you have people coming and going?

Chief GAINER. Our formula is multiple. Some doors will be for visitors only, some for staff and visitors, some for vendors; based on what we have determined, the number of people is based on that and the amount of equipment we have there.

Mr. TIAHRT. It looks like we are not growing geographically, but we are growing the number of portals. The size seems kind of dramatic. Somebody coming from the outside might think the number of Capitol Police is excessive. Just look at the increase from 2002 to 2005. From the projections we have, it looks like you are going to double in size, but we are not doubling the number of portals.

I guess you are saying you have more people at each location and you are picking up a few new things like this Hazardous Material Response Team, et cetera.

Chief GAINER. Yes. But it is not just a few new responsibilities. For instance in the CVC, it would require 135 more people to do the policing in the CVC over what we have now. That is because as I recall, there is going to be at least 8 different ways visitors will traverse into the building when it is open. Again, if we are going to have the level of security that we think necessary, the itemizer, check IDs, the magnetometer, the x-ray machine, all that requires someone to operate it.

Mr. TIAHRT. Thank you very much.

SIZE OF FORCE COMPARISONS

Mr. KINGSTON. I wanted to follow up on Mr. Tiahr's question, because I think we have a chart about some of these projections. The sworn officers are in dark blue and the civilians are in light blue. This shows the projected growth from fiscal year 2003 until fiscal year 2004 as well as fiscal year 2005. The third chart would be our final force. However, Fairfax County, Prince Georges County and Montgomery County all have less police officers than we would have on Capitol Hill. Where we get constant criticism as a body is for excesses in spending.

This would appear to be more congressional backslapping—we are taking care of ourselves, however, we are not funding education and Social Security, we are not doing enough on prescription drugs, but look at what we are doing to protect ourselves.

Mr. Moran may know the population of Fairfax County offhand. What would it be—2 or 300,000?

Mr. MORAN. Fairfax is much larger. Fairfax is almost 1 million people. Arlington County is about 180,000.

Mr. KINGSTON. There are 1,800 officers for nearly a million people. What do we have?

Chief GAINER. Our current strength is 1,437 sworn. It is a telling graph. It is a powerful graph, but I think it only tells a portion of the story. Because I think it is very difficult to compare our department with what the workload is of those jurisdictions. For instance, in knowing the District of Columbia, they do not have the intelligence operation that we have. They do not operate the number of K-9 officers that we have. They do not do the dignitary protection that we do. So it might be of greater value to compare to us other Federal law enforcement agencies.

We have pieces of very similar things, we do some of the things that the uniform Secret Service does, we do some of the things that the CIA does only on a domestic basis, we do some of the things that the FBI does and do some of the things that the local law enforcement provide. If you cut out of our department many of the portal duties, and for instance then just look at our cars and equipment, the chart would be completely flipped. The other thing I want to mention about personnel that we didn't even talk about, last year our officers worked 560,000 hours in overtime. 560,000 hours. Plus they worked another 117,000 hours in compensatory time.

If we just did the simple math on what we are asking these men and women to do, they are not home, they are not getting their training, they are not getting the other life beyond being here because of demands that we put on them.

Mr. Chairman, I readily submit we could cut this Department in a third if we would all decide we don't want you to do A, B, C, D, E and F. But for us to deliver the security services that we have delivered over the years and we need to deliver, I am just submitting to you that if we keep our same work force we need to fund 677,000 hours in overtime, dramatically weaken training, and we are going to burn these kids out.

Mr. KINGSTON. There is roughly a 75 percent increase by the end of fiscal year 2005.

Chief GAINER. Over what, sir?

Mr. KINGSTON. Over the current 1,780 positions. I think there are 1,667 in here currently.

Chief GAINER. I will accept your math. Yes, Sir.

Mr. KINGSTON. It is hard to sell that degree of an increase.

Mr. Moran.

Mr. MORAN. I appreciate your line of questioning, Jack. I think there are a number of areas in which you could be getting into and once you get into those it is limited, unlimited resources that you would demand, intelligence. Expanding geographical jurisdiction. How much do we ask for overtime in this budget? \$20 million for overtime. I think a lot of this is deliberate expansion of the scope of the responsibility. And I think it has gotten out of hand.

And I would like to hear from Mr. Livingood. You know we have got a lot of folks throughout the Federal Government that are con-

scientious about knowing the restraints and parameters in which they are supposed to operate. And they try to conserve resources. I think it is an embarrassment if you have a million people in Fairfax County with all of the facilities that Fairfax County has to have a police force substantially smaller than the Capitol Police force—I won't make comparisons. But I think we will get ourselves into a position where we are not preparing for any constraints on the size.

Again, it is not a matter of not compensating the personnel, but it is a matter of trying to keep your responsibilities within reasonable limitations knowing that there are all kinds of other law enforcement agencies around that we apparently prefer to duplicate their resources rather than to enable them to complement our efforts.

Bill, did you want to say something about this? I have tremendous respect for your judgment, Bill.

Mr. LIVINGOOD. Mr. Moran, I think that for to us provide the safety and security in today's climate, it is a little different than it was several years ago. We have asked for an increase in manpower, both uniform and civilian, to complete our responsibilities and make sure that our responsibilities for security are sufficient for not only Members, of course, but for the visiting public that come here every day. We have added, as you well know, barriers all around the streets here for the House perimeter. And that takes quite a bit of manpower, extra manpower. We have not expanded our jurisdiction per se, we have increased our portals, as the Chief calls it, or barricades or entrances here significantly. We have the CVC coming up.

I will say that the Board sat down with the Chief a week ago and went through these figures again. There are some changes because the Chief looking at it with us and others felt that there were areas that could be cut both civilian and uniform and we are coming back with that figure.

Mr. MORAN. Well, any terrorist can commit any terrorist act that they choose to if they spent enough time planning it, regardless of all the preparations. This place looks like a fortress. It is not representative of the Capitol of the free world as far as I am concerned. We have got a proposal to create an army and with mounted police and expanded jurisdiction and additional areas each officer is assigned to. You have got officers training in Israel. You have got—you want to get involved in demonstrations that are clearly the D.C. Metropolitan Police's responsibility.

I think this thing is getting out of hand. I am not comfortable with the direction with which it is going. If we go back to a lower level of alert status we are still going to have the 3,000 police officers, you are still going to be involved in intelligence, you are still going to have expand the responsibilities way beyond the jurisdiction of Capitol Hill. You are still going to have six new horses and stables and the black barriers and double the number of weapons. Because these things are never cut back once you establish them. We should not be trying to establish our own military force up here.

We have got all kinds of law enforcement agencies. So I have no problems with what the Sergeant at Arms is doing, but I have a

lot of problems with the proposal. But it is up to the chairman and we will see what they want to do. I think these proposals go beyond the scope of the Capitol Police's responsibility. We will see what the Congress wants. Maybe the Congress wants to spend unlimited resources and provide unlimited authority and jurisdiction. Because that is basically what you are asking for.

Mr. Chairman, we are going to have a vote soon, we are going to have the GPO up here. Just to give you a sense that I am not in such a bad mood, the GPO is doing a great job. You know Bruce James is keeping his resources within reasonable limits. His excellent relationships between management and staff, all the major problems are being ironed out. And that is going well. I am glad you called this hearing. Because I think this Capitol Police situation needs a lot of scrutiny on the part of this committee.

Mr. KINGSTON. Mr. Culberson.

OUTSIDE REVIEW

Mr. CULBERSON. Thank you, Mr. Chairman. I will be very brief but I want to say for the record how much I appreciate the work that you do, in both the Chief and the Sergeant at Arms office. We deeply appreciate the concern and attention you pay to protecting this building. But I do have to say I agree with the others on their questions. I am just concerned about the size of the request. And wanted to ask the Chief and perhaps the Chairman may know, has a third party ever come in and reviewed your operations? Any other outside experts either from the FBI or Justice Department or any outside private consulting firm?

Is there anyone other than this committee and you who can talk to us about the scope of your work, and what is a reasonable request for the future?

Chief GAINER. Sure. The most recent outside agency to come in was from the Commission on Accreditation for Law Enforcement Agencies. We were the first Federal full service law enforcement agency to be accredited. We went through a long process of that. Four or five day inspection by three top law enforcement officials from outside the area, they pulled apart our policies procedures and practices. That full commission granted us accreditation. Plus we have had several others over the years. Before I came here, we had a private vendor come in, either KPMG or Booz Allen who did a complete study.

Mr. CULBERSON. When was that, sir?

Chief GAINER. Also, the Secret Service has come up and evaluated. Booz Allen was in 1998.

Mr. CULBERSON. How was that done, was that done at your request or the Congress's request?

Chief GAINER. It was done in 1998, and I am not sure who provoked it.

Mr. CULBERSON. It seems to me, in light of new threats we face, it may not be bad to have an outside review done again. Or perhaps I could talk to you all off the record about how we would have a third party come in that everyone agrees on, an objective expert that can look at what you all are doing and give us another opinion. I think that would be helpful.

Finally, Mr. Chairman, that may be also helpful perhaps if we could have a better measure of what we are being asked to fund for the Capitol Police if we could have a closed door or confidential briefing on what is the nature of the threat. Why do you feel you need this level of personnel and equipment? Maybe there are some things that you know that you can't discuss with us here in this open hearing, and might more appropriate in a closed hearing. I appreciate the work you all do.

HOUSE CHAMBER RENOVATION

Finally, I have a question for the Architect of the Capitol. Thank you for the good work you do here, sir. Is there going to be an effort in the years ahead to redo the House Chamber to restore it to the way it appeared in the 19th century? Can you talk to me about that on the record?

Mr. HANTMAN. I certainly can. We have had a study done of the life safety issues throughout the Capitol Building itself. The specific life safety issue that has not yet been addressed is the restoration of the Chamber to its original design in the 1850s. It turns out, Congressman, that the design of the ceiling was actually a grid system, for which we have some old photos, that can very well accommodate sprinkler systems, lighting systems, and those kind of upgrades. Taking a look at what it would cost for us to update the current Chamber with modern systems today, which is a 1950's Chamber as you are well aware, versus doing that upgrade with the 1850s original design indicates that there is a fairly large amount of costs that we would have to spend in either case. So the premium of going to the restoration is something that is being discussed right now and, in fact, should be presented to the Leadership of the House shortly.

Mr. CULBERSON. So the idea is being presented to the Leadership. There has been no formal discussion or timetable established?

Mr. HANTMAN. That is correct.

Mr. CULBERSON. I express my support for it. Thank you for the work that you are doing. Thank you, Mr. Chairman.

CLOSING COMMENTS

Mr. KINGSTON. Chief Gainer and the panelists, Mr. Pickle, thank you very much for your testimony. Chief Gainer, we are hardest on those we love. If we can't be frank with each other, we are not doing anybody any good. I think overall, everybody is certainly very supportive of the professionalism and the efficiency of your department, but we also have other concerns that we need to discuss. And I can see Mr. Pickle has been itching to make a point.

Mr. PICKLE. I have been itching. Pardon this expression, but I don't want the Chief to be the only one getting beat up here today. In a polite way I say that. Because the Board did review these numbers and we did scrub them. I am the new guy on the block. I have been here 3 months. But when you look at the three of us, we have got about 100 years plus of law enforcement. When Bill Livingood and I just saw those numbers, and like Mr. Moran said, they are outrageous when you first see them. But probably because we had more time to go through a briefing by the Chief and look

at some of the vulnerabilities up here, we agreed to those numbers. We scrubbed them again last Thursday.

We have scrubbed them actually twice, I believe. We are trying to knock them down. But the dilemma we have is we only respond to the demands of Congress. We do nothing unless you want it. Safety is paramount to this institution and for the public and the staff. We want to give you the best service we can. The Chief's numbers again are huge. Can we scrub them more? We certainly will. We will look at them and give you every classified or sensitive briefing we can. But before I stop, I want to say that the expanded jurisdiction we are talking about is something the Board also looked at and the Board supports that.

None of the bodies mentioned in these increases are for expanded jurisdiction. Expanded jurisdiction is a tool, that is all it is. It can be managed or mismanaged. It is managed well now by agencies such as the Secret Service and Park Police. I think it can be managed well by this chief. But it is a tool. I know there is a lot of opposition. It has been brought up before over the years. But never in a time like we have here since 2001 where it is really important.

It is important not only to protect millions of dollars in investments that you have outside the District, and that is what do you have outside the District, but it is also to protect the lives of these officers who may have to respond. It is also to give them some legal authority to do what they need to do. But again, it is only a tool. It doesn't mean they are going to go out here patrolling these suburbs. I know the Chief would not want that. We do welcome your support and we are willing to sit down and brief you as thoroughly as you want on this.

Mr. KINGSTON. I appreciate your comments.

Mr. Livingood.

Mr. LIVINGOOD. I want to reiterate what Mr. Pickle said, that we did scrub these figures substantially. You have not seen those figures. And we will go back and look at them one more time. There is a big difference. There is a difference between what you see today and what we scrubbed or changed from what the Chief did. And I agree, that we have to be responsible and we intend to make sure we are responsible.

OFFICERS PRESENT

Mr. MORAN. Could I ask one other question that I am just curious about? Why is the hall full of Capitol Police and so many Capitol Police in this room? Is there a security threat in this room, Chief? Why are they here?

Chief GAINER. They are here to support their Chief and their budget. They are concerned about all the issues they raised, and they want to be part of the outcome.

Mr. MORAN. Did you alert them?

Chief GAINER. I asked the head of each of the unions to come. But to my delight, the union turned around and asked their own individuals. I am delighted to work with them, delighted to serve with them, and delighted to be in the room with them.

Mr. MORAN. I am happy that you are so delighted. But are they on regular pay?

Chief GAINER. I would have to check to see what each of their statuses is.

Mr. MORAN. All of you are—have taken leave for this period of time that you are here?

Chief GAINER. Well, they could be on a break, sir, they could be on a different shift, they could be on their lunch, they could be on compensatory time. I will be happy to take the names of everybody and check and see what the status is.

Mr. MORAN. I don't need the names. I am just curious that we have been talking about the fact that we are so understaffed, yet the hallway is full of police officers and they are here. I am happy to have police officers around, whenever they are needed and they feel that they are needed. I am curious as to why they are needed here to show political support for their chief.

Chief GAINER. I don't think it is political. I think it is professional support.

Mr. MORAN. Professional support. I see.

Mr. KINGSTON. Thank you very much.

[CLERK'S NOTE.—The justification of the budget request submitted by the United States Capitol Police follows:]

United States Capitol Police FY 2004 Budget Summary



March 2003

**United States Capitol Police
FY 2004 Budget Estimate
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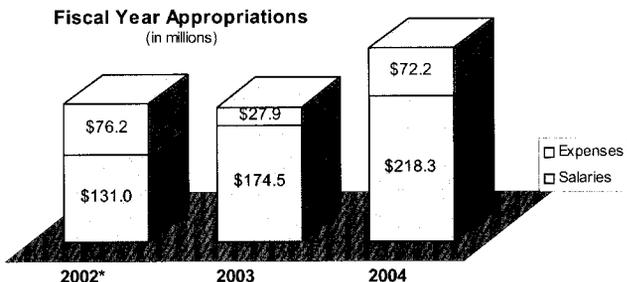
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**UNITED STATES CAPITOL POLICE
FISCAL YEAR 2004 BUDGET REQUEST**

The United States Capitol Police is in a period of transition. Due to the ever increasing and underlying threat to the U.S. Congress, the role of the U.S. Capitol Police has expanded to ensuring the continuity of the Legislative Branch of Government and the national legislative process. This is occurring at the same time the Capitol Police is continuing to strengthen the customary role it plays in law enforcement and security services throughout the Capitol complex. The ability of the U.S. Congress to meet its constitutional responsibilities is intertwined with the ability of the Capitol Police to meet its mission. The Capitol Police is ready and willing to meet the challenge this changing environment poses to the structure of our operations. The Capitol Police has augmented, or has plans to further augment, its intelligence and threat assessment capabilities, the dignitary protection program, the delivery inspection program, various physical security measures both on campus and in District Offices as well as its capability to detect and tactically respond to various chemical, biological and radiological threats and incidents. In order to support these increased responsibilities, we are also expanding our administrative and logistical infrastructure and increasing the role of civilians within the organization. We are committed to fulfilling our mission of protecting the Congress with galvanized determination and are continually active in preparing, planning, coordinating and training to maintain a ready state for any contingency.

This budget estimate represent a reasonable, necessary and balanced plan to directly address the threats of today and proposes a plan of resources to ensure the protection of Congress, its Members, staff, visitors and the legislative process into the future.

The Capitol Police’s FY 2004 budget estimate is \$290,510,000, which includes salaries of \$218,268,000 and general expenses of \$72,242,000. This budget supports 1,680 police officer FTEs (1,833 positions) and 555 civilian FTEs (573 positions) for a total of 2,235 FTEs (2406 positions). The general expenses appropriation will cover wide-ranging activities covered under the mission and purpose of the Capitol Police.



Total	\$207.2	\$202.4	\$290.5
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*FY 2002 Actual obligations including no-year funding.

Capitol Police

Salaries

Salaries – Total Request \$218.268 million

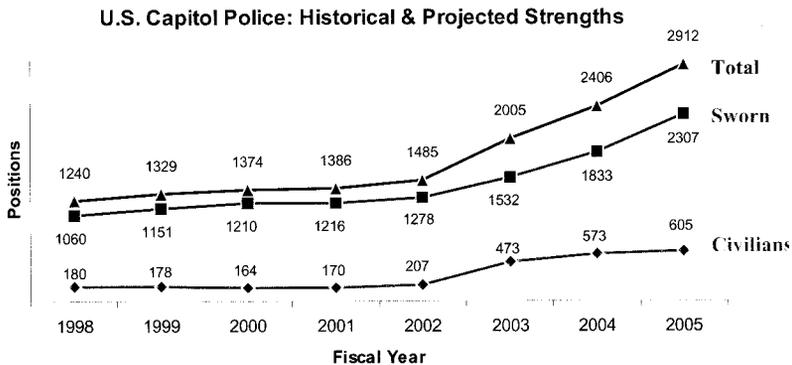
FY03 Enacted Appropriation: \$174.533 million (includes rescission)

FY04 Request: \$218.268 million

The employment of a professional, highly skilled and ethical police force is key to the core mission of the Capitol Police. The best assets of the Capitol Police against today’s threats are the eyes, ears, skills and training of our officers. Technology alone is insufficient to provide a robust security posture capable of providing the level of protection currently required by the Congress. Congress has funded and the Capitol Police have engaged in an aggressive increase of police officer positions.

This effort to increase sworn ranks at a time when every law enforcement agency is seeking the same goal has been challenging; nonetheless, we are succeeding in attracting, recruiting, hiring and training good men and women in officer positions. By the end of FY 03 we will have an onboard sworn strength of 1,532 increasing to 1,833 by the end of FY 04. These additional officers will be a significant advantage in deterring and preventing harmful acts against the Capitol complex and the thousands of people working or visiting here each day.

In addition to the augmentation of the sworn ranks, the Capitol Police is proposing significant increases in its civilian workforce. These increases will provide needed support for the administrative infrastructure as well as the acquisition of several highly skilled physical and technical security experts, intelligence analyst and incident response personnel. The following graph reflects the Department’s total historical and projected year-end sworn and civilian strength by fiscal year.



Capitol Police
General Expenses

General Expenses – Total Request \$72.242 million

FY03 Enacted Appropriation: \$27.917 million (includes rescission)

FY04 Request: \$72.242 million

Budget Breakdown:

Security and Law Enforcement:	\$43,374,000	(60%)
Logistical Support:	\$15,570,000	(22%)
Administrative Support:	\$13,298,000	(18%)

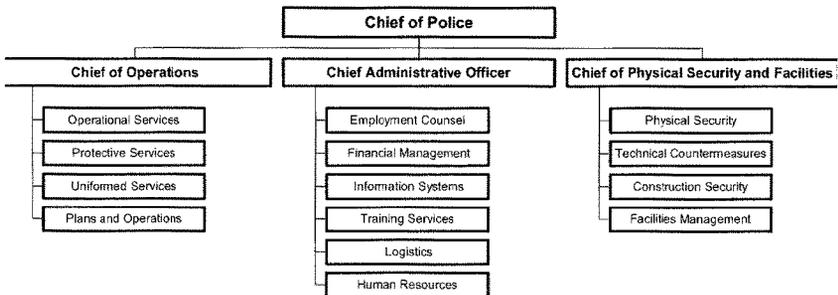
As we address the need for new officers, we must also be mindful of other areas. The security and protection of the Capitol is a designed blend and balance of people, resources and infrastructure. The general expenses budget proposal presents a prioritized approach to meeting the increasing needs of the Department for enhanced security, and security systems, stabilization and growth of the administrative infrastructure and an appropriate level of logistical support to ensure that staff is provided with the tools to carry out the mission of the organization.

The **Security and Law Enforcement** portion of the budget includes various security initiatives and equipment, quick mask refreshment, increases in the protective detail program, particularly travel, protection and response assets, maintenance and life cycle replacements of security systems as well as the creation of a six-person horse mounted unit and other operational costs associated with law enforcement activities.

The **Logistical Support** area of the budget includes expansion of communication issues, including issuing blackberries to all staff, wireless connectivity and infrastructure for vehicles, consulting contracts for Library of Congress merger, life cycle replacement program for office equipment, body armor life cycle replacement and outfitting of new recruit classes.

The **Administrative Support** portion of the budget includes operating expenses for the accounting system, preparation of GAAP financial statements and the associated audit, implementation efforts for business process re-engineering recommendations as well as initiation of a life cycle replacement program for computer equipment and legal assistance contracts.

U.S. Capitol Police Organization (Proposed)



Chief of Police

The Chief of Police is responsible for directing all operations of the Capitol Police, and reports to the Capitol Police Board. The Chief's Office includes the General Counsel, Internal Affairs, Directives and Development, and Public Information.

❖ Chief of Operations

The Chief of Operations provides operational support to the Department with responsibility for managing the Department's law enforcement and security operations. The Chief of Operations includes:

- **Operational Services**
Operational Services is responsible for providing specialized and emergency response to support the Department's operational needs.
- **Protective Services**
Protective Services is responsible for all intelligence gathering activities, threat assessment, dignitary protection and criminal investigations.
- **Uniformed Services**
Uniformed Services is responsible for security of the Capitol building and Congressional office buildings, emergency response to critical incidents, suppressing crime, apprehending violators, enhancing relations with the community and its citizens, conducting preliminary investigations, recovering stolen property, and providing various non-enforcement police services.
- **Plans and Operations**
Plans and Operations is responsible for strategic, operational, and emergency preparedness planning within the Department as well as planning and response to events and emergency situations within the Capitol complex. The Plans and

Operation's Division includes the Command and Communications Center operations.

❖ **Chief Administrative Officer**

The Chief Administrative Officer is responsible for the delivery of all administrative services within the Department. The Chief Administrative Officer includes:

- Employment Counsel
The Employment Counsel is responsible for providing legal assistance, training and advice to supervisory personnel regarding labor and employment matters and providing legal representation to the Capitol Police Board before federal courts and the Office of Compliance.
- Financial Management
Financial Management is responsible for planning and directing all financial activity within the department including budget development and execution, acquisition of all department goods and services, accounting operations and accounts payable functions.
- Information Systems
Information Systems is responsible for policy, planning, designing, testing, implementing, and managing of information systems and communications technologies within the Department.
- Training Services
Training Services is responsible for planning, developing and implementing department-wide training programs for both new recruits and seasoned officers.
- Logistics
Logistics is responsible for logistical support by storing and furnishing parts, equipment, supplies, and materials required by various elements of the organization, as well as managing the vehicle fleet.
- Human Resources
Human Resources is responsible for developing, implementing and administering the full range of human resource programs and services including classification and pay, staffing, employee and labor relations, payroll processing and human resource policy development, systems and reporting.

❖ Chief of Physical Security and Facilities

The Chief of Physical Security is responsible for all physical security operations on campus as well as conducting security surveys of congressional offices and managing Department facilities.

- Physical Security
Physical Security is responsible for planning, installing and maintaining security systems on the Capitol complex used to protect property and national security information.
- Technical Countermeasures
Technical Countermeasures is responsible for the technical security countermeasures inspections and evaluations of office space of the Capitol complex and district offices.
- Construction Security
Construction Security is responsible for providing physical and technical security at all construction sites in and around the Capitol complex.
- Facilities Management
Facilities Management is responsible for the maintenance and improvement of Departmental facilities and serves as liaison with the Architect of the Capitol.

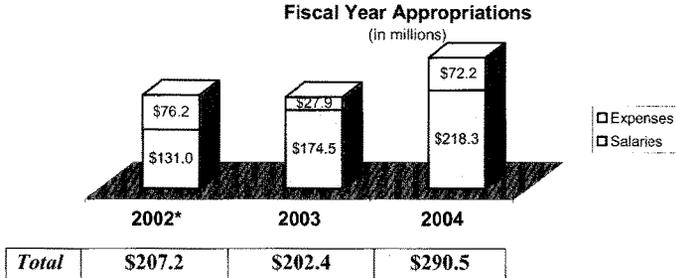
Resource Summary

**United States Capitol Police
Resource Summary
(Dollars in Thousands)**

<u>Appropriation Title</u>	<u>FY 2002 Actual*</u>	<u>FY 2003 Enacted</u>	<u>FY 2004 Request</u>	<u>Change</u>
Salaries				
Total Appropriation	\$131,064	\$174,533	\$218,268	\$43,735
General Expenses				
Total Appropriation	\$76,192	\$27,917	\$72,242	\$44,325
Total Appropriations	\$207,256	\$202,450	\$290,510	\$88,060

* Includes obligations from no-year funds.

The Capitol Police FY 2004 budget estimate is \$290,510 of which \$218,268 is for salaries of employees and \$72,242 is for general expenses. This estimate represents a 43.5% increase over the previous fiscal year. The salaries increase is primarily due to the addition of police officers and civilian support positions. The general expenses increase is the result of overhead costs related to staff increases, two one-time physical security initiatives, maintenance and upkeep of security systems, and logistical support for increased law enforcement operations and capacity.



*FY 2002 Actual obligations including no-year funding.

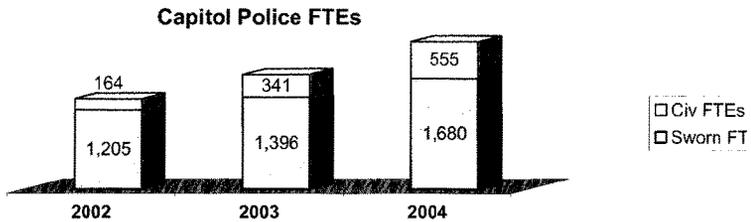
Staffing Summary

**United States Capitol Police
Staffing Summary - FTEs**

Direct Funded by Appropriation	FY 2002 Actual	FY 2003 Enacted	FY 2004 Request
Salaries Appropriation			
Sworn	1,205	1,396	1,680
Civilian	164	341	555
Total, Agency	1,369	1,737	2,235

NOTE: An FTE is equal to regular hours worked divided by the number of compensable hours applicable to each fiscal year. For example, FY 02 is 2,088 hours, FY 03 is 2,088 hours, and FY 04 is 2,096 hours.

The Capitol Police FY 2003 budget supports 1,396 sworn FTEs and 341 civilian FTEs. In FY 2004, FTEs will increase by 284 sworn and 214 civilians for a total of 2,235 FTEs. By fiscal year end 2004, it is expected that sworn positions will reach 1833 and civilian positions will reach 573 for a total of 2,406 filled on-board positions. Please note that positions differ from FTE numbers in that positions represent end-strength while a full time equivalent is a calculated number.



Total	1,369	1,737	2,235
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Salaries Appropriation

Analysis of Change
(Dollars in Thousands)

	FY 2004	
	Agency Request	
	FTE	Amount
Appropriation, FY 2003	1,748	175,675
Rescission	(11)	(1,142)
Adjusted Appropriation, FY 2003	1,737	\$ 174,533
Non-recurring Costs:		
Total, Non-recurring Costs	-	-
Mandatory Pay and Related Costs:		
1. COLA - Jan 2004, 4.1%	-	5,719
2. Annualization of COLA, Jan 2003, 3.7%	-	2,029
3. Other: Annualization of new FY03 Sworn Staff	144	6,377
4. Other: Annualization of new FY03 Civilian Staff	148	11,549
5. Within-grade increases	-	3,786
6. Other: Extra Day, Health Benefits, Workers Comp	-	1,908
Total, Mandatory Pay and Related Costs	292	31,368
Price Level Changes:	-	-
Program Increases:		
1. Additional Sworn Staff	140	6,949
2. Additional Civilian Staff	66	5,418
Total, Program Increases	206	12,367
Net Increase/Decrease:	498	\$ 43,735
Total Appropriation	2,235	218,268

Summary By Object Class
(Dollars in Thousands)

Object Class	FY 2002 Actual*	FY 2003 Enacted	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$ 106,771	\$ 142,374	\$ 178,268	\$ 35,894
12 Personnel Benefits	24,293	32,159	40,000	7,841
Total, Budget	\$ 131,064	\$ 174,533	\$ 218,268	\$ 43,735

*FY 2002 Actuals include obligations of no-year funds.

**Salaries Appropriation
Analysis of Change Explanation**
(Dollars in Thousands)

Total Salaries Request: \$218,268
Total Change: \$ 43,735
Percent Change over FY03: 25.1%

The salaries appropriation is divided between compensation, object class 11, and benefits object class 12. The appropriation will support 2,235 FTEs of which 1,680 FTE will be sworn, and 555 will be civilian

<i>Mandatory Pay and Related Costs</i>	<i>\$</i>	<i>+31,368</i>
1. January 04 COLA		5,719
Nine-months annualization of the FY04 COLA estimated at 4.1%		
2. January 03 COLA		2,029
Three-months annualization of 3.7% COLA		
3. FY 03 sworn position annualization		6,377
Annualization of new positions equal to 144 FTEs		
4. FY 03 Civilian position annualizations		11,549
Annualization of new positions equal to 148 FTEs		
5. Within-Grade Increases		3,786
Estimated longevity pay increases for within rank and grade expected to be paid in accordance with the USCP Unified Pay Schedule.		
6. Other increases		1,908
Other increases are estimated for an extra fiscal year payday, employer paid health benefits, workers' compensation, specialty and merit pay, and transit benefit subsidy.		
<hr/>		
<i>Program Change</i>	<i>\$</i>	<i>+12,367</i>
The Capitol Police will continue their goal to fully staff law enforcement, security and administrative operations.		
1. Increase in Sworn FTE		6,949
Sworn FTE are expected to increase by 140		
2. Increase in Civilian FTE		5,418
Civilian FTE are expected to increase by 66		

General Expense Appropriation

Analysis of Change (Dollars in Thousands)

	<u>FY 2004</u> <u>Agency Request</u> <u>Amount</u>
Appropriation, FY 2003	\$28,100
Recession.....	- 183
Adjusted Appropriation, FY 2003	<u>27,917</u>
Non-recurring Costs:	
1. Latent Fingerprint System.....	- 200
2. Mock Delta Barrier.....	- 350
3. Computer Aided Dispatch System.....	- 800
Total, Non-recurring Costs	<u>- 1,350</u>
Price Level Changes:	
1. Law Enforcement & Security Operations.....	101
2. Logistics: Communications, Vehicles, & Property.....	184
3. Administrative Support.....	8
Total, Program Increases	<u>293</u>
Program Increases:	
1. Security Initiative (no-year funds).....	15,000
2. Offsite Delivery Equipment Fit-out (no-year funds).....	4,300
3. Law Enforcement & Security Operations.....	12,542
4. Logistics: Communications, Vehicles, & Property.....	8,788
5. Administrative Operations.....	3,365
6. Staffing & Recruiting Costs for Staff Ramp-up.....	1,387
Total, Program Increases	<u>45,382</u>
Net Increase/Decrease:	\$44,325
Total Appropriation	<u>\$72,242</u>

**General Expense Appropriation
Analysis of Change Explanation
(Dollars in Thousands)**

Total General Expenses Request: \$72,242
Total Change: \$ 44,325
Percent Change over FY03: 158.8%

The general expense appropriation provides the operating resources for fiscal year activities of the United States Capitol Police. The following provides explanation of the major budget changes from FY03 to the current request.

Non-Recurring Costs. \$ -1,350

The following one-time projects reduce the FY 03 general expense base by \$1.35 million: latent fingerprint system, mock delta barrier, and the computer aided dispatch system.

Price Level Changes. \$ +293

It is estimated that price level increases are \$293 or 1% over the FY03 general expense base.

Program Increases. \$ +45,381

No-year funding is requested for two non-recurring projects:

1. Physical Security Initiative: \$15,000

This initiative will augment the Capitol Police's ability to provide protection to the Congressional community for identified threats.

2. Offsite Delivery Equipment Fit-out: \$4,300

The FY 03 budget request for the Architect of the Capitol includes funds to build an offsite delivery facility for the inspection of all incoming deliveries to the Capitol complex; however, it does not include the fit-out of equipment.

Annual funding is requested for:

3. Law Enforcement & Security Operations: \$12,542

- a. Law Enforcement Operations are increasing dramatically with the numbers of new officers coming on board. Expenses are increasing commensurate with the size of the force and the increased operations.
- b. Security Operations. Since the shootings of 1998, and the 9/11 and Anthrax incidents, the Capitol Police have employed more comprehensive security systems throughout the Capitol complex. The maintenance and life cycle replacement costs of this new equipment are now coming due. These maintenance costs are required to keep the security systems working at optimal performance.

4. Logistics: Communications, Vehicles, & Property: \$8,788.

- a. Vehicles. There are numerous assets that provide support for the law enforcement operations. Patrol and protective vehicles, motorcycles, K9 units, and special purpose vehicles have increased, and so have fuel, maintenance and repairs. The GSA replacement schedule is followed to ensure quality, working equipment.
- b. Property. Each officer is required to have uniforms and personal police equipment. Life-cycle replacement cost of this equipment is increasing with the size of the force. Periods of high overtime use have also caused equipment to wear faster creating expedited replacement schedules.
- c. Communications. The Capitol Police employ several modalities of communication to achieve a high degree of effectiveness, efficiency, and redundancy in emergency events. Since the 9/11 and anthrax incidents, communication costs have significantly increased.

5. Administrative Operations: \$3,365

The Office of Information systems is progressing through a multi-year plan to update the Capitol Police core business and law enforcement systems. Of significance, is a plan to implement an executive information system, which would tie all Capitol Police information systems together for a leap forward in the management and control of Department information and coordination. Other plans will implement encryption of data, workflow modules, and continued modernization of the law enforcement and business systems.

In addition, the Capitol Police are moving forward on many fronts to professionalize administrative operations of the Department. These plans include the first Department GAAP audit, business process re-engineering, and electronic archival of Department documents. The biannual officer promotion testing will also occur in FY 04. Additional funding is also needed to cover outside legal assistance.

6. Staffing and Recruiting Costs for Staff Increases: \$1,387

The Capitol Police are in competition with the many other law enforcement agencies around the country trying to recruit police officers. The keen competition among law enforcement agencies has made recruiting more costly.

Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual	FY 2003 Enacted	FY 2004 Request	FY 2003/2004 Net Change
21 Travel	\$2,184	\$2,833	\$4,403	\$1,570
22 Transportation of Things	1	10	8	- 2
23 Rent, Communications and Utilities	303	1,093	3,481	2,388
24 Printing and Reproduction				
25 Other Contractual Services	53,272	8,945	32,999	24,054
26 Supplies and Materials	8,936	7,426	11,269	3,843
31 Equipment	11,496	7,610	20,082	12,472
Total, Budget	\$76,192	\$27,917	\$72,242	\$44,325

General Expense Explanation by Object Class

The FY 04 appropriation request increases over FY 03 are as follows by object class:

21 Travel. **\$ +1,570**

Protective detail travel assignments have increased dramatically as the level and sophistication of our dignitary protection program is expanded.

22 Transportation of Things. **\$ -2**

There is negligible change in this class.

23 Rent, Communications, & Utilities. **\$ +2,388**

This class will increase to cover communication service costs. The Capitol Police employs several communication modalities for effectiveness, and flexibility of police operations as well as redundancy in emergencies. It is also proposed that the blackberry program cover all Capitol Police employees to facilitate emergency call-up of all or selected groups of employees. This new program will facilitate coordination of staff and will create efficiencies in day-to-day operations.

25 Other Contractual Services. **\$ +24,054**

- **Security:** \$17,290. A proposed physical security initiative in this object class will account for \$15M or 62.4% of this increase. Additionally maintenance and life cycle replacement costs for new security systems implemented over the past few years are now due at an additional cost of \$2,290.
- **Information Systems:** \$2,207. The Capitol Police is continuing with its multi-year plans to replace and improve the core business and law enforcement systems throughout the Department. This includes an executive information system to tie all the systems together. In addition, the Office of Information Systems will now manage telecommunications systems and will begin a maintenance and repair program for police radios and the systems infrastructure that supports them.

- **Financial Management and Department-wide Services: \$1,597.** The department has grown substantially over the past couple of years both in terms of operations, personnel, and budget. The Finance office has been professionalized with staff increases in FY 02 and 03. The next steps will be a GAAP audit, business process re-engineering implementation, and consolidation of support contracts. Included in this amount are consulting services for the merger of the Library of Congress Police with the Capitol Police.
- **Other Increases: \$2,960.** The remaining amounts are spread throughout the Department where there are general increases for external training, and support services.

26 Supplies and Materials. **\$ +3,843**

- **Logistical Support: \$2,300.** Logistical support is increasing to cover costs associated with the outfitting of new officers, and life-cycle replacement of officer uniforms, equipment, and body armor. An additional \$883 is budgeted for refreshment of quick masks for Capitol Hill staff and visitors.
- **Security Services: \$628.** The Department will incur additional costs of \$628 to cover maintenance and life cycle replacement of security systems.
- **Other increases: \$915.** Other increases are tied directly to the increasing staff size and increased operations since 9/11.

31 Equipment. **\$ +12,472**

- **Security Services** will increase by \$7,136 to meet the maintenance and life-cycle replacement costs of the security systems of the Capitol complex. This amount includes the \$4,300 security and technology fit-out of the offsite delivery facility.
- **Information Systems** will increase by \$3,304 to cover the extension of the blackberry program to all Capitol Police staff as explained in the services object class. Also as explained above, information systems will begin to manage the communications systems, which will include maintenance and repair of the radio systems equipment and infrastructure.
- **Financial Management** will increase by \$1,600 to cover the additional costs and overhead associated with the increase of Department-wide administrative support for law enforcement and civilian staffs. This will include additional computers, software, printers, faxes, copy machines, shredders, etc. The department will end the rental of copiers and will purchase them and develop a replacement cycle. A document imaging system will be implemented to better manage paper files and reduce storage issues.

- **Logistical Support.** This area will increase by \$623, and will include patrol car CCTVs, vehicle equipment costs, vehicle life-cycle replacement costs, 6 new motorcycles with sidecars, replacement of the engraving machine, and modular furniture for the 67K Street location.
- **Operational Services.** This area will increase by \$855 to do the following: self-contained breathing apparatus equipment for entry into contaminated buildings during an incident, and equipment needed to start a six-man mounted horse unit for patrol, crowd control at demonstrations, and a more visible police presence on campus.

TUESDAY, MAY 20, 2003.

GOVERNMENT PRINTING OFFICE

WITNESSES

BRUCE R. JAMES, PUBLIC PRINTER

WILLIAM H. TURRI, DEPUTY PUBLIC PRINTER

FRANK A. PARTLOW, JR., CHIEF OF STAFF

JUDITH C. RUSSELL, SUPERINTENDENT OF DOCUMENTS

OPENING REMARKS

Mr. KINGSTON. The budget request for 2004 totals \$135.6 million (\$135,567,000). This is an increase of \$16.5 million, or 13.9 percent over the fiscal year 2003 enacted level. There are three appropriation accounts involved, the Congressional Printing and Binding Appropriations at \$91.1 million, the Superintendent of Documents Program at \$34.5 million, and the Revolving Fund at \$10 million. Mr. Moran, do you have a statement at this time?

Mr. MORAN. Thank you, Mr. Chairman. I think things are getting a lot better at GPO. We have had a lot of problems. We brought in somebody who wants to communicate. He is reaching out, he wants to talk. I haven't heard anyone who has the bottom line has been negative of the work that Mr. James is doing. So I am not going to have many questions. It is great to see real progress at GPO. Everybody may not be on board, but I think you are going in the right direction.

Mr. KINGSTON. Mr. James, your prepared statement has been submitted to the Members of the Committee and will be placed in the record at this point. If you have a statement you wish to make, it will be in order at this time, and then we will move to our line of questions.

[The prepared statement submitted by the Public Printer to the Committee follows:]



**U. S. GOVERNMENT
PRINTING OFFICE**

KEEPING AMERICA INFORMED

BRUCE R. JAMES

Public Printer of the United States

**Prepared Statement
Before the Subcommittee on
Legislative Appropriations
Committee on Appropriations,
U.S. House of Representatives**

on the

**Appropriations Request
of the U.S. Government
Printing Office**

FOR FISCAL YEAR 2004

**Tuesday, May 20, 2003
Room H-140, The Capitol
10:30 A.M.**



U.S. GOVERNMENT
PRINTING OFFICE
KEEPING AMERICA INFORMED

Mr. Chairman and Members of the Subcommittee,

It is a great honor to be here today to present the appropriations request of the U.S. Government Printing Office (GPO) for fiscal year (FY) 2004. It is also a great privilege. There are few posts in the Government and few Federal agencies that have stood the test of time as well as that of the Public Printer and the GPO. I intend to do my best to uphold the tradition of the office while providing the leadership required to guide the GPO into a new era, to ensure that it remains as relevant and necessary to the information needs of Congress, Federal agencies, and the public in the 21st century as it was for the first 140 years of its existence. With just over five months on the job, I have begun to carry out that promise.

GPO's Mission. The GPO has a proud history, one built on innovation, craftsmanship, scale, flexibility, and a singular dedication to meeting the printing needs of the Federal Government and the information needs of the American people. It is one of the Nation's oldest and most venerable agencies, within which the official version of every great American state paper since President Lincoln's time has been produced.

Today we are responsible for the production and distribution of information products and services for all three branches of the Federal Government. Many of the Nation's most important information products, such as the *Congressional Record* and all other legislative information supporting the U.S. Senate and House of Representatives, are produced at the GPO's main plant, a 1.5 million square foot complex that is the largest information processing, printing, and distribution facility in the world. Working in partnership with the American printing industry, the GPO also maintains a pool of private sector vendors nationwide to produce print and other information products for the Federal Government, ranging from Supreme Court decisions to IRS tax forms to crop reports for the Department of Agriculture.

The GPO's middle name—a name we are going to change—tends to obscure our real purpose, which is to *keep America informed* by distributing the official information products of the Government, thereby sustaining one of the keystones of our 200-year old experiment in freedom: an enlightened public. This is a mission that traces its origins to our Founding Fathers. During the Constitutional Convention, James Wilson of Pennsylvania said, "The people have a right to know what their agents are doing or have done, and it should not be in the option of the legislature to conceal their proceedings," creating the grounds for the constitutional requirement in Article I, section 5, that "Each House shall keep a Journal of its Proceedings, and from time to time publish the same..." Later, it was James Madison who eloquently said:

A popular Government without popular information, or the means of acquiring it, is but a Prologue to a Farce or a Tragedy; or perhaps both. Knowledge will forever govern ignorance: And a people who mean to be their own Governors, must arm themselves with the power that knowledge gives.

Congress moved early to establish the "means of acquiring" information that Madison spoke of. The GPO's mission today traces its roots to an act of the 13th Congress, which provided for the distribution of congressional and other



Government documents on a regular basis to libraries and other institutions in each state for that Congress and "every future Congress." This farsighted act was the antecedent for the Federal Depository Library Program, a program funded through the GPO's appropriations, which today serves millions of Americans through a network of some 1,200 public, academic, law, and other libraries located in virtually every congressional district across the Nation. Along with that program, the GPO today also provides public access to the wealth of official Federal information through public sales, through various statutory and reimbursable distribution programs, and—most prominently—by posting nearly a quarter of a million Federal titles online on *GPO Access* (www.gpo.gov/gpoaccess), the GPO's award-winning Web site that is used by the public today to retrieve more than 31 million documents free of charge every month.

New Strategic Direction. Just as the GPO's middle name gets in the way of understanding our true mission, the nature of what we do, printing—once the world's only mass communications medium—has been eclipsed by revolutionary changes in electronic information technologies, principally the Internet. Where once printing predominated as the means of communication between the Government and the public, new and ever-evolving strategies of communications are not only possible but have become mainstream practices, changing how America is kept informed.

While printing will not disappear in our lifetime, its role in our lives—and in the lives of the GPO's customers—already has been forever changed. We are now in a period where we need to sort out what continues to belong in print and what best belongs in information retrieval systems that allow the public to define their own information needs, then search against databases of information that we construct to retrieve only what they need, only when they need it.

Therein lies the challenge for the GPO. Like every other manufacturing business in America, the GPO must reinvent itself if it is to remain relevant and viable for the future. We must take a new look at the changing and emerging information needs of our customers and develop a deeper understanding of our true strengths so that we can plan for and build a new business model that will allow us to meet the information demands of our customers in the 21st century. Then we must convince Congress and our customers to support our plan. As Public Printer, I am leading this effort.

To develop a plan that works, our first step is to determine the facts regarding the GPO's strengths and weaknesses and the problems and opportunities facing us. We are already engaged in that process through participation in a wide-ranging General Accounting Office study of Federal printing and information policy, originally ordered by the Senate. In a related effort, the GAO is also conducting a general management review of our operations. When these studies are concluded later this year we will have a factual basis on which to build a strategic plan.

The plan will present a new vision of the GPO, establish specific and measurable short- and long-term goals and objectives, and contain budget and timetable details. Our next task will be to gain support for the plan from Congress, the Administration and our customers, from the library and information communities, from the printing industry and the labor unions, and from all those who have a



stake in the future of the goals of Federal information policy first articulated by the Founders. Then we must carry out the plan, to transform the GPO into an first-class agency equipped and staffed to meet the information demands of the 21st century: an agency whose mission will be to capture digitally, organize, maintain, authenticate, distribute, and provide permanent public access to Federal Government information.

Transformation Process Begun. Since I took office in early December 2002, we have begun several initiatives to redirect the GPO's focus and begin transforming our operations:

- **Reorganization.** We have implemented an organizational model that is relatively new to the Federal Government but widely used in industry, wherein the chief executive officer (Public Printer) focuses on organizational policy and long-range planning and the second in command (Deputy Public Printer) serves as chief operating officer focusing on the day-to-day operations of the business. Working in collaboration with the GPO's senior managers, we have rolled out a new top-level organizational structure that will be more responsive to the needs of our customers and employees and serve in a transition phase over the next two years. A recent [Washington Post](#) article detailed our reorganization efforts (copy attached).
- **Focus on Employees.** Through a series of round-the-clock meetings to cover all three shifts, I've met with most of our employees and their union representatives in our central office, and to date I've visited GPO operations in Laurel, Philadelphia, Denver, and Pueblo. I've asked for their help in retooling the GPO from top to bottom into an organization that will make us all proud. The response has been highly positive: our employees are ready and eager for change, and I continue to be impressed by the superior quality of the personnel who staff the GPO. We've begun recruiting efforts at colleges and universities around the country to begin reversing the decades-long drain on the GPO's talent. We've implemented the first new employee incentive program at the GPO in over a decade to reward creativity, dedication, and initiative. We've expanded our workforce development budget to \$3 million—just 1.5% of our overall budget, but 5 times the amount previously allocated—to ensure that no one is left behind as we transform our operations, and we've altered our workforce development policy to emphasize training that is mission-related, not simply job-related. We're expanding the use of digital communications internally, and we've created a new Employee Communications Office to provide employees with the information they need to do their jobs effectively.
- **New Image.** We've redesigned the GPO's logo to create a new image that signifies our move away from printing and into the 21st century area of digital information processing and multi-media dissemination.
- **Emphasis on Customer Service.** A principal goal is to redirect the GPO's operations toward customer service—helping our customers



meet their goals, rather than bending their needs to fit what we provide. I've been meeting with Members of Congress, key congressional staff, Federal agency heads, the heads of Federal operations with congruent missions—such as the Postmaster General, Director of the Bureau of Engraving and Printing, and Director of the Mint—the library and information communities, the printing industry, and others to win support for the GPO and increase our future business opportunities. I am especially interested in exploring ways of helping Congress reinvent legislative information products to help expedite its work.

- Printing Controversy With OMB. At my confirmation hearing before the Senate Rules and Administration Committee, I promised to uphold the laws on Federal printing. One of my earliest meetings was with Office of Management and Budget (OMB) Director Mitch Daniels, where we discussed ways we could reduce the contentiousness between our agencies regarding Federal printing policy, and I have continued to stay in touch with OMB on this matter. As you know, OMB sent the *U.S. Budget* to the GPO for production and the proposed policy change in printing has not been issued (although it has not been withdrawn). I have asked OMB to walk forward with me as we establish the facts about printing and information dissemination and devise a policy that fits the 21st century, and I look forward to working with them on this important task.
- Technology Innovation. I've been meeting with the top management of our suppliers—from printing companies to equipment manufacturers—to explore the opportunities for the GPO to assume a leadership position in technological innovation in the digital information era. As part of our reorganization I've created an Office of Innovation and New Technology to get us moving on technology opportunities. It will establish ongoing relationships with cutting-edge companies, premier educational institutions, and relevant government entities at both the Federal and state levels to gather information on emerging and transformative technologies and present that information to the appropriate GPO managers.
- Depository Libraries of the Future. In meetings with members of the library community at the American Library Association Midwinter Conference in Philadelphia, and at the Regional Conference of the Depository Library Advisory Council conducted last month in Reno, NV, I challenged all to help us in developing a new Federal Depository Library Program model that recognizes that more than 50% of the information coming into the program is now only in electronic form, never reaching ink-on-paper. This is one of the biggest challenges that confronts us today, and its resolution will impact directly the appropriations that are provided annually for this purpose. I am tremendously encouraged by the library community's positive response to this challenge.



- **Contingency Planning.** Part of our reorganization was the creation of a Contingency Planning effort, reporting to the Chief of Staff, to plan for emergency preparedness, protection of our employees, and continuity-of-government operations in concert with similar planning efforts in Congress, Federal agencies, the District of Columbia, and elsewhere. We have made significant improvements to emergency plans and procedures affecting our employees. We are also working directly with the House and Senate to ensure continuity of operations in the event of an emergency, and we are finalizing operational improvements funded through the FY 2002 emergency supplemental.
- **Workforce Restructuring.** On April 29, we announced a retirement separation incentive program under authority provided in the Legislative Branch Appropriations Act for 1999, as amended (44 U.S.C. 305, note). The objective of the program is to reduce our existing staffing levels by approximately 300 employees to generate payroll savings. The program was implemented following approval by the Joint Committee on Printing, and it was shaped by negotiations with the GPO's employee representatives. We are requesting funding for the GPO's Revolving Fund to cover the cost of this essential initiative, which will be a major step forward in improving GPO's financial situation and workforce capabilities.

GPO's Appropriations. The transformation of the GPO will be a collaborative process, one that involves all of the GPO's stakeholders, especially Congress. With the transformation we will provide Congress, Federal agencies, and the public an agency equipped and staffed to bring about change in Federal information products and services. In order to make the transition happen, however, the GPO needs funding not only to continue product and service provision, but to begin making the investments we know are needed now to position us for the future. Our appropriations request for FY 2004 is targeted at these two objectives: maintenance of product and service quality, and investment in necessary technology improvements and critical workforce restructuring initiatives. With the proper funding, we will be able to carry out the task of remaking the GPO.

The GPO has three separate appropriation accounts: the Congressional Printing and Binding Appropriation, and the Salaries and Expenses Appropriation of the Superintendent of Documents, and the Revolving Fund.

The Congressional Printing and Binding Appropriation covers the estimated costs of producing the *Congressional Record*, bills, reports, hearings, documents, and related products required for the legislative process. This appropriation is critical to the maintenance and operation of the GPO's in-plant capacity, which is structured to serve Congress's information product needs. It also covers database preparation work on congressional publications disseminated online via *GPO Access*.

The Salaries and Expenses Appropriation of the Superintendent of Documents is used to pay for costs associated with documents distribution and information dissemination functions required by law. The majority of the appropriation is for the Federal Depository Library Program. Related statutory functions covered by this



appropriation are cataloging and indexing, by-law distribution, and the international exchange distribution of U.S. Government publications. Finally, this appropriation provides the majority of funding for the operation of *GPO Access*.

The Revolving Fund is structured to provide working capital for the GPO's operations, and to fund routine improvements to equipment and facilities. Non-recurring or extraordinary costs are met by appropriations to the Revolving Fund for specific purposes.

Continuation of Services. For the Congressional Printing and Binding Appropriation, we are requesting an increase of 1.7% over the funding approved for FY 2003 (\$89.6 million). This amount will cover all estimated congressional printing requirements for FY 2004, as detailed in our budget submission.

The GPO is fully prepared to assist the Secretary of the Senate, the Clerk of the House, the leaderships of both Chambers, and Members, committees, and staffs in efforts to improve the utility of congressional information products and services to the legislative process and reduce costs through the elimination of waste and duplication of effort. Rather than solely responding to requests from Congress, I view the GPO's role as one of providing expert advice and assistance to Congress in the area of legislative information products and services, and we will be proactive in exercising this role. We also look forward to participating in the Legislative Branch Chief Administrative Officers Council mandated by the conferees on the Legislative Branch Appropriations Act for FY 2003 (H. Rpt. 108-10).

For the Salaries and Expenses Appropriation of the Superintendent of Documents, we are requesting an increase of 3%, or \$871,000, over the amount approved for FY 2003 (\$29.5 million) to cover mandatory pay and benefits increases as well as price level changes.

The transition to a more electronic Federal Depository Library Program (FDLP) is continuing in fulfillment of direction from Congress that "emphasis should be on streamlining the distribution of traditional copies of publications which may include providing online access and less expensive electronic formats." Nearly 60% of the 34,800 new FDLP titles made available during FY 2002 were disseminated electronically. For FY 2003 to date, nearly 60% of the new titles made available to the public through the FDLP have been online. Through its electronic information dissemination component, the FDLP now delivers more content to users than ever before. However, in order to preserve public access, the distribution of tangible formats—defined as print, CD-ROM, and microfiche formats—continues for those titles for which there are no acceptable online alternatives. For FY 2002, we distributed approximately 5 million copies of 14,000 titles in tangible formats; overall, tangible formats comprise about one-third of all titles made available through the FDLP.

Investment in GPO's Future. To begin essential investment in the GPO's future, we are requesting additional funds above the levels required for continuation of services. These funds, amounting to slightly less than 2% of GPO's total annual budget, represent a new point of departure for the GPO.



An additional \$4.1 million is requested for the Salaries and Expenses Appropriation to replace obsolete technology used by the *GPO Access* system by upgrading its search and retrieval system, now nearly a decade old. These funds will also cover depreciation costs for GPO's new Integrated Library System and for our *GPO Access* mirror site operations, which are essential both to load-balancing for this heavily-used system as well as continuity-of-government operations. These are information technology investments that will yield proven results as two-thirds of all new titles today are electronic and significant growth in this area will continue.

Also essential to the GPO's future is \$10 million we are requesting to be appropriated to the Revolving Fund to cover the costs associated with the retirement separation incentive program we implemented last month. This is an investment that will enable the GPO to manage the size, composition, and skills of our workforce as required by our rapidly changing technology. The efficiency of our operations will depend largely on our ability to increase the productivity of our workforce by developing needed skills, replacing aging systems, reengineering work processes, and achieving the right staffing levels.

Legislative Changes. Along with our appropriations request, we are seeking two technical legislative changes to Title 44, U.S.C., to improve our ability to attract and retain leadership talent and give us the authority to accept contributions of equipment and services as well as transfer or donate surplus equipment to appropriate entities. Both changes would significantly assist my vision of transforming the GPO.

- We have submitted placeholder language requesting a revision to 44 U.S.C. 303 to increase the statutory pay levels of the Public Printer and Deputy Public Printer. The current levels have been in place for more than a decade and are causing pay compression for GPO's senior level service. The maximum salary available to GPO's senior level service is capped at Executive Level IV, \$134,000. By contrast, 60% of the Senior Executive Service in the executive branch is paid at the current cap, \$142,500 (the same as Executive Level III), according to a recent new report from the National Academy of Public Administration. Without the ability to compete on a level playing field with executive pay for the rest of the Federal Government, much less with executive pay in the private sector, we will be unable to recruit and retain the talent we need to bring change to the GPO.

The most appropriate model for this legislative change exists in the pay system for the Director and Deputy Director of the Congressional Budget Office (CBO), adopted by Congress in the Legislative Branch Appropriations Act for FY 1999. The Director is paid at "the lower of the highest rate of compensation of any officer in the Senate or any officer in the House of Representatives." The Deputy is paid \$1,000 less than the Director. This model would satisfy our objective of alleviating pay compression without raising the Public Printer's pay to the level of the pay Members of Congress receive.

- We are also requesting authority to accept contributions including property, equipment, and services on behalf of the GPO. This authority



will allow us to accept the placement of prototype equipment for beta-testing and systems trials without requiring a significant Government investment, operate intern programs associated with academic printing, technology, and management programs, and accept funds for the development of programs designed to increase the public visibility of the GPO's operations, such as the creation of a GPO printing museum.

In accordance with limitations established by the General Accounting Office, contributions would be authorized only for the GPO, not for the personal use of GPO employees or officials. The GPO would establish a board to review all contributions and reject any that are not allowable by law or are in conflict with GPO's business purposes. This authority would not be used to augment annual appropriations to the GPO for Congressional Printing and Binding and the Salaries and Expenses of the Superintendent of Documents. Finally, to assure appropriate oversight, the GPO would report to the Joint Committee on Printing on the nature and value of any contributions.

- Finally, we are requesting the authority to transfer or donate surplus property to domestic entities specified by law, including other Federal entities, educational or non-profit institutions as defined by the Internal Revenue Code, or state or local governments. The GPO's equipment profile will undergo significant change in the coming period, and the appropriate disposition of surplus property would be facilitated with the authority to transfer or donate surplus property similar to that possessed by the Administrator of the General Services Administration. Currently, when any GPO property is declared surplus it must be sold to the highest competitive bidder. In addition to imposing an administrative burden in the conduct of the sale, this process often results in a price that is extremely low when compared to the actual value of the item when in use. We are proposing language that would provide us with discretionary authority to transfer or donate surplus GPO property. In addition, it would allow us to donate surplus publications rather than destroying them and selling them as scrap paper. This authority would be exercised consistent with the provisions of law regarding donations of equipment by the Chief Administrative Officer of the House of Representatives and would be subject to oversight by the Joint Committee on Printing under such terms as the JCP may establish.

Representation Allowance. We are requesting an increase for the GPO's representation fund. The fund will be important in our effort to promote the concept of changing the GPO. We need to re-connect with our many vendors and customers as we attempt to regain our momentum and re-establish ourselves as the premier agent for the collection, dissemination, and preservation of the Government's information. Its use also will afford the GPO many first hand opportunities to hear the concerns and needs of the people and institutions we serve, especially those that will be essential to our future success. The fund will be subject to established limitations on its use. We will continue to make it available for official councils and groups advising the Public Printer, such as the Depository Library Advisory Council.



U.S. GOVERNMENT
PRINTING OFFICE
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Mr. Chairman and Members of the Subcommittee, I truly believe the GPO's appropriations request for FY 2004 represents a new departure for this agency in preparing for the future. I thank you for your support and encouragement of change at the GPO, and I look forward to working with you and the Appropriations Committees in your review and consideration of our request. This concludes my prepared statement, and I would be pleased to answer any questions you may have.

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Government Printing Office to Reorganize More Efficient Operation Envisioned

By *Brian Faler*
Special to The Washington Post
Thursday, March 27, 2003; Page A19

The Government Printing Office announced a broad reorganization plan yesterday that it hopes will help transform the venerable agency into a more nimble, efficient and businesslike operation.

The agency, which, by law, is charged with printing and distributing government documents, is taking cues from the private sector, adding, for example, a chief operating officer to tend to its day-to-day operations. That will free its head, Public Printer Bruce James, to focus more, he said, on the big picture: where the agency is headed, what its customers in the federal government want and how it can better meet those demands.



Bruce James, head of the Government Printing Office. (Jennifer Damerick For The Washington Post)

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The GPO is also consolidating programs that were strewn across the bureaucracy, in a wide-ranging effort to get rid of red tape, overlap and perennial turf wars. Each of those offices, also in accordance with a business model, will be headed by one officer -- a chief financial officer, for example, will tend to the GPO's financial and administrative concerns.

A new Office of Innovations and Partnerships will scour the landscape

for the latest technologies, techniques and tips from the private sector for use in the agency.

"[James] is, in fact, creating a business model for the GPO," spokesman Andrew Sherman said. "He is using tried and proven strategies and methodologies for carrying out change that have been used in the private sector, importing them to the Government Printing Office and making them work here."

The changes, the first major reorganization of the office in at least a decade, come at a time when the department has increasingly found itself under siege. Last year, the Bush administration, which has been pushing to privatize more government operations, publicly criticized the GPO as wasteful and inefficient. The White House budget office said it was revising regulations to allow all federal agencies to contract independently with commercial printers.

The budget office led the way, opening the job of printing the fiscal 2004 federal budget to competitive bidding. The GPO turned in a bid that was almost 24 percent lower than its price from the previous year, enabling both sides to claim victory. The White House said it proved competition could save the government money, while the printing office said it demonstrated that no one could beat its price.

The GPO, which also prints the Federal Register and the Congressional Record, has noted that it already contracts out the bulk of the government's printing to the private sector through competitive bids. The budget office has said there are many "fugitive" documents because some agencies are upset with the GPO's service fees and cumbersome procedures.

The printing office declined to estimate how much money the reorganization might save them. But James, who took over the office earlier this year, after decades in the private sector, hopes it can help the agency recapture that lost government business.

"Our goal has been to create an organizational structure that makes sense for the work we're doing today, and that will prepare us to fulfill our customers' requirements in the years to come," he said.

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The government of the people

PUBLIC PRINTERS OPENING REMARKS

Mr. JAMES. Well, thank you, Mr. Chairman. We are very happy to be here today to present the GPO's budget request for fiscal year 2004. I also would like to compliment you and the Members of the Subcommittee on the excellent staff you have in Liz Dawson and Chuck Turner. We really look forward to working with them.

With me at the table are Bill Turri, my deputy. Bill is, as you may know, former Chief Executive Officer of Case Hoyt Corporation in Rochester, New York. Case Hoyt is regarded as one of the best, if not the best printer in the United States. I think we are very fortunate to have a person like Mr. Turri willing to enter into government service.

Also with me is Judy Russell who is the Superintendent of Documents. I think you can recognize Judy at the table. Judy is the 22nd Superintendent of Documents in the history of the country. She is the first woman to occupy that position. The reason she has that job is she is the most qualified person in the country to do it.

And sitting at my immediate right is General Frank Partlow, who is my Chief of Staff, and I think many of you have had an opportunity to meet General Partlow, one of America's distinguished military people. And he came in last summer almost 4 months before I was confirmed by the Senate, came to Washington on his own on my behalf to begin to make the contacts and set things up. So we had a smooth transition after I took the oath of office and came to work.

So as you've said, we have submitted our prepared remarks and I am not going to go back through that again. But I would like to make just a few remarks.

Mr. Chairman, the GPO has a proud history, one built on a singular dedication to meeting the printing needs of the Federal Government and the information needs of the American people.

But GPO's middle name tends to obscure our true mission, which is keeping America informed by distributing the official information products of the government. This is a mission that traces its origins to our Founding Fathers.

Just as the GPO's middle name gets in the way of understanding our true mission, the nature of what we do—printing—has been eclipsed by revolutionary changes in electronic information technologies, especially the Internet. While printing will not disappear in our lifetime, its lives in our lives and the lives of GPO's customers has forever been changed.

We need to sort out what belongs in print and what best belongs in information retrieval systems. We need to allow the public to define their own information needs, then search against databases of information that we can construct to retrieve only what they need and only when they need it.

Therein lies the challenge for the GPO. Like every other manufacturing business in America, GPO must reinvent itself if it will remain viable for the future.

Our first step is to determine the facts surrounding GPO's strengths and weaknesses and the problems and opportunities facing us. We are already doing this by participating in the GAO study of Federal printing and information policy ordered by Con-

gress. When this study is concluded later this year, we will have a factual basis on which to build a strategic plan.

Once the plan is developed, our next task will be to gain support from Congress, the Administration, our customers, the library and information communities, the printing industry, and the labor unions and from all of those who have a stake in the future of Federal information policy. Then we must carry out the plan to transform the GPO into an information service equipped and staffed to meet the demands of the 21st century.

Since I took office in early December, we have begun several initiatives to transform our operations. First, we have implemented a new organizational model for the GPO that will be more responsive to the needs of our customers and employees. We have established, as we have discussed, Mr. Chairman, a chief operating officer model in which my deputy serves as the day-to-day operations chief of the GPO, allowing me to focus my attention, 80 percent of my time, on the future and where we are going with this organization with Federal information policy.

We have taken a number of actions to improve the conditions for our employees. We have implemented the first new employee performance incentive program at GPO in more than a decade.

We have expanded our workforce development budget by almost tenfold to ensure that no one is left behind as we transform our operations.

We are expanding the use of digital communications internally to provide employees with the information they need to do their jobs effectively.

We have begun recruitment efforts at America's colleges and universities to reverse the decades-long drain on GPO's talent.

At the same time we have implemented a buyout program for up to 300 employees who are eligible to retire. This will generate cost savings and create opportunities to transition our workforce to new technologies and business practices.

To tell everyone that we are leaving the past behind, we have redesigned the GPO logo to create a new image for the 21st century.

I have been meeting with Members of Congress, key congressional staff, Federal agency heads, the library and information communities, the printing industry and others, to win support for GPO and to increase our business. And of course, much of that has been listening to those communities and what their requirements are going to be in the future.

I have also been meeting with our top management from our suppliers, the printing companies, and the printing equipment manufacturers to explore the opportunities for GPO to assume a leadership position in technological innovation in the digital information era. When I was growing up in the printing business in the 1960s, the GPO enjoyed a worldwide reputation for technology. We were the technology leaders in the world. We have relinquished that position in recent years, and it is my intention to restore the GPO to a prominent position as one of the innovative companies in the world in using technology and introducing new technology to the information process.

To deal with the printing issues raised last year by the Office of Management and Budget, I have kept up a dialogue with OMB offi-

cials about their concerns. Rather than blowing apart a system of printing set up generations ago, I asked OMB to walk forward with me to devise a new approach for Federal printing and information policy that fits the 21st century.

I have challenged the library and government information communities to help us in developing a new depository library program model. More than 50 percent of the information coming into the program now is available only in electronic form, never reaching ink on paper.

Last but not least, we have set up a contingency planning effort to prepare ourselves to protect our employees and carry out continuity of government operations in the event of an emergency. We are doing this in concert with similar planning efforts ongoing in the House and Senate and in the Federal agencies and the District of Columbia.

TRANSFORMATION OF GPO

Mr. Chairman, the transformation of the GPO is well underway. In order to make it happen, however, the GPO needs funding not only to continue product and service provision, but to begin making the investments we know are needed now to position us for the future. Our appropriations request for fiscal year 2004 is targeted at these two objectives; the maintenance of product and service quality and investment in necessary technological improvements and critical workforce restructuring.

For the Congressional Printing and Binding Appropriation, we are requesting \$91.1 million for fiscal year 2004, an increase of just 1.7 percent over the funding that was approved for fiscal year 2003. This allotment will cover all estimated Congressional printing requirements for fiscal year 2004 as detailed in our budget submission.

For the Salaries and Expenses Appropriation of the Superintendent of Documents, we are requesting an increase of 3 percent or \$871,000 over the amount of approved for fiscal year 2003. This is to cover mandatory pay and benefit increases as well as modest price level changes.

To begin essential investment in GPO's future, we are requesting additional funds above the levels required for continuation of these services. These funds, amounting to slightly less than 2 percent of GPO's total annual budget, represent a new point of departure for GPO. We are asking for \$4.1 million for the Salaries and Expenses Appropriation to replace obsolete technology used by the GPO Access system, which is now nearly a decade old. Congress and the public are increasingly dependent on this system and we need to upgrade it to provide the service they have come to expect.

We are also asking for \$10 million for our Revolving Fund to fund the extraordinary expense of our buyout program. This amount is needed in order to avoid spending funds we have earmarked for essential technology improvements.

Along with our appropriations request, we are seeking two technical legislative changes to Title 44 of the U.S. Code. The first, is a change in the pay levels for GPO top executives that will improve our ability to attract and retrain leadership talent. The other is to give us the authority to accept contributions of equipment and

services as well as transfer or donate surplus equipment to appropriate entities. We have briefed the Joint Committee on Printing on both of these changes and have their support for them.

We are also requesting an increase for GPO's representation fund to help us promote the concept of changing the GPO. These changes will help us in transforming the GPO.

Mr. Chairman, the GPO's appropriations request for fiscal year 2004 represents a new departure for this agency in preparing for the future. GPO desperately needs to move forward aggressively to seize opportunities that can be provided by marrying new technology with best practices found throughout the private sector. Our budget request will help us take these steps forward.

I thank you for your support and your encouragement of change at the GPO, and I look forward to working with you and the Members of this Subcommittee in your consideration of our request. This concludes my remarks and I would be pleased to answer any questions you may have.

[The bio of Bruce James, the Public Printer follows:]



A Brief Biography of the

PUBLIC PRINTER
OF THE UNITED STATES

Bruce R. James

Bruce R. James, the Public Printer of the United States, was nominated for the position by President George W. Bush and confirmed by the United States Senate on November 20, 2002. As Public Printer he serves as the chief executive officer of the United States Government Printing Office, one of the Nation's oldest and most venerable agencies, with 3,000 employees in 30 locations nationwide.

Headquartered in Washington, DC, James oversees production and distribution of information products and services for all three branches of the Federal Government. Many of the nation's most important information products, such as the *Congressional Record* and the *Federal Register* are produced at the Government Printing Office's main plant, located five blocks from the Capitol. This 15,000,000 square foot complex is the largest information processing, printing and distribution facility in the world. In addition to its own production facilities, the GPO maintains a pool of 16,000 private sector vendors throughout the country to produce print and other information products for the Federal Government ranging from Supreme Court decisions to IRS tax forms and crop reports for the Department of Agriculture.

James, a 1964 graduate of Rochester Institute of Technology's School of Printing Management and Sciences, brings a lifetime of print and information industry experience to the GPO. Beginning with a basement print shop in his hometown of Cleveland, Ohio at age 11, he founded, developed and managed technology-driven printing and publishing enterprises that operated throughout the country and around the world. Among the enterprises he built are:

Uniplan Corporation, San Francisco, founded in 1973, pioneered the use of mainframe computers for text and graphics processing and electronic image generation, providing services for the U.S. computer and semiconductor industries.

Electrographic Corporation, San Francisco, founded in 1983, provided worldwide electronic information gathering, processing and distribution services for the publishing and banking industries.

Barclays Law Publishing, San Francisco, founded in 1985, perfected the first fully-automated, digital custom printing system, which allowed each customer to order a publication to their exact requirements. For four straight years, Barclays was chosen by Inc. Magazine as one of the America's 500 fastest growing companies.

Polish-American Printing Company, Warsaw, Poland, founded in 1990, a nationwide newspaper printing concern headquartered in Warsaw, Poland.

Nevada New-Tech, Inc., Incline Village, Nevada, founded in 1994, invests in technology-based new enterprises in his home state of Nevada.

In 1993, at age 50, he retired from business and moved with his wife Nora, to Lake Tahoe in Nevada to devote his life to public service in the government and non-profit sectors. Resigning from 13 boards to accept the GPO post, he remains chair of the Board of Trustees of his alma mater, Rochester Institute of Technology, one of the nation's largest private universities, and a board member of Sierra Nevada College at Lake Tahoe.

James and his wife, Nora, have homes in both Washington, DC, and Lake Tahoe. They have three sons, Michael, Jeffrey and Stephen and three grandchildren, Katharine, Philip and Henry.

BUY OUT REQUEST

Mr. KINGSTON. Thank you very much, Mr. James. On this \$10 million for the buyout, if it is going to save \$18 million, is that just government talk? Because if it is really going to save \$18 million, why can't we just—you know, why don't you give us \$8 million?

Mr. JAMES. Mr. Chairman, unfortunately I inherited an organization that is losing money. We have, for four consecutive years, lost cumulatively more than \$40 million. This year I expect to lose about \$18 million. I find that just intolerable. I have never run an organization in my life that loses money. I think that we can manage this to break even as we should and what we are doing with reducing employment by roughly 10 percent is to reduce \$18 million of expense. So unfortunately, the \$10 million investment will do nothing but break us even. And if you choose not to give us that \$10 million, basically I think what we are doing here is short-changing the future of the GPO. I would like to have that money available to make the investments in the future that we are going to need to have.

Mr. KINGSTON. What is your time frame for turning GPO around to profitability or breaking even?

Mr. JAMES. We will have a break-even operation next fiscal year. Actually, we will make a slight profit next fiscal year.

Mr. KINGSTON. Will your budget request then diminish?

Mr. JAMES. Yes, exactly. We will not ask for that \$10 million again.

Mr. KINGSTON. But overall, will your budget request be diminished?

Mr. JAMES. I think that is fair to say yes, it will be down overall. We have two areas that Congress funds. One is the appropriation for Congressional Printing and Binding. And that is pretty well determined by the requirements that you have. And so, depending on what your requirements are, that number will go up and down any given year.

The second one is for the Superintendent of Documents operation. Frankly, unless we have a new business model, I can't tell you what is going to happen with that. My guess is that we will continue to make increasing investments in that area. We hope to make those in technology, we hope that they aren't continuing on-going operating expenses associated with that technology, but time will tell. The other special appropriations here that we are asking for, the technology for the Superintendent of Documents Operation, we will get back to you from time to time talking about that area and working with your staff on setting appropriate investment levels for that.

This \$10 million that I am asking for the Revolving Fund is a one-time request. And unless we decide to do additional workforce restructuring, which would lower our costs even further, I would not expect to come back to you for that again.

Mr. KINGSTON. The President has been insisting on no more than a 4 percent increase overall, with the military increase in the 7 percent range and then other departments lower. This certainly would fall in other departments and 13.9 percent is nearly 10 percent greater than 4 percent.

Mr. JAMES. Mr. Chairman, our largest appropriation is the Congressional Printing and Binding Appropriation. We have kept that under 2 percent. I think we can manage our business to achieve that. The other area that we are asking for, a 3 percent increase for mandatories, is for the Salaries Expense appropriation of the Superintendent of Documents. We don't have much control over that. It is mostly salaries. Those salaries are set by law. So we are just paying the expenses that we are required to pay.

Where we are asking for additional funds beyond that are the investments for the future. The one is the \$10 million investment which will yield back to the government, \$18 million, and that is an ongoing \$18 million every year. So I think that \$10 million is a good investment to make. If I were in the private sector, I would make that type of investment.

The other investment is for the distribution of online information, I think we waited too long to do that. I think we should have done it in prior years. We are the ones responsible for distributing electronic information. And we are operating a system that is put together with archaic technology that makes us very vulnerable. We should not permit that to continue. Frankly, I think this investment again makes a lot of sense. I think it will save us having to pay expenses for a failing system in the future.

Mr. KINGSTON. How many years do you think the \$18 million will last? I was under the impression that it was a lump sum total, but I am now hearing that it is \$18 million per year.

Mr. JAMES. \$18 million a year forever. We are talking about reducing 300 positions, reducing 300 positions right now at GPO. And we may, at some point, want to add some of those back in. But we would do it only under a new business model, and only knowing exactly why we are adding those slots. And we would only do it in conjunction with the JCP and your staff and the Senate staff too.

Mr. KINGSTON. Thank you. I have further questions regarding the GPO's transformation as well as the revolving fund and the requested \$3 million for the electronic FDLP transition.

[The questions and responses submitted for the record follow:]

Question. The Public Printer has talked about the need to transform much of what GPO does to bring it into the 20th century. What are some of the specific changes that are needed? What are your thoughts concerning service to the Congress? Should the GPO continue in the role as the clearinghouse for all government printing? Do you have legislative proposals in mind? What are your estimates of the cost to bring GPO into the 20th century? Will there be savings to offset cost of the modernization program?

Response. It is important to understand that for a long time, the GPO has been the center of government information activities, which mostly involved printed documents. About 10 years ago, digital documents began to replace printed documents. That transition moved slowly, especially in the government, but it soon became obvious that there were a number of problems that needed to be solved to allow the GPO to capitalize on this digital migration and make the necessary transition to the 21st Century.

How do we do this? The actions we've undertaken to date, which are spelled out in detail in my prepared statement, are laying the groundwork for where we go from here. Government printing is declining, but the GPO's mission to make Government information available—perpetually available—is not going away. Instead, the challenges are increasing. We need to effectively meet those challenges for both executive and congressional information products by increasing the GPO's use of technology, which is where we have fallen behind.

A current study of Government printing and information issues, undertaken by the GAO at Congress' request, will provide us with the facts we need in order to

effectively plan for the future. The study is slated for completion by December 2003. From there we will build our plan, which will include any necessary legislative changes. At this point, it is not possible to estimate the cost to transform the GPO, but I would emphasize that any funding we seek to implement our vision of the GPO's future should be regarded as an investment that will show very specific returns for Congress, Federal agencies, the public, and most importantly the taxpayers.

Question. Managing the revolving fund so that it can at least break even has been a continuing challenge. Describe how the fund operates and what changes are needed so that you can operate in the black rather than in the red?

Response. GPO's revolving fund is operated in accordance with Section 309 of Title 44 U.S.C. and is supposed to break even. The fund consists of all the assets, liabilities, and equity accumulated since its inception and is used to temporarily finance operations until reimbursement is made from annual appropriations to GPO and other Federal agencies.

Agencies place printing orders with GPO and GPO either produces the job in its plant or procures the printing from private sector printing contractors. GPO pays for the printing and then, after all the costs are known, invoices the ordering agency for the cost, thereby reimbursing the revolving fund.

GPO also operates a Sales Program where the public can purchase publications. Since GPO successfully implemented the GPO ACCESS system, fewer paper publications are being sold each year. The Sales Program has sustained the most significant operating shortfalls over the past several years.

The revolving fund is required to recover all costs through rates and prices charged to customers. These costs include both the direct costs of providing printed products and services as well as all overhead costs. The revolving fund has failed to break even because workload and revenues have been declining rapidly. GPO has attempted to reduce cost principally by reducing the number of employees through normal attrition. Unfortunately, revenues have been declining faster than cost and this causes the fund to operate in the red. Federal printing has been declining for over a decade and the demand for ink on paper products is not going to increase.

In order to operate the revolving fund on a break-even basis as intended by law, GPO must take immediate action to reduce costs by at least \$18 million per year. The Joint Committee on Printing has approved GPO's request to offer incentive payments to 300 employees, about 10% of the existing workforce, in order to accelerate attrition before the beginning of Fiscal Year 2004. GPO has requested \$10 million to fund these incentive payments. This program is expected to reduce operating costs by \$18 million in FY 2004 and in the succeeding years. GPO plans to operate the revolving fund in the black next year.

Longer term, GPO must be transformed from a printing plant to an electronic information operation and also must be relocated into a smaller, less-expensive building. GPO's mission is to disseminate Federal Government information. Until recently, GPO accomplished its mission by disseminating ink-on-paper products. However, the Internet has had a dramatic impact on the need for ink-on-paper products and the way information is processed and distributed. The transformation will reduce GPO's overhead support costs dramatically by changing the structure of the workforce and reducing the need for space, utilities, building maintenance and repair costs. Implementation of these changes will allow the revolving fund to be operated on a self-sustaining basis in the future.

Question. You have requested 3 new FTE's for the Depository Library Distribution increased workload of managing the expanding FDLP electronic collections. In addition, you have requested \$3 million dollars to continue the transition to a more electronic FDLP. What is the increased workload? If you are moving forward with an electronic FDLP would this not decrease FTE's rather than increase FTE's?

Response. GPO has requested 3 additional FTE's and \$3 million for equipment and software to improve current and future access to government publications in electronic format. These increases are directly related to the increased workload of managing an expanding collection of electronic files on GPO Access. GPO's commitment to permanent public access, the activities that together ensure that electronic resources are widely available both today and into the future, entails significant and ongoing expenditures. Included in this request are funds to migrate the data on GPO Access from a technologically obsolete software platform to a state-of-the-art package. Periodic data migration and conversion is an inherent characteristic of an electronic public information dissemination system.

- Since 1994, GPO ACCESS retrievals have exceeded 1.6 billion, the equivalent of 39.2 billion typewritten pages.
- GPO ACCESS currently averages 32 million document retrievals per month.

- GPO ACCESS contains over 148,000 titles and points to over 93,000 others, for a total of 241,000 titles.
- GPO ACCESS provides use of over 2,800 databases through more than 80 applications.

GPO has requested \$3 million for capital expenditures to handle the increased workload, to improve security, and to modernize obsolete systems components. \$2.4 million of this is earmarked for upgrading and further securing GPO Access; \$0.4 million is for depreciation of the Integrated Library System (ILS); and \$0.2 million is for secure backups of the ILS data and public interface.

GPO has requested 3 additional FTE's for the Federal Depository Library Program (FDLP) to assist in the management of the FDLP Electronic Collection. The additional FTE's are directly related to the increased workload of managing the expanding range of files available to the public through GPO Access.

Approximate 59% of the nearly 35,000 new FDLP titles made available during FY 2002 were disseminated electronically. The 241,000 titles on, or accessible from, GPO Access make up the FDLP Electronic Collection, and size of the collection is constantly expanding, at the rate of 1,500 titles or more per month. GPO guarantees the public will have permanent access to the online titles in the FDLP, in similar fashion to the assurance that physical products in the FDLP will be permanently accessible at the regional depository libraries. Permanent public access for online electronic files entails an organizational commitment to preserving and maintaining the data, beginning with capturing the non-GPO Access content, and including refreshing files to prevent deterioration of storage media, migrating files to newer file formats to prevent technological obsolescence, managing backup and mirror sites, and other ongoing activities.

The 3 additional FTEs will be largely dedicated to the identifying, describing, and archiving online resources in the FDLP. This staffing increase is essential to carrying out the permanent public access responsibility inherent in the primarily electronic Federal Depository Library Program.

ROLE OF GPO

Mr. KINGSTON. Mr. PRICE.

Mr. PRICE. Thank you, Mr. Chairman. Mr. James, glad to welcome you and your colleagues. I have a couple of questions. One refers to an ongoing matter that has been raised in our hearings before, the other follows up on what you said today. As you know, there were a number of provisions added to appropriations measures last year clarifying the role of GPO as the sole source of government printing contracts. OMB appears to think otherwise and reportedly wants to decentralize printing. In recent months we haven't heard much about that discussion.

Has that issue been resolved? Is there some sort of agreement with OMB? What is the current state of play?

And let me just add, apropos of your 2004 request, should OMB prevail, or if the position we understand they have taken should prevail, how would that affect your bottom line or your 2004 budget request?

Mr. JAMES. We have not resolved the issue with OMB. I have a meeting this afternoon with Director Daniels to make a proposal to him for the resolution. He and I met last week to discuss this.

It is my intention to try and resolve this before he leaves government service. I would hate to have that issue hanging. I feel like I am not in control. I would like to be back in control of this situation so I could intelligently answer questions for you about our ongoing operations.

I can tell you that the proposed regulations that OMB promulgated, now I guess close to a year ago would have two effects. One is, they would substantially raise the cost to the government for the procurement of printing because the printing procurement would be in the hands of people that are not experienced and we

would not have the ability to get the advantage of the consolidated purchasing power of the Government Printing Office.

It would also put us in the position of having to continue our operations as Congress has set these operations up. We would have to continue to pay and fund these operations, and we would have less revenue to pay for those operations. So we would find ourselves in a spiraling deficit situation.

I am well aware of both of those issues.

I also understand, I think, Director Daniels' interest in making certain that the government runs as efficiently as possible, and I do not consider him the enemy of the GPO; I consider him an ally in wanting to get the best value for the taxpayer, our taxpayers.

I think that we can resolve this issue. I think I understand what his bottom line is, and I think he understands what my bottom line is; and it is my intention to try and resolve this. I would rather we resolve it than bring it to you for resolution. Let me put it that way.

Mr. PRICE. So your budget request for 2004 assumes continuation of current policy?

Mr. JAMES. It does.

Mr. PRICE. All right. Thank you.

TRANSITION TO ELECTRONICS

Mr. KINGSTON. I have a further question on that topic as well, which I will submit for the record.

[The question and response follows:]

Question. There has been a lot of discussion about the executive branch contracting for its own printing rather than using the GPO, as required by law. Has the executive branch stopped using the GPO for contract printing? What are your views on this issue and what is needed to resolve it?

Response. The executive branch has not stopped using the GPO for contract printing, but the amount of work the GPO is procuring is declining as the result of the increased use of electronic information technologies by agencies and due to a certain amount of dissatisfaction among some of our customers with the way the current system is operating. GPO has a tremendous amount of experience in buying printing and can get great prices for our customers, but in my mind there's great room for improvement in the way the government's information needs are met. What is needed is an innovative approach that relies on technology to create a print buying system that our customers will want to use, that propels the printing industry's federal document production practices forward, and that results in expanded public access to government information. I think such a system could be achieved within the framework of current law, and I've already been talking about it with OMB Director Mitch Daniels.

[Note: Subsequently, on June 6, 2003, GPO and OMB announced an agreement on executive branch printing. The text of the announcement and the agreement, along with a news article from the Federal Page of the Washington Post for June 6, 2003, follow:]

FOR IMMEDIATE RELEASE

June 6, 2003

**GPO AND OMB ANNOUNCE A NEW COMPACT
FOR GOVERNMENT PRINTING**

Washington, DC - Public Printer of the United States Bruce R. James and Office of Management and Budget Director Mitchell E. Daniels, Jr. today jointly announced an innovative agreement that will free executive branch agencies to choose their own printers while saving taxpayer dollars. The agreement will also empower the GPO to maximize public access to federal information.

"Today's announcement is a victory for the American taxpayer," said OMB Director Daniels. "It builds on a competitive experiment that led GPO to print this year's federal budget at a savings of 23 percent. Federal agencies will now be empowered to select printers that provide the best deal for the taxpayers' dollar. At the same time, this agreement strikes a blow against the long-standing 'fugitive documents' problem, in which roughly half of all government documents currently do not make it into the federal depository library program."

"We are extraordinarily pleased to join in this agreement with OMB," said Public Printer James. "It frees federal agencies to competitively choose their own printers and creates a system to provide the American public with better access to more government information than ever before. The government is now moving the way private sector has been moving, relying increasingly on electronic information technology to create and disseminate information products. The agreement we've reached with OMB recognizes this trend by using technology to increase public access to information while providing a system for efficiently managing the buying of the government's declining printing needs, within the framework of current law."

"On behalf of researchers and library users in all types of libraries, the American Library Association welcomes ideas that can improve permanent public access to government information, eliminate fugitive documents, and enhance the Federal Depository Library Program (FDLP). We believe this agreement will lead to more and better access to the important information published by the federal government," said Dr. Carla Hayden, the incoming President of the American Library Association and Director of the Enoch Pratt Free Library in Baltimore, Maryland.

Private sector printers also welcomed the joint announcement. Ben Cooper, Executive Vice President of Printing Industries of America, said, "The Printing Industry of America is pleased with the agreement that the GPO and OMB have worked out to address federal printing and print procurement. We have worked closely with OMB and Public Printer James on a new print procurement model and we believe this announcement marks a new era in federal printing policy and information distribution. We look forward to working with GPO during this transition period to assure the industry serves the taxpayers' needs.

**COMPACT BETWEEN THE
OFFICE OF MANAGEMENT AND BUDGET
AND THE
GOVERNMENT PRINTING OFFICE**

The Office of Management and Budget (OMB) and the U.S. Government Printing Office (GPO) share certain common goals. Both agencies seek to develop a mechanism that will allow Federal agencies direct access to printing vendors for the purpose of placing printing orders, while at the same time enabling the GPO to meet its statutory requirements. Both agencies seek to reduce the cost of Federal printing and to ensure the permanent public access to all non-classified government publications.

In furtherance of these goals OMB and GPO agree to take the following steps:

By October 1, 2003, GPO will develop a demonstration print procurement contract, similar to a GSA Federal Supply Schedule, for a Federal department or agency of OMB's choosing. The contract will feature a front-end electronic system utilizing the World Wide Web that will allow federal customers a one-stop, integrated, print ordering and invoicing system for all print jobs. Any registered printer in the country would be free to submit a price quote on any job placed in the system. The federal customer would then select a printer, using either lowest price or best value techniques.

In support of this contract, GPO will register and qualify printers for participation in the contract and offer 24/7 customer and printer support. In addition, GPO will offer, on a cost recovery basis, additional printing procurement services, including responsibility determination, specification development, technical and design assistance and press inspections.

Agencies will have authority to address issues of quality, time of delivery, and other performance issues directly with the printers they select. Payments will be routed through GPO to private printers, with agencies approving them before they are made.

Vendors participating in the contract would pledge to provide their "most favored customer pricing" to Federal customers and offer a 3% trade discount, during the demonstration project, to fund the operating costs of the contract. The amount of the trade discount once deployed government wide will be reviewed for possible future reduction. The Superintendent of Documents, at its expense, will continue to have access to publications produced under this contract for public distribution. As a condition of payment, vendors would be required to provide GPO with one electronic version of every document ordered under the contract in a format acceptable to GPO and two paper copies, in order to meet the requirements of Chapter 19 of Title 44, U.S. Code.

To ensure that agency printing work is channeled through the new competitive procurement process, the Executive Branch will substantially limit the circumstances where agencies may rely on in-house or other Executive Branch printing operations. OMB will seek audits and, where appropriate, review by Inspectors General.

A demonstration project will begin in FY2004, and the competitive procurement process will be deployed government-wide in FY2005.

OMB and GPO will work with the FAR Council to ensure that appropriate regulatory changes are made to reflect these new arrangements.

**Pact Reached on Use Of Private Printers
Agencies Will Work Through GPO**

By Christopher Lee
Washington Post Staff Writer
Friday, June 6, 2003; Page A25

Federal agencies will be able to choose their own private-sector printers under an agreement, to be announced today, between the Government Printing Office and the Office of Management and Budget.

Under the agreement, the GPO will develop an electronic Web portal to connect agencies to a nationwide network of approved printers who have agreed to offer the government their lowest rates. Agencies will be able to negotiate directly with the printers over price, quality and time of delivery, and may select printers on the basis of lowest cost or "best value."

"Federal agencies will now be empowered to select printers that provide the best deal for the taxpayers' dollar," OMB Director Mitchell E. Daniels Jr. said.

Federal law requires executive branch agencies to use the GPO, an arm of Congress, for their printing needs. Under the current system, agencies place their orders through the GPO, which, in turn, contracts with more than 2,500 private printers to handle much of the work.

The exceptions have been printing orders for U.S. passports, the Federal Register and the Congressional Record, which GPO officials expect to continue printing on government-owned presses in a 1.5 million-square-foot plant five blocks from the Capitol.

The new system will stay within the law by requiring agencies to funnel their print job payments to private contractors through the GPO, said Bruce R. James, the public printer of the United States. But the GPO can charge agencies only a 3 percent fee for the service, down from the current 6 percent fee -- which generated about \$35 million in revenue for the printing office last year.

By October, the OMB and the GPO will pick one agency on which to test the new system in a year-long demonstration before it is expanded government-wide in 2005, James said. "At the end of the year, we'll know a lot more than we know now, and we'll be able to refine the system so that it works for everyone," he said.

James said he does not foresee layoffs at the GPO, which has 3,000 employees, but the agency did recently offer early retirement to about 300 workers.

To participate, vendors must agree to provide the GPO with one electronic version and two paper copies of every government document they produce. Officials said that should improve public access to government records by ensuring that the GPO can provide copies of all-important documents to the 1,300 libraries in the Federal Depository Library Program. Now, many agencies do some of their own printing -- a practice that will be discouraged under the new system -- and some copies of documents never find their way to the GPO.

In fiscal 2002, the GPO processed about \$660 million worth of printing orders, with about \$470 million of it performed by private contractors, officials said.

Throw in the printing that goes on at individual agencies, and the total annual spending on federal printing is more than \$1 billion, officials said.

Last year, the OMB opened up the job of printing the fiscal 2004 federal budget to competitive bidding. The GPO turned in a bid that was almost 24 percent lower than the price it charged in the previous year, and it won the contract. That did not mean that the GPO did the whole job; four of the five budget volumes were printed by a private vendor.

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GPO TRANSITION

Mr. KINGSTON. Mr. Price.

Mr. PRICE. You spoke orally and your written testimony elaborates this transition that GPO is going through in terms of what should be printed, what will continue to need to be available in printed form, and what documents might best belong solely in an information retrieval system. Of course, there are many stakeholders in that decision, and I think particularly of researchers, historians, future users, people trying to retrieve documents and information years, decades from now. It strikes me that their viewpoint and their stake in this might be somewhat different from the array of present users, contemporary users, that you might be thinking of.

So my question is, how does that influence your thinking, and how does that influence the patterns of consultation that you have set up as you make these decisions?

Mr. JAMES. Well, you identified one of the most important areas that we are working on. When I talk about our middle name sometimes getting in our way at the Government Printing Office, sometimes when people think about us, they think what we do is sit over there and run a bunch of printing presses. And while the work, the printing that we do and the presses that we have are important, most of those presses are devoted to congressional printing.

As you well know, we buy out almost all of the government's needs through the private sector, through more than 2,500 printers that we contract with for those needs.

Now, what we have here is an interesting mission. The core mission of the GPO is really making certain that government information, the documents of the United States Government, are available broadly throughout the United States to all of our citizens at no cost, and that the information, the documents of the United States Government are preserved forever, so that patrons of libraries throughout the country can go in and retrieve government documents, be they 50, 100, 150 years old.

Originally, of course, those documents were all done in ink on paper through printing presses. About 30 years ago, we introduced microfiche into the process, so we began to furnish a number of government documents microfiched to libraries. They loved it. More efficient, much easier to store. Recently, within the last 10 years, we have introduced digital technology where we furnish CD-ROMs or DVDs containing information to libraries.

The next generation is going to move to an electronic database where patrons of libraries will be able to sit down at terminals and access that information directly through GPO Access, which is our Web portal. We maintain more than 145,000 titles on our own computer system, and host web sites for about 20 agencies. We also use that same Web portal to point to an additional 92,000 titles which are linked to GPO Access, so that a citizen could come in through our Web portal and be directed to where the information is that they need.

Librarians from the depository libraries deal frequently with this. I spoke with them in Reno about 3 weeks ago. There were 400

librarians there, including a special group of 15 who serve as council to me. While my council and I were meeting, there were many people in the audience that were watching this and listening to what we were talking about. And you can imagine, if you were a librarian who was taught how to deal with books, how to number books, how to file books, how to find information in books, you can imagine your feeling confronting tomorrow where those books, many of those books, will be going away.

What I advised the librarians was that, this year, for the first time, more than 50 percent of the United States Government documents would be available to them only in digital form; we would not print them. Within 5 years, expect 95 percent of the government's documents will be available only in digital form.

Now, this raises some interesting issues and some problems that we need to work on; and, I think that what brought me out of retirement and brought me here is how interesting and difficult some of these challenges are. Many of you have heard me say that if I send you a paper document, or if you ordered from the Superintendent of Documents, a copy of a government publication, and you receive that in a government franked envelope, you have every reason to believe, when you open that envelope, that it is an authentic United States Government publication.

On the other hand, if you enter our Web portal and you download that same publication to your computer, we have no way today of authenticating that as a genuine government publication. We have not established a chain of custody from the point of author or origin to the point that that document is downloaded.

You also would have an opportunity to pass that from friend to friend to friend. Anybody in that process could add or subtract information; yet it would still contain a U.S. Government heading on it. So one of our large challenges over the next year or two, three at the most, is to find a way to authenticate United States Government information.

There are a lot of people working on it. There are people within the government, there are people outside of the government. I have met with most of those inside of the government. We have met with a number of scientists around the country that are looking at these problems.

As I talk to my folks about it, this is as much a business problem as it is a technology problem. We have to define the business side of it first. Once we get that defined, then the technology, I believe, will fall in place. I am not sure we will have to invent anything; I think it is just how we organize it.

At the other end of the scale, we know if we put ink on paper, that a document will probably be around for 300 or 400 or 500 years, maybe forever if it is not exposed to direct sunlight. However, if I record something magnetically, we do not know how long that information will still be on that magnetic media. If we had done something 10 years ago, it would probably be gone today, because we didn't know what we didn't know.

My concern is a lot of what we don't know today. I believe—I am charged by Congress with keeping the information in perpetuity, so I have to devise a scheme—and again, I think a lot of this has to do with business—I have to devise a scheme that will guarantee

that the government has this information in perpetuity, and that gives people access to it, so that the scholars—which is where you started this question—so scholars and researchers throughout this country, and really throughout the world, will have easy and ready access to the information, the documents of the United States Government.

Mr. KINGSTON.

Mr. Culberson.

COST RECOVERY

Mr. CULBERSON. Thank you, Mr. Chairman. I will be very brief. I just want to tell you how impressed I am with your work, Mr. James, and ask you if the Government Printing Office can collect some of the costs of its services from the general public through the sale of publications. Isn't that correct?

Mr. JAMES. That is correct.

Mr. CULBERSON. So couldn't you regain some of that cost from the public, as well as the Congress?

Mr. JAMES. We have a system under which we establish our direct costs and then indirect costs associated with those publications, and it is a formula that we use that has been approved by Congress; and we are at the maximum on those numbers. It would not be fair to include this kind of \$10 million charge into those numbers.

We are not including the \$18 million we are losing every year in those charges. And I will tell you, as I have looked at these things as a practical matter, our prices are already very high. I think if we raise those prices—and it is a reasonable question—if we raise the prices much more than we are now, I think we will see further falling sales and it will actually be self-defeating. We will have less money.

Mr. CULBERSON. Mr. Chairman, I think they have called a vote, so I will pass for now, thank you.

TRANSITION TO ELECTRONICS

Mr. KINGSTON. Please finish what you were saying to Mr. Price.

Mr. JAMES. Okay.

We talked about the fact that the Government Printing Office is in the process of finding a way to authenticate electronic government information, and we are in the process of finding a way to preserve that. And the third area that we are looking at, and remains in my mind very perplexing, is how do we deal with the issue of "versions". Again, if you think about getting a physical, tangible product, a paper product, it may say "second printing" or "third printing". At some point, it was frozen and that was the information at that time.

Well, we now have agencies with the ability to update information every day in their database and keep it current, and that is one of the marvels and one of the marvelous things about an electronic database: You can keep it current. But as it changes from day to day to day to day, where do we draw the line? What do we save? It is unlikely we can save every day's work. It doesn't make any sense.

So this business of having to define what constitutes a “version”, I think Congress is going to have to get involved in this. I think we are going to have to engage the library community in looking at this. It is a very interesting intellectual problem of what will a version be in the 21st century.

Mr. KINGSTON. Thank you. I have additional questions on these topics that I submit to be answered for the record.

[The questions and responses submitted follow:]

Question. Controlling government documents and managing their distribution in this age of electronics presents different challenges than you have had to deal with in the past. What are your views on how we should manage and control the process of capturing government documents, printed and electronic, and making them available to the public?

Response. When GPO Access began in 1994, most online publications were by-products of the printing process. Today, many publications are “born digital” and appear online without any print counterpart. These publications must be identified, harvested, described, and preserved without any of the printing production cues of the pre-electronic era.

Among the challenges of managing current and permanent access to Government publications in the electronic FDLP are:

DISCOVERY OF PUBLICATIONS ON THE WEB

In the Web era, we lack the automatic and largely transparent system of riders added to print orders submitted to GPO that in turn provided publications to be distributed. GPO is developing systems and practices that enable us to effectively find publications that agencies are making available on the Web, and to efficiently gather the information about those publications that we need to drive our cataloging, dissemination and archiving functions. However, to solve the problem of electronic “fugitive documents” GPO needs agencies and/or agency contractors to furnish electronic files of their publications, whether or not there is a print counterpart. This will enable GPO to provide cataloging, dissemination and data preservation services for those digital objects.

ASSURING ONGOING INTEGRITY OF CONTENT

In the print world, a user was assured that a publication from a Government agency, printed through GPO, had passed various approvals and was a fixed, official document. In the Web environment, publications are not consistently reviewed and are not fixed in time by the printing process. Yet users still need and expect the information to be official and to be able to access the various versions (editions) of the same publication over time. GPO is building mechanisms that assure that trust, both for publications stored on GPO servers and those that are on agency servers to which GPO provides persistent links. This effort is beginning with the implementation of PKI (Public Key Infrastructure) software to assign digital signatures, as well as through a partnership with Stanford University and others in the LOCKSS (Lots of Copies Keeps Stuff Safe) project.

ASSURING ONGOING ACCESS TO CONTENT

GPO’s current strategy for assuring access and integrity is to point to publications on the originating agency server for as long as possible, and to simultaneously capture and maintain a working archival copy that will be invoked only at the point that the publication is no longer available from the originating site. In order for this strategy to be successful, we are adapting our cataloging practices to respond to the changing demands of this less stable environment, and we are developing systems and processes for preserving data and reliability, consistently rendering it for the user.

ENHANCING AND EXTENDING THE SERVICE ROLE OF DEPOSITORY LIBRARIES

The link between Government information, technology, and users at all levels of skill, knowledge, and proficiency is the depository librarian. More than ever, users need assistance in making sense of the mass of Government information, and not all users are equally enfranchised in terms of technological savvy and understanding of the Government. GPO is developing additional training and support services that enhance the ability of depository librarians to carry out this function.

MIGRATION OF CONTENT

Once published, a paper publication is relatively stable for many years. Electronic publications, however, must be periodically refreshed so that they remain compatible with new hardware, operating systems and other software. We are already facing the need to extract content from some of the early CD-ROM titles that were distributed to depository libraries, which can only be used on computers running the Windows 3.1 operating system. Obviously, depository libraries cannot become museums for obsolete hardware and software. To ensure permanent public access, GPO must work with the publishing agencies to migrate the content of these CD-ROMs to new formats. Similarly, as we choose a new platform and new retrieval software for GPO Access, we must migrate the databases from their historical formats to more modern formats that take advantage of the new hardware and software capabilities.

Question. What plans does the GPO have for upgrades to the ACCESS online services?

Response.

WAIS REPLACEMENT

GPO plans to procure a new platform to replace the WAIS search and retrieval software for GPO Access databases. Part of our plan for this initiative is a requirement to migrate all WAIS databases on GPO Access to the new platform simultaneously to ensure continuity throughout the site and ease of use for our customers.

The customer functionality of the current WAIS search engine is extremely limited, and has fallen behind the current industry standards for search engines that include features such as natural language queries and other more sophisticated search capabilities. Additionally, from a technical standpoint, replacement of the WAIS search engine is necessary as GPO plans to take better advantage of documents tagged in XML format.

GPO is currently investigating both short and long term solutions to replace WAIS.

XML DOCUMENT ENCODING

Extensible Markup Language (XML) is a flexible text format derived from SGML that was originally created to meet the needs of large-scale electronic publishing. XML encodes and converts or translates content so it is independent of how it is displayed, thus offering universal compatibility. GPO plans to transition from encoding electronic files from GPO locator codes and SGML to XML. Encoding documents in XML will allow GPO to be flexible in its repurposing of content, not only for print and Web use, but also for cutting edge content delivery, such as PDF and WAP phones. In addition, XML text can be read by machines, which will promote efficient searching and data mining. GPO is working closely with the House and Senate in coordinating the development of XML-enabled documents for the Legislative Branch.

PUBLIC KEY INFRASTRUCTURE (PKI)

GPO plans to implement Public Key Infrastructure (PKI) technology that will include the use of digital signatures for Congressional and other information made available through GPO Access. This will help ensure the protection of data against unauthorized modification or substitution to information. It will also enable GPO customers to verify the authenticity and integrity of the information they are using from GPO Access. Customers with a free software reader will be able to confirm that information was approved for submission to GPO by the appropriate Federal agency and that it has not been altered since it was signed.

NEW APPLICATIONS

GPO is working towards adding new applications to its collection of knowledge. One example is a Statutes At Large application, which will further enhance GPO Access users' ability to track a bill throughout the legislative process.

GPO is working with the Office of the Federal Register (OFR), National Archives and Records Administration (NARA) to provide an electronic Code of Federal Regulations Application (e-CFR), that will be updated daily, as opposed to the current annually updated Code of Federal Regulations application, that mirrors the printed products. The e-CFR will consist of two linked databases: the "current Code" and "amendment files." The current Code database will be updated according to the effective dates of amendments published in the Federal Register. As amendments become effective, the changes will be integrated into the current Code database to dis-

play the full text of the currently updated CFR. For future-effective amendments, hypertext links will be inserted into the affected sections or parts of the current Code to take users to the pertinent amendment files. Currently, a beta test site of the e-CFR is available via GPO Access.

IMPROVED FUNCTIONALITY FOR EXISTING GPO ACCESS SITE

GPO Access was re-launched in April 2003 with a consistent interface design and under a new URL <<http://www.gpoaccess.gov>>. The goal of the redesign is to make Federal information more accessible to users unfamiliar with the Federal Government. To this end, GPO is working toward re-examining existing databases to improve functionality and understanding. This includes improved functionality of databases, interlinking publication references within documents, such as the History of Bills and the Congressional Record, and consolidating all GPO Access resources under a single domain and interface.

ONLINE BOOKSTORE

Over the past several years, GPO staff made a number of enhancements to the U.S. Government Online Bookstore to improve the customer experience in regard to searching and ordering Federal Government publications. In order to move forward more quickly with the "next generation" of services that customers are expecting from the online bookstore, GPO recently placed a Request for Information (RFI) in FedBizOps. The purpose is to procure the services of a consultant that can identify an e-commerce solution and make a recommendation on how GPO should proceed with a commercial e-commerce product solution. This includes, among other items, reviewing the capabilities currently in use for the front-end interface and back-end legacy systems for the online bookstore, correlating GPO's needs with commercially available e-commerce software, and preparing a detailed report recommending a complete commercial off the shelf (COTS) e-commerce solution. The consultant GPO ultimately selects for this service will be expected to complete all of our requirements in a 60-day period. This will enable us to move forward more quickly and efficiently to make a number of enhancements that are required for the online bookstore to better serve our customers.

BEN'S GUIDE

When Ben's Guide was released in December 1999, the site was intended for a target audience of students ranging from kindergarten through twelfth grade. As time passed and word of Ben's Guide spread, it became evident that adults and students alike were utilizing the site. The present version of the site does not adequately address its current varied audience, and therefore, GPO is moving toward a complete redesign of Ben's Guide that implements new technologies designed not only to educate, but also to engage the user. In so doing, Ben's Guide to U.S. Government for Kids will become Ben's Guide to U.S. Government and a site constructed by comprehension, not grade level, will be introduced.

ARCHIVE DOCUMENTS

Mr. KINGSTON. Mr. Culberson.

Mr. CULBERSON. No further questions. Thank you, Mr. Chairman.

Mr. KINGSTON. Something that has occurred to me is that most Members of Congress have been asked by a local university to archive their documents, and consequently, we are all feeling this is our shot at immortality.

However, as we gather our own archives together, we have a number of videotapes of great speeches that even our children and family will not listen to, but we are sure some Political Science 101 kid will watch. Videotape deteriorates, correct?

Mr. JAMES. Yes, sir.

Mr. KINGSTON. What is the best method of preservation from videotape?

Mr. JAMES. Well, as I sit here today, I cannot give you any recommendations on behalf of the Government Printing Office. I think

we have to get to the point that I can give you solid recommendations.

There are certainly techniques and technologies that are employed today to transfer things from film to videotape to digital magnetic storage devices. The problems associated with that are very similar to what we have with storing typed information, typed characters, the same nature of problems; and we are just going to have to work out a solution to the whole thing.

Mr. KINGSTON. We do not want to give you mission expansion.

However, if you wrote a letter to Members of Congress, what would your method of archiving congressional records be?

It is possible that we the Members are storing information inefficiently and incorrectly.

Mr. JAMES. I was just thinking, it sounds like a marketing idea for us. I think it is a very interesting question.

Let me look into that, and I will respond back to you then, Mr. Chairman. It sounds quite interesting.

Mr. KINGSTON. The documents could be relevant to somebody, and the better job we do of collecting them and organizing them, the easier it would be for everybody.

Mr. JAMES. We are getting ready, as you know, to produce the next edition of the Congressional Biographical Directory; and it goes back to the very first Member of Congress all the way through the current membership of Congress, and we have been doing the same thing for 100 years. It looks very much the same.

I think what you are talking about here is, how do we take advantage of new technology to really expand that information so that not just scholars but the average citizen would have access to the speeches and the histories of Members of Congress.

I think that is a wonderful question. I will look into that, and I will get back to you and discuss that further with you.

[The submitted response follows:]

ARCHIVING CONGRESSIONAL RECORDS

GPO is participating with other entities in the Legislative Branch to implement and extend capabilities to support video, video archiving, and video searching of archived material. The Library of Congress along with the House has taken a number of steps to demonstrate options in the retention and retrieval of proceedings. Although Congress has not yet determined officially how this material will be made available to the Congress and externally to the public, GPO stands ready to assist any such effort through the provision of public access and permanent storage.

GPO can also support the conversion of other materials to electronic formats. Member offices, as one example, have material that may come from a variety of sources, including physical papers, Web sites, video tapes and other materials that document the accomplishments and activities of the Member during his or her term in office. As the Chairman noted, increasingly it is desirable that these materials be converted into a uniform electronic archive, which can be provided to the Member and/or retained for permanent public access.

GPO can develop a specific program to support Members. As part of this effort, cost recovery and associated issues will need to be addressed in view of GPO's current statutory authority.

WASTE FRAUD AND ABUSE

Mr. KINGSTON. Okay. Thank you.

Could you submit a statement concerning waste, fraud, and abuse for the record?

Mr. JAMES. I would be pleased to, Mr. Chairman.

GPO ACTIONS TO DETER FRAUD, WASTE, AND ABUSE

GPO has a comprehensive approach to deter fraud, waste, and abuse designed to protect the taxpayers' funds and to improve the efficiency and effectiveness of operations. Key aspects of GPO's control structure are the conduct of vulnerability assessments, the annual financial audit, and audits and investigations conducted by the GPO Office of Inspector General (OIG). GPO management conducts annual vulnerability assessments and internal control reviews. These reviews help to insure that an effective internal control structure is established and maintained by GPO managers for all programs, functions, and activities. The Inspector General (IG) is responsible for staying abreast on the progress of implementation by management of the annual assessments and control reviews, examining the completeness of the assessments, and consolidating the review results in an annual letter of compliance to the Public Printer.

GPO's annual financial statement audit process provides the overall organizational discipline and the results of the audit provide the overall assurance that the operational systems in place are adequate to prevent material fraud. Every employee is charged with the responsibility, and is encouraged, to report suspected fraud, waste, and abuse to management or directly to the OIG. Our internal control program is designed to identify these same issues at the institutional and systemic levels. Additionally, the OIG independently initiates as many efforts as possible within the limits of resources to recommend improvements and corrective actions to further eliminate the opportunity for fraud, waste, and abuse within GPO and fully prosecute any incident of waste, fraud, and abuse.

GPO received an "unqualified opinion" on its financial statements for FY 2002, following a comprehensive, independent audit of its financial operations by KPMG LLP. This is the highest level of assurance that an audit firm can give on an organization's financial statements. FY 2002 was the sixth consecutive year that we have received such an opinion since Congress enacted an annual audit requirement for GPO in 1996. As part of their independent audit, KPMG LLP found two reportable conditions related to internal control. The first is related to year-end publications for sale inventory, which included a significant number of publications that are considered obsolete or slow moving, as defined by GPO's policies. The second is related to strengthening information technology general and application controls. GPO is taking actions to improve these areas and resolve these findings.

GPO's OIG was created by the Government Printing Office Inspector General Act of 1988, Title II of Public Law 100-54 (October 18, 1988). Public Law 104-316, the General Accounting Office Act of 1996, provides that the GPO Inspector General conducts audits under the direction of the Joint Committee on Printing (JCP), and conducts annual audits of the GPO financial statements when requested by the JCP.

Marc A. Nichols was appointed IG of the GPO on March 17, 2003, and brings a new vision to the OIG, improving the organizational structure, information technology, and the relationship with divisions within the agency. The IG is responsible for conducting and supervising audits, investigations, and inspections relating to GPO, recommending policies to promote economy, efficiency, and effectiveness in GPO operations. The OIG is being restructured to accomplish its mission.

The OIG Office of Investigations (OI) conducts and coordinates investigations relating to employee misconduct and monetary or material losses occurring in GPO programs and operations. These investigations may include contractors, program participants, or GPO officials and other employees. Special Agents in the Office of Investigations are also designated as special police officers pursuant to 44 U.S.C. 317, and have full law enforcement authority on premises occupied or under the control of GPO and adjacent areas.

The OI continues an aggressive effort to detect, prevent, and investigate the loss of Government assets. The OI reviews Federal and GPO programs susceptible to fraud, waste and abuse in coordination with the Office of Audits. In addition, the OI seeks to recover monetary funds and investigative costs payable directly to the GPO as part of criminal and civil adjudications, or through administratively negotiated settlements.

The OIG Office of Audits conducts independent and objective audits relating to GPO, as required by the Government Printing Office Inspector General Act of 1988; provides leadership and coordination, and recommends policies to promote the economy, efficiency, and effectiveness of GPO's programs, operations, and activities; and keeps the Public Printer and Congress fully and currently informed about problems and deficiencies relating to the administration and operations of the GPO.

The OIG Office of Inspections and Evaluations provides the IG with an alternate mechanism to traditional audit and investigative disciplines to assess GPO pro-

grams and activities. Additionally, the office assists the IG in responding to Congressional and management requests for assistance. The work of the office is characterized by rapid turnaround on reviews, which are normally limited to a single issue.

CLOSING

Mr. KINGSTON. I have a few more questions for the record. We appreciate you coming here today, and wish you all the success with your transformation of the GPO from a nineteenth century printing factory to a twenty-first century operation that will meet the needs of the Congress, Federal agencies, and the American public.

[The questions and responses submitted follow:]

GOVERNMENT PRINTING OFFICE

QUESTIONS FOR THE RECORD

Question. The General Accounting Office has recently undertaken a General Management Review of the Government Printing Office. What is the status of the review? Have any significant issues come to light so far? If so, how do you plan to deal with them?

Response. The GAO has begun a General Management Review of the Government Printing Office to identify improvements to GPO's management infrastructure to help GPO effectively respond to its current and emerging challenges, including ensuring that it has the management capabilities needed to successfully transform itself in terms of what it does, how it does it. The first deliverable is anticipated in September 2003, which will include a briefing/report on the current status of GPO's human capital management. No significant issues have come to light so far.

Question. There has been a question raised about the possibility of opening a GPO bookstore within the new Capitol Visitor Center. What are your views on this issue? Would this bookstore be an increase to your sales program or would it just divert customers from North Capitol Street to the Capitol Visitor Center?

Response. Today, most people prefer to access Government information on the Internet. Still, there is a role and a place for making government documents directly available for sale, and the Capitol Visitor Center is a perfect case in point. Providing the ability to purchase copies of the pocket-sized Constitution, the History of the Capitol, the Congressional Record, and other documents and products by and about the Congress would be a real service to the public that would be used and appreciated.

We don't think a large physical area would be required for this, just enough space to offer visitors to the Capitol a place to obtain their own copies of publications directly relevant to their visit. With the cost saving actions we have underway for the sales program, an outlet in the Visitor Center would not increase the burden on the program. We plan a significant reconfiguration of our current bookstore space on North Capitol Street, and we do not believe an outlet in the Visitor Center would duplicate or conflict with our plans.

Question. The Office of the Superintendent of Documents by-law distributes to other government agencies and to Members of Congress certain publications. For the record, prepare a list of each publication that is distributed, to whom they are distributed, and what is the public law reference that requires the distribution. Also, what is the estimated annual cost of this distribution program?

Response. The Documents Bylaw Distribution Program consists of storage and distribution of publication and subscription titles in support of various Federal agencies and the Congress. This program is authorized in part by Title 44, of the United States Code, and in part under the enabling legislation of the agencies whose publications are distributed. By law distributions are made under specific provisions of law, which require GPO to make distribution free of charge to the recipient and the publishing agency. Costs associated with the storage, handling, and distribution of bylaw publications are funded through the Salaries and Expenses Appropriation. Printing and binding costs for copies distributed are charged against the appropriations of the issuing components of the Government. In fiscal year 2004, the cost for the By-law Distribution Program is estimated to be \$221,000, primarily for distribution of the Congressional Record.

<i>By-law distribution activity</i>	<i>FY 2002 copies distributed</i>
Congressional Record (Title 44, Ch. 7, Sec 906)	912,502
Congressional Record (Microfiche)	27,308
Presidential Documents (Title 44, Ch. 17, Sec 1701)	108,252
Congressional List (USDA) (Title 44, Ch. 17)	20,106
Legations (State Department) (Title 44, Ch. 17, Sec. 1717)	16,500
File Copies (All Agencies) Title 44, Ch. 17, Sec. 1713, 1714, 1718	735
Official Report of the Supreme Court	414
Monthly Catalog (Title 44, Ch. 17, Sec. 1711)	288
U.S. Reports	155
Congressional Serial Set Catalog (Title 44, Ch. 17, Sec 1710)	19

CLERKS'S NOTE.—The budget justification of the Government Printing Office submitted to the Committee follows:]

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**U. S. GOVERNMENT
PRINTING OFFICE**

KEEPING AMERICA INFORMED

BUDGET JUSTIFICATION

Fiscal Year 2004



U. S. GOVERNMENT
PRINTING OFFICE
KEEPING AMERICA INFORMED

WASHINGTON, DC 20401
OFFICE OF THE PUBLIC PRINTER

PublicPrinter@gpo.gov

March 18, 2003

The Honorable Ben Nighthorse Campbell
Chairman
Subcommittee on Legislative Branch Appropriations
Committee on Appropriations
U.S. Senate
Room S-125, The Capitol
Washington, DC 20510

The Honorable Jack Kingston
Chairman
Subcommittee on Legislative Appropriations
Committee on Appropriations
U.S. House of Representatives
Room H-148, The Capitol
Washington, DC 20515

Dear Chairman Campbell and Chairman Kingston:

I am pleased to transmit herewith the appropriations request of the U.S. Government Printing Office (GPO) for fiscal year 2004. Our request establishes a number of key priorities for the transformation of the GPO from a 19th-century-based printing factory into a state-of-the-art facility equipped and staffed to meet the 21st century information needs of Congress, Federal agencies, and the American public.

GPO has a proud history, one built on innovation, craftsmanship, scale, flexibility, and a singular dedication to meeting the printing needs of the Federal Government and the information needs of the American people. However, printing—once the world's only mass communications system—has been eclipsed by revolutionary changes in electronic information technologies, principally the Internet.

While printing will not disappear in our lifetime, we are now in a period where we need to sort out what continues to belong in print and what best belongs in information retrieval systems that allow GPO's customers—not GPO—to define their own information needs, then search against databases of information that we construct to retrieve only what they need, only when they need it.

Therein lies the challenge for GPO. Like every other manufacturing business in America, GPO must reinvent itself if it is to remain relevant and viable for the future. We must take a new look at the changing and emerging information needs of our customers and develop a deeper understanding of our true strengths so that we can define and build a new business model that will allow us to meet the information demands of our customers in the 21st century. We are already engaged in that process through participation in a General Accounting Office study of Federal

printing and information policy, ordered by the Senate. When that study is concluded in December 2003, we will have a factual basis on which to build a strategic plan for transforming GPO into a 21st century operation.

In the meantime, GPO requires funding to continue product and service provision to Congress, Federal agencies, and the public, and to begin making the investments we know are needed now to position us for the future. Our appropriations request for FY 2004 is targeted at these two objectives: maintaining product and service quality for congressional and public users of GPO's services, and investment in necessary technology improvements and critical workforce restructuring initiatives to begin positioning us for the future.

Continuation of Services. For the Congressional Printing and Binding Appropriation, GPO is requesting \$91.1 million for FY 2004, an increase of 1.7% over the funding recently approved for FY 2003. This amount will cover all estimated congressional printing requirements for FY 2004. For the Salaries and Expenses Appropriation of the Superintendent of Documents, we are requesting an increase of 3%, or \$871,000, over the amount approved for FY 2003 to cover mandatory pay and benefits increases and price level changes. These funding increases are necessary to continue providing services to Congress and the public in the coming fiscal year.

Investment in GPO's Future. To begin essential investment in GPO's future, we are requesting additional funds above the levels required for continuation of services. These funds, amounting to slightly less than 2% of GPO's total annual budget, represent a new point of departure for GPO.

An additional \$4.1 million is requested for the Salaries and Expenses Appropriation to replace obsolete technology used by the GPO Access system by upgrading its search and retrieval system, now nearly a decade old, and to make associated improvements in GPO's ability to capture, store, maintain, authenticate, and provide permanent public access to Government information in digital formats. These funds will also cover depreciation costs for GPO's new Integrated Library System and for our GPO Access mirror site operations, which is essential both to load-balancing for this heavily-used system as well as continuity of government operations. These are information technology investments that will yield proven results as fully two-thirds of all new titles today are electronic and significant growth in this area will continue.

Also essential to GPO's future is \$10 million we are requesting to be appropriated to the Revolving Fund to cover the costs associated with necessary workforce restructuring under retirement incentive authority established by law. This investment in a retirement incentive program, to be conducted this fiscal year, will yield cost savings of approximately \$18 million in FY 2004 and position us to begin constructing the workforce profile necessary for our future.

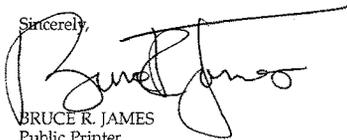
Legislative Changes. We are also seeking approval for two technical legislative changes to Title 44, USC: revision to the pay levels of the Public Printer and Deputy Public Printer as provided in 44 USC 303 to alleviate pay compression among GPO's senior level managers, and authority to accept contributions of equipment and services as well as transfer or donate surplus equipment to

The Honorable Ben Nighthorse Campbell, The Honorable Jack Kingston – Page 3

specified entities. These changes will improve our ability to attract and retain leadership talent and give us flexibility in the management our equipment assets, such as accepting the placement of prototype equipment for beta-testing and systems trials without requiring a significant Government investment.

GPO's appropriations request for FY 2004 represents a new departure for this agency in preparing for the future. I thank you for your support and encouragement of change at the GPO, and I look forward to working with you and the Appropriations Committees in your review and consideration of our request.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce R. James", written over a horizontal line.

BRUCE R. JAMES
Public Printer



U.S. GOVERNMENT
PRINTING OFFICE
KEEPING AMERICA INFORMED

Fact Sheet

OFFICE OF CONGRESSIONAL AND PUBLIC AFFAIRS
(202) 512-1991 • <http://www.gpo.gov> • e-mail: gpointo@gpo.gov

MISSION

GPO keeps America informed. GPO ensures the public's right to access government information by collecting, organizing, maintaining, preserving and disseminating it. For 140 years, GPO has produced and distributed Federal Government information products. Currently, GPO captures digitally, stores, authenticates, produces, and disseminates information from Congress and other Federal publishers for the public, directly and through the Federal Depository Library Program.

TRANSFORMATION

GPO has begun a transformation process into an information service for the 21st century, creating, disseminating and preserving Federal information. GPO is engaged with customers and stakeholders to identify their needs and concerns and to determine GPO's strengths, weakness and opportunities. The demands of Congress, the agencies, and the American public for Government information will guide GPO in identifying the optimal technologies to employ to meet those requirements.

GAO is presently conducting a congressionally-mandated study of Federal Government information dissemination. GAO is also conducting a management audit of GPO. These studies will provide the basis for our 2004 strategic planning effort to effect needed changes.

Over the next several years, the transformation of GPO will require investments in its workforce and technology infrastructure. The results will be improved effectiveness and efficiency of GPO and increased value to the customers we serve.

ROLE IN GOVERNMENT

The Public Printer, who serves as GPO's chief executive officer, is nominated by the President and confirmed by the Senate. GPO operates under the authority of the public printing and documents chapters of Title 44 of the U.S. Code.

Created initially to satisfy the printing needs of Congress, GPO today is the focal point for printing and information dissemination for the entire Federal community. In addition to Congress and the White House, approximately 130 Federal departments and agencies rely on GPO's services. Congressional publications, Federal regulations and reports, census and tax forms, and U.S. passports are among the documents produced by or through GPO. At one time, GPO's mission was accomplished through the production and procurement of conventional ink-on-paper printing. Today, after more than a generation's experience with electronic printing systems, GPO is providing Government information in a wide range of formats, including print, microfiche, CD-ROM, and online through *GPO Access* (<http://www.gpo.gov/gpoaccess>).

FACILITIES AND PERSONNEL

Carrying out GPO's mission today is a skilled and dedicated of a workforce of more than 3,000 employees nationwide. Most are based at GPO's central office facility in the Nation's Capital, making GPO the largest industrial employer in the District of Columbia. Also located in the National Capital area is a storage and distribution facility. GPO operates a printing plant in Denver, a technical documentation facility in Atlantic City, NJ, a publication distribution facility in Pueblo, CO, as well as regional and satellite procurement offices and bookstores throughout the country.



FUNDING

Unlike most Federal agencies, GPO operates much like a business—it is reimbursed by its customers for the cost of work performed. GPO also receives two appropriations, one to pay for the cost of congressional printing, and the other to fund the cataloging, indexing, distribution, and online access to Government documents, through the Federal Depository Library Program (FDLP) and as required by law. These funds are provided through the annual legislative branch appropriations bill, and together they comprise about 4 percent of total legislative branch appropriations. In FY 2002, GPO's revenues totaled \$701 million. GPO's finances are audited every year by an independent auditor, and it receives an "unqualified" opinion every year.

PROCUREMENT SERVICES

More than 70 percent of GPO's printing revenue is from agencies for work procured by GPO from the private sector printing industry. GPO has a long-standing partnership with America's printing industry to provide for the Government's printing needs. GPO competitively buys products and services from more than 2,260 private sector firms in all 50 states. It is one of the Government's most successful procurement programs, assuring the most cost-effective use of the taxpayers' printing dollar.

IN-PLANT OPERATIONS AND INFORMATION TECHNOLOGY

GPO's in-plant facility provides electronic information systems and production technologies to support the information product needs of Congress and Federal agencies. GPO produces the Congressional Record overnight when Congress is in session, and bills, hearings, documents, reports, and committee prints are all produced in time to support Congress' legislative needs. Also produced in-plant are the Federal Register, the Code of Federal Regulations and other key Government documents, such as the annual U.S. Budget. In FY 2002 GPO's in-plant operations produced more than 8.7 million U.S. passports for the State Department and nearly 249 million postal cards for the U.S. Postal Service. With few exceptions, all paper used by GPO and its contractors meet Federal recycled paper requirements and all GPO printing inks utilize vegetable oil.

Beginning in the 1960's, GPO was one of the first printing organizations nationwide to pioneer the use of electronic typesetting systems in place of traditional practices. Since then, successive generations of technology have been deployed by GPO to develop electronic data-bases of Government information products from which publications in both print and electronic formats are produced. Computer-to-plate technology has further updated GPO's capabilities. GPO has also been a leading producer of CD-ROMs of Government information for more than a decade. GPO uses electronic information technology to increase efficiency in its print production processes, facilitate e-commerce in its printing procurement and documents sales programs, and expand public access to Government information via the Internet.

SUPERINTENDENT OF DOCUMENTS

Through its Superintendent of Documents' programs, GPO disseminates the largest volume of U.S. Government publications and information in the world. More than 30.5 million printed publications were distributed in FY 2002 and approximately 372 million Government documents were downloaded from *GPO Access* at a cost of less than a penny per retrieval. *GPO Access* is available at <http://www.gpo.gov/gpoaccess>.

To keep America informed, GPO also offers Government publications for sale to the public. Approximately 9,000 titles are available for sale at any given time, including books, CD-ROMs, and other electronic formats. This provides the public with a wide variety of low cost consumer-oriented publications as well as Congressional documents, regulatory materials, research reports, reference books and guidebooks for National Parks. Documents can also be ordered through GPO's secure Online Bookstore site at <http://bookstore.gpo.gov>. Publications are also sold by mail, telephone, fax, and through bookstores located around the country. Free and low-cost publications are distributed through the Federal Citizen Information Center in Pueblo, CO.



The Federal Depository Library Program (FDLP) is the public's primary source of free access to the published information of the Federal Government, and its enabling legislation has been called "America's first freedom of information act." More than 1,200 Federal depository libraries nationwide provide free public access to Government information in both print and electronic formats. Federal depository libraries are designated by Members of Congress or by law. Many are college, university, and academic law libraries, making the FDLP a key component of the Nation's education system. In FY 2002, GPO distributed 5 million copies of over 14,000 tangible products in print, microform, and CD-ROM formats to depository libraries. Every depository library also has access to the vast range of information made available online via *GPO Access*.

Superintendent of Documents' programs catalog and index Government information, distribute publications as required by law, and provide reimbursable distribution services for other Federal agencies. Under the International Exchange Program, which is administered by the Library of Congress, GPO distributes U.S. Government publications to nearly 70 nations around the world.

GPO ACCESS

In this age of pioneering advancements in information technology, the public requires immediate access to official Federal Government information to stay up-to-date with regulations, laws, and consumer information materials that affect their personal and professional livelihood. To meet this need *GPO Access* (<http://www.gpo.gov/gpoaccess>) makes online Government information products available to Federal Depository Libraries and the public with the goal of widespread and equitable information dissemination.

GPO Access is a leading online source of free, official Government information. Its publicly available resources, covering all three branches of the Federal Government, have grown to encompass more than 2,800 separate databases through more than 80 applications including the Congressional Record, the United States Code, GAO Reports, Congressional Bills and Reports, Public Laws, the Federal Register, the Code of Federal Regulations, and many more. In total, more than 145,000 titles are available on GPO servers, and more than 92,000 additional titles are linked from *GPO Access*. Since 1994, *GPO Access* retrievals have exceeded 1.6 billion, and it is currently averaging 31 million retrievals each month.

In addition to this, *GPO Access* hosts 20 Federal web sites including the web site for Supreme Court of the United States. In accordance with GPO's goal of timely delivery of official government information, most electronic documents appear on the day of publication, exactly as they appear in print, and are the official published version. GPO maintains permanent public access to government information products residing on *GPO Access*, as well as through partnership agreements with depository libraries and other institutions.

GPO Access is designed, developed, and implemented for easy access to and use of free online Federal information products and services. GPO recognizes and accommodates the various special needs and technological capabilities of the public. The GPO Access User Support Team provides immediate assistance to customers on *GPO Access* via e-mail, toll-free phone, and fax. Finally, Ben's Guide to U.S. Government for Kids is an educational component of *GPO Access* that introduces children and adults alike to the basics of government.

In recognition of the growth and accomplishments of the service, *GPO Access* has received numerous awards and recognitions, such as the E-Gov 2001 "Trailblazer" award.

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**U.S. GOVERNMENT PRINTING OFFICE
SUMMARY OF APPROPRIATIONS ESTIMATES**

Appropriation	FY 2003		FY 2004 Estimates
	Requested	Approved	
Congressional Printing and Binding	\$90,143,000	\$ 90,143,000	\$ 91,111,000
Rescission.....		(586,000)	
Total.....	90,143,000	89,557,000	91,111,000
Post-retirement benefits ¹	[5,129,000]	---	[6,185,000]
Superintendent of Documents, Salaries and Expenses	32,302,000	29,661,000	34,456,000
Rescission.....		(193,000)	
Total.....	32,302,000	29,468,000	34,456,000
Post-retirement benefits ²	[1,771,000]	---	[2,134,000]
Revolving Fund	---	---	10,000,000
Total Appropriations	122,445,000	119,025,000	135,567,000

¹ Additional authorizing legislation required.

² Additional authorizing legislation required.

**SUMMARY OF APPROPRIATION ESTIMATES
CONGRESSIONAL PRINTING AND BINDING
FISCAL YEAR 2004**

The estimates for Congressional Printing and Binding are to provide funds with which to pay for the cost of printing and binding required for the use of Congress; and for printing, binding, and distribution of Government publications authorized by law to be distributed without charge to the recipient.

The appropriation requested for Congressional Printing and Binding for fiscal year 2004 is \$91,111,000. Due to the Administration's proposed legislation for CSRS and FEHB an additional \$6,185,000 may be needed for fiscal year 2004. The requirements for the Congressional Printing and Binding Appropriation for fiscal year 2004 are described below by category.

A. Congressional Record Program. The proceedings of the Senate and House of Representatives are printed in the Congressional Record. Approximately 7,122 copies are printed daily. About 4,335 copies are charged to the Congressional Printing and Binding Appropriation, including about 1,601 copies distributed without charge to recipients designated by Senators. The copies that are not charged to the Congressional Printing and Binding Appropriation are delivered and charged to Government departments on requisitions and to the Superintendent of Documents for sale to subscribers. On-line access to an electronic Congressional Record database was initiated in 1994. Access to this database is also made available to the public and depository libraries in accordance with the provisions of The Government Printing Office Electronic Information Access Enhancement Act of 1993. After the close of each session, the daily proceedings are consolidated, indexed, and about 435 sets are printed as the bound edition of the Record. About 111 of these sets are for Congressional use and charged to the Congressional Printing and Binding Appropriation. The remaining 324 sets are for public sale, charged to departments on requisition, or distributed to regional depository libraries. An estimated 29,000 pages will be required in fiscal year 2004 and the cost will be approximately \$20,823,000.

B. Miscellaneous publications. This item includes printed matter such as the Congressional Directory, Senate and House Journals, memorial addresses of Members, nominations, United States Code and supplements, serial sets, and publications not carrying a document or report number, such as laws, treaties, and similar publications. An estimated \$5,696,000 will be required in fiscal year 2004 for approximately 32,000 pages.

C. Miscellaneous printing and binding. This item includes letterheads, envelopes, blank paper, wall calendars, miscellaneous services, blank forms, and binding for both Houses. The estimate for fiscal year 2004 is \$18,334,000 for about 158 million units.

D. Details to Congress. This item includes the cost for GPO employees detailed to Congress. The estimated cost for fiscal year 2004 is \$2,430,000 for 54,000 hours. The GPO is reimbursed from House Committee funds for employees detailed to House Committees.

E. Document envelopes and document franks. Document envelopes are furnished to Senators and Representatives for the mailing of speeches and documents. Franks are printed individually or in sheets with perforations and are furnished to Members for the mailing of documents. An estimated \$1,121,000 will be needed in fiscal year 2004 for approximately 18.4 million envelopes at a cost of \$1,085,600 and .6 million franks at a cost of \$35,400.

F. Business and committee calendars. This heading covers the printing of all House and Senate business and committee calendars, which list the actions on pending and completed legislation. An estimated \$2,880,000 will be required in fiscal year 2004 for approximately 30,000 pages.

G. Bills, resolutions, and amendments. This heading covers the printing of bills, resolutions, and amendments in all forms, including the prints as introduced, referred, reported, and finally passed. The estimate for fiscal year 2004 is \$9,546,000 for approximately 111,000 pages.

H. Committee reports. This item covers printed reports of congressional committees on pending legislation which carry a congressional number. An estimated \$3,108,000 will be needed for about 42,000 pages in fiscal year 2004.

I. Documents. This heading includes all classes of Senate and House documents ordered printed by Congress which carry a Congressional number, such as annual reports, engineers' reports, special reports made by Government departments in response to resolutions, supplemental and deficiency estimates of appropriations, etc. The estimate for fiscal year 2004 is \$3,264,000 for about 48,000 pages.

J. Hearings. This item covers all hearings before Congressional committees. The estimate for fiscal year 2004 is \$22,011,000 for approximately 319,000 pages.

K. Committee prints. This item includes publications printed for the internal use of committees on pending legislation. The estimate for fiscal year 2004 is \$1,888,000 for 32,000 pages.

CONGRESSIONAL PRINTING AND BINDING APPROPRIATION
ESTIMATED REQUIREMENTS BY PRODUCT CATEGORY
(In thousands)

Category	2002	2003	2004
A. Congressional Record Publications:			
Daily Record:			
Data Preparation.....	\$10,110	\$9,772	\$10,556
Printing.....	6,750	6,524	7,018
Subtotal.....	<u>16,860</u>	<u>16,296</u>	<u>17,574</u>
Record Index.....	1,587	1,795	1,871
Record Indexers.....	1,274	1,326	1,378
Subtotal.....	<u>19,721</u>	<u>19,417</u>	<u>20,823</u>
B. Miscellaneous publications.....	5,280	5,643	5,696
C. Miscellaneous printing and binding.....	16,020	16,815	18,344
D. Details to Congress.....	2,214	2,322	2,430
E. Document envelopes & franks.....	1,188	952	1,121
F. Business and committee calendars.....	2,670	2,300	2,880
G. Bills, resolutions, and amendments.....	8,720	8,051	9,546
H. Committee reports.....	3,381	2,769	3,108
I. Documents.....	2,394	3,055	3,264
J. Hearings.....	17,792	19,894	22,011
K. Committee prints.....	1,620	2,464	1,888
L. FY 2001 Orders.....		5,875	
Total Appropriation.....	<u>81,000</u>	<u>89,557</u>	<u>91,111</u>
CSRS, FEHB Accruals.....			<u>6,185</u>

CONGRESSIONAL PRINTING AND BINDING APPROPRIATION
ESTIMATED COST PER UNIT BY CATEGORY

Category	Unit 1/	2002	2003	2004
A. Congressional Record Program:				
Daily Record:				
Data Preparation.....	Page.....	337	349	364
Printing.....	Page.....	<u>225</u>	<u>233</u>	<u>242</u>
Subtotal.....	Page.....	562	582	606
Record Index.....	Page.....	369	382	398
Record Indexers.....	Hours.....	49	51	53
B. Miscellaneous publications.....	Page.....	165	171	178
C. Misc. printing and binding.....	1,000 items....	108	112	116
D. Details to Congress.....	Hours.....	41	43	45
E. Document envelopes & franks.....	1,000 items....	54	56	59
F. Business and comm. calendars.....	Page.....	89	92	96
G. Bills, resolutions, and amnds.....	Page.....	80	83	86
H. Committee reports.....	Page.....	69	71	74
I. Documents.....	Page.....	63	65	68
J. Hearings.....	Page.....	64	66	69
K. Committee prints.....	Page.....	54	56	59

1/ The unit cost per page is the number of original pages and the cost includes all Congressional copies of each category of work. For example, the per page cost for data preparation for the Daily Congressional Record includes all composition (including file up-date and maintenance for the permanent edition) and prepress costs per original page. The cost for printing includes binding and mailing all of the copies charged to Congress. Based on an average press run of 7,122 copies, the total production cost is 6.4 cents per copypage, including copies ordered by agencies, depository libraries, and for sale to the public. The rider rate for printing additional copies is 0.70 of a cent per copypage.

CONGRESSIONAL PRINTING AND BINDING APPROPRIATION - VOLUME INCREASE OR DECREASE

Category	Unit	2002		2003		2004	
		Total	Increase/(Decrease) Quantity Percent	Total	Increase/(Decrease) Quantity Percent	Total	Increase/(Decrease) Quantity Percent
A. Congressional Record Program:							
Daily Record:							
B. Data Preparation	Page	30,000	(2,000) (6.7)	28,000	1,000	29,000	3.6
B. Printing	Page	30,000	(2,000) (6.7)	28,000	1,000	29,000	3.6
B. Record Index	Page	4,300	400 9.3	4,700	0	4,700	0.0
B. Record Indexers	Hours	26,000	0 0.0	26,000	0	26,000	0.0
B. Miscellaneous publications	Page	32,000	1,000 3.1	33,000	(1,000)	32,000	(3.0)
C. Misc. printing and binding	1,000 items	148,335	1,797 1.2	150,132	8,008	158,140	5.3
D. Details to Congress	Hours	54,000	0 0.0	54,000	0	54,000	0.0
E. Document envelopes and franks	1,000 items	22,000	(5,000) (22.7)	17,000	2,000	19,000	11.8
F. Business and comm. calendars	Page	30,000	(5,000) (16.7)	25,000	5,000	30,000	20.0
G. Bills, resolutions, & amdt.	Page	109,000	(12,000) (11.0)	97,000	14,000	111,000	14.4
H. Committee reports	Page	49,000	(10,000) (20.4)	39,000	3,000	42,000	7.7
I. Documents	Page	38,000	9,000 23.7	47,000	1,000	48,000	2.1
J. Hearings	Page	278,000	23,424 8.4	301,424	17,576	319,000	5.8
K. Committee prints	Page	30,000	14,000 46.7	44,000	(12,000)	32,000	(27.3)

Schedule A

Congressional Printing And Binding Appropriation
By Object Class
(In thousands)

Object Class	2002 Actual	2003 Actual	2004 Estimate	Net Change 2003/2004
24 Printing & Reproduction	\$81,000	\$89,557	\$91,111	\$1,554

Schedule B

Congressional Printing And Binding Appropriation
Analysis Of Change to Budget Base
(In thousands)

Object Class	Price Level Changes	Program Type Changes	Total Changes
24 Printing & Reproduction	\$3,621	\$(2,067)	\$1,554

Schedule C Congressional Printing And Binding Appropriation
Detailed Analysis Of Change

CALCULATION OF BASE	
STAFF	AMOUNT (000)
Base, 2003	89,557
I. Adjustments To Base	2004 REQUEST
A. Price Level Changes	- 3,621
1. Daily Congressional Record:	
1a. Data Preparation	- 435
1b. Printing	- 261
Subtotal	- 696
2. Congressional Record Index	- 75
3. Congressional Record Indexers	- 52
4. Miscellaneous Publications	- 224
5. Miscellaneous Printing and Binding	- 633
6. Details to Congress	- 108
7. Documents Envelops & Doc. Franks	- 57
8. Business & Committee Calendars	- 120
9. Bills, Res., & Amdts.	- 333
10. Committee Reports	- 126
11. Documents	- 144
12. Hearings	- 957
13. Committee Prints	- 96

Schedule C Congressional Printing And Binding Appropriation
Detailed Analysis Of Change

B. Program Type Changes

1. Workload

a. Daily Congressional Record:

a1. Data Preparation

a2. Printing

Subtotal

b. Miscellaneous Publications

c. Miscellaneous Printing & Binding

d. Documents Envelopes & Franks

e. Business & Committee Calendars

f. Bills, Resolutions & Amendments

g. Committee Reports

h. Documents

i. Hearings

j. Committee Prints

k. FY 2001 Orders

II. Net Increase Requested

III. Appropriation 2004

CALCULATION OF BASE	
STAFF	AMOUNT (000)
-	(2,067)
-	349
-	<u>233</u>
-	582
-	(171)
-	897
-	112
-	460
-	1,162
-	213
-	65
-	1,160
-	(672)
-	(5,875)
-	1,554
-	91,111

Due to the Administration's proposed legislation for CSRS and FEHB an additional \$6,185,000 may be needed for fiscal year 2004.

CONGRESSIONAL PRINTING AND BINDING EXPLANATION OF CHANGES SHOWN ON SCHEDULE C		
	Staff	Amount (000)
A. PRICE LEVEL CHANGES		
The average 4.3 percent increase is primarily due to mandatory pay increases.	-	3,621
B. PROGRAM TYPE CHANGES		
1. Workload(Volume)		(2,067)
a. Daily Congressional Record:		
a1. Data Preparation This 3.6-percent increase is computed based on historical data which indicates an increase for the Congressional second session year.	-	349
a2. Printing This 3.6-percent increase is computed based on historical data which indicates an increase for the Congressional second session year.	-	233
b. Miscellaneous Publications This 3.0-percent decrease is computed based on historical data which indicates an decrease for the Congressional second session year.	-	(171)
c. Miscellaneous Printing & Binding This 5.3-percent increase is computed based on historical data.	-	897

CONGRESSIONAL PRINTING AND BINDING EXPLANATION OF CHANGES SHOWN ON SCHEDULE C		
C. PROGRAM TYPE CHANGES	Staff	Amount
1. Workload(Volume)		
d. Documents Envelopes and Franks This 11.8-percent increase is computed based on historical data.	-	112
e. Business and Committee Calendars This 20.0-percent increase is computed based on historical data for the Congressional second session year.	-	460
f. Bills Resolutions & Amendments This 14.4-percent increase is computed based on historical data.	-	1,162
g. Committee Reports This 7.7-percent increase is computed based on historical data for the Congressional second session year.	-	213
h. Documents This 2.1-percent increase is computed based on historical data.	-	65
i. Hearings This 5.8-percent increase is computed based on historical data for the Congressional second session year.	-	1,160
j. Committee Prints This 27.3-percent decrease is computed based on historical data.	-	(672)
k. FY 2001 Orders FY 2001 orders funded in FY 2003	-	(5,875)

SUMMARY OF PUBLICATIONS BOUND FOR THE SENATE AND HOUSE
FISCAL YEAR 2000, 2001 and 2002

	Number of Volumes Bound			Amount Billed to Congressional Printing and Binding Appropriation		
	2000	2001	2002	2000	2001	2002
Senate Committees						
Appropriations.....	0	54	9	0	1,201	4,155
Armed Services.....	0	16	24	0	10,195	8,768
Budget.....	3	0	0	1,287	0	0
Banking, Housing and Urban Affairs.....	34	8	0	13,237	4,753	0
Commerce, Science, & Transportation.....	9	0	29	3,537	0	13,188
Committee on Agriculture, Nutrition.....	0	0	23	0	0	16,795
Committee on Environment & Public Works.....	0	0	29	3,537	0	9,771
Committee on Finance.....	0	0	11	3,537	0	7,787
Committee on Rules & Administration.....	0	0	12	3,537	0	4,863
Democratic Policy.....	5	1	0	1,529	431	0
Energy & Natural Resources.....	3	18	4	1,701	13,554	1,356
Foreign Relations.....	0	15	13	0	7,590	5,473
Governmental Affairs.....	44	0	0	14,442	0	0
Joint Committee on Taxation.....	0	0	129	0	0	40,681
Joint Economic Committee.....	0	0	26	0	0	14,002
Judiciary.....	0	39	60	0	18,397	19,963
Labor & Human Resources.....	43	33	0	12,570	10,821	0
Legal Counsel.....	0	0	3	0	0	1,079
Republican Policy.....	2	2	0	996	496	0
Secretary of the Senate.....	0	0	661	0	0	256,532
Select Committee on Indian Affairs.....	44	0	24	14,442	0	11,015
Small Business.....	0	0	35	0	0	9,160
Special Committee on Aging.....	0	10	15	0	4,081	6,231
Total for Senate Committees.....	187	142	1,107	74,352	71,519	430,819
Total Senate Members.....	0	76	0	0	22,490	0
Total Senate.....	187	218	1,107	74,352	94,009	430,819

SUMMARY OF PUBLICATIONS BOUND FOR THE SENATE AND HOUSE
FISCAL YEAR 2000, 2001 and 2002

	Number of Volumes Bound			Amount Billed to Congressional Printing and Binding Appropriation		
	2000	2001	2002	2000	2001	2002
House Committees						
Agriculture.....	18	17	12	6,328	5,384	3,380
Appropriations.....	269	133	198	71,888	41,213	74,857
Banking and Financial Services.....	88	0	108	10,286	0	17,590
Budget.....	0	16	0	0	5,051	0
Clerk of the House.....	0	0	314	0	0	87,716
Economic & Educational Opportunities.....	0	84	54	0	19,735	15,694
Energy & Commerce.....	34	40	48	7,542	10,537	13,977
House Administration.....	45	4	0	7,372	1,479	0
Government Reform.....	84	0	155	29,826	0	47,793
International Relations.....	25	0	46	5,046	0	12,347
Judiciary.....	11	0	119	3,498	0	39,605
National Security.....	26	0	32	10,057	0	14,491
Resources.....	0	0	64	0	0	24,096
Rules.....	0	16	0	0	3,859	0
Science.....	260	0	112	61,015	0	30,131
Small Business.....	8	0	18	1,943	0	4,628
Transportation & Infrastructure.....	31	0	0	6,603	0	0
U.S. House of Representatives.....	0	0	13	0	0	11,636
Veterans' Affairs.....	0	31	0	0	9,566	0
Ways & Means.....	<u>24</u>	<u>0</u>	<u>186</u>	<u>11,579</u>	<u>0</u>	<u>57,317</u>
Total for House Committees.....	923	341	1,479	232,983	96,824	455,258
Total House Members.....	<u>0</u>	<u>4</u>	<u>3</u>	<u>0</u>	<u>3,031</u>	<u>360</u>
Total House of Representatives.....	<u>923</u>	<u>345</u>	<u>1,482</u>	<u>232,983</u>	<u>99,855</u>	<u>455,618</u>
TOTAL, CONGRESS.....	1,110	563	2,589	307,335	193,864	886,437

Congressional Billings For Committees By Category
 FY 2002, as of September 30, 2002

House Committees	Daily Cong. Rec.	Record Index	Record Indexes	Misc. Pubs.	Misc. P&B	Details	Doc.		Calendars	Bills	Reports	Documents	Hearings	Committee Prints	TOTALS
							Env.	Franks							
House	7,688,515	695,908		8,319	8,795	117,424			1,680	56,041	4,160				8,560,862
Clerk of House				292,666	524,718	10,684			692,499	120,857	39		27,603	1	1,668,967
H. Agriculture				550	833,992		626,013	14,822			14,960		3,400		1,493,737
H. Appropriations				3,203	48,541				28,719	214,543			18,782	7,054	30,602
H. Armed Services					9,684								4,962,871	46,604	5,305,481
H. Banking					20,328								143,072		152,736
H. Economic & Ed.					9,407				26,228				212,185		232,513
H. International Rel.					10,244								336,211		371,846
H. Gov't Reform					56,351								171,998	25,526	207,768
H. Administration													841,203	3,595	901,149
H. Resources					8,580				13,825				30,873		53,278
H. Commerce					36,515								385,061		421,576
H. Judiciary					545								259,986	31,604	292,135
H. Transportation													81,392		81,392
H. Rules									6,673				6,948		13,621
H. Science					32,771								132,545		165,316
H. Veteran's Affairs					6,633								52,399	2,773	61,805
H. Ways & Means				32	2,421				40,893		951		226,001	10,418	280,716
H. Small Business					523								291,269		291,792
H. Helsinki Comm.					41,973								36,244		138,897
H. Official Conduct					83,883										83,883
H. Admin. Officer					311,065										393,317
H. Mailing Standards					7,580							74,672			1,760
H. Budget					698							1,760			1,760
H. Legislative Counsel					4,257	149,240						2,860	44,691	9,347	57,484
H. Intelligence															153,497
H. US China Security				19,491	43,758					4,002					4,002
Total House	7,688,515	695,908	0	761,270	1,671,085	337,928	626,013	14,822	780,118	31,399	395,443	99,222	8,264,734	136,922	21,503,379

Congressional Billings For Committees By Category
 FY 2002, as of September 30, 2002

Senate Committees	Daily Cong. Rec.	Record Index	Record Indexes	Misc. Pubs.	Misc. P&B	Details	Doc. Doc.		Calendars	Bills	Reports	Documents	Hearings	Prints	TOTALS
							Env.	Franks							
Senate	6,445,005	734,151	---	226,163	242,457	---	---	---	159,933	1,394	170,172	20,730	---	1,101,940	9,101,945
Secretary of Senate	---	---	---	288,809	206,992	29,804	---	---	203,727	---	---	57,069	---	5,971	792,372
Senate Members	---	---	---	56	1,151,498	66,321	---	---	---	---	---	---	78,566	---	1,151,554
S. Agriculture	---	---	---	25	20,265	206,689	---	---	---	9,253	6,743	760	176,383	9,840	148,438
S. Appropriations	---	---	---	---	12,000	54,509	---	---	---	---	210	---	88,024	1,603	429,958
S. Armed Services	---	---	---	---	6,371	142,533	---	---	---	---	---	---	167,787	---	156,346
S. Banking	---	---	---	---	3,713	74,005	---	---	---	---	---	---	35,200	1,820	316,691
S. Commerce	---	---	---	---	15,903	58,023	---	---	---	---	---	---	108,988	4,310	114,738
S. Finance	---	---	---	---	6,835	108,527	---	---	---	---	---	---	52,859	94,730	188,224
S. Foreign Relations	---	---	---	---	20,889	60,097	---	---	---	---	---	---	585,170	1,695	262,951
S. Gov't Affairs	---	---	---	---	6,761	58,630	---	---	---	---	---	---	134,080	1,254	667,851
S. Energy	---	---	---	---	7,573	206,546	---	---	---	---	---	---	307,088	8,411	200,725
S. Judiciary	---	---	---	---	7,811	90,977	---	---	---	---	---	---	96,485	---	529,618
S. Labor	---	---	---	---	5,148	---	---	---	---	---	---	---	76,560	6,761	195,283
S. Environment	---	---	---	---	1,400	---	---	---	---	---	---	---	---	---	88,489
S. Rules	---	---	---	7,055	1,400	---	---	---	---	---	---	---	---	---	8,465
S. Democratic Policy	---	---	---	---	1,490	---	---	---	---	---	---	---	---	---	1,490
Republican Policy	---	---	---	44,372	2,268	---	---	---	---	---	---	---	---	33,667	80,307
S. Small Business	---	---	---	---	1,258	---	---	---	---	---	---	---	115,770	---	117,028
S. Aging	---	---	---	---	4,461	59,409	---	---	---	---	---	---	116,084	---	179,954
S. Ethics	---	---	---	9,202	438	---	---	---	---	---	---	---	---	7,008	16,648
S. Veterans Affairs	---	---	---	---	1,591	57,933	---	---	---	---	---	---	---	---	75,212
S. Legislative Counsel	---	---	---	---	81,033	249,403	---	---	---	---	---	---	15,688	---	330,436
S. Sergeant at Arms	---	---	---	68,225	508,340	---	---	---	---	---	---	---	---	---	576,565
S. Budget	---	---	---	94	1,183	59,230	---	---	---	---	---	2,851	---	---	63,368
S. Legal Counsel	---	---	---	2,856	2,194	---	---	---	---	---	---	---	---	---	5,050
S. Intelligence	---	---	---	---	2,817	54,254	---	---	---	---	---	---	6,638	7,839	14,477
S. Indian Affairs	---	---	---	---	2,817	54,254	---	---	---	---	---	---	144,446	---	201,517
Total Senate	6,445,005	734,151	0	646,857	2,323,240	1,637,890	0	0	363,660	10,647	177,125	81,410	2,305,846	1,286,649	16,012,680

Congressional Billings For Committees By Category
 FY 2002, as of September 30, 2002

Joint Committees	Daily Conc. Rec.	Record Index	Record Indexes	Misc. Pubs	Misc. P&B	Misc. Details	Doc. Env.	Doc. Franks	Calendars	Bills	Reports	Documents	Hearings	Prints	Committee TOTALS
Joint Economic															
Joint Taxation															
Joint Committee On The Library															
Total Joint Committees	0	0	0	111,720	111,720	29,920	0	0	0	0	0	3,420	65,810	44,652	253,842
Miscellaneous															
Bylaw															
Architect of the Capitol															
Cong.-Exec. Commis. On China															
Total Miscellaneous	0	17,982	1,161,964	1,028,220	7,064,415	82,932	0	0	262	3,656,729	2,300,406	1,023,885	6,500	600	16,359,626
TOTALS	14,133,520	1,448,041	1,161,964	2,548,130	11,084,980	2,056,120	626,013	14,822	1,444,038	3,696,775	2,872,874	1,207,960	10,642,890	1,467,063	54,109,500

DETAILS TO CONGRESS AS OF SEPTEMBER 30, 2002

	2001	2002
SENATE COMMITTEES		
Agriculture, Nutrition, & Forestry.....	1	1
Appropriations.....	4	4
Armed Services.....	1	0
Banking, Housing, & Urban Affairs.....	2	3
Budget.....	1	1
Commerce, Science, & Transportation.....	1	3
Energy.....	1	1
Finance.....	1	1
Foreign Relations.....	2	2
Governmental Affairs.....	1	1
Health, Education, Labor, & Pensions.....	1	2
Indian Affairs.....	1	1
Judiciary.....	1	3
Republican Policy.....	0	1
Veterans Affairs.....	1	0
Special Committee on Aging.....	1	1
Environment.....	<u>0</u>	<u>1</u>
	<u>20</u>	<u>26</u>
HOUSE COMMITTEES		
Armed Services.....	2	0
Financial Services.....	1	1
Government Reform.....	1	1
Science.....	1	0
Commission on Security & Cooperation in Europe.....	1	1
China Commission.....	<u>0</u>	<u>1</u>
Total House Committees.....	<u>6</u>	<u>4</u>
MISCELLANEOUS		
House Law Revision Counsel.....	2	1
House Legislative Counsel.....	3	4
Congressional Service Center (CRS).....	1	1
Senate Legislative Counsel.....	4	4
Total Miscellaneous.....	<u>10</u>	<u>10</u>
SUMMARY		
Senate Committees.....	20	26
House Committees.....	6	4
Miscellaneous.....	<u>10</u>	<u>10</u>
	<u>36</u>	<u>40</u>

GOVERNMENT PRINTING OFFICE
Office of Superintendent of Documents

SUMMARY OF APPROPRIATION ESTIMATES
SALARIES AND EXPENSES

The Office of the Superintendent of Documents is responsible for the current and future access to published U.S. Government information, and operates under an appropriation which provides funds for: (1) the compilation of catalogs and indexes of Government publications; (2) the mailing for Members of Congress and other Government agencies of certain Government publications, as authorized by law; (3) the distribution of Government publications, now predominantly in online format accessible through GPO Access, to designated depository libraries; and (4) the distribution of Government publications to the International Exchange Program. These four functions are related to the publication activity of other agencies and to the demands of the public, Members of Congress, and depository libraries. Consequently, the Office of the Superintendent of Documents can exercise little control over the volume of work that it may be called upon to perform. A total of \$34,456,000 is requested for FY 2004. An additional \$2,134,000 would be required for the Administration's proposal to increase agency contributions to CSRS and FEHB post-retirement benefits. A description of the four functions follows:

Cataloging and indexing. The Office of the Superintendent of Documents is charged with preparing catalogs and indexes of all publications issued by the Federal Government, and with maintaining an electronic directory of Federal electronic publications. The bibliographic database of GPO cataloging records serves libraries nationwide and enables the public to locate desired Government publications. The principal publication is the "Monthly Catalog of U.S. Government Publications," which is published in paper format and available online on GPO Access. There is significantly increased workload directly related to discovering and cataloging online Government information. The Integrated Library System (ILS) has modernized the obsolete cataloging system that was in use for over 25 years.

Bylaw Distribution for other Government agencies and Members of Congress. The Office of the Superintendent of Documents maintains mailing lists and mails, at the request of Government agencies and Members of Congress, certain publications specified by public law.

Depository Library Distribution. As required, Government publications in all formats are supplied to libraries that are designated as depositories for Government information. The Federal Depository Library Program (FDLP) includes tangible Government information products disseminated to depository libraries, online access, and locator services provided via the Internet from GPO Access. Electronic information dissemination and access has greatly expanded public use of the FDLP content. GPO Access provides public access to more than 231,000 titles through links to more than 145,000 titles on GPO servers and more than 92,000 additional titles on other Federal Web sites. GPO Access fulfills approximately 31 million document retrievals per month.

Since 1994, the GPO Access on-line service has been the principal delivery vehicle for online Government information to depository libraries. More than 60% of the new titles made available to depositories and the public are online. As the transition to a primarily electronic FDLP continues, the costs of the FDLP are increasingly related to identifying, linking to, and providing permanent public access to Government Internet resources. The Superintendent of Documents is building and managing the FDLP Electronic Collection, involving GPO in a broad range of information life-cycle activities, including the identification and evaluation of Internet-based products for the FDLP, assuring the reliability of official information, providing cataloging and locator services, and preserving and managing electronic files for future public access and use. These increases are directly related to the increased workload of managing an expanding collection of electronic files on GPO Access. GPO's commitment to permanent public access, the activities that together ensure that electronic resources are widely available both today and into the future, entails significant and ongoing expenditures. Included in this request are funds to migrate the data on GPO Access from a technologically obsolete software platform to a state-of-the-art package. Periodic data migration and conversion is an inherent characteristic of an electronic public information dissemination system. Most of the program costs associated with the electronic dissemination, locator services, and preservation have been offset by reductions in printing and shipping costs. These savings have been realized by reducing the number of products distributed in tangible formats when those products are also available via the Internet. With the great majority of such product migrations already accomplished, future electronic program enhancements will require new funding. Among the initiatives requiring new funding in this request are replacing WAIS software and converting the GPO Access databases for improved search and retrieval, and building and equipping the secure remote mirror site in Pueblo, Colorado, for GPO Access. In order to modernize services to libraries and the public, GPO intends to test the conversion of publications now distributed in microfiche to electronic formats, and to study enhanced future FDLP library services.

International exchange. The Office of the Superintendent of Documents distributes Government publications to foreign governments that agree, as indicated by the Library of Congress, to send to the United States similar publications of their governments for delivery to the Library of Congress.

Schedule A
Office of Superintendent of Documents
Salaries and Expenses
Summary
By Program and By Object Class

CATEGORIES	FY 2002 ACTUAL		FY 2003 ESTIMATE		FY 2004 ESTIMATE		TOTAL CHANGES 2003/2004	
	STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)
1. Breakdown by Program:								
By-law Distribution	2	246	2	221	2	221	0	0
Cataloging and Indexing	24	3,242	35	4,284	37	4,292	2	668
Depository Library Distribution	91	25,433	102	24,211	103	28,502	1	4,291
International Exchange	3	718	3	752	3	781	0	29
Appropriation	120	29,639	142	29,468	145	34,456	3	4,988
2. Breakdown by Object Class:								
11 Personnel Compensation	120	5,829	142	7,215	145	7,778	3	563
12 Personnel Benefits	---	1,150	---	2,181	---	2,327	---	146
21 Travel	---	131	---	134	---	155	---	21
22 Transportation of Things	---	1,513	---	1,552	---	1,583	---	31
23 Rent, Communications, and Util	---	101	---	234	---	294	---	60
24 Printing and Reproduction	---	13,611	---	9,822	---	11,824	---	2,002
25 Other Services	---	6,813	---	7,442	---	9,704	---	2,262
26 Supplies and Materials	---	491	---	888	---	791	---	(97)
Total	120	29,639	142	29,468	145	34,456	3	4,988

The FY 2003 estimate is reduced by a \$192,797 rescission under P.L.108-7.

The FY 2004 estimate does not include \$2,134 for retirement and health service benefits. Additional authorizing legislation is required.

Schedule B
Office of Superintendent of Documents
Salaries and Expenses
Analysis of Change to Budget Base
By Program and By Object Class

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		PROGRAM TYPE CHANGES				TOTAL CHANGES				
	STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)	WORKLOAD		STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)	
							STAFF	DOLLARS (\$000)					STAFF
1. Breakdown by Program:													
By-Law Distribution		4		3								0	
Cataloging and Indexing		120		61								668	
Depository Library Distribution		319		343								4,291	
International Exchange		10		11								29	
Total		453		418			3	4,117				4,988	
2. Breakdown By Object Class:													
11 Personnel Compensation		352		0		3	211					3	563
12 Personnel Benefits		101		0			45						146
21 Travel		0		4			17						21
22 Transportation of Things		0		31			0						31
23 Rent, Communications, & Util.		0		0			60						60
24 Printing and Reproduction		0		232			1,770						2,002
25 Other Services		0		136			2,126						2,262
26 Supplies and Materials		0		15			(112)						(97)
Total		453		418		3	4,117					3	4,988

Schedule C

Office of Superintendent of Documents
Salaries and Expenses
Summary
Detailed Analysis of Changes

CALCULATION OF BASE	
STAFF	AMOUNT (\$000)
Base, 2003	142 29,468
=====	
2003 REQUEST	

STAFF	AMOUNT (\$000)

I. Adjustments to Base	
A. Mandatory Pay and Related Costs	453

1. Annualization of Prior Year Salary Increases	73
2. Annual Pay Raise	206
3. Salary Increases	73
4. Personnel Benefits	101
5. Commuting Cost Subsidies	0
6. Workers Compensation	0
B. Price Level Changes	418

1. Travel	4
2. Transportation of Things	31
3. Depository Printing	221
4. Int'l Exchange Printing	7
5. Catalog Printing	4
6. In House Computer Charges	4
7. Administrative Services	121
8. Miscellaneous Services	11
9. Supplies and Materials	15

Schedule C

Office of Superintendent of Documents
 Salaries and Expenses
 Summary
 Detailed Analysis of Changes
 (Continued)

C. Program Type Changes

1. Workload	3	4,117
a. Pers Comp & Benef	3	256
b. Travel	---	17
c. Rents, Communications & Util	---	60
d. Catalog Printing	---	103
e. Other Services	---	838
f. On-Line Services	---	2,955
g. Supplies and Materials	---	(112)
2. Equipment, Alterations, Repairs	---	0
II. Increase From 2003 Appropriation	3	4,988
III. Total Appropriation, 2004	145	34,456

SALARIES AND EXPENSES APPROPRIATION

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C		
	Staff	Amount (\$000)
A. MANDATORY PAY COSTS		453
1. Annualization of Prior FY Salary Increases. Annualization of within-grade increases, promotions, benefits and locality pay raises granted in January 2003.		73
2. Annual Pay Raise. Anticipated January 2003 civilian and locality pay raises based on the location of of GPO employees.		206
3. Salary Increases. Estimated within-grade increases and promotions expected to be granted to employees in the upcoming fiscal year based on merit and performance. These increases are necessary to attract and retain qualified personnel and ensure comparability with executive branch compensation systems.		73
4. Personnel Benefits. Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting mainly from increases in personnel compensation.		101
B. PRICE LEVEL CHANGES		418
1. Items 1-9 An approximate overall 2% increase is projected.		418
C. PROGRAM TYPE CHANGES		
1. Workload		4,117
1a. Pers Comp and Benefits The increase is within the Depository Library Distribution and is related to the increased workload in managing and expanding the FDLP electronic collection.	3	256

SALARIES AND EXPENSES APPROPRIATION

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C - CONTINUED		
DESCRIPTION	AMOUNT	AMOUNT
1b. Travel There will be an increase in inspections of Depository Libraries in FY 04.	---	17
1c. Rents, Communications and Utilities The increase is for an anticipated Regional Library Conference to be held in FY 04.	---	60
1d. Catalog Printing The increase is because of the publishing the Serial Set Catalog.	---	103
1e. Other Services For continued development and operation of the GPO Access mirror site in Pueblo, Colorado, and for the Integrated Library System acquired in 2003.	---	838
1f. On-line Services Required to continue the transition to a more electronic FDLDP, including replacement of obsolete technology used by the GPO Access service and digital data acquisition, conversion and management.	---	2,955
1g. Supplies and Materials The reduction is attributable to reduced requirements for FY 04.	---	(112)
2. Equipment, Alterations, Repairs		0

Schedule D Office of Superintendent of Documents
 Salaries and Expenses
 Summary of Request
 FY 2004 Budget Request

	CALCULATION OF BASE	
	Staff	AMOUNT (\$000)
Base, 2003	142	29,468
Proposed Changes for FY 2004		
Mandatory Pay and Related Costs	---	453
Price Level Increases	---	418
Program Type Changes		
Workload.	---	4,117
Equipment, Alterations, Repairs	3	0
Total Proposed Changes	3	4,988
FY 2004 Appropriation	145	34,456
	=====	=====

U.S. Government Printing Office
 FY 2003 Operating Plan
 Office of Superintendent of Documents
 Salaries and Expenses Appropriation
 By Program and By Object Class

	FY 2003 Enacted	FY 2003 Proposed Realignment	Percent Change	FY 2003 Initial Operating Plan
1. Breakdown by Program:				
By-Law Distribution	229	(8)	-3.5%	221
Cataloging and Indexing	4,020	264	6.6%	4,284
Depository Library Distribution	24,493	(282)	-1.2%	24,211
International Exchange	726	26	3.6%	752
Total Appropriation	29,468	0	0	29,468
2. Breakdown by Object Class:				
11 Personnel Compensation	7,260	(45)	-0.6%	7,215
12 Personnel Benefits	2,044	137	6.7%	2,181
Total Pay	9,304	92	1.0%	9,396
21 Travel	175	(41)	-23.4%	134
22 Transportation of Things	1,544	8	0.5%	1,552
23 Rent, Communications, and Util	298	(64)	-21.5%	234
24 Printing and Reproduction	10,273	(451)	-4.4%	9,822
25 Other Services	7,289	153	2.1%	7,442
26 Supplies and Materials	585	303	51.8%	888
Total Non-Pay	20,164	(92)	-0.5%	20,072
Total Appropriation	29,468	0	0.0%	29,468

The FY 2003 appropriation is reduced by a \$192,797 rescission under P.L.108-7.

GOVERNMENT PRINTING OFFICE
Revolving Fund

REVOLVING FUND OPERATIONS

The three major revolving fund operations are:

- Printing and Binding Operations
- Sales of Publications Operations
- Agency Distribution Services

Printing and Binding Operations encompasses the preparation of electronic databases of Government publications, the procurement and production of printing, CD-ROM's and electronic formats. About 73 percent of the value of these services is commercially procured and about 27 percent is produced in-house. Sales of Publications provides for the public sale of Government publications through the Superintendent of Documents. Through the Agency Distribution Services Program, the Superintendent of Documents distributes publications to the public on behalf of Government agencies on a reimbursable basis.

For fiscal year 2004, an appropriation of \$10 million is requested for the revolving fund. This investment is necessary to help restructure the workforce and operations to transform GPO into a 21st century provider of Government information.

Schedule A
 Revolving Fund
 Printing and Binding Operations
 By Object Class

CATEGORIES	FY 2002	FY 2003	FY 2004	TOTAL CHANGES
	ACTUAL	ESTIMATE	ESTIMATE	2003/2004
	DOLLARS (\$000)	DOLLARS (\$000)	DOLLARS (\$000)	DOLLARS (\$000)
	STAFF	STAFF	STAFF	STAFF
1. Program:				
Printing and Binding Operations	2,429	2,706	2,706	0
	#####	#####	#####	#####
2. Breakdown by Object Class:				
11 Personnel Compensation	2,429	2,706	2,706	0
12 Personnel Benefits	35,952	39,583	41,515	1,932
21 Travel	370	377	385	8
22 Transportation of Things	1,366	1,393	1,421	28
23 Rent, Comm., and Utilities	14,012	14,292	14,578	286
24 Printing and Reproduction	430,064	438,665	447,439	8,774
25 Other Services	12,647	12,900	23,158	10,258
26 Supplies and Materials	34,498	35,188	35,892	704
	-----	-----	-----	-----
Total Expenses	2,429	2,706	2,706	0
	#####	#####	#####	#####

The FY 2004 estimate does not include \$9,409 for retirement and health service benefits. Additional authorizing legislation is required.

Schedule B Revolving Fund
 Printing and Binding Operations
 Analysis of Change to Budget Base
 By Object Class

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		PROGRAM TYPE CHANGES			TOTAL CHANGES
	DOLLARS (\$000)	STAFF	DOLLARS (\$000)	STAFF	MORELOAD	DOLLARS (\$000)	STAFF	
FY 2003/2004 CATEGORIES								
1. Program:								
Printing and Binding Operations	9,539		10,058		0	10,000		0
2. Breakdown by Object Class:								
11 Personnel Compensation	7,607		0			0		7,607
12 Personnel Benefits	1,932		0			0		1,932
21 Travel	0		8			0		8
22 Transportation of Things	0		28			0		28
23 Rent, Communications, & Util.	0		286			0		286
24 Printing and Reproduction	0		8,774			0		8,774
25 Other Services	0		258			10,000		10,258
26 Supplies and Materials	0		704			0		704
Total Expenses	9,539		10,058		0	10,000		29,597

Schedule C

Revolving Fund
 Printing and Binding Operations
 Total Estimated Expenses
 Detailed Analysis of Changes

		CALCULATION OF BASE	
		STAFF	AMOUNT (\$000)
	Estimated Expenses, 2003	2,706	698,226
=====			
2003 Estimate			
		STAFF	AMOUNT (\$000)
I.	Adjustments to Base		
	A. Mandatory Pay and Related Costs	---	9,539
	1. Annualization of Prior Year Salary Increases	---	1,584
	2. Annual Pay Raise	---	4,439
	3. Salary Increases	---	1,584
	4. Personnel Benefits	---	1,932
	B. Price Level Changes	---	10,058
	1. Travel	---	8
	2. Transportation of Things	---	28
	3. Rent, Comm., and Utilities	---	286
	4. Printing and Reproduction	---	8,774
	5. Other Services	---	258
	6. Supplies and Materials	---	704
	C. Program Type Changes		
	1. Workload	0	10,000
	a. Other Services		10,000
	2. Equipment, Alterations, Repairs, Etc	---	0

II.	Net Increase From FY 2003 Est. Exp.	0	29,597

III.	Total Estimated Expenses for FY 2004	2,706	727,823
=====			

PRINTING AND BINDING OPERATIONS

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C		
	Staff	Amount (\$000)
A. MANDATORY PAY COSTS		9,539
1. Annualization of Prior FY Salary Increases. Annualization of within-grade increases, promotions, benefits and locality pay raises granted in January 2003.		1,584
2. Annual Pay Raise. Anticipated January 2004 civilian and locality pay raises based on the location of of GPO employees.		4,439
3. Salary Increases. Estimated within-grade increases and promotions expected to be granted to employees in the upcoming fiscal year based on merit and performance.		1,584
4. Personnel Benefits. Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting mainly from increases in personnel compensation.		1,932
B. PRICE LEVEL CHANGES		10,058
1. Items 1-6 A An overall 2.0 % increase is projected.	---	10,058
C. PROGRAM TYPE CHANGES		10,000
1. Workload	---	10,000
1a. Other Services For restructuring agency workforce and operations.		10,000
2. Equipment, Alterations, Repairs, Etc.		0

Schedule D

Revolving Fund
 Printing and Binding Operations
 Summary of Estimated Expenses
 FY 2004 Budget Estimate

	CALCULATION OF BASE	
	STAFF	AMOUNT (\$000)
Estimated Expenses, 2003	2,706	698,226
Proposed Changes for FY 2004		
Mandatory Pay and Related Costs	0	9,539
Price Level Changes	---	10,058
Program Type Changes		
Workload	---	10,000
Equipment, Alterations, Repairs, Etc	---	0
Total Proposed Changes	0	29,597
FY 2004 Estimated Expenses	2,706	727,823

**VALUE OF IN-HOUSE AND COMMERCIAL PROCUREMENT
OF PRINTING AND BINDING**
(Dollar amounts in thousands)

Fiscal Year	In-House ¹	Procured ²	Percent Procured	Other Revenue ³	Total Printing and Binding Revenue
1990	\$203,839	\$634,611	76	\$25,554	\$864,004
1991	199,678	623,076	76	25,417	848,171
1992	202,972	629,184	76	20,852	853,008
1993	191,917	530,007	73	19,875	741,799
1994	179,687	526,772	75	20,314	726,773
1995	179,799	574,665	76	23,199	777,663
1996	174,077	559,623	76	17,382	751,082
1997	182,437	488,257	73	15,559	670,694
1998	176,614	467,436	73	14,133	644,050
1999	179,936	513,607	74	12,275	705,818
2000	182,381	557,612	74	14,666	754,659
2001	173,946	474,330	73	13,029	661,305
2002	170,819	470,340	73	11,144	652,303

¹ Includes Central and Regional in-house printing, including paper used in printing and binding.

² Includes commercially procured printing and binding, including paper furnished contractors.

³ Includes sales of blank paper, waste, and scrap.

Schedule A
 Revolving Fund
 Sales of Publications Operations
 By Object Class

CATEGORIES	FY 2002 ACTUAL		FY 2003 ESTIMATE		FY 2004 ESTIMATE		TOTAL CHANGES 2003/2004	
	STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)
1. Program:								
Sale of Publications Operations	360	50,220	329	47,338	296	45,486	(33)	(1,852)
2. Breakdown by Object Class:								
11 Personnel Compensat+B231on+B	360	14,864	329	14,398	296	13,785	(33)	(613)
12 Personnel Benefits	---	3,925	---	3,802	---	3,593	---	(209)
21 Travel	---	19	---	48	---	37	---	(11)
22 Transportation of Things	---	903	---	932	---	867	---	(65)
23 Rent, Comm., and Utilities	---	7,686	---	6,715	---	6,471	---	(244)
24 Printing and Reproduction	---	11,422	---	10,529	---	9,629	---	(900)
25 Other Services	---	10,498	---	10,371	---	10,588	---	217
26 Supplies and Materials	---	903	---	543	---	516	---	(27)
Total Expenses	360	50,220	329	47,338	296	45,486	(33)	(1,852)

The FY 2004 estimate does not include \$3,583 for retirement and health service benefits. Additional authorizing legislation is required.

Schedule B
 Revolving Fund
 Sales of Publications Operations
 Analysis of Change to Budget Base
 By Object Class

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		PROGRAM TYPE CHANGES				TOTAL CHANGES		
	DOLLARS (\$000)		DOLLARS (\$000)		WORKLOAD		EQUIP., AITS., MAINT., REPAIRS		DOLLARS (\$000)		
	STAFF		STAFF		STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)	
FY 2003/2004 CATEGORIES											
1. Program:											
Sales of Publications		796		462	(33)	(3,110)			0	(33)	(1,852)
2. Breakdown by Object Class:											
11 Personnel Compensation		631		0	(33)	(1,244)			0	(33)	(613)
12 Personnel Benefits		165		0		(374)			0		(209)
21 Travel		0		1		(12)			0		(11)
22 Transportation of Things		0		17		(82)			0		(65)
23 Rent, Comm., and Utilities		0		43		(287)			0		(244)
24 Printing and Reproduction		0		189		(1,089)			0		(900)
25 Other Services		0		202		15			0		217
26 Supplies and Materials		0		10		(37)			0		(27)
Total Expenses		796		462	(33)	(3,110)			0	(33)	(1,852)

Schedule C

Revolving Fund
Sales of Publications Operations
Total Estimated Expenses
Detailed Analysis of Changes

		CALCULATION OF BASE	
		STAFF	AMOUNT (\$000)
Estimated Expenses, 2003		329	47,338
		=====	
		2004 REQUEST	

I. Adjustments to Base		STAFF	AMOUNT (\$000)

A. Mandatory Pay and Related Costs		---	796

1. Annualization of Prior Year			
Salary Increases		---	131
2. Annual Pay Raise		---	369
3. Salary Increases		---	131
4. Personnel Benefits		---	165
B. Price Level Changes		---	462

1. Travel		---	1
2. Transportation of Things		---	17
3. Rent, Comm., and Utilities		---	43
4. Cost of Pubs Sold & Surplus Pubs		---	183
5. Administrative Printing		---	6
6. Computer Service Charges		---	26
7. Administrative Services		---	156
8. Miscellaneous Services		---	20
9. Supplies and Materials		---	10
C. Program Type Changes			
2. Workload		(33)	(3,110)

a. Pers Comp and Benefits		(33)	(1,618)
b. Travel		---	(12)
c. Transportation of Things		---	(82)
d. Rent, Communications & Utilities		---	(287)
e. Cost of Pubs Sold & Sur Pubs		---	(1,083)
f. Administrative Printing		---	(6)
g. Depreciation		---	29
h. Miscellaneous Services		---	(14)
i. Supplies and Materials		---	(37)
3. Equipment, Alterations, Repairs, Etc		---	0

II. Net Increase From 2003 Est. Exp.		(33)	(1,852)

III. Total Estimated Expenses, 2004		296	45,486
		=====	

SALES OF PUBLICATIONS OPERATIONS

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C		
	Staff	Amount (\$000)
A. MANDATORY PAY COSTS		796
1. Annualization of Prior FY Salary Increases. Annualization of within-grade increases, promotions, benefits and locality pay raises granted in January 2003.		131
2. Annual Pay Raise. Anticipated January 2004 civilian and locality pay raises based on the location of of GPO employees.		369
3. Salary Increases. Estimated within-grade increases and promotions expected to be granted to employees in the upcoming fiscal year based on merit and performance.		131
4. Personnel Benefits. Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting mainly from increases in personnel compensation.		165
B. PRICE LEVEL CHANGES		462
1. Items 1-9 An approximate overall 2% increase is projected.	---	462
C. PROGRAM TYPE CHANGES		(3,110)
1. Workload	(33)	(3,110)
1a. Pers. Comp and Benefits A reduction is due to declining workload.	(33)	(1,618)
1b. Travel The decline is primarily due to a bookstore managers conference occurring in FY 03 and not in FY 04.	---	(12)
1c. Transportation of Things A reduction is primarily due to closing of bookstores.	---	(82)

SALES OF PUBLICATIONS OPERATIONS

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C - CONTINUED		
1d. Rents Communications and Utilities. A reduction is primarily due to closing of bookstores.	---	(287)
1e. Cost of Pubs Sold and Unsalable Pubs. A reduction is anticipated because of an overall decline in publications distributed.	---	(1,083)
1f. Administrative Printing The need for administrative printing is expected to decline slightly in FY 04.	---	(6)
1g. Depreciation The increase is for depreciation of assets needed for modernizing the daily operations.	---	29
1h. Miscellaneous Services A small reduction is projected for miscellaneous services in FY 04.		(14)
1i. Supplies and Materials The decline is primarily attributable to the acquisition of supplies to be acquired in FY 03 and not expected to reoccur in FY 04.		(37)
2. Equipment, Alterations, Repairs		0

Schedule D Revolving Fund
 Sales of Publications Operations
 Summary of Estimated Expenses
 FY 2004 Budget Estimate

	CALCULATION OF BASE	
	STAFF	AMOUNT (\$000)
Estimated Expenses, 2003	329	47,338
Proposed Changes for FY 2004		
Mandatory Pay and Related Costs	---	796
Price Level Changes	---	462
Program Type Changes		
Workload	(33)	(3,110)
Equipment, Alterations, Repairs, Etc	---	0
Total Proposed Changes	(33)	(1,852)
FY 2004 Estimated Expenses	296	45,486
	===	=====

Schedule A
 Revolving Fund
 Agency Distribution Service
 By Object Class

CATEGORIES	FY 2002 ACTUAL		FY 2003 ESTIMATE		FY 2004 ESTIMATE		TOTAL CHANGES 2003/2004	
	STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)
1. Program:								
Agency Distribution Service	42	4,504	42	5,645	42	5,992	0	347
2. Breakdown by Object Class:								
11 Personnel Compensation	42	1,567	42	1,635	42	1,714	0	79
12 Personnel Benefits		456		459		480		21
21 Travel		5		23		24		1
22 Transportation of Things		199		337		343		6
23 Rent, Comm., & Utilities		1,339		1,616		1,784		168
24 Printing and Reproduction		121		105		110		5
25 Other Services		693		1,256		1,356		100
26 Supplies and Materials		124		214		181		(33)
Total Expenses	42	4,504	42	5,645	42	5,992	0	347

The FY 2004 estimate does not include \$259 for retirement and health service benefits. Additional authorizing legislation is required.

Schedule B
 Revolving Fund
 Agency Distribution Service
 Analysis of Change to Budget Base
 By Object Class

	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		PROGRAM TYPE CHANGES						TOTAL CHANGES		
	STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)	WORKLOAD		EQUIP., ALTS., MAINT., REPAIRS		DOLLARS (\$000)		STAFF	DOLLARS (\$000)	
					STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)	STAFF	DOLLARS (\$000)			
1. Program:													
Agency Distribution Service		101		206	0	40				0	0	347	
2. Breakdown by Object Class:													
11 Personnel Compensation		79		0		0				0		79	
12 Personnel Benefits		21		0		0				0		21	
21 Travel		1		0		0				0		1	
22 Transportation of Things		0		6		0				0		6	
23 Rent, Comm., and Utilities		0		168		0				0		168	
24 Printing and Reproduction		0		5		0				0		5	
25 Other Services		0		23		77				(37)		100	
26 Supplies and Materials		0		4								(33)	
Total Expenses		101		206	0	40				0	0	347	

Schedule C

Revolving Fund
 Agency Distribution Service
 Total Estimated Expenses
 Detailed Analysis of Changes

		CALCULATION OF BASE	
		STAFF	AMOUNT (\$000)
Estimated Expenses, 2003		42	5,645
		=====	
		2003 REQUEST	

I. Adjustments to Base		STAFF	AMOUNT (\$000)

A. Mandatory Pay and Related Costs		---	101

1. Annualization of Prior Year			
Salary Increases		---	16
2. Annual Pay Raise		---	48
3. Salary Increases		---	16
4. Personnel Benefits		---	21

B. Price Level Changes		---	206

1. Transportation of Things		---	6
2. Rent, Communications, and Utilities		---	168
3. Printing and Reproduction		---	5
4. Administrative Services		---	23
5. Supplies and Materials		---	4

C. Program Type Changes		---	---

1. Workload		---	40

a. Depreciation		---	83
b. Other Services		---	(6)
c. Supplies & Materials		---	(24)
d. Computer Hardware and Accessories		---	(10)
e. Computer Software		---	(3)
2. Equipment, Alterations, Repairs, Etc		---	0

II. Net Increase From 2003 Estimated Expenses		---	347

III. Total Estimated Expenses, 2004		42	5,992
		=====	

AGENCY DISTRIBUTION SERVICE

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C		
	Staff	Amount (\$000)
A. MANDATORY PAY COSTS		101
1. Annualization of Prior FY Salary Increases. Annualization of within-grade increases, promotions, benefits and locality pay raises granted in January 2003.		16
2. Annual Pay Raise. Anticipated January 2004 civilian and locality pay raises based on the location of of GPO employees.		48
3. Salary Increases. Estimated within-grade increases and promotions expected to be granted to employees in the upcoming fiscal year based on merit and performance.		16
4. Personnel Benefits. Increase in employer contributions to FEGLI, CSRS, FERS Thrift Savings Plan, and Social Security taxes resulting mainly from increases in personnel compensation.		21
B. PRICE LEVEL CHANGES		206
1. Items 1, and 3 to 5 An approximate 2.0 % increase is projected.	---	38
2. Rents Communications and Utilities The increase is primarily the result of a new lease at the Pueblo Distribution Facility.	---	168
C. PROGRAM TYPE CHANGES		
1. Workload	0	40
1a. Other Services The increase is primarily for depreciation resulting from modernizing the daily operations.	---	77
1b. Supplies and Materials The decline is primarily attributable to a purchases of small equipment and computer Hardware in FY 2003 which will not reoccur in FY 2004.	---	(37)
2. Equipment, Alterations, Repairs, Etc.		0

Schedule D

Revolving Fund
 Agency Distribution Service
 Summary of Estimated Expenses
 FY 2004 Budget Estimate

	CALCULATION OF BASE	
	STAFF	AMOUNT (\$000)
Estimated Expenses, 2003	42	5,645
Proposed Changes for FY 2004		
Mandatory Pay and Related Costs	---	101
Price Level Changes	---	206
Program Type Changes		
Workload	---	40
Equipment, Alterations, Repairs, Etc	---	0
Total Proposed Changes	0	347
FY 2004 Estimated Expenses	42	5,992
	===	=====

**GOVERNMENT PRINTING OFFICE
PERSONNEL STATISTICS**

Full-time equivalent (FTE) data is prepared for each organization and is distributed by program according to various program distribution allocations in order to calculate FTE data by program. FTE levels are generally below on-board levels because of employees on leave without pay and employees on part-time or intermittent schedules.

Total FTE levels declined by 1,897, or 39 percent, over the period from 1991 to 2002. A voluntary separation incentive program was implemented in the first quarter of FY 94, which resulted in 357 separations. An early-out retirement offer was made in the last quarter of FY 95, resulting in 91 retirements. Additional early-out retirement offers were made during FY 96, resulting in 25 retirements. From FY 1999 through FY 2002, there were a total of 112 early-out retirements.

**GOVERNMENT PRINTING OFFICE
FULL-TIME EQUIVALENT BUDGET**

Program:	FY 2002	FY 2003	FY 2004	Change in FTE's	
				2002-2003	2003-2004
P&B Opns.....	2,429	2,706	2,706	277	0
Sales.....	360	329	296	(31)	(33)
Agency Dist.....	42	42	42	0	0
Rev. Fund.....	2,831	3,077	3,044	246	(33)
By-Law.....	2	2	2	0	0
Cat. & Ind.....	24	35	37	11	2
Dep. Lib.....	91	102	103	11	1
Int. Exch.....	3	3	3	0	0
S&E.....	120	142	145	22	3
Total GPO.....	2,951	3,219	3,189	268	(30)

*Note: In FY 2002 and FY 2003, FTE's were restricted to 3,260 and 3,219, respectively.

**GPO FTE's BY FISCAL YEAR AND
EMPLOYEES ON-BOARD AS OF SEPT. 30**

FY:	FTE's	On Board	Increase/Decrease	
			FTE's	On Board
1991	4,848	4,931		
1992	4,830	4,965	(18)	34
1993	4,761	4,785	(69)	(180)
1994	4,364	4,325	(397)	(460)
1995	4,129	4,091	(235)	(234)
1996	3,820	3,799	(309)	(292)
1997	3,599	3,603	(221)	(196)
1998	3,430	3,435	(169)	(168)
1999	3,260	3,262	(170)	(173)
2000	3,139	3,178	(121)	(84)
2001	3,036	3,026	(103)	(152)
2002	2,951	3,019	(85)	(7)
Cumulative change			(1,897)	(1,912)

SUMMARY OF EMPLOYEES BY TYPE OF WORK--AS OF SEPTEMBER 30

	1999	2000	2001	2002
White collar workers (including administrative, professional, technical, and clerical).....	1,682	1,668	1,592	1,585
Blue collar workers:				
Journeyman craftsmen:				
Printers.....	203	196	192	213
Bookbinders.....	64	63	53	59
Cylinder pressmen.....	9	6	4	1
Offset photographers.....	7	4	3	2
Offset platemaker strippers.....	30	24	22	26
Offset pressmen.....	37	26	29	30
Offset strippers.....	40	30	25	20
Subtotal.....	390	349	328	351
Engineering service craftsmen.....	119	120	120	116
Total journeymen craftsmen.....	509	469	448	467
Trainees.....	46	62	30	30
Printing plant workers.....	705	677	654	672
Bindery workers.....	19	17	16	14
Federal wage system.....	28	24	24	21
Premium rates.....	236	224	226	198
Under journeyman.....	37	37	36	32
Total blue collar workers.....	1,580	1,510	1,434	1,434
Total employees.....	3,262	3,178	3,026	3,019

SUMMARY OF EMPLOYEES BY ORGANIZATION

	1999	2000	2001	2002
Executive Offices.....	95	90	92	71
Office of Administration.....	642	652	639	654
Procurement Services:				
Central Procurement.....	152	155	142	145
Regional Printing and Procurement.....	201	192	186	184
Materials Management Service.....	135	131	122	121
Quality Control and Technical Dept.....	26	25	23	20
Production Services.....	1,208	1,173	1,106	1,113
Customer Services.....	177	170	171	180
Superintendent of Documents.....	626	590	545	531
Total employees.....	3,262	3,178	3,026	3,019

WEDNESDAY, MAY 21, 2003.

ARCHITECT OF THE CAPITOL

WITNESSES

ALAN M. HANTMAN, FAIA, ARCHITECT OF THE CAPITOL
AMITA POOLE, ADMINISTRATIVE ASSISTANT
GARY GLOVINSKY, CHIEF FINANCIAL OFFICER
FRANK TISCIONE, SUPERINTENDENT, HOUSE OFFICE BUILDINGS
CARLOS ELIAS, SUPERINTENDENT, U.S. CAPITOL BUILDING

OPENING REMARKS

Mr. KINGSTON. Good morning. The Subcommittee will now come to order. Welcome, all of you, and thank you for being here today. We will now take up the fiscal year 2004 budget of the Office of the Architect of the Capitol. We have Mr. Alan Hantman, the Architect of the Capitol, and several of his staff. Please introduce whomever you please.

[CLERK'S NOTE.—The bio of the Architect of the Capitol, Alan Hantman, follows:]

ALAN M. HANTMAN, FAIA, ARCHITECT OF THE CAPITOL

Alan M. Hantman, FAIA, was appointed the tenth Architect of the Capitol by President Bill Clinton on January 6, 1997; he was confirmed by the Senate on January 30, 1997, as the first Architect to be subject to the new selection procedure established in 1989.

As Architect of the Capitol, Mr. Hantman is responsible for the mechanical and structural maintenance of the Capitol, the care and improvement of the Capitol grounds, and the arrangement of inaugural and other ceremonies held in the building or on the grounds. He is charged with the upkeep of all of the Congressional Office Buildings, the Library of Congress Buildings, the United States Supreme Court Building, the Thurgood Marshall Federal Judiciary Building, the Capitol Power Plant, the Capitol Police headquarters, and the Robert A. Taft Memorial. He is responsible for the care of all works of art in the Capitol under the direction of the Joint Committee on the Library, provides advice and assistance as requested by the House Fine Arts Board with respect to items in its Registry, and is responsible for the maintenance and restoration of murals, outdoor sculpture, and other architectural elements throughout the Capitol Complex. In addition, he is responsible for the operation of the Senate Restaurants subject to the Senate Committee on Rules and Administration, and he serves as the Acting Director of the United States Botanic Garden under the Joint Committee on the Library.

The Architect of the Capitol serves as a member of the Capitol Police Board and the Capitol Guide Board as well as an ex officio member of the United States Capitol Preservation Commission. He is a member of the District of Columbia Zoning Commission, Advisory Council on Historic Preservation, and National Capital Memorial Commission. He is also an ex officio trustee of the National Building Museum and a member of the Art Advisory Committee to the Washington metropolitan Area Transit Authority.

Before his appointment, Mr. Hantman had been with the Rockefeller Center Management Corporation since 1986 serving as Vice President for Architecture, Planning, and Construction. In this position, he was responsible for ensuring the maintenance of Rockefeller Center's high standards as a cohesive urban complex, as a world-renowned blending of art and architecture, as both a National Historic and

a New York City landmark, and as an attractive, high-quality environment for the 65,000 tenants and 200,000 visitors who use it daily.

Mr. Hantman played a leading role in Rockefeller Center Corporation's \$300 million Capital Improvement Program as well as in the day-to-day management of the 15-million-square-foot "city within a city." His work included coordination of internal architectural, engineering, and display/graphics professionals, project managers, and plan reviewers and archivists. The selection and monitoring of consulting architects, engineers, artists, preservationists, and construction contractors was also an important part of his responsibilities. In 1995 Mr. Hantman was named Vice President, Facilities Planning and Architecture, and given strategic planning responsibilities for all buildings at Rockefeller Center along with continued oversight of all art, architecture, and preservation issues.

Mr. Hantman had previously held the position of Project Director for architectural and planning projects with the Cushman & Wakefield, Inc., Development Consulting Group. His responsibilities included providing consulting services for programming, planning, and design for major corporate headquarters buildings, office structures, and a wide variety of other commercial undertakings. He also served as Assistant Chief Architect with the national architectural-engineering firm of Gibbs & Hill, Inc., and worked with the internationally known architectural firm of Ulrich Franzen & Associates.

Mr. Hantman has been elected a Fellow of the American Institute of Architects; he has lectured on the design and evolution of the United States Capitol building, Rockefeller Center, computer-assisted design, and facilities management at various industry, university, and private forums. Mr. Hantman was graduated from the City College of New York with a Bachelors in architecture and from the City University of New York Graduate Center with a Masters in urban planning.

A registered architect in the state of New York, Mr. Hantman is also certified by the National Council of Architectural Registration Boards. The New York Society of Architects awarded him its Sidney L. Strauss Award, "for outstanding achievement for the benefit of the architectural profession," for his work at Rockefeller Center.

BUDGET REQUEST

Mr. KINGSTON. The budget request that the Subcommittee will consider is \$448 million (\$447,857,000), an increase of \$119.4 million, or 36.4 percent over the fiscal year 2003 enacted level. There are 8 appropriation accounts in this budget: General Administration, \$158.6 million (\$158,570,000); the Capitol Building, \$52 million (\$52,368,000); Capitol Grounds, \$7 million (\$6,986,000); the House Office Buildings, 67 million (\$66,779,000); the Capitol Power Plant, \$102 million (\$102,157,000); Library Buildings and Grounds, \$47.1 million (\$47,108,000); Capitol Police Building and Grounds, \$2.9 million (\$2,970,000); and the Botanic Garden, \$10.9 million (\$10,919,000).

This does not include funds for the operations of the Senate Office Buildings. The other body will consider their own needs for their own operations. That is estimated at \$66 million (\$66,063,000).

I want all of the Members of the Subcommittee to understand that it is my intention to hold another hearing regarding the issues related to the Capitol Visitor Center (CVC), and that is because we are having a study completed on the CVC that is ongoing as we meet. As the Members are aware, a contract issued by the Architect of the Capitol to Tishman Construction Company of Washington, D.C., to establish the final cost to complete the Capitol Visitor Center project. Those numbers are to be reviewed and vetted by the General Accounting Office, and when the final numbers are made public, this Subcommittee will hold our hearings regarding this most controversial project. So I ask, to the extent possible, that Members withhold their questions regarding the CVC until our hearing related to the costs to complete estimates.

Obviously, this Committee respects the First Amendment, and our Type A independent contractors on this Subcommittee may ask anything they please. However, I think it would be best if we wait until the GAO has a chance to scrub the Tishman report in order that we have the most information possible.

Mr. Moran, do you have a statement you would like to make at this time?

Mr. MORAN. Well, thank you, Mr. Chairman. And I am sure a description of Mr. LaHood as a Type A personality will be borne out during our hearing. I thank you for convening this hearing. And I think that yesterday's hearing raised some very legitimate issues with regard to the Capitol Police and the police chief's ambitious plans. But Congressman Culberson's recommendation to have some additional closed-door hearings on that seemed to make some sense as well from this side of the aisle. It may move us forward.

I am sure we are going to have some tough questions for the Architect as well, because it is kind of a relationship between a landlord and a tenant. But our questions go beyond leaky faucets and radiators that don't heat and so on. We have got some major issues and some tremendous sums of money involved.

The visitor center is the major issue, and I know you are going to have a separate hearing on that, so we are trying to confine our questions to other issues beyond the visitor center, but there are enough of those issues. We hear a lot of questions asked about whether past directives made by the Committee have been fully implemented, and some questions are going to address that. And then there are, of course, complaints and expressions of discontent on the part of rank-and-file employees. I know the Architect wants to address those. So I appreciate you having the hearing, and I look forward to participating. Thank you.

Mr. KINGSTON. Thank you, Jim.

I should have mentioned before that these are some of the questions that the Tishman GAO study is going to look into: What was the AOC's estimate of completing the project; which aspects of the project are not included in the estimate; does the estimate involve changes in the project scope or quality; how much more money will it be to complete; what risk or uncertainties are out there in terms of being able to finish it; and what is the basis for the contingency funds that are included in the estimate?

They are examining many things that will prove to be very useful to the Committee. I look forward to the CVC hearing.

Mr. LaHood, do you have any comments, or Mr. Tiahrt?

Alan, please introduce your staff. Your prepared statement has been provided to the Members of the Subcommittee and will be inserted into the record at this point.

[The prepared statement submitted to the Committee by the Architect of the Capitol for the record follows:]

**STATEMENT OF ALAN M. HANTMAN, FAIA
ARCHITECT OF THE CAPITOL**

**Fiscal Year 2004 Appropriation Hearing
U. S. House of Representatives
Committee on Appropriations
Subcommittee on Legislative Branch**

21 May 2003

Mr. Chairman, members of the Committee, I welcome this opportunity to testify before you today. The Office of the Architect of the Capitol (AOC) has always worked closely with the Subcommittee on the Legislative Branch in a successful and collaborative relationship. I thank the Committee for its generous support which has allowed us to complete many critical projects, provide exemplary service, and assure continuity of operations at the Capitol, the House Office Buildings and throughout the Capitol complex. My budget request for Fiscal Year 2004 meets my responsibilities for facilities management, project delivery, and the stewardship of the Capitol complex. But just as importantly, this budget responds to the demands of our customers, the requirements for fire and life safety, as well as new security requirements. It has been a challenge to build this budget request and balance these requirements against our current workload. I have personally reviewed the budget request with each of my Superintendents to ensure we fulfill our responsibilities as effectively and efficiently as possible – reviewing the base amounts and looking for areas of savings.

We are requesting \$513.9 million for Fiscal Year 2004, (\$447.8 million excluding the items for the United States Senate) — \$57.1 million or 12.5 percent above the enacted Fiscal Year 2003 budget including the Fiscal Year 2003 supplemental. This does not include the authority to use \$4.4 million reimbursement of utilities provided to non-legislative branch agencies. The most significant factor in this increase is the request for funds to purchase the shared Alternate Computer Facility at \$61 million. Other significant projects in this request are: \$40.8 million to continue the West Refrigeration Plant Expansion project; \$26.5 million for Phase II of the design of the U.S. Capitol Building Master Plan; \$18.7 million to replace the high-voltage switchgear in nine buildings; and \$12.6 million for the design of new Library of Congress facilities and a condition assessment of the Library of Congress Buildings and Grounds. Other key items in my budget request include \$9.5 million for elevator modernization in the Rayburn and Cannon House Office Buildings, \$6.5 million to improve Capitol Power Plant operations; \$4.3 million to upgrade the data center in the Ford House Office Building; \$4.3 million to refurbish Bartholdi Park; \$4.2 million to prepare a Capitol Complex Master Plan; \$4.2 million to build an underground fuel storage tank for the Capitol Power Plant, and \$4.1 million to install a fire protection water tank at Ft. Meade.

Project Descriptions

Alternate Computer Facility – \$61,000,000

This request will fund the purchase of the land and buildings for the Alternate Computer Facility (ACF). Per Public Law 107-206, Section 905 (a), the AOC is authorized, subject to the availability

of appropriations, to acquire buildings and facilities for use as computer backup facilities for offices in the legislative branch. The AOC entered into a 10-year lease in November 2002, with a single option of an additional ten years, for such a facility in Manassas, Virginia. The facility selected was one of two adjoining buildings, with the legislative branch occupying one building and the other occupied by commercial tenants. Included in the lease is an option for the AOC to buy both buildings and the surrounding land within the first five years. Due to the design and interdependencies between the two buildings (e.g., common utility systems and mechanical rooms) it is not feasible to buy only one of the two buildings. Based on preliminary analysis in June of 2002, it is more advantageous to the government to procure both buildings than to continue a full 20-year lease for one building based on comparing the present value of the cost of ten years worth of lease payments to the cost of purchasing the entire building. We will undertake full due diligence in support of this purchase this summer. Continued leasing of the ACF will result in Fiscal Year 2005 acquisition costs rising to \$63,000,000 as priced in the lease agreement.

West Refrigeration Plant Expansion – \$40,800,000

This project provides funding for the final increment for the West Refrigeration Plant Expansion Project. The total project cost is \$81.8 million. The existing West Refrigeration Plant operates at its maximum capacity during peak summer load conditions and if the project is not funded, the Capitol Power Plant will be unable to meet the cooling needs of the Capitol complex. The Capitol Visitor Center (CVC) will also impose additional loads when it becomes operational in 2005. These demands make it critical that this project be completed before the CVC is completed. Construction of the West Refrigeration Plant Extension will accommodate new chillers and include all necessary auxiliary equipment, such as cooling towers, pumps, heat exchangers, piping and controls. It is imperative that this project be completed in time to meet future demands.

U.S. Capitol Master Plan Phase II – \$26,500,000

This project will provide initial design funding to implement the U.S. Capitol Master Plan which addresses upgrades to the infrastructure/support systems of HVAC; fire protection and life safety; security; electrical; lighting; vertical transportation; telecommunications; system integration; and plumbing systems throughout the Capitol Building. The scope is fundamentally an infrastructure upgrade coupled with limited architectural changes designed to meet fire and life safety codes for the interior of the U.S. Capitol. The proposed work includes upgrades to the Senate and House Chambers; a building-wide sprinkler system; an upgrade of the HVAC system to include smoke evacuation features; an essentially new electrical system to include new distribution wiring and panels and new or refurbished lighting and special electronic systems; additional vertical circulation; and upgraded public toilet facilities. The new special electronic systems include security, fire alarm, information technologies fiber optic backbone and legislative call systems. The Master Plan will not affect existing architectural design except in those areas where upgrades necessitate architectural modifications. We are currently in the process of engaging a consultant to conduct a feasibility and constructability analysis for construction phasing with emphasis on accelerating the life safety, fire protection, and other Master Plan recommendations and initiatives that can be accomplished with minimum disruption to building occupants and business operations. The analysis will also include the feasibility of accelerating life safety and fire protection recommendations on the House and

Senate Chambers. If this phase of the Master Plan is not funded, the correction of basic fire and life safety deficiencies will be deferred, potentially resulting in harm to human life in the event of a fire or emergency evacuation.

Replace High Voltage Switchgear in Nine Buildings – \$18,672,000

This project will provide funds to replace High Voltage Switchgear in nine Capitol complex buildings. High Voltage Switchgear ensures adequate reliable electric power supply through power distribution interfaces with the PEPCO incoming feeders. It works at 13,800 volts and contains high voltage power breakers and system protective metering devices and constitutes the backbone of the electric power distribution system. The replacement switchgear will ensure maximum technical uniformity between switchgear in different buildings and simplify maintenance. The switchgear in all buildings are very old (in most cases 42 to 50 years old) and are either at the end of their life expectancy or are no longer logistically supported by the manufacturer. Currently, a single failure of high voltage equipment will not, in most cases, interrupt normal power supply. However, two consecutive failures (if the first one cannot be promptly fixed) would result in a major power supply breakdown to a building, possibly for days entailing significant costs to repair.

Design, Study and Condition Assessment for Library of Congress – \$12,602,000

This line item provides flexibility to meet the needs of the Library of Congress by performing studies, designs and condition assessments to improve project planning and programming. Specific initiatives under this category are:

- Replace Drinking Water System – Design revisions to the drinking water system to ensure long-term safety and reliability of water supply.
- Logistics Warehouse Facility, Ft. Meade – New warehouse facility at Ft. Meade enabling the LOC to consolidate, increase service and eliminate current leased facilities.
- Offsite Storage Facility – Design of new off-site facility to house platinum level collections for the LOC.
- Book Storage Module 5, Ft. Meade – Design new Book Storage Module 5 at Ft. Meade to house general collections to alleviate safety and overcrowding issues.
- Master Plan, Ft. Meade – Continuation of conceptual level master plan study at Ft. Meade to plan and resolve utility issues.
- Replace Bathroom Exhaust Systems, Jefferson Building – Design upgrades to mechanical exhaust system to alleviate building code violations.
- Upgrade Book Conveyor System – Design upgrades to the book conveyor system fire wall penetration resulting from a Citation from the Office of Compliance.
- Study, Damper Smoke Control – Design a comprehensive smoke management system to ensure safe egress of building occupants and respond to a Citation from the Office of Compliance.
- Upgrade Emergency Lighting – Design upgrades to all emergency lighting systems to ensure code compliance and the safety of building occupants.
- Steam-to-Steam Humidification – Design upgrades to all building humidification systems to improve operations, indoor air quality and collections preservation.
- Repair/Replace Copper Roof, Adams Building – Design repairs to deteriorated copper roof

- currently leaking and at the end of its expected life cycle.
- ADA Bathroom Renovations, Adams Building – Design upgrades to bathrooms in fire stairs resulting from a Citation from the Office of Compliance.
- Repair Clean Convectector Units – Study methods to clean existing convectector units to increase indoor air quality.
- Provide Electrical Upgrade, Madison Building – Study alternatives to increasing available power throughout the Madison Building.
- Conservation of Murals – Ongoing study and conservation of historic artwork in LOC facilities.
- Design, Replace Windows – Design and install prototype windows for evaluation in accordance with the Capitol Police Blast-Cad Study.
- Condition Assessment – Comprehensive condition assessment of all facilities and equipment to facilitate a capitol improvement plan & preventative maintenance plans.

Elevator Modernization Program – \$9,460,000

This project will upgrade two freight elevators in the Cannon House Office Building (CHOB), the underground garage elevators, and twenty-eight Rayburn House Office Building (RHOB) elevators. The freight car elevator work focuses on removing the old elevators' hoisting equipment and controls, and demolishing the existing hoistway. The hoistway will be rebuilt to create a service elevator that is deep enough for the loading equipment used on it. In the supporting machine room, new hoisting equipment with solid-state drives will be installed. An adjoining elevator sharing the same machine room will undergo similar renovations. The underground garage elevators are extremely old and have never been renovated. The electric service to these elevators will be updated to bring them up to the present National Electric Code requirements. The proposed work will replace the pump controller, wiring, and upgrade the audible and visual signals to meet Americans with Disabilities Act (ADA) requirements. The RHOB elevators are antiquated; the wiring is 44 years old, and is dry, brittle, and subject to cracking which causes shorts and failures. This component of the elevator modernization project includes upgrading the elevators in the RHOB by refurbishing existing motors, installing modern solid state drives, and providing new controls and signals to comply with ADA standards. The open relays will be replaced with modern sealed relays and integrated computerized elevator controllers. The antiquated rotary drives will be replaced with solid state drives, which will significantly reduce failures. If not funded the RHOB and the underground garage elevators will not be ADA compliant. In the CHOB, the elevator reliability will continue to decline, elevator mechanical and electrical maintenance and repair will continue to increase.

Installation of Distributed Control System -- \$6,500,000

This project will replace the existing pneumatic controls in the Capitol Power Plant Boiler Plant with digital controls. Existing obsolete controls utilize mercury, which is an environmental hazard. A "fieldbus" protocol will be used in the new control system, which will allow accurate and remote monitoring of the plant. The controls to a boiler must be fully functional and accurate to ensure safe plant operation and compliance with environmental restrictions. Due to the age, inaccuracy, and unavailability of replacement parts, the system must be replaced. If not funded, the Capitol Power

Plant will continue to use unreliable controls. The plant will not operate as safely or as efficiently as it should. Also, this installation will support future potentially more restrictive permit limits for environmental compliance.

Upgrade Data Center – \$4,323,000

This project will provide funding to upgrade the electrical and mechanical systems to support the Chief Administrative Officer Data Center requirements. It will also expand the existing space by an additional 4,000 square feet to provide a flexible floor plan and support structure. The House Information Resources Data Center, located on the sixth floor of Ford House Office Building, was established as a mainframe computer support facility in the late 1970's. The Data Center infrastructure has since become antiquated and has exceeded the recommended twenty-year useful life for its mechanical and electrical equipment. If not funded the Center's current configuration will not effectively support the current or future computer requirements of the House. Electrical and mechanical systems will reach the end of their useful life which will require additional maintenance time and cost, and the potential for increasing amounts of downtime.

Bartholdi Park Fountain Restoration and Park Renovations -- \$4,280,000

This project will provide funding to restore the Bartholdi fountain which was purchased from the 1876 International Centennial Exhibition in Philadelphia, and was moved to Washington, DC in 1877. The restoration of the fountain to its cast iron metal base in 1986, was expected to last approximately 10 years. The four top coatings have disintegrated and the cast iron is exposed in areas. Although the fountain is functional, both the top and lower basins leak and many of the water sprays function sporadically. This project will renovate and restore the existing fountain and basin. This includes providing and applying a coating treatment to the deteriorating metal finish; upgrading and replacing all plumbing; upgrading the electrical components; installing a new utility vault, basin, light fixtures, and 19th century replicas of the original light fixtures and basin standards. All irrigation to the fountain and Bartholdi Park will be replaced. Most of the park does not have an irrigation system and requires high maintenance and manpower during the summer months. Additionally, the deteriorating sidewalk will be removed and replaced. If not funded, the Bartholdi sculpture will continue to deteriorate and the fountain will become inoperable.

Capitol Complex Master Plan – \$4,200,000

This project provides funding to prepare a Capitol Complex Master Plan. The existing master plan is 22 years old and does not address facility requirements brought about by the Congressional Accountability Act, nor does it relate to the present need for a heightened security environment. A comprehensive Facilities Conditions Assessment (FCA) has not yet been performed, and there is insufficient global input to fully address all necessary decision factors. Therefore, a new master plan for the Capitol complex needs to be developed to:

- Assess the present physical condition of the buildings;
- Assess the buildings' capacities and functionalities to accommodate current and future Congressional occupant requirements;
- Identify and document current and future Congressional programmatic needs;

- Address code, environmental, and security requirements;
- Address visitor and traffic circulation (including parking) and;
- Address new technology opportunities.

The resulting master plan will serve as a blue print to aid the AOC and Congress in determining capital expenditure requirements and priorities. Funding for the Facilities Conditions Assessment is being provided in Fiscal Year 2003 for the Capitol, Senate, and House facilities. In addition, a workshop was convened by the National Academy of Sciences to assist in identifying key issues and factors that need to be addressed by a master plan for the Capitol complex. Based on the results of the workshop, a Request for Proposal will be developed to solicit proposals from firms with demonstrated expertise in campus-type master planning. The scope will include identifying and documenting all of the critical factors that will affect the planning, funding, and implementation of future capital projects on the campus. The scope will also call for recommendations on a means of prioritizing the factors. Without this comprehensive master plan for the Capitol complex, capital projects will not be planned, developed, or prioritized within an appropriate comprehensive framework.

Install Oil Storage Tanks – \$4,200,000

This project will provide funding to install a 400,000-gallon underground fuel oil storage tank in the Capitol Power Plant auxiliary coal yard. The fuel oil tank will supply oil to the Capitol Power Plant boilers through a utility tunnel being installed as part of the Interim Coal Handling Project. The current fuel oil storage on the site does not provide sufficient capacity in the event of a gas curtailment. This additional 400,000 gallons of storage along with the existing 200,000 gallons of storage will give a total of seven days storage at full load operation. Environmental restrictions have effectively limited the flexibility of burning coal, thus making the plant more dependent on fuel oil to stay within limits. If not funded, the Capitol Power Plant will be forced to continue to pay higher costs for natural gas. The plant would continue to operate on limited fuel storage capacity.

Water Tank, Ft. Meade – \$4,103,000

To meet fire code requirements of the Book Storage Module 2 Project at Fort Meade, a water tank is necessary as a second reliable water source for this and future projects. This project will include a 500,000 gallon on-grade water tank, pumps and an associated distribution network. This is a code-required installation and Book Storage Module 2 can not be occupied until the water tank and associated pumps and distribution network are provided.

Employee Safety

Not only are we working to complete our projects on time and within budget, we also want to complete them safely. I am pleased to report that, according to the most recent figures from the Occupational Safety and Health Administration, we have cut our total injury/illness rate by 53 percent and our lost time injury/illness rate by 36 percent in the last two years. Our lost time rate for Fiscal Year 2002 was only slightly higher than the Federal agency average — a substantial achievement for a predominantly shop-oriented, blue collar work force. These significant injury reductions are a result of the priority I have placed on safety, the attention and commitment of the

AOC management team, the hard work and dedication of AOC employees, and the ongoing support of this Committee.

With the generous support of Congress, since 2000 we have increased our safety professional staff, modified work practices and procedures, and provided protective equipment and safety training to our employees. We also have greatly improved our ability to anticipate and prevent injuries and illnesses from occurring. While this is a substantial achievement, I believe our total injury rate remains high. I am committed to continue reducing this rate and achieving my ultimate goal of eliminating all injuries and work-related illnesses.

Another achievement of note: There were no citations issued by the Office of Compliance (OOC) to the AOC in 2002. In fact, in its 2002 Biannual Report, the OOC noted the "improved workplace safety" it witnessed during its inspections.

House Office Buildings Improvements

We continue to make significant improvements to the four House Office Buildings. Following the completion of the modernization of the passenger and freight elevators in the Longworth Building, we have embarked on an extensive modernization of the Cannon Building elevators to improve their performance, reliability, and aesthetics. As part of the overall security plan, we expeditiously installed blast resistant film on all the office windows, placed several vehicle barriers at strategic locations and enhanced our security systems throughout the complex. A major accomplishment this year was the demolition of the O'Neill, removing the entire structure from the site in two months and providing temporary parking in its place. Prior to the demolition, we completed several office upgrades in the Ford and Cannon Buildings to accommodate the occupants being displaced by the O'Neill Building demolition.

The AOC has made great strides towards providing full fire protection in all our buildings. The Rayburn Building has been outfitted with a complete fire sprinkler system which is presently in the testing phase. We continue to install and activate ADA and code compliant fire alarm systems in all our buildings. We have completed the replacement of the entrance doors in the Longworth Building, bringing them into compliance with Fire/Life Safety and ADA codes and we are presently working on the entrance doors in the Cannon Building to bring them into compliance in the near future.

Working in concert with the Chief Administrative Officer of the House (CAO), we completed several Committee Room upgrades for audio/visual enhancements. We also worked with the CAO to open the modern House Information Resources Training Center in the basement of the Longworth Building. Together we also moved 194 Member offices, completing the moves in 3 ½ weeks and receiving a customer satisfaction level of 95%.

The House Office Building's enhanced recycling program is accomplishing the AOC's objective of allowing everyone to participate. The program is "user-friendly" allowing participants to choose what they want to recycle and what type of recycling container they want in their office. The current source separation program continues to have acceptance from the offices and the recycling program's

numbers have increased over the past two years. For example, in Fiscal Year 2002, high grade paper tonnage increased by over 75 tons as compared to Fiscal Year 2001; newspaper tonnage increased by over 278 tons and cardboard increased by more than 56 tons. Our recycling program achieved an added benefit with the O'Neill building demolition. We recycled 5,080 tons of concrete, brick and block debris; 227 tons of reinforcing steel, 7 tons of copper wire; 212 tons of tin; 43 tons of steel; 2 tons of copper pipe and 0.65 tons of radiators as part of the demolition process. Prior to demolition, a large number of fire safety and egress items were removed and turned over to the AOC for reuse, including 10 emergency units; 18 pull stations; 24 sirens; 57 exit signs; 50 remote heads; 400 smoke detectors; 30 fire extinguishers; a fire pump, control panels and electrical breakers.

In June 2002, we asked our Legislative customers to provide us with feedback regarding their satisfaction with the level of building services we provide. This will be an on-going process with the second survey scheduled for June 2003. In response to the feedback we received, we have modified and improved our cleaning procedures. Specific inspection procedures have been implemented to identify consistency and quality of cleaning operations, specific cleaning goals are set, and we are recognizing outstanding employee performance. As a result of the process changes, from July 2002 to January 2003, the House Office Buildings' night cleaning division reached a performance score of 98.3 percent. (The performance score is the percentage of satisfactorily cleaned items over total inspected items based on stated objective criteria.)

Capitol and Capitol Grounds Improvements

In the Capitol Building, we have orchestrated hundreds of projects — from painting rooms, to the first phase of the Dome rehabilitation, and the preparation of construction documents for the major work yet remaining. One of the larger projects we have undertaken is the modernization of all elevators. Work has been completed on nine elevators, three are currently under construction, and the remaining one is scheduled for modernization in Fiscal Year 2004.

We have achieved full compliance with ADA requirements at all the main building entrances and in the public restrooms. Smoke detectors, strobe signaling devices, emergency lighting, and other fire safety devices are continually being installed throughout the building. We are busily cleaning, restoring, and preserving the artwork, statues, and architectural features inside the Capitol Building. Outside the building, we have been tending to the grounds to assure that pathways were cleared of ice and snow during the many snow storms we endured this winter and planting bulbs so that we would be graced with a beautiful array of flowers now that spring has finally arrived.

This is only a short list of our many accomplishments. I expect an even more significant list of successes through the implementation of our Strategic Plan which will help unify the Agency's priorities and provide the business management tools needed to accomplish our organizational goals.

Strategic Planning

When I testified before this Committee last year, I discussed the AOC's continuing improvements in planning and managing its projects and resources more effectively. Over the past year, the AOC has undergone a management review by the General Accounting Office (GAO). In January 2003,

GAO issued its final report that validates the initiatives that we had underway, such as structuring and implementing a Strategic Plan and a Performance Management Plan, and makes additional recommendations that we are incorporating into our operations. These plans will assure that the Agency better achieves its mission; improves its performance; reaches its goals; and employs best practices to achieve results. We are in the process of obtaining stakeholder feedback on drafts of both plans and we will finalize them shortly. In unifying the Agency's priorities, the Strategic Plan will concentrate the AOC's efforts on planning and excellence in the most critical areas of our work: state-of-the-art facilities management and project management; business processes; and human capital planning and allocation.

The foundation of our Strategic Plan is a commitment to our stakeholders to provide exceptional client service and to preserve and protect the national treasures entrusted to our care. It is our pledge to respond quickly to requests; to find the most efficient way to solve problems; to provide the services necessary for Members of Congress and their staffs to perform their jobs; and to appropriately accommodate the many visitors to the Capitol complex each year.

Human Capital

We employ a diverse workforce consisting of individuals with a variety of skills and institutional knowledge. Because we are a service-based organization, these individuals comprise AOC's most valuable assets and are most critical to its success. AOC's focus on the strategic management of human capital covers all aspects of our staff assets, from recruitment to skill development to job motivation and satisfaction. We believe this strategic focus on human capital will ensure AOC's ability to deliver on our promises now and in the future.

As part of our strategic planning initiatives, we have published a number of new or revised human capital policies and will continue to review and identify others that may need to be updated or developed. We are also focusing on further improvement in areas of recruitment and employee development, and on significantly increasing the quantity and quality of data collection to enable us to develop better projections of our workforce needs — in terms of succession planning, recruitment, and development — based on our strategic goals.

Fiscal Year 2003 marked the beginning of the third annual cycle of our individual performance management program for employees. The Performance Communication Evaluation System (PCES) has enabled AOC to complete non-executive employee performance plans and evaluations regularly and systematically.

We developed and implemented a Performance Review Process that provides for performance plans and evaluations for our executives. We now plan to align our executive performance plans with our Strategic Plan to enable a top-down approach to cascading strategic goals throughout AOC.

Establishing formal processes to gather and respond to employee feedback is extremely important. As we implement new programs and processes as part of our transition to a performance-based

organization, there will likely be many changes. An established feedback process will ensure that AOC leaders and employees both understand and respond to each other's concerns. This form of communication will assist the AOC in achieving its mission in the fairest and most efficient way. We have formed a team to develop a comprehensive employee feedback program that will utilize focus groups, surveys, and other feedback mechanisms.

In addition to these communications efforts, we continue to provide outreach and support to employees through the ombudsperson, and our EEO/CP and Human Resources Offices.

I understand that members of this committee are interested in the issue of temporary employees and federal benefits. We are preparing a report for this committee and the Senate Appropriations Committee that is due at the end of the month, and we look forward to continuing this discussion upon its release.

Information Technology

We are committed to adopting an agency-wide approach to managing Information Technology (IT) to provide the consistent direction needed to enhance mission performance across the agency. As such, we are implementing a portfolio-based approach to IT investment decision making; developing an Enterprise Architecture (EA) that will help drive the agency-wide approach to IT management while aligning business processes with IT; revising our structured system life cycle to include processes for IT system acquisition and development with quality standards built in during each phase of the process; monitoring the performance of AOC's information technology programs and activities; and building a comprehensive information security program.

Financial Management

One key IT investment has been the implementation of the Financial Management System (FMS). The GAO noted in its management review report that the financial team has made great strides in improving the flow of financial data. The Fiscal Year 2004 budget continues to support this effort with funds to build policies and procedures and move us toward auditable financial statements. Our budget reflects the structure implemented under FMS with program groups and provides the recommended budget schedules and analysis of change formats from the Legislative Branch Financial Managers Council that details the individual appropriation budget requests.

Facility Management

The ability to measure performance related to strategic goals will be improved by the continuing implementation of the Computer-Assisted Facilities Management (CAFM) system. In 2004, the application will be upgraded to a web-enabled environment, preventative maintenance will be rolled out for electrical and plumbing systems, handheld scanners will help employees in the field maintain more up-to-date work order information, and we are planning to interface the facility management system to the financial management system to help insure accurate material, labor, and asset costs associated with maintenance work.

Capitol Visitor Center

The most significant and most challenging project that began construction since I last appeared before this Committee is the Capitol Visitor Center (CVC). This is a much-needed project of momentous and historic importance. As the ninth increment of growth of the "People's House," it will offer free and open access to all people in a safe and secure atmosphere so that they may witness the workings of democracy and the legislative process.

This is a brief status report on the very significant progress we have made. The work is proceeding in several overlapping phases. In the winter of 2001-02, project bids were sought and the first major construction contract was awarded in spring 2002. This contract, called "Sequence 1 - Foundation/Structure" and worth \$99 million, was awarded to a Northern Virginia contractor. The contract involves site demolition, slurry wall construction, excavation, installation of site utilities, construction of the concrete and steel structure, waterproofing, and construction of a new truck service tunnel.

The contractor has nearly completed the installation of the perimeter foundation walls and has begun major excavation activities that will continue through the summer of 2003. The outer perimeter wall is essentially complete and full excavation of the site is beginning as some 300-400 truckloads of soil are being removed daily in a manner least invasive to our Capitol Hill neighbors. Excavation will continue into the summer and the contractor will begin erecting steel columns and begin pouring portions of the roof slab later this summer.

With Sequence 1 moving at full throttle, we have just recently awarded the contract for Sequence 2, which includes installation of electrical, mechanical, and plumbing services, and all stone and architectural build-out and finishes of the CVC. A Source Selection Evaluation Board, headed by the General Services Administration (GSA), evaluated the bid proposals for this contract and I made the award with the approval of an obligation plan for Sequence II.

While the contract award is approximately 10 percent above the government estimate, a range that is considered to be within an acceptable and reasonable range per GSA and Department of Defense governmental standards, I am currently reviewing the entire project scope and the total cost-to-complete with the assistance of an outside independent contractor and oversight by the General Accounting Office.

CVC Budget

With regard to the overall budget, the original CVC project budget of \$265 million was established in 1999. At that time, the budget provided for the core CVC facilities, including the Great Hall, orientation theaters, exhibition gallery, cafeteria, gift shops, mechanical rooms, unfinished shell space for the future needs of the House and Senate, and the truck service tunnel. After September 11, 2001, new security requirements, pedestrian tunnels, et cetera, prompted the appropriation of \$38.5 million in additional funds, which were provided in the Emergency Supplemental Appropriation. In November 2001, the CVC team was then tasked to design and build-out the House and Senate shell space, requiring an additional \$70 million, which was provided in the Legislative

Branch Appropriations bill. These additional requirements to the original scope bring the total amount of the project to date to \$373.5 million. I would like to emphasize this point— despite how these figures may have been reported in the papers — additional new requirements to the original scope have resulted in the appropriation of additional funds.

Project Complexities

As I mentioned, this project is arguably our most challenging. For example, many utility lines crisscrossing beneath the East Front Plaza had to be rerouted out of the project footprint before excavation could begin. During the past 100-plus years, water, sewer, electrical, and communication lines have been installed, and many of these lines were poorly or inaccurately documented on the existing building drawings — some of them dating back to the early 1900s. As a result, we encountered many unforeseen site conditions related to this effort, including an incorrect elevation for the top of the Amtrak tunnel as it crosses beneath First Street, N.E. This necessitated a costly rerouting of a 30-inch water main that needed to cross above it. As it became increasingly apparent that existing drawings were unreliable, much of the utility work was completed at night or on weekends. To some extent, we also worked around the legislative calendar in an effort to minimize disruption to the business being conducted in the Capitol.

There were many other tasks that we needed to accomplish before we put the first shovel in the ground. We are committed to preserving and protecting the trees on the East Capitol Grounds, and therefore hired a full-time tree preservation contractor; erected fencing and installed canopy misting systems to keep the trees free from dust; installed a new irrigation system; and relocated many significant, affected trees to safe locations. We removed and stored all of the original Frederick Law Olmsted features, including the fountains, lanterns and retaining walls. All of these historic features will be restored and reinstalled in their original locations on the Plaza. New visitor screening facilities were constructed on both the north and south sides of the Capitol and ramps were installed along the West Front to provide a respectful and ADA accessible visitor path into the building.

To assure as little disruption as possible to the day-to-day activities in and around the Capitol, we continued to work closely with the Leadership, the Sergeants-at-Arms, the Capitol Police, and other key offices to address the following:

- Alternate parking and pedestrian zones for the Senate and House. The CVC team successfully offset every parking space that has been impacted by construction activities.
- Noise reduction. Noise reduction window units were installed over every window on the East Front. These windows have cut the construction noise down significantly.
- Relocated staff. A number of offices located in the East Front Extension have been temporarily closed or relocated due to the construction, with staff moves coordinated to assure smooth transitions into alternate space.
- Media Sites. New media sites off the Plaza were established to allow press operations to continue.
- Security. All of our pre-construction activities were accomplished in an atmosphere of extremely tight security following the terrorist events of September 11, 2001. Increased screening requirements and more secure site logistics procedures presented additional

challenges. However, the Capitol Police have been very accommodating in assisting us in maintaining a secure site without impacting the work schedule.

Schedule

Despite these many challenges — including the fact this was one of the wettest winters on record — with the timely award of Sequence 2, we are on schedule to complete the project in 2005 and to support the Inaugural in January 2005. We are in meetings now with the Rules Committee to determine what level of support is required. We will partner with the Sequence 2 contractor to examine what is needed for the Inaugural and determine the associated costs, if any.

Regarding the schedule for substantial completion of the CVC in the fourth quarter of 2005, the Sequence 2 contract documents clearly stipulate that the facility will be — and I quote — “substantially complete and capable of being occupied and used by the Government for the intended purpose.”

Master Plan

In recent years the number and magnitude of our projects has greatly increased. Therefore, we are improving our ability to coordinate and efficiently complete our many projects by taking steps to implement a series of project management plans. These initiatives will help the AOC to baseline and compare building conditions; plan and evaluate funding requirements; set goals; and track progress. To formulate the shorter term plan for project prioritization and implementation, a five-year Capital Improvements Plan is under development. This effort began with the development of a process for project prioritization and will ultimately incorporate the findings of the facility condition assessments which will begin later this year.

To provide consistent management and oversight of these efforts, a new Director of Planning and Programming has recently been hired. He has direct responsibility for both the Capitol Complex Master Plan and the Capital Improvements Plan as well as coordination of all planning and programming efforts.

Additionally, a new Project Management Director has been hired to support and manage a myriad of on-going projects. For example, following an expansive “best practices” analysis of AOC project delivery processes, we have published several manuals to improve the consistency of design and project delivery processes including: the *AOC Design Standards Handbook* to assure consistency in our project designs; an *A/E Design Manual* to assist our architects and engineers with project design and delivery processes; and an *AOC Project Manager’s Manual* to help institutionalize the project management process. We are also conducting “lessons learned” studies on several of our projects and are incorporating the results into these manuals to assure they remain current and practicable.

U.S. Capitol Police Master Plan

In 1999, the AOC and the United States Capitol Police (USCP) published the United States Capitol Police Master Plan. Since that time, other events have necessitated a comprehensive

update of that plan as well as a clear implementation strategy that reflected the new demands on the Capitol Police.

This implementation strategy focuses on two issues: changes to the USCP operational scenario and the need for a new Police Headquarters facility that responds to those changes. A specific site for this new structure has been identified and approved by the Capitol Police Board.

Other ongoing Police projects include the construction of new chemical explosives handling and K-9 structures at D.C. Village; a new vehicle maintenance facility at 67 K Street, S.W.; reconfiguration of existing areas within the Capitol, Senate and House Office buildings and existing Police Headquarters; and the site selection for an Off-Site Delivery Screening Center to replace the current P Street Warehouse.

We have contracted with the Naval Facilities Engineering Command to assist us in project management and delivery for these projects to assure that this additional workload is addressed in a responsive and timely manner.

Conclusion

Mr. Chairman, the AOC has undertaken significant new projects and responsibilities, while at the same time improving the safety and efficiency of our employees. Our request for funds are in direct response to customer requests and the level of cleanliness, preservation, safety and security expected on the Capitol Complex. We have met challenges, developed a Strategic Plan, and hired skilled managers and employees to help us achieve our immediate and future goals. We have completed thousands of work orders, become more responsive to our clients, and are adjusting to the heightened security demands of a post-September 11th world.

I am dedicated to providing a safe, secure, and productive environment for all who work in the Capitol complex and for all those who visit each year. We would not have made the progress we have without the dedication of all of our AOC employees. I am very privileged to lead a hard-working and professional team committed to exceeding the expectations of Congress and the American people.

The Committee's support in helping us achieve these goals is greatly appreciated. Once again, thank you for this opportunity to testify today. I'm happy to answer any questions you may have.

OPENING STATEMENT

Mr. HANTMAN. Thank you, Mr. Chairman, and good morning. First of all, I would like to introduce my witnesses and the staff. Gary Glovinsky, Chief Financial Officer; Amita Poole, Chief of Staff; Carlos Elias, Capitol Building Superintendent; and Frank Tiscione, House Office Building Superintendent.

If I may, Mr. Chairman, just a little background about our responsibilities, and then I would just like to highlight some of the areas of the written testimony for the public, if I could.

The Architect of the Capitol, as you know, Mr. Chairman, serves as steward of the United States Capitol and the other historic buildings, the grounds, the artwork located throughout the Capitol complex. Architect of the Capitol is not only my title, but identifies 2,000 people in the organization responsible for operation and the maintenance of some 14 million square feet of buildings. This includes, of course, the House and the Senate office buildings, the Supreme Court, the Library of Congress, Botanic Garden, the Capitol power plant, as well as many other buildings.

On any given day there are literally hundreds of projects being worked on across the Capitol complex, most of it being done behind the scenes. The AOC is involved in everything from upkeep of the lawns and the flower beds to restoring and preserving artwork in the Capitol; flying flags over the Capitol; custodial work; running the trains; moving furniture; painting walls after each election cycle brings us new Members to Congress; and overseeing the construction of security measures; historical information and publications are provided; and of course the design and construction of major buildings.

Our dedicated staff has something like 50 job titles. We have people working 24 hours a day, 7 days a week. Essentially, Mr. Chairman, we are responsible for a small city over here, the day-to-day workings of this small city. I call the work of the AOC a magnificent challenge.

If I may, I would like to highlight a couple of parts of the written statement. The budget as submitted to this committee represents my responsibilities for facilities management, for project delivery, for stewardship at the Capitol complex. But, just as importantly, it really responds to our client needs, and our clients include the Library of Congress, the Capitol Police, the House itself, the Senate itself. All of these folks have needs, and their capital project needs come into our budget.

We also respond to the needs of our customers relative to the fire and life safety issues, and certainly, as we are all aware, greatly expanded security requirements. I have thoroughly reviewed this budget request to be sure that we have the resources necessary to fulfill our responsibilities effectively and efficiently, while also looking to identify savings wherever possible.

SIGNIFICANT PROJECTS

Mr. HANTMAN. The most significant factor in the increase in our 2004 budget is the request for funds to purchase the shared alternate computer facility, at \$61 million. This, of course, is for the

House, it is for the Senate, Library of Congress, Capitol Police, for the Architect of the Capitol as well.

Other significant projects in the request are 40.8 million to continue with the west refrigeration plant, 26.5 million for phase 2 of design of the Capitol Building master plan, 18.7 for high-voltage switch gear in nine separate buildings across the entire campus, 12.6 million for the Library of Congress for their needs, and of course we are continuing in our elevator modernization program in Rayburn and Cannon, and some 4.2 also for a Capitol complex master plan.

These projects, Mr. Chairman, are in addition to the 200 or so other projects that are currently underway, and among them, as I stated, are substantial projects to meet the demand for heightened security as a result of our war on terrorism.

Now, one of the greatest challenges we face is to sensitively incorporate all of these changes, the health, the safety, the security, the accessibility into these historic buildings. Although our workload has grown tremendously, we are monitoring our workload and our projects, and I am proud to say that we have—in the first quarter of 2003, 98 percent of our projects were within budget, and we are working to make that the case for all of our projects.

Not only are we working to complete the projects on time and within budget, we are doing much more work much more safely. With the generous support of Congress, we have increased our life safety professional staff, modified work practices, provided protective equipment and safety training.

According to recent OSHA statistics, we have cut our total injury and illness rate by 53 percent, and our lost time injury/illness rate by 36 percent in the last 2 years alone. This dramatic decline is a substantial achievement for our predominately shop-oriented, blue-collar workforce, and we are very proud of that, and I am committed to going forward to make sure that we eliminate all preventable injuries and work-related illnesses.

And, again, there are no citations issued by the Office of Compliance. In fact, in their annual report they noted improved workplace safety, quite a turnaround from our prior years.

Essentially, Mr. Chairman, there is a lot to be said, some of it is in the record, and I really look forward to the questions so we can discuss the issues as appropriate. So thank you.

Mr. KINGSTON. Thank you very much.

CAPITOL BUILDING MASTER PLAN

Mr. KINGSTON. Alan, you have requested twenty-six and one half million dollars to implement the U.S. Capitol master plan. Is that the strategic plan?

Mr. HANTMAN. When we talk about a strategic plan, we are talking about the goals, the missions of the entire agency and how all of the issues feed into that, including a master plan for the building itself, and each individual building, and then a total master plan, campuswide, for all of the facilities, our whole 14-million-square-foot complex, sir.

Mr. KINGSTON. What do you envision the implementation of such a project and the associated cost?

Mr. HANTMAN. Well, Mr. Chairman, this is really a very complex project. Fundamentally, if I can give a little background on that, the Capitol Building master plan study proposes to coordinate five projects. One of them is comprised of an overview of the Capitol infrastructure master plan. Second part is a sprinkler system installation throughout the building. Third part is a House Chamber study. Fourth is a Senate Chamber study. And fifth is security work to be implemented throughout the building. As a once-in-a-lifetime project, coordination of these five projects together would ensure that the disruption of spaces throughout the Capitol occurs only once.

January 23rd, 1995, established the Congressional Accountability Act, Public Law 104-1. Since Congress enacted this act, the Office of Compliance has conducted periodic inspections of the facilities under the jurisdiction of the AOC. Those inspections identified a series of fire and life safety code deficiencies requiring corrective action. Now, many of these deficiencies have already been corrected. Those that are low-hanging fruit we have really tried to deal with, but there are some very significant ones that require in-depth analysis and study to determine how best to integrate the solutions with the Capitol's unique architectural configuration and the historical features in the building.

Since it is the responsibility of this office to take corrective action to abate violations identified by the Office of Compliance, as well as those we identified through our own self-inspection, it became necessary to undertake this study to review the existing building conditions against the applicable life safety and fire codes. Now, the main purpose of this study is to review code deficiencies and develop a series of recommendations on the corrective actions necessary to comply with the codes in a prescriptive manner, or through alternative, more creative means called equivalencies that we can do without destroying the historic nature of the building.

Now, significantly, the main significant issues are addressing adequate means of egress from the building, a building wide sprinkler system, smoke controls at vertical openings such as the grand stairways, additional security controls, ducted air returns. We have approximately 56 different air handling systems in the building right now, and infrastructure improvements across the building; that is, electrical power, lighting upgrades, emergency power, smoke detectors, evacuation alarms, telecommunications, air conditioning systems, energy standards, et cetera.

As you know, Mr. Chairman, this building has been built over 200 years, and 8 additions to the building have been done. So there is a whole pastiche of things being added together, and we need to take a consistent comprehensive look at the building in its totality.

So the building study initially as proposed would conceptually take at least 7 years to implement, based on a phased approach. It would essentially require the emptying of the building sections for a period of time to allow a full implementation of the recommended upgrades. Now, this approach would require swing space outside of the Capitol Building that we provide to house people and functions that would be displaced during a specific phase of the project.

The original study talked about 6 phases for the project over at least 7 years, but in order to achieve this, we would need to begin in fiscal year 2004 and continue through 2006 in order to reflect the construction phases that are necessary.

Prior to beginning the design development and preparing the construction documents, we would have to do graphic documentation of the existing building.

Mr. KINGSTON. I was just commenting to Mr. Ray LaHood that I would have described it as the whole pastiche myself.

But what I need to do, Alan, is give each Member about 5 minutes so that we can have a good rotation here. With that I yield to Mr. LaHood.

BANDSTAND FOR CAPITOL GROUNDS

Mr. LAHOOD. Thank you, Mr. Chairman.

I want to bring to your attention a project that I hope you will take an interest in. I have met with the folks from the Smithsonian on a bandstand that was donated to the Capitol, to the Smithsonian several years ago from Jacksonville, Illinois. It is a bandstand that exists. It is in very bad condition. I have been trying to get them to fix it up for several years, and I just had a meeting with the director of the agency within the Smithsonian, and I wonder if you and your staff could meet with those folks and determine if it is possible to move that bandstand somewhere on the Capitol grounds that then can be used possibly for concerts and other activities that will take place.

They are committed, and I am committed, to providing the money, which is infinitesimal. It is about \$160,000 to fix it up. But they would like to have the bandstand moved, and I can think of no better place than somewhere on the Capitol grounds. So if you and your staff could meet with the folks from the Smithsonian and begin some discussions about that, I would appreciate it. And if you need some help from our office to facilitate that, I will be happy to do that.

Mr. HANTMAN. If we just get the name of the contact person.

HOUSE STAFF GYM

Mr. LAHOOD. We will do it. Absolutely.

The other, I know we are not supposed to talk about the Capitol Visitor Center, but at a hearing that we had previously with some other folks that we have jurisdiction over, we talked about the House staff gym, and I was told that I should talk with you and your folks about the idea of a footprint for the House staff gym, that an interim step had been taken by Mr. Egan, which is to enter into a contract with the Gold's Gym whereby Capitol Hill staff can go there and sign up for a membership and use that, and I consider that an interim step. And I still have as a goal, I think our committee has as a goal, the idea that at some point on campus here there will be a House staff gym. So when it comes time for us to consider the Capitol Visitor Center, the question that I will have is, is all of the space there being allocated, and would you consider looking at some sort of a footprint in that facility for the House staff gym? Or, if not that, then I am told by Mr. Egan and others

that it is going to be up to you to figure out where this is going to be located.

So I will leave that in your hands, and you don't—if you want to comment on it, you can.

NATIONAL GARDEN

Mr. LAHOOD. The question I would have is what is being done or will be done with the fenced property in front of the Botanic Garden, which is, as you know, we have talked about this before, a terrible eyesore for people coming towards the Capitol to have that beautiful facade there, but that lousy-looking lot that needs a plot of grass or some beautiful plantings or something. And I don't know, I think the Botanic Garden has been finished now for about a year. Can you tell us what your plans are, because, I mean, that is the entrance to the Capitol for many of the visitors. It is a lousy-looking piece of property.

Mr. HANTMAN. I fully agree with you, Mr. LaHood. What is happening over there is that the National Fund for the U.S. Botanic Garden has been raising private funds to create essentially a National Garden on that site.

Now, unfortunately what happened is the Executive Director of the National Fund just passed on several months ago, and he was the chief fund-raiser for this facility. So the availability of privately-raised funding, money, really can't support the scope of work that the fund would like to have right now.

But we put the project out to bid, and what we have are the bidders now breaking down their numbers into a basic cost for the facility as well as six additional options. And we hope to be meeting with the National Fund within the next month and having them focus on what funds they have available, how we can commit this so we actually can award a bid so that we can start beautifying that property.

I fully agree with you, and, in fact, some of the things that are on that property right now, there was some emergency elements stored, they are being taken away as we speak.

Mr. LAHOOD. The Chairman said that the bids came in \$2 million over; is that right?

Mr. HANTMAN. I am not sure what the number was. It was over.

Mr. LAHOOD. Have they raised a significant amount of money or insignificant amount?

Mr. HANTMAN. My understanding is they have raised under \$10 million at this point in time. They were committing to something like 14—

Mr. LAHOOD. You know what, you can make a beautiful piece of property with \$10 million, I will tell you that.

Mr. HANTMAN. That is exactly what we are going to be discussing with them.

Mr. LAHOOD. If they have got \$10 million, let's go. I mean, that thing is an eyesore for the entrance to the Capitol, plus all of the money we have spent to fix up the Botanic Garden, that is a beautiful spot.

Mr. HANTMAN. That is exactly the goal of our next meeting.

Mr. LAHOOD. I guarantee you, for \$10 million you could do an awful lot to make that piece of property look awfully pretty.

Let me just say a couple of other things.

Mr. KINGSTON. If the gentleman will yield. It would be preferable to maintain only 5 minutes so all members can ask questions.

Mr. LAHOOD. If my 5 minutes is up, then we will move on.

Mr. KINGSTON. We have been joined by Mr. Price, however, Mr. Tiahrt was here first, so I must yield 5 minutes to him.

STATUE REPLACEMENT

Mr. TIAHRT. Thank you, Mr. Chairman.

First of all, I wanted to thank you for helping me with the replacement of the Kansas statue, Governor Glick, with General Eisenhower. I am very pleased we are going to have the ceremony on June 4th, and I appreciate your cooperation.

We have a trucker from Kansas that has contributed transportation costs to bring Mr. Eisenhower to Washington and to take Mr. Glick back to Kansas. I think you have arranged to have Glick ready to go.

Mr. HANTMAN. Absolutely.

Mr. TIAHRT. I want to make sure he gets beyond the Potomac River. At first, we only had enough money to get him to the Potomac River, and I didn't know whether we were going to dump him or keep him there. Fortunately, we are going to get him back to the Kansas State Capitol.

WEST LAWN EVENTS

Mr. TIAHRT. There was a function on the west side of the Capitol about a month ago, maybe 3 weeks now, where they have a 24-hour Bible read-a-thon. My wife came down with people from the church we attend in Fairfax, Virginia, and they didn't have access to the area. The event was for some reason moved away from the fountain onto the grass on the west side of the Capitol. Some of the ladies in the church were in their sixties, and they were wearing skirts. These ladies were forced to climb over that stone wall, which was not a pretty sight.

In the future I hope we can make arrangements, if events are going to be moved onto the grass, for accessibility over the stone wall.

Mr. HANTMAN. I will talk to the Capitol Police about that and make sure that we have such accommodations. I am not sure what the specific rationale was at that point in time, but we will follow through on that.

RAYBURN ELEVATORS

Mr. TIAHRT. Thank you very much.

Could you tell me when the Rayburn elevators are going to be worked on? I know they are scheduled, but I just don't know when it is going to happen.

Mr. HANTMAN. Let me ask Frank Tiscione, who is our Superintendent of the House.

Mr. TISCIONE. Sir, we are going to award a contract in September or October of this year, and we are going to start on the banks, the two banks that are on the west side of the building, the

ones that are connected to the Longworth. We are going to do that over the Christmas holidays.

Mr. TIAHRT. The west side of the building connected to Longworth?

Mr. TISCIONE. I mean the east side. We are going to do that over the Christmas holidays to minimize the disruption, because those are the most heavily used elevators. And then we will proceed from there to start modernizing the rest of the elevators on a one-by-one basis in each of the corridors.

Mr. TIAHRT. I hadn't noticed this until I moved to Rayburn, but those elevators have to go all of the way to the top before they go back to the bottom.

Mr. TISCIONE. That is part of the effort to change the controls in there to make them so that—there is nothing that we can do now because the controls are so old to fix that problem that we have.

HOUSE CHAMBER

Mr. TIAHRT. All right. Thank you.

You mentioned yesterday, I believe it was, about the House Chamber and taking it back to its original plan. Was it the turn of the century?

Mr. HANTMAN. Originally it was designed in the 1850s.

Mr. TIAHRT. We are now in a 1950s design? I don't understand the advantage to going back to the 1850s structure.

Mr. HANTMAN. Well, there is a fundamental need, Congressman, to go back and take a look at the fire and life safety, the security issues in both the House and the Senate Chambers at this point in time.

So the question of investing all of the dollars to install all of these utilities and facilities into the Chamber when, in fact, it would really compromise the aesthetics of the existing Chamber as well, since it can't be done in an easy, simple way. If you are going to have to go through the pain and suffering of putting those systems in in the first place, we could put them in as part of a restoration project in a scheme which actually lends itself a lot more strongly and easily to distribution of utility lines, of the distribution of sprinkler lines and lighting that doesn't cause glare when the TV cameras are on, things of that nature.

So to incorporate all of those facilities into—I can share with you the ceiling pattern that existed in the 1850s, and the historic nature of the room is really quite wonderful. So the concept of the current Chamber, which is, again, very clearly a 1950s Chamber, could really be enhanced by the restoration at the same time that we are incorporating all of these necessary systems.

Mr. TIAHRT. Do you have pictures of what the Chamber was like? I would like to see those at some point.

Mr. HANTMAN. Absolutely. And we can share with you a rendering of what it would potentially look like going forward also.

Mr. TIAHRT. That is all I have, Mr. Chairman. Thank you.

Mr. KINGSTON. Thank you.

Mr. LaHood, do you want to read your questions into the record?

Mr. LAHOOD. Mr. Architect, if you could just put these in the record, or answer them for me sometime, or call my office or whatever.

HOUSE STAFF GYM

Mr. LAHOOD. Is it possible that the staff gym could be made a part of the Capitol complex master plan? That is one question.

[The response for the record follows:]

HOUSE STAFF GYM

Question. Could you look at unallocated space within the Capitol Visitor Center (CVC) and develop a footprint for a staff gym? If space is unavailable in the CVC, what other recommendations can you provide for a location of a staff gym?

Response. The allocation of space in the CVC is determined by our Oversight Authority. We would gladly pursue the design and construction of a House Staff Gym within the CVC when given the approval and direction of our Oversight Authority.

In working in concert with the House Office Building Commission, who has responsibility for assigning space, the AOC has identified space for potential locations for a Staff Gym. The AOC is in the process of conducting a study which will provide concept designs and cost estimates for Staff Gyms in these locations. The study is scheduled for completion on October 20, 2003. Once the study is complete, the AOC will provide these alternatives and costs for consideration and direction from our Oversight Committees.

Question. Is it possible that the staff gym could be made a part of the Capitol complex master plan?

Response. The AOC will be awarding a House Office Building Master Plan in September 2003. This Master Plan will assess the facility space needs for the House and determine the requirements for the construction of new space within the House Complex. The House Staff Gym will definitely be programmed into the House Master Plan and alternatives will be presented for consideration of a Permanent House Staff Gym in July 2004. The House Master Plan is scheduled for completion in December 2004.

O'NEILL PARKING LOT

Mr. LAHOOD. And the other question is with respect to the O'Neill Building parking lot, which I have been told is temporary, if you could tell us what plans you have for that, I would appreciate it.

Thank you, Mr. Chairman.

[The response for the record follows:]

O'NEILL PARKING LOT

Question. A temporary parking lot currently occupies the former O'Neill building site. What are your plans for that site?

Response. The former O'Neill building site is being considered as a future site for a new facility. As part of the HOB Master Plan process, the consultants will review the site and make recommendations and provide alternatives for building a new facility at the site. The site does have limitations on the size of building that can be constructed on the site due to the train tunnel that runs through the site, but the consultants will review all aspects and propose recommendations on the size facility that can be constructed.

PROJECT OVERVIEW

Mr. KINGSTON. Thank you.

Mr. Price.

Mr. PRICE. Thank you, Mr. Chairman.

Mr. Hantman, welcome to the subcommittee. We appreciate your testimony.

I would like to ask you to give us an overview of projects that are underway and projects that are projected. I notice that you have here a \$22 million request for design and related studies for work to be done in the future, but let's focus first on construction and renovation projects that you currently have underway. And I

am thinking mainly of those that might cost a million or more, if that is a convenient break-off point.

How many projects do you have underway that are budgeted at \$1 million or more? And of these projects, can you give us an estimate about the projected schedule and any projected cost overruns? Of those projects, how many are behind schedule? Are there delays that we should know about, and can you estimate the impact of those delays? And then, are there cost overruns that we are incurring that the subcommittee should be aware of?

Mr. HANTMAN. Right. If it is okay, that is quite a comprehensive list, sir.

Mr. PRICE. It is. You can do some of that for the record. But if you can highlight some of that for the record here orally, I would appreciate it.

Mr. HANTMAN. Surely. The largest project that we are talking about, sir, is certainly the visitor center. We have a project at the Capitol Power Plant right now, that was the first phase of that project, which was something in the range of \$10 million for new coal handling facilities from the coal yard to go under Virginia Avenue to serve the new refrigeration plant area that we have under construction. And that is on time and on budget.

The second phase for that work has just been awarded, and that project is for the west refrigeration plant. The east refrigeration plant right now is 40 to 50 years old. It uses fluids and elements that are not EPA certified-safe. In fact, the fluids are not being manufactured anymore. So the concept of deactivating the east chiller plants and building new capacity and expanded capacity is what this project is all about. And we have just awarded that project within our budget, and we have some contingency dollars left there as well.

There is another project which is about to start on the Supreme Court. It is not under the purview of this committee, but it is a major project and renovation of the Supreme Court building that we are working on.

We are also working on a series of projects for the Library of Congress right now. We have completed book module number 1 at Ft. Meade. We are planning book modules number 2, 3, and 4 and a copyright facility, and those are moving ahead very well.

There is the book storage module that is successful now out there. In fact, we have retained the Corps of Engineers, who has a presence on that base to work with us. What we are trying to do, sir, is to manage managers and make sure that we can outsource a lot of the workload that we have over here.

Major projects we also have going on are for perimeter security. As you may have seen, we have pretty well completed a good part of the inner circle of perimeter security at Capitol grounds, and we are under construction now on perimeter security around the House office buildings. We are on budget with that. We just met with Chairman Ney and with the Speaker's office and reviewed the schedule for all of the sections of that work going forward, and we are about to start the same project over on the Senate side as well.

So those are the most significant projects that we are talking about right now, and I will provide you with a full list of all of the other projects.

PROJECT COSTS AND SCHEDULES

Mr. PRICE. Am I understanding you correctly, though, that no major projects, defined as we have, over a million dollars, are significantly behind schedule, and none of them are significantly over budget? Is that your testimony?

Mr. HANTMAN. Again, as I indicated before, that 98 percent of our projects are within budget at this point in time. Let me pull out the other ones that we are having some budget issues with, and I will certainly highlight them on your list.

Mr. PRICE. Any of those that you would like to highlight here today?

Mr. HANTMAN. Not at this time, sir.

Mr. PRICE. All right. We would appreciate having that.

[The information follows:]

PROJECT OVERVIEW

Question. How many projects do you have underway that are budgeted at \$1 million or more? And of these projects, can you give us an estimate about the projected schedule and any projected cost overruns? Of those projects, how many are behind schedule, and are there delays that we should know about, and can you estimate the impact of those delays? And then, are there cost overruns that we are incurring that also the subcommittee should be aware of?

Response. The AOC had a total of 217 funded projects as reported in its March 2003 Quarterly Capital Project Report. Within those 217 projects, 119 had Current Working Estimates (CWE) that exceeded \$1 million.

Within the 119 projects, there were 23 projects that were behind schedule in March, and three that had CWEs exceeding the approved budget. The following table is supplied for the record that notes the schedule and budget status of the 119 projects. The projects are sorted by Project Number.

The following information is supplied for the record.

STATUS OF AOC PROJECTS WITH CURRENT WORKING ESTIMATES EXCEEDING \$1 MILLION					
Project #	Project Title	Behind Schedule	Over Budget	Phase (March)	Status Explanation
810011	Replacement of Minton Tile, U.S. Capitol Building			Construction	
840033	Recondition Air Conditioning Systems, U.S. Capitol Building			Design	
840240	Renovation and Restoration, Jefferson and Adams Library of Congress Buildings	Yes		Construction	There are two final phases - fire alarm system (underway) and air conditioning equipment. The LOC requested that the AOC complete the TJB NW Curtain work before proceeding with this AC project. The schedule in the March Status Report reflected this delay, but the June Report will reflect the revised schedule.
860057A	Install Smoke Detectors and Fire Alarms, U.S. Capitol Building			Construction	
880023	Electrical and Telecommunications Improvements, Fire and Smoke Detectors, Russell Senate Office Building	Yes		Construction	There have been difficulties scheduling building power outages around the Senate's operational requirements. The anticipated schedule has been extended to include the August recess and end of session adjournment.
880027	Electrical System Renovation, Cannon House Office Building			Construction	
880117A	Elevator Modifications 8B, Cannon House Office Building			Design	
880117F	Elevator Modifications 1-8, 10-12, Cannon House Office Building			Construction	
890097E	Elevator Modernization, Nos. 1-4, Russell Senate Office Building			Construction	
900029	Plumbing Restoration, U.S. Capitol Building			Construction	
900257	West Refrigeration Plant Expansion			Construction	
900265	U.S. Capitol Dome Rehabilitation			On Hold	Interim painting work is complete. Final rehabilitation work will take place once the CVC is complete.
900272D	Modernization of Elevator Banks S2 & S3 and Elevator S1, U.S. Capitol Building			Construction	
910020	Capitol Visitor Center			Construction	
910217	Electronic Book Conveyor System, LOC			Procurement	

STATUS OF AOC PROJECTS WITH CURRENT WORKING ESTIMATES EXCEEDING \$1 MILLION					
Project #	Project Title	Behind Schedule	Over Budget	Phase (March)	Status Explanation
910254A	Underground Storage Tanks		Yes	On Hold	Replacement of the diesel fuel station cannot be accomplished within the remaining funds. An alternate solution has been identified that can be accomplished within the budget. The June Status Report will reflect the alternate solution.
920143A	Install Emergency Generator, Longworth House Office Building			Design	
920247	LOC Perimeter Security Phase I, TJB, JMMB, JAB/Folger Alley			Construction	
920251	Replace/Upgrade Air Conditioning, East Front, U.S. Capitol			On Hold	This project was reported in the March Status Report as "On Hold" pending direction and funding approval from the Program Office. These issues have been resolved and the project is proceeding through final design.
930271	National Garden				The original design phase was significantly delayed due to poor design performance that required a change in the prime A/E firm. The project is now in the procurement phase. In consultation with the National Fund that is donating the funding for this project and has not raised the amounts projected, a revised Request for Proposals was issued to request existing offerors to provide new proposals on a base bid and six options.
930281	Renovations - Toilet Stack S-4, Hart Senate Office Building	Yes		Procurement	

STATUS OF AOC PROJECTS WITH CURRENT WORKING ESTIMATES EXCEEDING \$1 MILLION					
Project #	Project Title	Behind Schedule	Over Budget	Phase (March)	Status Explanation
930281B 930281C	Renovations - Toilet Stack N-4, Hart Senate Office Building Renovations - Toilet Stack N-7, Hart Senate Office Building	Yes		Design Construction	A new construction schedule has been developed to coordinate all of the ADA toilet work in the Hart Building. In order to minimize occupant disruption and to spread construction costs over several years, a new schedule was developed. The June Report will reflect the new schedules.
930289B 940108 940231 950042	Book Storage Module #2, Ft. Meade SIW Entrance - ADA Modifications, Madison Library Building Repair South Capitol Street Steam Line Improve Building Systems, Dirksen Senate Office Building	Yes		Design Design Construction Construction	Final design was delivered two weeks after the original schedule. This will not affect construction start or completion dates.
950042B 950043 950141A 950141B	ADA - North and South Toilet Stacks, Hart Senate Office Building Install Sprinkler Protection, Rayburn House Office Building Wayfinding and ADA signage, SOBs Wayfinding and ADA Signage, HOBs	Yes		Construction Construction Design Procurement	Completion of the FY 03 work was delayed three months to ensure quality installation of the terrazzo floors.
950423	Emergency Management System, Capitol Complex	Yes		Design	Design work was delayed in order to fully coordinate this project with efforts to improve emergency evacuation based on the September 2001 events. Design is now 90% complete and complete design is anticipated shortly after review comments are resolved.
950482 950498 960043	Procure and Install Emergency Generator, Capitol Power Plant Installation of Distributed Control System, Capitol Power Plant New USCP Off-Site Delivery Center	Yes		Procurement Procurement Design	The procurement phase was extended four months to coordinate long lead time items. The final construction date has not been affected.

STATUS OF AOC PROJECTS WITH CURRENT WORKING ESTIMATES EXCEEDING \$1 MILLION					
Project #	Project Title	Behind Schedule	Over Budget	Phase (March)	Status Explanation
					Construction work as been delayed pending an approved work schedule from the Rules Committee. Concerns over coordinating several related projects are being resolved.
960045A	Repair Waterproofing, SW Steps, Russell Senate Office Building			On Hold	
960274	Botanic Garden Administration Building Renovations			Design	
960294	Repair Steam Tunnels, Constitution Avenue			Procurement	
970149	Upgrade Cable TV System			Design	
970285	Outside Air Intake Tunnels, U.S. Capitol Building			On Hold	The original scope of this project was cancelled due to security concerns. Awaiting House approval to proceed with design.
970269	U.S. Capitol Master Plan Study			On Hold	
970279	Repair Domestic Water System, Rayburn House Office Building			Programming	
970280	Renovations, East & West Underground Garages, HOBs			Design	
970290	Upgrade Collections Security, LOC			On Hold	The LOC Safety Office and LOC Police are resolving internal LOC concerns before this project can resume.
970293	National Audio Visual Conservation Center, Culpeper, VA	Yes		Design	The donor (PH) is performing renovation work and determining the schedule in consultation with the LOC. The AOC has no direct control over the schedule. In the March Status Report, additional funds were noted to be required to move the design effort forward to accommodate a change in scope requested by the LOC. Funds were reprogrammed with the Committees' approvals and the project will be shown within the approved budget in the June report.
970294	Copyright Deposit Facility, LOC		Yes	Design	
970351	Upgrade the Russell - Capitol Subway			Programming	
970355	Design Delaware Avenue Vestibule, Russell Senate Office Building			Design	
970358	Elevator Modernization, Hart Senate Office Building			Procurement	
970382	Fire Alarm System - ADA Upgrades, HOBs			Construction	
970384	Fire Alarm System - ADA Upgrades, LOC			Construction	
970704A	Roof Fall Protection System, SOBs			Construction	

STATUS OF AOC PROJECTS WITH CURRENT WORKING ESTIMATES EXCEEDING \$1 MILLION					
Project #	Project Title	Behind Schedule	Over Budget	Phase (March)	Status Explanation
970704B	Roof Fall Protection System, HOBs			Construction	
970704E	Roof Fall Protection System, LOC			Construction	
980045	Provide Ultra Low Leakage Intake Air Dampers, U.S. Capitol Building			Procurement	
980050	Evaluate and Upgrade HVAC Systems, Rayburn House Office Building			Programming	
980114	Provide Steam Humidifiers in Existing Air Handling Systems, U.S. Capitol Building			Design	
980114B	Steam-to-Steam Humidification, HOBs			Programming	
980298	Renovation Study - House Chamber			On Hold	Awaiting House approval to proceed with design.
980396	Replace Halon Fire Suppression Systems, LOC			Design	
980405D	Upgrade Kitchen Exhausts for Fire Safety Compliance, U.S. Capitol Building			Design	
980407	Replace Steam Humidifiers, Hart Senate Office Building			Design	
980432	Upgrade RHOB-Capitol Subway			Programming	
980440	Repair Roof - East Parking Lot, Jefferson Library Building			Procurement	
980462A	Senate Perimeter Security, 98 Supplemental			On Hold	The AOC is awaiting Senate Rules Committee direction on stone cladding for police kiosks. All other work is complete.
980462B	Capitol Square Perimeter Security, 98 Supplemental			Construction	
990044	Cafeteria Renovations, Rayburn House Office Building			Construction	
990112	Data Center & EFT Room, Ford House Office Building			Design	
990171	Emergency Egress Stair from 4th Floor, U.S. Capitol Building	Yes		Construction	The originally planned construction schedule was significantly delayed due to multiple changes in Senate Leadership and the need to receive appropriate approvals. Once awarded, the contract work was completed ahead of schedule.
990353	Replace Fire Alarm System, Hart Senate Office Building			Programming	This is "On Hold" while issues related to bullet resistant windows, blast resistant windows, and stone preservation are being coordinated.
990401	Replace Windows, U.S. Capitol Building			On Hold	
000018A	Emergency Lighting Design, Rayburn House Office Building			Design	

STATUS OF AOC PROJECTS WITH CURRENT WORKING ESTIMATES EXCEEDING \$1 MILLION					
Project #	Project Title	Behind Schedule	Over Budget	Phase (March)	Status Explanation
000019	Extend Sprinkler Systems, HOBs			Design	NAVFAC-managed construction is one month behind schedule. The AOC has directed NAVFAC to maintain the original schedule.
000058	USCP Old DC K-9 Facility Renovation	Yes		Construction	Completion of the construction drawings was delayed at the request of the LOC Security Office. The AOC is working with SPAWAR to determine if the construction schedule can be compressed.
000079	Renovations to the USCP Headquarters Building			Programming	
000147	Physical Upgrades, LOC Lobbies	Yes		Design	Developing acceptably sensitive design solutions within historic, monumental buildings required extensive fire modeling as there were very few precedents to use. Design solutions developed by three different firms had to be consistent between several jurisdictions. These issues required significantly more time than originally anticipated.
000205	Testing Switchgear, Hill-wide			Construction	
000212	SOB Egress Improvements	Yes		Programming	
000214	480 Volt Switchgear Upgrade, Hart Senate Office Building			Procurement	
000230	Relocate and Install Additional Sprinklers, JMMB			Construction	
000231	Smoke Detector and Sprinkler Installation, LOC			Design	
000234	Egress Improvements, Capitol Power Plant			Design	
000325	Cafeteria Renovation, Ford House Office Building			Construction	
000338	Remove 4 Escalators, Madison Library Building			Design	Additional funds are required for design based on results of the preliminary study. It is planned to request a reprogramming to cover the shortfall.
000340	Replacement of Rain Leaders, John Adams Library Building			Design	
000386	Modernize Coal Handling, Capitol Power Plant		Yes	Construction	

STATUS OF AOC PROJECTS WITH CURRENT WORKING ESTIMATES EXCEEDING \$1 MILLION					
Project #	Project Title	Behind Schedule	Over Budget	Phase (March)	Status Explanation
010016	LOC Egress Improvements	Yes		Design	Developing acceptably sensitive design solutions within historic, monumental buildings required extensive fire modeling as there were very few precedents to use. Design solutions developed by three different firms had to be consistent between several jurisdictions. These issues required significantly more time than originally anticipated.
010029	HOB Egress Improvements	Yes		Programming	Developing acceptably sensitive design solutions within historic, monumental buildings required extensive fire modeling as there were very few precedents to use. Design solutions developed by three different firms had to be consistent between several jurisdictions. These issues required significantly more time than originally anticipated.
010040	Upgrade Reprographics Area, Dirksen Senate Office Building			Design	The building was demolished on schedule. Adverse winter weather delayed final repaving. This did not affect beneficial occupancy of the site.
010200	Demolish the O'Neill House Office Building	Yes		Construction	
010296	West Lawn Power Requirements for Concerts			Procurement	
010302	NTB Building Improvements, 67 K St. - U.S. Capitol Police Vehicle Maintenance Facility			Construction	
010405	Greenhouse Floor Drainage Correction, D.C. Village Growing Facility			Programming	
010412	HOB Perimeter Security			Construction	
010416	U.S. Capitol Building Bullet Resistant windows			On Hold	This is "On Hold" while issues related to bullet resistant windows, blast resistant windows, and stone preservation are being coordinated.

STATUS OF AOC PROJECTS WITH CURRENT WORKING ESTIMATES EXCEEDING \$1 MILLION					
Project #	Project Title	Behind Schedule	Over Budget	Phase (March)	Status Explanation
010419	010419 CPP Perimeter Security	Yes		Procurement Programming	The procurement has been delayed pending approval by HOBBC and appropriate notification to the Senate Rules Committee.
010421	010421 Off-site Storage Facility, LOC			Design	
010427	010427 SOB Perimeter Security			Programming	
010428	010428 SOB Blast Protection Windows			Construction	
010435	010435 Vehicle Barriers for Constitution and Independence Avenues			Construction	
010442	010442 Alternate Off Site Computer Site			Construction	
010444	010444 Install Interior Access Control, Capitol, SOB & HOB			Programming	
020026	020026 Congressional Cemetery Care and Maintenance Study			Design	
020058A	020058A HVAC Emergency Shutdown for Capitol				Developing scope requirements with GSA has taken longer than anticipated. Design work is scheduled to be complete in time for a future construction request.
020077	020077 Design Alternate Chilled Water, FHOB (FDA Replacement)	Yes		Programming	
020087	020087 Replacement of Escalator Bank #1, Rayburn House Office Building			Design	Design completion was extended six weeks to coordinate drawing issues and deliver an accurate bidding package. Construction is scheduled for FY 09 and the final completion has not been affected.
020096	020096 Loading Dock Upgrade, Rayburn House Office Building	Yes		Design	
020100	020100 HOB Public Restroom Upgrades			Construction	Design coordination issues between perimeter security work and adjacent projects took four months longer than originally anticipated to resolve.
020184	020184 LOC Perimeter Security Phase II, JAB entrances	Yes		Procurement	
020194	020194 Master Plan - Capitol Complex			Programming	

STATUS OF AOC PROJECTS WITH CURRENT WORKING ESTIMATES EXCEEDING \$1 MILLION				
Project #	Project Title	Behind Schedule	Over Budget	Status Explanation
020226	Replace High Voltage Switchgear and Cables, U.S. Capitol Building	Yes		This work was tied to award of the CVC Sequence 2 contract, and was delayed while CVC contract award matters were resolved. The final completion date has not been affected.
020235	Exterior Waterproofing House Underground Garages			
020238	Book Storage Modules 3 & 4, Ft. Meade			
020245	Facility Planning Study, Cannon House Office Building			
020287A	Facility Conditions Assessment, Senate Office Buildings	Yes		The original schedule was very aggressive and required significant cross-jurisdiction coordination. Complications arose from conflicting demands from the election year moves cycles, and incorporating necessary refinements and additional scope elements to the RFP Statement of Work. These issues had to be resolved to assure that the AOC received a quality assessment. The RFP is now scheduled to be issued in June 2003.
020287B	Facility Conditions Assessment, House Office Buildings	Yes		The original schedule was very aggressive and required significant cross-jurisdiction coordination. Complications arose from conflicting demands from the election year moves cycles, and incorporating necessary refinements and additional scope elements to the RFP Statement of Work. These issues had to be resolved to assure that the AOC received a quality assessment. The RFP is now scheduled to be issued in June 2003.
020293	HOB Facilities Plan			
030005	Modernize RHOB Elevators			
030135	Design, Tactical Training Facility, Cheltenham, MD			

PROJECT DESIGN AND STUDIES

Mr. PRICE. And let me just turn to the related issue of work you are anticipating for the future.

You are talking about \$22 million for design and related studies. I wonder how many projects these funds would cover? Again, we are talking mainly major projects here, over \$1 million. And do you have any cost figures as to what the eventual cost, the eventual total cost of these projects will be, the ones included in this \$22 million for the design and related studies?

Mr. HANTMAN. If it is all right, I will get back to you for the record on that as well, sir.

Mr. PRICE. Any highlights there in terms of what the major items are?

Mr. HANTMAN. Okay. In the Capitol building, we have projects for upgrading emergency evacuation notification systems. In the House office buildings we have garage floor repairs in the Rayburn House Office Building. That is a \$1.4 million project; the HVAC system, a design project for the Rayburn House Office Building. The Cannon renovation project is \$1 million. A design for Lot 7 potential garage is \$1 million. At the Capitol Power Plant, we talked about utility tunnel modernization study. On the Library, we have a study and damper smoke control project of \$1.4 million. The logistics warehouse facility at Ft. Meade is a \$2.6 million project. Book storage module 5 is \$1.5 million for design. A condition assessment of the Library buildings is a \$3.2 million project. And those are the major ones, I think, sir.

Mr. PRICE. All right. Well, there again, if you could augment that list. What we are interested in is the projects that come within that \$22 million for design work, and what you now estimate their total eventual cost to be.

Mr. HANTMAN. We will do that, sir.

[The information follows:]

PROJECT DESIGN AND STUDIES

Question. Please provide the projects that comprise the requested \$22 million for design work, and what you now estimate their eventual cost to be.

Response. There is a total of \$22,464,000 requested in the several SDCA accounts for FY 04. Some of the items included in the SDCA accounts relate to specific survey and study efforts, there are some unallocated design and condition assessment monies, and there are some specific condition assessment efforts. These various efforts worth \$6,009,000 do not necessarily result in future construction projects, but clearly condition assessments, studies and surveys will inevitably lead to some requirement for future design efforts. However, at this undefined requirement stage for future projects, it is impossible to project what those projects might be, and it is therefore impossible to predict future construction costs.

That leaves a balance of \$14,455,000 allocated to specific design efforts. Those design estimates are based on an assumption that the design effort is worth roughly 10% of the total planning cost model for construction. There is no real construction cost estimate until actual design work is performed based on a documented program and scope of work.

Therefore, an order of magnitude, range of future construction costs could potentially be \$144,550,000 (+/-) based on the \$14,455,000 requested in FY 04 for identified design efforts.

The following information is supplied for the record.

FY 2004 STUDIES, DESIGNS AND CONDITION ASSESSMENTS

Capitol Buildings	
Restoration of Marble Steps	\$ 105,000
Seismic Study, Capitol Building	120,000
Replace Dimming Systems, East Front Offices	40,000
Upgrade Private Restrooms in the Capitol Building	40,000
Upgrade Electrical Service to House Chamber	50,000
Upgrade Emergency Evacuation/Notification System	275,000
Total, Capitol Buildings	\$ 630,000
Senate Office Buildings	
Roof Survey	\$ 265,000
Replace Balusters & Balustrades	286,000
Additional Funding	449,000
Total, Senate Office Buildings	\$ 1,000,000
House Office Buildings	
Design Garage Floor Repairs, RHOB	\$ 1,400,000
Design, HVAC System, RHOB	1,000,000
Design, CHOB Renovation Project	1,000,000
Design, Lot 7 Garage	1,000,000
Design and Condition Assessments	600,000
Total, House Office Buildings	\$ 5,000,000
Capitol Power Plant	
Roof Survey	\$ 100,000
Emergency Lighting Survey	50,000
East Plant Use Survey	100,000
Utility Tunnel Modernization Study	1,500,000
Boilers & Auxiliaries Replacement/Overhaul	180,000
Long Term Preventative Maintenance Plan (CA)	450,000
Total, Capitol Power Plant	\$ 2,380,000

Capitol Grounds	
Design, Support Congressional Youth Park	\$ 100,000
Design, Tunnel Drainage, SW Drive	50,000
Total, Capitol Grounds	\$ 150,000
Library Buildings & Grounds	
Upgrade Emergency Lighting	\$ 350,000
Steam-to-Steam Humidification	375,000
Replace Bathroom Exhaust Systems, TJB	225,000
Study, Damper Smoke Control	1,397,000
ADA Bathroom Renovations, JAB	236,000
Upgrade Book Conveyor System	200,000
Replace Drinking Water System	200,000
Repair/Replace Cooper Roof, JAB	200,000
Conservation of Murals	69,000
Logistics Warehouse Facility, Ft. Meade	2,600,000
Provide Electrical Upgrade, JMMB	100,000
Offsite Storage Facility	600,000
Design, Replace Windows	600,000
Repair, Clean Conveyor Units	75,000
Book Storage Module 5, Ft. Meade	1,500,000
Master Plan, Ft. Meade	675,000
Condition Assessment	3,200,000
Total, Library Buildings & Grounds	\$ 12,602,000
Capitol Police Buildings & Grounds	
Design and Condition Assessments	500,000
Total, Capitol Police Buildings & Ground	\$ 500,000
Botanic Gardens	
Design, Bartholdi Park Planting	\$ 50,000
Production Facility Floor Drainage Correction	127,000
ADA Elevator Replacement	25,000
Total, Botanic Gardens	\$ 202,000

Total, AOC FY2004 Request for Studies, Designs and Condition Assessments \$22,464,000

CAPITOL POLICE BUILDINGS AND GROUNDS

Mr. PRICE. Just to give us a benchmark as to what we are dealing with here.

Thank you.

Thank you, Mr. Chairman.

Mr. KINGSTON. We have been rejoined by Mr. Moran.

Alan, I am confused about the police facilities. As I understand it, we approved a site, however, nothing was done. Consequently, the site was sold to another purchaser, Pepco. Is that correct?

Mr. HANTMAN. Yes, that is correct.

Mr. KINGSTON. What was the delay on moving with that?

Mr. HANTMAN. Well, back in October of 2002, the Capitol Police Board approved the proposal for the specific site in Northeast Washington. In November of 2002, we submitted letters to Senate Rules Committee and HOBC for permission to negotiate for that site.

Elections came up. It was a lame duck session. And in January of 2003, we resubmitted those letters. We received official approval to reprogram funding to purchase the property at that point, and we resubmitted requests to negotiate to the HOBC and the Senate Rules, and we received the Senate Rules approval in early February. Unfortunately, before all of the approvals could be received, the site was sold, as you described.

Mr. KINGSTON. Who is at fault?

Mr. HANTMAN. We didn't have authority to negotiate for the site until we get all of the approvals.

Mr. KINGSTON. But did the House hold the signatures up, or the Senate?

Mr. HANTMAN. It was the House, sir.

Mr. KINGSTON. Was there any particular reason for this? Were you or the police emphatically campaigning for approval?

Mr. HANTMAN. It was a recommendation of the Police Board and the Capitol Police for that particular site. What we are trying to do right now is find an alternative site to it. So, yes, we were not happy about losing it.

Mr. KINGSTON. When Members of Congress don't immediately approve, do you feel like you are being heard fairly? Did you feel as though we were just avoiding you?

Mr. HANTMAN. I am not sure what the rationale was for not having the approval given at that point in time, sir.

Mr. KINGSTON. If this Committee—consisting of new membership now—should do something like that again, which could endanger tax dollars through a missed opportunity, don't hesitate to pick up the phone and alert us. We will see what we can do. There wasn't an excuse for the sluggish response of Congress.

When the police move to the new headquarters, will they be consolidating all of their offices, and how many offices do they have now?

CAPITOL POLICE MASTER PLAN

Mr. HANTMAN. We have just completed a master plan, Mr. Chairman, which we will get you copies of, it is really hot off of the press, that talks about all of the needs of the Capitol Police. Most

of their needs would be consolidated in this new facility, but they would maintain the existing headquarters building they have as the Senate branch for the Capitol Police and a back-up command center. The primary command center would be inside the new facility.

The police have also been asked to take a look at vacating some of the existing spaces that they have in the Capitol as well as space in the House office buildings and projected for the visitor center. Moving that space out would increase the square footage needed at the new headquarters.

CAPITOL POLICE HEADQUARTERS SQUARE FOOTAGE

Mr. KINGSTON. How much space do they have now? They are in the Capitol, they are in Longworth, they are in their headquarters, they are in one of the Senate buildings.

Mr. HANTMAN. Right.

Mr. KINGSTON. Would that be called their four main locations?

Mr. HANTMAN. And in Ford.

Mr. KINGSTON. How much of a net square foot gain would it be when they move? I don't expect you to know off the top of your head, but it is a gain in square footage.

Mr. HANTMAN. It is a gain in square footage. Yes.

Mr. KINGSTON. You have a plan in your master plan—I think Category 5 was security. Chief Gainer has a master plan. There is obviously some overlap between the two and, therefore, hopefully lots of coordination. Before we move forward, we should know with certainty that they will give up one of their other spaces within the Capitol complex. One of the predictabilities about Washington and government in general is that nobody wants to give up anything, and particularly real estate in the Capitol. If they are going to have a net gain in square footage, they should be moving out of some of their existing space, and this Subcommittee should know that with certainty at this moment.

Mr. HANTMAN. Mr. Chairman, I spoke to Chief Gainer about that very specifically, and he agrees that by the middle of June we should have a number in terms of where his troops will be located and what the square foot need for this new facility will be. At that point in time we will certainly come back to you and discuss that.

Mr. KINGSTON. The police have a little substation in Rayburn as well. It would appear appropriate that they would have satellite substations, but not major locations with lockers and major offices. How many square feet do they have in the Capitol building? It is fairly large, isn't it?

Mr. HANTMAN. I am not sure about the square footage.

Mr. ELIAS. Sir, they have about four bays about 200 square feet each on the Senate side of the Capitol Building in the basement area on the west front. And they also have a—what we call the police mezzanine, which is in the sub-basement, west side of the Capitol, sub-basement area. They have there just locker rooms in that space and a lunch area. We can get you the total square footage.

CAPITOL POLICE SPACE CONCERNS

Mr. KINGSTON. Your master plan and Chief Gainer's master plan need to dovetail. Part of that plan needs to have the requirement

before we move to this new building, we understand we are going to give up our Capitol space or other Capitol complex space. This is reasonable, and there should not be a lot of jousting about retaining it, because we already have enough personalities around here who don't want to relinquish square footage.

Mr. HANTMAN. Correct. Those are the things that we will be working out. But clearly my budget deals with the capital costs. His will deal with the equipment and personnel costs. So there is an interface on that. Clearly his needs are what needs to be best determined and finalized so that we can move forward.

Mr. KINGSTON. You are the landlord and the property manager?

Mr. HANTMAN. We are the ones responsible for building that. There is about a delta of about 140,000 square feet over existing space that is being requested right now.

Mr. KINGSTON. This Committee would really like to see what we are talking about in terms of square footage some time in the near future.

Mr. HANTMAN. We will get the new master plan together, and we will sit with you and work it through with the chief as well.

Mr. KINGSTON. Are all of the key people within the Capitol Police involved in the new master plan, and are you as well connected as you need to be in order to develop informed conclusions?

Mr. HANTMAN. Yes. I am, as you know, one of three members of the Capitol Police Board, and when the Capitol Police are doing their study, their analysis, they are working with our people, and we bring it to the full Capitol Police Board for review.

[The following information was supplied for the record:]

CAPITOL POLICE SPACE CONCERNS

Question. What is the total square footage the U.S. Capitol Police occupy in the Capitol Building? How much space will be gained in the Capitol and House Office Buildings (HOB) if the Capitol Police move into a new headquarters?

Response. The U.S. Capitol Police (USCP) occupy approximately 6,760 square feet in the Capitol Building, primarily in the House Mezzanine and Senate Terrace areas.

The current Capitol Police Master Plan identifies approximately 14,300 square feet that will be returned in the Ford HOB and 200 square feet in the Longworth HOB. However, the plan identifies a net increase of approximately 20,640 square feet in the Capitol Building and Capitol Visitor Center (CVC) for a total requirement of 27,400 square feet, of which 18,000 is planned for the CVC. The Capitol Police are actively assessing their footprint in the Capitol, CVC and HOBs to determine space requirements that can be moved to the new USCP headquarters without impacting their operational concept. While the benefit of this assessment may be additional available space in the Capitol, CVC, and HOBs, the impact will be an additional cost to the new USCP headquarters.

The current USCP Master Plan, including square footage proposals, will be forwarded to the Committee under separate cover. The plan will be updated once the Police have completed their assessment of relocating functions from the Capitol, CVC and HOBs to the new USCP headquarters, in addition to receiving Committee input to their proposed staffing plan.

CAPITOL POLICE HEADQUARTERS

Mr. KINGSTON. Mr. Moran, I now yield to you.

Mr. MORAN. Well, thank you. Mr. Chairman, I am glad to have that line of questioning that you brought up, because sometimes you get the sense that you can never find the right person to give you a solid answer. It is always someone else that is responsible. And you are not only, as the Chairman says, the landlord, you are

responsible for all of the capital requirements for the police, and you are on the Capitol Police Board. There are only three members. You are the third leg of that, as you said earlier.

So you probably are the right person when we are trying to nail down what the Capitol Police have in mind for their new building. And now, in addition to the space that Chairman Kingston was talking about, we have got that whole building next to the Monocle, the entire building is the Capitol Police building, right?

Mr. HANTMAN. That is correct.

Mr. MORAN. The plan is that that would continue to be a Capitol Police building?

Mr. HANTMAN. That is correct.

Mr. MORAN. You are not sure whether any of the space in the Capitol today that is used by the Capitol Police would not continue to be used by the Capitol Police, right?

Mr. HANTMAN. In terms of their plan, they were going to vacate space within the existing Capitol Building and take some 17- or 18,000 square feet of space on the lowest level of the visitor center. That was the original plan.

Mr. MORAN. So they move to the visitor center, about 17- or 18,000 feet.

Mr. HANTMAN. That was the plan.

Mr. MORAN. It is going to be over 20- by the time they move in, I am sure. So they would have that building on the Senate side next to the Monocle. They would have 17- to 18,000 square feet in the Capitol Visitor Center. Then they are going to have what I was just shown, some pictures that the Capitol Police chose to present of police departments. Have you seen these pictures, Chairman? They are of the Chicago Metro Police Department, the Toronto Police Department, the Dallas Police Department.

These are not comparable law enforcement agencies. Those are major cities with hundreds of thousands of crimes. The idea that we would be building something comparable to the last building we just built, the Madison Building. And the Madison Building is a pretty impressive building. It is all marble and so on. How much did that cost? One hundred thirty-eight million, and the numbers cited here are twice that. Do you think a Taj Mahal is an unfair description of what some of these descriptions look like, Mr. Chairman?

Mr. KINGSTON. Well, I think they are competitive with the Ronald Reagan Building costs.

Mr. MORAN. And I wouldn't think that would be the standard for the police department. So we have got some concerns.

Mr. KINGSTON. If the gentleman would yield. What we really need is a working building, not a showcase. The CVC is required to be a showcase, but, the police department should be basically a lean, mean fighting machine. They don't need a fancy walk-in constituent-friendly building.

It needs to state, "We are all about security, this is just bricks and mortar, and our job is to secure the Capitol."

Mr. MORAN. You expressed that much better than I could have. But those are certainly my sentiments as well, Mr. Kingston. I suspect Mr. Price agrees. And I bet your folks on your side of the aisle would agree as well. We are talking about functionality here, not

trying to impress the world with the architectural design of our Capitol Police building.

TEMPORARY EMPLOYEES

Mr. MORAN. Now, let me ask some other questions. We have had a number of, you know, we get so many calls and letters about things that are going on in your office, Mr. Architect. How many temporary workers do you have?

Mr. HANTMAN. Something in the range of 300, I believe.

Mr. MORAN. Three hundred temporary workers. And how long have some of those been employed? How long is the longest one, for example?

Mr. HANTMAN. Well, we have been using people on the Davis-Bacon status for a good number of years. Some of them when I got here were here 15, 20 years.

Mr. MORAN. The average, what would you say?

Mr. HANTMAN. I couldn't hazard a guess at that, but it is significant, sir.

Mr. MORAN. Well, this is an issue that has been coming up year after year. I suspect that you were asked, you know, the average before. What we are told is that the Architect of the Capitol routinely employs hundreds of temporary workers, often for years at a time, so that—we know that is true, 300 and some of them for 15, 20 years—in an employment status that offered no eligibility for the benefits ordinarily available to long-term Federal workers or those available to unionized construction workers through multi-employer benefit plans.

And now Mr. Hoyer, who is the Ranking Member on the Authorizing Committee, as you know, referred to this practice as unconscionable and determined to put an end to it, and he put in language that section 133—that he thought was going to do that and require that you report back on the status of implementing section 133. What is the status of that, Mr. Hantman?

Mr. HANTMAN. Our report, Mr. Moran, is due the end of this month, and we will certainly do that. I will give you a little background on what has happened in the interim, though.

In May of last year we met with about 325 employees through group employee briefings and individual counseling as well. About 275 construction employees were given the one-time option of remaining as a Davis-Bacon employee or converting to a wage-grade position in which the benefits convey.

Mr. MORAN. But wasn't that a substantial reduction in pay?

Mr. HANTMAN. Well with, Davis-Bacon, as you know, they get the benefits in cash. So they have a choice of buying insurance policies or putting money aside for vacations or whatever and holidays. Their money. So if we have a carpenter who is a Davis-Bacon carpenter with a carpenter who is our full-time employee working side by side, the Davis-Bacon employee is making significantly more than our carpenter.

Mr. MORAN. It is after tax, so it is much more expensive to them, right?

Mr. HANTMAN. That is correct, sir.

Mr. MORAN. Although you could have done it before tax, which would have been more comparable to cafeteria benefits.

Mr. HANTMAN. My intent is to give our employees everything that they are entitled to under the law and be flexible. And they are wonderful people. We need them to do the work here of the Congress. And what we are trying to do is make sure that we do, in fact, have the authority, and we have been talking with the Office of Personnel Management, and the GAO and the IRS to determine if that law gave us the authority essentially to do pretax dollars. And the answers we have been getting back, sir, is we do not have that authority at this point.

The report that we will be coming up with, we are still working with GAO on that, by the end of this month will specifically relate to the discussions we have been having, and, in fact, we have settled with one of the unions, the plumbers union, on this, and so we are okay with them. But there is four other unions that are not there.

Mr. MORAN. I think that is a serious issue.

Mr. HANTMAN. We would like to get it resolved, sir.

Mr. MORAN. There are a number of serious complaints, many of them directed at you personally, feeling that you are trying to, you know, obstruct the intent of the Congress and the committees that have oversight.

But you know that. I am not telling you anything you are not aware of.

OFFICE OF COMPLIANCE AND LEGAL CASES

Mr. MORAN. We have another problem, and that is the case where you have challenged the authority of the Office of Compliance, because the Office of Compliance required you to reinstate a person. The Office of Compliance was created, as you know, by the Congressional Accountability Act. It was legislation passed in 1995.

This is one of its most serious cases. It is a Ms. Johnson, who had been a custodial employee of yours for 18 years, suffers an asthma attack. And she was only getting \$15,000 salary, and yet you have chosen to take it through the courts. How much has the court expenses amounted to now? A heck of a lot more than \$15,000.

Mr. HANTMAN. We will get back to you on the facts of that case, sir. I don't have that information on the tip of my fingers. But on the last—

Mr. MORAN. Well, how much do you think?

Mr. HANTMAN. I really don't have a handle.

Mr. MORAN. Well, no, this is wrong. You are the manager. You know, I meant to be nice and let you be the bad cop on this one, Mr. Chairman. But you, Mr. Hantman, are the manager. You make the decision whether to pursue this lawsuit. We've got a \$15,000-a-year employee. You have to make a judgment, is this worth it to spend hundreds of thousands of dollars in court, or is it worth it just to try to resolve this case, particularly since the congressionally-created Office of Compliance requires you to resolve it in one way, and you have challenged the authority of that office by choosing to take it all of the way through the courts for this pretty low-paid employee?

You must have some idea what the court costs are. You are the manager. Any manager has got to know; you had to make a deci-

sion which way do I go? Do I spend six figures on taking it to the court, or do I spend five figures in resolving it? And now you tell me that you don't know. How much was it? Give me a figure. How much do you think it was? How much have you spent in court costs? It is on the front page of Roll Call. This has been an issue that has been raised by the House Administration Committee. It is the principal issue by the union. You know that this was a test case for the Office of Compliance. Don't plead ignorance.

You don't know this, but I have tried, you know, not to be too negative, but, boy, I can see why there are some people who are frustrated and feel that you don't care.

Mr. HANTMAN. No. I certainly do care. The U.S. Attorney's Office is taking this particular case and working on it.

If I can just respond to your last comment about the employee benefits fund. The IRS referred us to the Office of Personnel Management for further reply on this, and OPM confirmed in a letter saying that—on December 3rd—that the AOC did not have the authority to make pretax contributions to employee benefits funds.

Mr. Moran, I am, again, a full supporter of our employees. We are a service organization. Without them, we are not here.

LEGAL SETTLEMENT

Mr. MORAN. Did you make any effort to resolve this in a way that would have satisfied the employees and would have put an end to a very contentious issue?

Mr. HANTMAN. Our—

Mr. MORAN. I am told that you are on the other side, you don't want to resolve it, that you were the hard-nosed guy that was insisting that this case be taken through the courts.

Mr. HANTMAN. I—

Mr. MORAN. I am not inventing this stuff. This is what I am being told by any number of people, people that have followed this case for years—

Mr. HANTMAN. Right.

Mr. MORAN [continuing]. I would like to know, what did you spend in court costs to resolve a situation that clearly could have been resolved for, you know, five figures? I know you have spent at least six figures. What is the answer?

Mr. SUAREZ. Mr. Moran, we tried settling the case early on.

Mr. MORAN. Who are you?

Mr. SUAREZ. My name is Hector Suarez, and I am the Deputy Chief of Staff for Mr. Hantman. So there was a number of—there was a number of efforts made trying to work to resolve the case at the lower level before we got to—even when it was at the Office of Compliance. We were not successful in trying to reach the closure that was acceptable to both sides, both to the employee and to the agency.

[The following response was supplied for the record:]

LEGAL SETTLEMENT

Question. What have you spent in Court costs to resolve a situation that clearly could have been resolved out of Court?

Response. The case is on appeal to the United States Court of Appeals for the Federal Circuit on the following issues:

1. Whether an award of back pay, damages and attorneys' fees based on the failure of the Architect of the Capitol to accommodate the employee in 1999, when the only reassignment available at the time would have been to a position in a higher pay grade, was in error because the employee's original job was placed in a higher pay grade as a result of an unrelated class action settlement executed in 2001.

2. Whether the holding that the Architect of the Capitol must accommodate the employee by placing her in a permanent position as a subway operator was correct.

The above issues are important for their precedential impact on the legislative branch under the Congressional Accountability Act (CAA). An employer's ability to make business decisions on the availability of positions for ADA accommodations is severely impacted, because the holding on appeal requires the employer to create and/or alter work requirements and to provide an accommodation of a higher graded position than the current grade of the position held by the requesting employee. Our legal analysis of Supreme Court holdings would support our position.

CASE HISTORY

Employee requested reassignment from her custodial worker GS-2 position in October 1999 citing health reasons, continuing to work when no positions were available for reassignment.

Employee incurred approximately \$4,500.00 in loss of pay between January and March of 2000 when she stopped working as a custodial worker GS-2, citing health reasons, because there was no light duty assignment available at that time.

Employee was placed in light duty assignment in March of 2000 when available.

Employee and AOC participated in mediation in Office of Compliance on her Americans with Disabilities Act (ADA) claim, but the parties were unable to resolve the issue. (The parties have continued settlement discussions throughout all stages of the case.)

The case was heard by a Hearing Officer in the Office of Compliance who directed the AOC to permanently place employee in a Subway Operator GS-3 position (specifying that she would be paid at the lower GS-2 level), though her position of record was at a GS-2 grade level at the time of her request for reassignment in 1999.

COSTS TO DATE

The approximate staff costs to the AOC and the Department of Justice are \$79,200.

OFFICE OF COMPLIANCE AND LEGAL COSTS

Mr. MORAN. This is a subway operator. From what I am told, she wasn't looking for a lot of money. Now it has become a major cause celebre. You have got the union and all kinds of other people involved, the Authorizing Committee. It is a test case in the Office of Compliance. This office was part of the Republican revolution. But you know it is there, it is the law, and it seems to me that it actually makes some sense to require that we abide by the same civil rights laws that are applied to every private corporation.

And now I am told because of this case and because of the adamance of this office, the OOC has no teeth anymore because you have shown that it doesn't because of the attitude that you have taken is what I am told. These are not my words. I may be paraphrasing them a bit. But, you know, you have got some pretty harsh critics. This is one example. And what I am told is it could have been resolved quickly, easily, without a lot of money, but instead you chose to spend many, many times more money taking it through the courts.

Mr. SUAREZ. If I may make two points, Mr. Moran. One, we would be glad to provide you as much information as you would like on this case. But there are two points that I would like to make. One, we did try to settle the case early on in the beginning stage of the process.

Two, the matter as to whether we—the matter of dealing with the Office of Compliance was that we disagreed with what they felt was the interpretation of the law, and the question was, what is the correct interpretation of the law in how this case goes forward? This has nothing to do with wanting to settle or not settle the case, it was a matter of a difference of opinion on how we felt the law should be interpreted, and how the Office of Compliance felt it should be interpreted.

Whenever there is an issue like that, that is where Justice then works with us on these cases, and it had nothing to do with the employee. It is a matter of there was a difference of opinion there, and we are trying—

Mr. MORAN. But it is a matter of how much money we are spending. It is the taxpayers' money. It has to come out of this Committee. And here we are spending this stuff on something that is contrary to what the Authorizing Committee instructed you to do, from what I understand.

I am taking up too much of my time, but I can see why we have so many problems on the oversight of this office, Mr. Chairman. I was told that is exactly the response I am going to get, and that is what I got, that there is not an attitude of trying to work things out. There is an attitude of—I guess arrogance is the term that is too often used. And, you know, for your sake as well as ours, we got to get beyond this, and I don't think it is a healthy environment.

Mr. HANTMAN. I am so sorry that there are those kind of characterizations out there, because, sir, it is just not true. What we are trying to do is establish what the law says and where we go from there. No individual wants to be hurt, and no individual will be hurt by my office under the powers that we have under the legislation, sir.

Mr. MORAN. I hear quite differently.

But my time is well up, Mr. Chairman.

GAO MANAGEMENT REVIEW

Mr. KINGSTON. Thank you, Mr. Moran.

The General Accounting Office recently completed a general management review of the AOC. A plan for implementing GAO recommendations was to have been developed by the AOC. What is the status of the plan? Can you highlight for us the overall timetable for implementing the GAO recommendations?

Mr. HANTMAN. Our work with the GAO on the management review, Mr. Chairman, resulted in a number of recommendations, which we have integrated into our strategic plan and our annual performance plan.

We accepted all of the GAO's recommendations, and our plan is to complete the vast majority of them by the end of this year. Some of them are going to go into the following year's annual performance plan.

Their recommendations included completion of the AOC strategic plan, and that is certainly what we are into right now. In fact, we are meeting with lots of our stakeholders, and we would welcome the opportunity to meet with this Committee as well. We met with the House Inspector General yesterday, with the House Sergeant

at Arms last week, the Senate side as well, to review our draft strategic plan and get feedback from our stakeholders on that. That is very important to us.

Another GAO recommendation was to continue strengthening our human capital policies and procedures, and we are working strongly on that as indicated in the statement; also to continue to improve our financial management system and processes, and there is good progress there; developing and implementing a strategic approach to IT management. All of those things we are taking into account and factoring into our strategic plan. And the GAO indicated that there was a 5- to 7-year time frame for all of these issues to be integrated and fully implemented.

Mr. KINGSTON. In your opinion, was it a severe report? Was it shocking? Were there things that you expected?

Mr. HANTMAN. I think, Mr. Chairman, they were reinforcing a lot of initiatives that we were already undertaking. I think they have been very positive in their comments about the progress that we are making on this. So I look forward to successfully—

Mr. KINGSTON. I haven't seen it personally yet. I look forward to reviewing it, trying to learn as much as I can, and then perhaps respond with some ideas.

Let me yield to Mr. Price.

Mr. PRICE. Thank you, Mr. Chairman.

Let me just underscore the importance of monitoring this GAO report and the steps that you are taking to deal with its recommendations. A number of these are quite important in terms of management improvement; for example, the option of creating a chief operating officer, the Human resource policies, leave awards, overtime, any possible discrepancies in job classification and pay levels across the agency, worker safety, the need to promote worker safety as a cultural norm and as a focal point of management and so forth.

To the extent that you can touch those points in whatever you submit for the record, I would appreciate it.

Mr. HANTMAN. Absolutely.

[The information follows:]

GAO MANAGEMENT REVIEW

Question. Let me just underscore the importance of monitoring this GAO report and the steps that you are taking to deal with the recommendations. A number of these are quite important in terms of management improvement; for example, the option of creating a COO, the Human resource policies, leave awards, overtime, any possible discrepancies in job classification and pay levels across the agency, work safety, the need to promote that as a cultural norm and as a focal point of management and so forth. So to extent that you can touch those points in whatever you submit for the record, I would appreciate it.

Response. The following items have been accomplished relative to the GAO report.

- Implemented an Awards Program to recognize employee accomplishments.
- Implemented an AOC Transit Benefit program. AOC employees who currently participate are eligible to receive benefits of up to \$100.
- Have a performance evaluation program in place for employees and managers.
- Implemented the Architect's Mobility Program. Program provides career opportunities for high potential employees who occupy career limiting positions and lack qualifying experience to enter a different career field. Have had 17 employees that have completed the Program.
- Provide a wide variety of training for employees and supervisory staff.
- Developed a Workers Compensation Program Handbook for supervisors and managers.

- Developed an Agency-wide leave policy that is currently in draft to be reviewed.
- Revamped the recruitment process to streamline the processing of actions. According to the most recent figures from the Occupational Safety and Health Administration, we have cut our total injury/illness rate by 53% and our lost time injury/illness rate by 36% in the last two years. Our lost time rate for FY2002 was only slightly higher than the Federal agency average—a substantial achievement for a predominantly shop-oriented, blue collar work force. These significant reductions are a result of the priority I have placed on safety, the attention and commitment of the AOC management team, the hard work and dedication of AOC employees, and the ongoing support of this Committee.
- We have increased our safety professional staff, modified work practices and procedures, and provided protective equipment and safety training to our employees.

EMPLOYEE RECRUITMENT

Mr. PRICE. Let me follow up on a couple of matters. First, we have been talking about some labor relations matters and outstanding cases. I would like to focus on a little different aspect of your hiring practice; that is, the way you recruit and hire middle management and above personnel.

Besides the wage grade and trade employees, can you tell us how many recruitments you conducted last year?

Mr. HANTMAN. Oh, must be well over 200 recruitments that we did last year.

Mr. PRICE. That is of middle management and above?

Mr. HANTMAN. No, not at the middle management level.

Mr. PRICE. Excepting wage grade and trade employees.

Mr. HANTMAN. I can certainly get you a breakdown on that, sir.

Mr. PRICE. All right. I wonder if you could also tell us how many of those positions were filled by people already within your employ, and many of these recruitments were open to any applicant regardless of their current employment? That is the focus of the question.

Mr. HANTMAN. We post all of our jobs, sir. And they are open to applicants inside and outside the agency. When they are reviewed by our H.R. people, they will come up with sheets of candidates that they think are qualified for the job, and they will work out the sheets. First, they will give us the internal candidates who are qualified for the job for review, and they will have separate sheets talking about external candidates for review.

So if we have a qualified internal person to move up, and they are on that certificate, we will consider them and give them priority.

Mr. PRICE. All right. Well, that is helpful. If you could, then, just give us the bottom line in terms of how many of these positions were, in fact, opened in this fashion, and then how they were filled, and how many of the positions were filled by people who came from outside the agency as opposed to inside.

The information follows:

EMPLOYEE RECRUITMENT

Question. Besides wage grade and trade employees, how many recruitments did you conduct last year? How many of these positions were filled by people within the agency's employ? And how many of these recruitments were open to any applicant regardless of their current employment?

Response. We had 323 recruitments last year. We had 42 recruitments for middle to upper management positions. 16 of those were filled by employees from within the agency; 26 were filled by applicants outside the agency.

Out of 323 recruitments in the last year, 303 were open to any applicant regardless of their current employment, and 20 were open to AOC employees only. Of

those 20, a decision is made on a case by case basis, so there would be a variety of reasons. One example would be the Architect's Mobility Program (AMP). It's an upward mobility program designed exclusively for AOC employees. Another example might be that a new position has been created, but an additional position was not established. Then the position from which the person was selected would not be re-filled.

PROCUREMENT PROCEDURES

Mr. PRICE. Finally, let me just ask you about procurement procedures. You, of course, do a lot of contracting, and there are always people who may feel like they are slighted in that process. We know that all too well. But I would like to get a feeling for any problems we might have and their scope.

Could you give me an idea of the number of procurements that you conduct annually by the Architect of the Capitol's office itself, and by other organizations acting as agents of your office, the Army Corps, Navy, GSA and so forth?

Mr. HANTMAN. Well, it has got to run into the thousands of procurements. Again, I will get you the breakdown and how we do that, but we always have competitive process for the procurements. Certainly over the \$5,000 level all of them are put out there, and we get at least three bids. They are analyzed for best value to the government in terms of their ability to deliver the services or products, and the quality of those products as well.

So competitive bidding is what we do all of the time to make sure that we do get best value for the government.

Mr. PRICE. Do you have figures on how many of those procurements have been protested in the last year, and whether there is any pattern to the protests in terms of the offices that conducted the procurements?

Mr. HANTMAN. Well, we have one protest going on right now in terms of the power plant award that we made. That protest, we had an evaluation board of four people take a look at all of the bids that came in, and take a look at the ability of the firms that bid to perform the work, took a look at their numbers in terms of their base bids and their option bids, and the selection was made based on the best value to the government for—in terms of the ability to do the job as well as the cost to the government.

Mr. PRICE. Has that protest been resolved?

Mr. HANTMAN. No. There was a protest. One of the bidders who was not successful took it to the local courts to try to get an injunction against our having the awarded contractor proceed, and the judge turned that down on the basis that he didn't think that they had a strong enough case.

But there is a second bidder that is coming now and protesting as well, so that will be going to court.

Mr. PRICE. Are there other protests underway? How widespread is this sort of contesting of your awards?

Mr. HANTMAN. I am not aware of other protests. In fact, when we are talking about major procurements, we have brought in the General Services Administration to do procurements for services both on the CVC and on the Supreme Court in terms of the selection of services by firms as well as contractors to make sure that it is fair, open, above board, and that we can avoid any type of protests as well.

Mr. PRICE. Well, there again, Mr. Chairman, if there is additional information along those lines, I would appreciate your furnishing it for the record. Thank you.

[The information follows:]

PROCUREMENT PROCEDURES

Question. What are the number of procurements conducted annually by the Architect of the Capitol itself and by other organizations acting as agents of our office, the Army Corps, Navy, GSA and so forth?

Response. During the period April 2, 2002 through April 1, 2003 the Architect of the Capitol conducted procurements as follows:

—Credit Card Purchase: 7,813 transactions with an aggregate value of \$8,538,581.44.

—Small Purchases (Purchases valued at \$100,000 or less): 3,430 transactions with an aggregate value of \$24,943,595.53.

The above amount includes 36 transactions with an aggregate value of \$777,108.97 transmitted to the General Services Administration. These transactions were for furniture and office supplies, vehicle leases, and procurement support for competitive acquisitions of construction for the Capitol Visitors Center and Supreme Court Modernization projects. Contract awards for the Capitol Visitor Center were made on days outside the period covered by this report, the Sequence 1 award occurring prior to it, and the Sequence 2 award occurring subsequent. Those awards were made by the Architect of the Capitol. The Supreme Court Modernization acquisition is ongoing.

The above amount also includes 4 transactions with an aggregate value of \$240,000.00 transmitted to the U.S. Army Corps of Engineers. These transactions are for support of design and construction work at Fort Meade, MD for storage facilities for the Library of Congress, together with acquisition support for that project. The competitive solicitation for construction services for the Library of Congress Book Storage Facility, Module 2 was recently announced by the Corps and is ongoing.

The above amount also includes 8 transactions with an aggregate value of \$216,026.09 transmitted to the U.S. Public Health Service. These transactions were for Occupational Health and Safety compliance support.

—Orders Under Existing Contracts (General Services Administration, other Federal Agency, and Architect of the Capitol Indefinite Delivery Contracts): 93 transactions with an aggregate value of \$30,757,579.99.

The above amount includes one (1) transaction with a value of \$2,226,640.83 transmitted to the General Services Administration. This transaction is for Help Desk support services for the agency's computer network, desktop computers, and computer applications.

The above amount includes 8 transactions with an aggregate value of \$2,663,168.00 transmitted to various activities within the Department of Navy for support of a variety of design and construction efforts including the U.S. Capitol Police Master Plan, Off Site Mail Handling Facility, U.S. Capitol Police K-9 facility, U.S. Capitol Police Explosive Storage Facility, and Capitol Hill security initiatives. The Navy executes these requirements using existing in-house resources, existing contracts, and new contract awards.

—Contracts and Contract Modifications: 160 transactions with an aggregate value of \$80,423,654.97.

Question. Do you have figures as to how many of those procurements have been protested in the last year, and whether there is any pattern to the protests in terms of the offices that conducted the procurements?

Response. The Architect of the Capitol currently has two protests involving a single acquisition, the award of a contract for the U.S. Capitol Power Plant West Refrigeration Plant Expansion. The Architect has no other protests ongoing. The last procurement protest against an Architect of the Capitol acquisition occurred 6 years ago. The Comptroller General denied the protester's complaint.

BUY AMERICAN

Mr. HANTMAN. Thank you.

Mr. KINGSTON. I thank the gentleman for that question.

Do you have an American preference on your purchasing?

Mr. HANTMAN. We buy American, sir.

Mr. KINGSTON. And minority?

Mr. HANTMAN. What we did, in fact, on the Capitol Visitor Center is we had a fair for small business and minorities, and we introduced—invited something like hundreds of companies to come on in. That was suggested by the small business and the Black Caucus, and we invited them all to come on in, meet the potential contractors and bidders so they could understand the scope of the work and determine if they wanted to bid on that.

So we are very anxious to make sure, and we ask all of the general contractors to give us a breakdown of the small and minority businesses that they are using on projects.

Mr. KINGSTON. Do you have any French companies participating?

Mr. HANTMAN. I am not aware of that, sir.

Mr. KINGSTON. Would you make sure? This Committee might have some curiosity about that.

[The information follows:]

BUY AMERICAN

Question. Do you have any French companies participating?

Response. The Architect of the Capitol follows the requirements of the Buy American Act (41 U.S.C. 10). We are not aware of any contracts awarded to French companies.

CAPITOL COMPLEX SECURITY

Mr. KINGSTON. All the Committee Members and I are concerned about this “Camp Capitol” siege mentality that we are in. We tend to hear that requests are driven by Members. I can say this: Members of Congress don’t come up to me and ask for things that they want. U.S. Capitol Police says, well, we are responding to Members’ requests. But Members don’t come up to Mr. Moran and me saying, “I want 24-hour-a-day policing and I want jurisdictional expansion.” That is fiction. That is not happening.

What Members dislike is the confinement. For example, if you wanted to go from the Longworth Building to the Russell Building and you have visitors with you, or you don’t want to go through the Capitol because you don’t have an I.D., you have to walk up to First Street. I hope that somewhere between your security plans and Capitol Hill Police security plans we can devise a way that they can walk around the Capitol Building without that inconvenience. Particularly if you are not physically fit, you don’t want to walk all that distance, but you don’t mind a little walking.

I know it is very difficult, with orange alerts and heightened threat levels, knowing what to do. But I hope that we are looking at ways to ease the flow of traffic.

Mr. HANTMAN. Well, there is a new tunnel that you can see, being built by the House steps right now, which connects to the Cannon tunnel. The concept there is that any Members or visitors coming from the House office building side, will be able to use that tunnel to get into the expansion space for the House, into the Visitor Center as well, or into the Capitol without having to go through the Capitol Building itself.

Mr. KINGSTON. There would still be a security checkpoint.

Mr. HANTMAN. At some point—

Mr. KINGSTON. And a visitor couldn’t have access to that tunnel at night.

Mr. HANTMAN. That is correct. Once you are through the security checkpoint, you are free to travel wherever you would like to go.

Mr. KINGSTON. I just think it should be a little bit more open for mom and dad from Peoria that—not necessarily to walk in the Capitol—but to be able to get from Russell to Longworth without having to pretend they are walking through Fort Knox. Members of Congress like to feel important, and having lots of security makes us feel important. However, I think some of this is maybe a little bit over the line.

I hope you all are constantly looking at ways to stop this siege facade here.

Mr. HANTMAN. It is a tremendous challenge, Mr. Chairman, to balance openness and security, as you alluded to before. And I constantly am talking with the Police Board, with the two Sergeants at Arms, all about those issues and what needs to be done and how we maintain the sense that, again, this is the people's house, this is the Congress, and people should be able to come and freely walk through and find out how their laws are being made and their lives are being impacted.

That is a critical part, and that was one of the main reasons, of course, for the concept of a Visitor Center as well.

DOMES TOURS

Mr. KINGSTON. What is the status of dome tours?

Mr. HANTMAN. The dome tours, because of the alert situation, are not in effect.

Mr. KINGSTON. For example, I have my constituents from Savannah, Georgia at the Capitol. They have already gone through security two or three times to get to the dome. What is different now than it was 5 years ago? I am not going to swear to you that I know what is in their brain, but generally speaking, if Bob Smith from Georgia suddenly develops a mental instability, it is no different than happening to him 5 years ago. However, he has already walked through a magnetometer and he has been screened and I have some acquaintance with him. Why can't I take him up to the dome?

Mr. HANTMAN. Well, there is a concern on the part of the Capitol Police and the Police Board about chem/bio issues and things that are not easily detected at this point in time.

Mr. KINGSTON. I have my constituent family from back home—the mom and dad and 2-1/2 kids—and the Capitol Police are saying he is a chem/bio suspect, whereas 5 years ago he wasn't? What would be different between him 5 years ago and him today?

Mr. HANTMAN. It is a matter that the police are constantly doing risk assessments. And it is their basic recommendation—

Mr. KINGSTON. Where is the science or the factual recommendation—the basis for that?

Mr. HANTMAN. Well, in terms of the science, it really talks about the briefings that the police are constantly getting from other authorities. And I am not sure that there is an absolute answer to anything of that nature.

REOPENING DOME TOURS

Mr. KINGSTON. You know, I intend to put a rider on this bill if that is what it takes to reopen the Capitol dome tours, because that is just one more example of the Washington police state arrogance—we are going to close something that people back home get a real thrill from. Not that many people want to traverse to the dome because it is physically challenging. But to say that they are going to sneak in a bomb, sneak in a gun, sneak in a vial of whatever substance, after they have gone through two or three checkpoints, and that the expectation or probability is higher today than it was 5 years ago is ridiculous.

I am not saying that there is no possibility of it, but I am saying I can't see how the possibility of a negative result has changed today from 5 years ago when we could do it. This building doesn't belong to us, it doesn't belong to the police: it belongs to the constituents, and it should be open.

Mr. HANTMAN. It goes beyond that, though, Mr. Chairman. One of the issues that we also investigated through the Police Board was putting together from the Capitol Physician's Office, the Police Board, a little task force to take a look at the dome itself. One of the issues is from day one, the dome doesn't meet any code criteria in terms of exit. As you know, you can hit your head going up, the winders are too narrow. It is really—

Mr. KINGSTON. That is so offensive to me. That is just saying, "We are going to be this safe, big brother. Nobody gets hurt." That is the romance of going up to the dome, seeing the still, seeing the scratch marks on the wall. They may jump over the balcony. They really might, but that is a prime example of Washington bureaucracy. The dome is the most wonderful tour in Washington.

I would like you to work with me to reopen the dome.

The White House has already cut off tours, and this particular administration does not like tours in general. The mentality already out there pre-9/11, but that was one of the great thrills of constituents coming up: they had to see the White House. Now they are unable to see the White House. Consequently, the consolation prize is a Capitol tour. This is a wonderful building, and people are always surprised how incredible and monumental it is, but the dome is one of the great features that we cannot offer them.

Mr. HANTMAN. It truly is. And we welcome the opportunity to sit down with you and view the information and see where we can go.

Mr. KINGSTON. I yield to Mr. Moran.

Mr. MORAN. I don't think you are off track at all, Mr. Chairman. I agree with you 100 percent. Now, maybe we are off track. Dave, how do you feel?

Mr. PRICE. I couldn't agree more. I mean, obviously we can't have huge numbers of people going through the dome each day. But we had a perfectly workable control mechanism in place, that Members themselves had to truck up there if groups were going to go. And I didn't do it every day, but I did it enough to know that it is a unique treat. This is a unique experience for our staffs and for visitors. And I just can't imagine that there is any tangible, realistic threat that should lead to the indefinite suspension of these tours. So I am with you, Mr. Chairman.

DOME TOUR SECURITY CONCERNS

Mr. MORAN. Well, so there you go. And I wouldn't be at all surprised if every other Member of this Subcommittee is not with you as well, completely. I am glad to hear Mr. Price express his feelings. I concur exactly with both of you. There are going to be some Members who have just come in who will never experience the ability to take a constituent up to the dome. And if you and the chief of the Capitol Police have their way, that is going to be the case for all subsequent Members of Congress.

And there are things we could do. I don't see any effort to be creative on this. For example, if you want to bring somebody up, you can maybe notify the Capitol Police or the Sergeant at Arms a week or 2 weeks in advance. Vet them. You know, we do background checks on people that want to buy weapons. Just, say, do a background check if you want to bring them up to the dome.

You know, I had—actually, the fact is that staff was very good about this, but I had a Channel 7 reporter come in, and they did get to see a number of things in the Capitol. But the reality is that a Channel 7 reporter is not going to—I think it is pretty unlikely that they are going to be carrying chemical and biological weapons with them to destroy the Capitol Building. It is kind of a matter of common sense. And these are folks, normally the ones we bring up don't fit any pattern of people that would represent a threat. I am sure that the Members would be more than willing to comply.

So that the dome, you know it is a small issue, but I do think it reflects an attitude. And I think there are a lot of Members that feel just the way Chairman Kingston does, that Members are no longer in charge here; but our people, the people who elect us, think we are. They really think that we are the ones elected to represent them and that we make the laws and that we carry them out, and this Capitol complex—we sort of are their representatives here.

But, you know, we are losing them. We really are. You know, we know that if the police chief has his approach where he is going to stand down everything that moves until he decides it ought to move, you shut off any reasonable access we have from the House to the Senate. I mean, you can go through the Capitol, granted, but you can't take a nice stroll through the Capitol grounds. The place looks like a state of siege. It looks miserable. It really is not an attractive sight anymore. When you bring people, you have got all the fences, the new barriers.

Now, granted when we go through the getting into the House side of the Capitol, you have got a nice planter there. It is pretty imposing but it is nice enough. But, you know, it is not the Capitol—anywhere near the Capitol that it used to be, and I don't think that it looks like the Capitol of the Free World. And I have seen a lot of capitols that would be under greater threat that don't look as though they are completely obsessed, being under state of siege.

Now, having said that, it is orange alert. This is not the time to say it. And I know that most people are thinking, well, gosh, after 9/11 everything changed. We are under an orange alert. How can you possibly be thinking about curtailing the power of the police?

How can you possibly be thinking about limiting the protection of the Capitol Building or Members of Congress? But I do think it comes down to a matter of judgment.

These are not things we plug into a computer and get a scientific answer. Judgment is an art. You know, what makes common sense? What is the right balance between the font of freedom that the United States represents and the reasonable protection of the symbols of that freedom? And I am not sure that we are reaching that balance. And what I am concerned about is when the orange alert is taken off and then we are down to yellow, and then things go back, the threat is alleviated, none of this apparatus that we have created is going to be reduced. It is going to be there. It will live in a very much changed environment. And that is not what I am comfortable with, and I am glad to see the Chairman isn't either.

CAPITOL CORNERSTONE

Mr. KINGSTON. Thank you, Mr. Moran.

We made a great search for the cornerstone a couple years ago. We didn't find it, right?

Mr. HANTMAN. There was nothing found. The east front of the Capitol was underpinned some 40 or 50 years ago to make sure that it was secure. And they did a search for the cornerstone at that point in time. And the only way that they could really tell if it was the cornerstone is if they found that silver plate that George Washington put under it. And because of all that work, if it ever existed and had not deteriorated, it was probably gone at that point in time. My predecessor, George White, believes he found the cornerstone. But there is no way he could verify it. And that is really very close to the House takeout in the basement area.

ROOM RENOVATIONS

Mr. KINGSTON. Do you have a room-by-room log on the renovation of the rooms? For example, if I wanted to find out the history on the carpeting or the maintenance of this room?

Mr. HANTMAN. We could tell you the historical background on it. In terms of when the carpeting was last replaced, either the CAO or we would have that information. But in terms of the historic nature of the room, who occupied it, when it was first built, and different committees, we certainly could get that information.

Mr. KINGSTON. And you have that inventory for every room?

Mr. HANTMAN. All the historic rooms.

WASTE, FRAUD AND ABUSE

Mr. KINGSTON. Another question I have is on waste, fraud, and abuse. What safeguards do you have in place with regard to procurement and your protecting millions of taxpayers dollars every year for construction projects?

Mr. HANTMAN. Well, we are very concerned about that. We started talking before about the procurement process, and we always go out for multiple bids to get best value for the government. And we make sure that we do that consistently. We talk about internal regulations that require competition at least of three vendors for all

procurements in excess of 5,000, and competition for procurements less than 5,000, which even can be done orally, but we still require that competition.

Anything that is in excess of \$100,000 by procurement status we advertise everything in *Fed Biz Ops* to maximize the competition to make sure that we get the best price. We are instituting a financial management system that is compliant with the requirements of the Joint Financial Managers Improvement program, and we are working very closely with GAO and we produce annual financial reports in a standard general ledger, which is very new to the agency. So we are making great strides in that respect.

We will have our financial statements audited for fiscal year ending in 2003 for the first time. We have constituted an audit committee—an outside committee of experts from the private sector—to assist us in this effort to give us the standards, to make sure that we are doing it appropriately. We have an Inspector General who conducts investigations of audits of programs and procedures to ensure that the waste, fraud, and abuse is managed, no matter who reports it and what he finds. And we have annual audits of the restaurants and down the line, sir. We are very careful to make sure that the dollars that we are given and the materials that we have are taken care of.

Mr. KINGSTON. Do you have anything, though, aside from the process results, which have all led to hard dollars already spent? Do you have something which illustrates these audits and procedures identifying examples of wasted dollars?

Mr. HANTMAN. What we are making sure is that what we order and that what we use are, in fact, used appropriately. So it is really a question of not wasting—and making sure that materials as they come in, and what we order really fits into the profile of what is truly needed. I will check to see if we do have anything that is measurable.

Mr. KINGSTON. Please submit your findings for the record.
[The information follows:]

WASTE, FRAUD AND ABUSE

Question. Do you have anything aside from the process results, that has led to hard dollars; that because of these audits, because of these procedures, here were some of the examples of dollars that you identified that were wasted?

Response. No, at this time we have not set up the financial bench marks to measure and report actual cost savings from our processes.

CLOSING STATEMENTS

Mr. KINGSTON. But I am interested to see the results.

Mr. Moran, if you have any more?

Mr. MORAN. I think we have had enough fun for this morning, Mr. Chairman. It has absolutely, in all seriousness, been a good hearing. You know, I am sure the architect expected it to be somewhat contentious, but that is our role, too. It is—we are not here to play patty-cake or just to pat everybody on the back. We take our oversight role seriously.

And I appreciate the hearing, Mr. Chairman, and I trust that we are going to get some answers. And, you know, we care about the work that you do and we look forward to working with you. Thank you.

Mr. HANTMAN. I thank you. And I certainly do care very strongly about our stewardship responsibilities and our responsibilities to our employees as well. There is nothing that we would be wanting to do that is outside the purview of the law. We are trying to do the law as we read it, clarify points where we need to, and treat our people with dignity and respect.

Mr. KINGSTON. Thank you, Mr. Hantman. Thank you, Mr. Moran.

Let me just close with this. We are going to have another hearing on the CVC, and that is probably going to be a very hearty hearing. This Committee is trying to be very sensitive concerning any access to the Capitol, any problems, any waste or fraud or abuse, because it reflects on the institution of Congress. We are actually required to have a very high standard, as should all government agencies.

Thank you. This Committee stands adjourned, subject to the call of the Chair.

[The following question was asked subsequent to the hearing and response follows:]

EXPANSION OF THE WEST REFRIGERATION PLANT

The Architect of the Capitol (AOC) is undergoing an expansion of the West Refrigeration Plant. This plant will be used to, among other things, cool the new Capitol Visitor Center. The AOC is in the process of evaluating engineering and mechanical functions for the plant. One such function is the air-conditioning system.

It appears as though the AOC will accept a proposal that will cost \$2 million more in initial capital outlays to purchase; will cost \$1 million more in annual operating costs, and is less flexible and less reliable than a competing proposal. This alternative proposal meets all technical requirements, and is offered by a long-standing and reputable firm in the air-conditioning business.

Question. According to information available to the Committee, the AOC will accept a proposal for an air-conditioning system that costs \$2 million more to buy, that would cost \$1 million annually to operate, and will be less flexible and less reliable in operation.

An independent consultant concluded that the competing proposal offers other benefits to the AOC and the taxpayer. The AOC's own engineering firm has informally endorsed the alternative proposal.

In light of this, why would AOC reject this proposal and go with the more costly option?

Response. The agency conducted a competitive negotiated "best value" procurement for the expansion of the West Refrigeration Plant for the U.S. Capitol Power Plant in accordance with our normal procedures, including advertising the requirement in the FedBizOps nationwide service of the General Services Administration, appointment of a Technical Evaluation Board, separate evaluation of the technical and price proposals of each offeror, a recommendation regarding award to me as the Source Selection Authority, and my award to the offeror whose proposal was determined to provide the best value to the government. Although the technical specification for the project included certain specifications that had to be met or exceeded to meet the requirements for providing chilled water for the legislative branch, the chiller equipment was included as part of a total bid package with a lump sum price for the entire construction project.

To ensure the maximum competition, the agency provided bidders the ability to provide pricing on a specified base system, or on an alternate system that would require the design of certain physical modifications to the Plant and would achieve the same specified capacities.

Four offerors submitted proposals in response to the solicitation, with one offeror submitting two proposals, including one offering an alternate chiller system, as permitted by the solicitation. The solicitation provided for evaluations of proposals as: (1) Exceptional, (2) Acceptable, (3) Marginal, and (4) Unacceptable. Three proposals were evaluated as "Acceptable" and two, including the proposal submitted on the basis of the alternate chiller system evaluated as "Unacceptable." The proposal offering the alternative chiller system was evaluated as unacceptable because it failed to provide a complete design of the modification that would be made to the Plant and because it failed to provide the capacities as specified, which represented the

minimum needs of the government. In accordance with the terms of the solicitation, award was made to the offeror whose "Acceptable" proposal provided the best value to the government. The terms of the solicitation also required that "Unacceptable" proposals could not be considered for award.

Two bidders filed protests with the General Accounting Office, and subsequently filed suit in the United States Court of Federal Claims. The bidder that submitted the alternate chiller system did not. The Court has issued a Protective Order to ensure that source selection sensitive and procurement sensitive information is not released beyond those covered by the Protective Order.

[CLERKS NOTE.—The justification of the budget request submitted by the Architect of the Capitol to the Subcommittee follows:]



Washington, DC 20515

March 18, 2003

FISCAL YEAR 2004 BUDGET INTRODUCTION

As the Architect of the Capitol, I'm responsible for facilities management, project delivery, and the stewardship of the Capitol complex. This budget supports my efforts to provide for a safer, healthier, and more productive environment for Congress, staff, visitors, and the American public. We are requesting \$513.9 million for fiscal year 2004 — \$121 million or 31 percent above the enacted fiscal year 2003 budget for all appropriations.

Projects for Fiscal Year 2004

The significant cost drivers in this increase are: \$61 million for purchasing the Legislative Branch Alternate Computer Facility (currently being leased); \$26.5 million for Phase II of the design of the U.S. Capitol Building Master Plan; \$18.7 million to replace the high-voltage switchgear in nine buildings; and \$12.6 million for the design of new Library of Congress facilities at Ft. Meade and a condition assessment for the Library of Congress Buildings and Grounds. Budget estimates of other major ongoing projects include \$40.8 million to continue with the West Refrigeration Expansion project; \$9.5 million to modernize the elevators within the House Office Buildings; \$6.5 million to improve Capitol Power Plant operations; \$4.7 million to replace Steam Humidifiers in the Hart Senate office building; \$4.3 million to upgrade the House Information Resource Data Center; \$4.3 million to refurbish Bartholdi Park; \$4.2 million to develop a Capitol Complex Master Plan; and \$4.1 million to install a fire protection water tank at Ft. Meade.

In building this budget estimate, I took into consideration key areas that will drive the way the AOC will conduct business going forward including Strategic Planning, Project Delivery, Safety and Security.

Strategic Planning

As discussed in last year's hearing process, my leadership team has been developing a strategic planning process to help guide the Agency. Our draft five-year Strategic Plan identifies corporate-level outcomes essential to realize the Agency's vision: to be an innovative and efficient team dedicated to service excellence and to preserving,

maintaining, and enhancing the national treasures entrusted to our care. It also identifies mission-critical performance goals and objectives.

The focus of the Plan is long-term organizational change and performance improvement. It outlines the strategic goals, objectives, and performance methodology that will serve as the basis for measuring agency effectiveness and success. We are actively engaged in gathering stakeholder views to ensure that the Plan reflects the needs and expectations of those we serve, and are consulting with outside experts familiar with GAO requirements to assist us in this effort.

The Plan identifies our long-term goals over a five-year period, and it will be updated regularly to meet evolving needs. In conjunction with our strategic planning efforts, the GAO conducted a comprehensive management study of the AOC's operations. We have received the GAO's final report, and as a result of their recommendations, we are developing a Performance Plan linked to our strategic goals and objectives.

Project Delivery

As documented in the recently-issued GAO Management Review Report, the AOC continues to make progress toward improving its capital project planning, delivery, and project management. The Director of Planning and Programming is responsible for developing the 20-year Master Plan and has been charged with conducting facility condition assessments for the House, Capitol, and Senate facilities.

The AOC will be awarding a contract to establish a five-year Capital Improvement Plan (CIP). The contractor will focus on assuring that projects roll up into program categories that align with the AOC's Strategic Plan goals and objectives as well as developing project evaluation and prioritization criteria. The AOC is emphasizing project management as a core function by giving responsibility to the Director for Project Management and making him accountable for improvements in this area, including defining appropriate cyclical performance goals and metrics. The Agency has begun a new series of mandatory project manager training courses, is developing criteria for creating a prioritization process, is working to fold its project reporting process into its overall communication strategy, and is defining project management performance measures.

Safety

Safety continues to be a top priority at the AOC. According to the most recent figures from OSHA, the AOC has cut its injury/illness rate by 24 percent to 8.35 percent in FY 2002. While this is a substantial achievement, it is still too high and we are continually working to further reduce this rate.

To accomplish our goal, our fiscal year 2004 budget request reflects the need for additional resources to expand and improve fire protection systems; complete development on, and continue implementation of, the Occupational Safety & Health Program; assure the continued safety of building visitors and occupants; improve AOC

employee safe work practices and safety services; continue development and implementation of the Environmental Program to meet EPA and District of Columbia regulations; and continue refining the recycling program.

In addition, the budget request reflects AOC's plan to continue to partner with other Federal agencies and private industry experts to obtain the technical and managerial assistance required to attain our goal of administering a world class fire, occupational, and environmental safety program — one befitting the U.S. Congress.

Security

Likewise, security improvements have continued throughout the complex during the past year. These efforts have included the substantial completion of the perimeter security project on the Capitol Square, as well as at the main entrance to the Hart Senate Office Building. Contracts have been awarded for the first two phases of perimeter security around the House Office and the first phase of perimeter security for the Library of Congress buildings. Design efforts continue for the perimeter security around the Ford House Office Building, the Capitol Power Plant, and the Supreme Court.

The conceptual United States Capitol Police facility master plan was completed and the implementation plan for the master plan was recently completed. The upgrade to the USCP K-9 and the chemical explosive storage facilities are almost ready to begin.

Design is nearly complete for a personnel security-screening addition to the Russell Senate Office Building; locations for personal microscopic particulate filtration mask storage; the interconnection of all building fire alarm systems into a single complex-wide system; and the upgrade of the HVAC systems in the Capitol to provide for emergency shut down of the systems and isolation of the building.

Full-Time Equivalents

The AOC's fiscal year 2004 budget estimates includes a request for five new full-time equivalents (FTE) in the Capitol Building appropriation. The new FTEs will support planning for the opening of the Capitol Visitor Center and the eventual maintenance of this new facility. We will be examining various methods of providing support in fiscal year 2004. All other FTE increases represent annualization of the fiscal year 2003 enacted budget.

Responsiveness

One of the keys to being responsive to Congress is the adoption of budget line items for study, design, and condition assessments and minor construction across appropriations. These lines recognize the unique conditions operating within the Capitol complex — the need to have 100 percent design documents prior to requesting funding for

construction, and the requirement to be responsive to immediate requests. Another key in meeting an increase in workload is the extensive use of the Army Corps of Engineers and the Naval Facilities Command to assist us in project management and delivery.

Support To the United States Capitol Police

Another item addressed by this budget includes a budget submission for the Capitol Police Buildings and Grounds account. Our fiscal year 2004 budget request consolidates the capital budget support provided to the United States Capitol Police (USCP) previously dispersed throughout other AOC appropriations. This consolidation should improve support to all USCP facilities by aligning responsibility, authority, and accountability under a single appropriation.

Information Technology

Our budget also demonstrates our commitment to adopting an agency-wide approach to managing Information Technology (IT) to provide the consistent direction needed to enhance mission performance across the Agency. As such, we are implementing a portfolio-based approach to IT investment decision making; developing an Enterprise Architecture (EA) that will help drive the agency-wide approach to IT management while aligning business processes with IT; revising our structured system life cycle to include processes for IT system acquisition and development with quality standards built in during each phase of the progress; monitoring the performance of AOC's information technology programs and activities; and building a comprehensive information security program.

Financial Management

One key IT investment has been the standup of the Financial Management System (FMS). As noted in the GAO management review report, the financial team has made great strides in improving the flow of financial data. The fiscal year 2004 budget continues to support this effort with funds to build policies and procedures and move us toward auditable financial statements. This budget reflects the structure implemented under FMS with program groups and provides the recommended budget schedules and analysis of change formats from the Legislative Branch Financial Managers Council that details the individual appropriation budget requests.

Facility Management

The ability to measure performance related to strategic goals will be improved by the continuing implementation of the computer-assisted facilities management (CAFM) system. In 2004, the application will be upgraded to a web-enabled environment, preventative maintenance will be rolled out for electrical and plumbing systems, handheld scanners will help employees in the field maintain more up-to-date work order information, and we are planning to interface the facility management system to the

financial management system to help insure accurate material, labor, and asset costs associated with maintenance work.

Closing

The fiscal year 2004 Architect of the Capitol's Budget represents a concerted effort on the part of all jurisdictions to preserve, maintain, and enhance the national treasures entrusted to our care. We also are dedicated to providing a safe, secure, and productive environment for all who work across the Capitol complex and the millions of people who visit each year. I am very privileged to lead a hard-working and professional team committed to meeting and exceeding the expectations of Congress and the American people.



Alan M. Hantman, FAIA
Architect of the Capitol



**GENERAL STATEMENT
APPROPRIATIONS & ESTIMATES UNDER THE ARCHITECT OF THE CAPITOL**

GENERAL MISSION & VISION STATEMENT

Mission: *To provide Congress a wide range of professional expertise and services to preserve and enhance the Capitol Complex and related facilities.*

Vision: *We will be an innovative and efficient team dedicated to service excellence and to preserving, maintaining, and enhancing the national treasures entrusted to our care.*

The traditional core mission of the Architect of the Capitol (AOC) has been twofold: to provide for the Congress, on a neutral, bicameral and non-partisan basis, professional expertise relating to preserving and enhancing the environment of the Capitol Complex; and operating and maintaining the infrastructure supporting the Congress, other Legislative Branch support entities and the Supreme Court. In so doing, the AOC utilizes available architectural, engineering and professional expertise, with staff and through consultants, to provide the Congress with timely and cost effective recommendations as they pertain to design, construction, and maintenance of buildings throughout the Capitol Complex. The AOC also utilizes trades and services personnel who are charged with ensuring that building infrastructure systems operate efficiently and reliably in support of Congressional activities.

Overall, the AOC, acting as an agent of the Congress, has the oversight responsibility of the following activities and jurisdictions:

- **General Administration:** AOC Central Office functions, and the management and operation of the activities, programs and projects that affect all jurisdictions: Architecture & Engineering Services; Safety & Facilities Management; Financial Management; General Counsel; Security; Communications; Information Systems; Human Resources; and Procurement.

- **Capitol Building:** Maintenance, preservation, structural and mechanical care of the Capitol Building and making arrangements with the proper authorities for ceremonies held in the building and on the grounds, as well as the care and repair of works of art that are integral to the Capitol.
- **Capitol Grounds:** Care, maintenance, and improvement of the Capitol grounds, including approximately 222 acres of landscaping, parks, streets, and parking facilities.
- **Senate & House Office Buildings:** Maintenance, preservation, structural and mechanical care of the Senate and House Office Buildings, including the maintenance and operation of the mechanical, electrical, and electronic equipment, the Senate and House subways, as well as the maintenance of the Senate and House restaurants.
- **Capitol Power Plant:** Maintenance, preservation, structural and mechanical care and operation of the Capitol Power Plant which supplies steam and chilled water necessary for temperature control of buildings throughout the Capitol Complex.
- **Library Buildings & Grounds:** Structured and mechanical care of buildings, and grounds maintenance of approximately 24 acres. Additionally, the AOC also has responsibility for 100 acres at Ft. Meade for long term storage needs for the Library of Congress and the Legislative branch.
- **Capitol Police Buildings & Grounds:** Maintenance, care and operations of Capitol Police buildings and grounds.
- **Botanic Garden:** Maintenance, care and operation of the Botanic Garden and nurseries, buildings and grounds.

The Capitol "Complex" consists of the above jurisdictional buildings and grounds that are "the peoples' national treasures, treasures that require an intimate knowledge and significant forethought for their preservation as their functions and systems are modified to meet changing needs and evolving standards. The architectural designs, decorative arts and historical significance must all be carefully considered before undertaking any work or implementing any structural or other physical changes. The on-going challenge, therefore, is to meet today's ever changing functional needs and mandates while preserving our nation's historical heritage that is embodied in the architecture of the Capitol Complex which has served this nation since 1793.

STRATEGIC GOALS

During the course of Fiscal Year (FY) 2004, the AOC will continue to examine and refine Agency-wide management practices that meet the AOC Mission and Vision through strategic goals with supporting objectives that address:

- **Strategic Management and Business Initiatives:** Improve the AOC strategic direction, organizational structure, business programs, processes, and systems. This incorporates organizational objectives involving the improvement of strategic planning and execution strategies, financial and personnel resource management, information technology management, security, worker safety and communications.
- **Facilities/Project Management:** Maintain, preserve and enhance national treasures entrusted to our care by providing timely and quality facilities/project management and related support services to AOC clients, Congress, staff and the public. This includes future major initiatives: the development and execution of a Capitol Complex 20-year Master Plan that addresses infrastructure improvements, security upgrade requirements, and fire/safety concerns addressing evolving and newly emerging building system infrastructures and technologies; a Facilities Assessment Program which analyzes building structure conditions and related infrastructure systems with an objective of developing a comprehensive 10-year Capitol Improvement Plan; and the Project Management System which responds and gauges customer/client satisfaction that directly address capitol project planning, delivery and project management.

➤ **Human Capital:** Attract, develop, and retain diverse, satisfied and highly motivated employees with the skills, talents, and knowledge necessary to support the AOC mission.

SIGNIFICANT CHANGES

➤ **Capitol Police Buildings and Grounds:** As directed by Public Law 107-206, the AOC established the "Capitol Police Buildings and Grounds" appropriation. This appropriation consolidates the capital budget support provided to the Capitol Police that was previously dispersed throughout other appropriations under the cognizance of the AOC.

➤ **Minor Construction Funding:** The FY 2004 budget submission contains within various appropriations the line item, "Minor Construction," which is intended to provide resources for non-recurring minor construction requirements that are typically considered high priority and time critical unplanned projects.

➤ **Design, Study and Condition Assessment Funding:** The FY 2004 budget submission contains within various appropriations the line item, "Design, Study and Condition Assessment," which is intended to provide resources that enable the AOC to conduct 100% design of proposed projects; initiate studies for improved working efficiencies; and condition assessments that enable management to plan maintenance, preservation, structural and mechanical work cycles.

➤ **Alternate Computer Facility Acquisition \$61.0 Million –** The FY 2004 budget submission contains funding for the acquisition of the Alternate Computer Facility in Manassas, Virginia.

➤ **West Refrigeration Plant Expansion \$40.8 Million –** The FY 2004 budget submission contains funding to complete the installation of the West Refrigeration Plant that will enable the Capitol Power Plant to provide chilled water reliably to the Capitol Complex, to include the Capitol Visitor Center upon its completion.

➤ **Capitol Master Plan Phase II \$26.5 Million –** The FY 2004 budget submission contains funding to accomplish Phase II of the Capitol Master Plan which includes major infrastructure upgrades with selected architectural changes designed to enhance code compliance.

➤ **High Voltage Switchgear Replacement \$18.7 Million** – The FY 2004 budget submission contains funding to replace aged high-power (13,800 volts) electrical interface apparatus in nine Capitol Complex buildings.

➤ **Elevator and Escalator Modification/Upgrades \$13.4 Million** – The FY 2004 budget submission contains funding to complete elevator and escalator modifications in the Capitol, Senate, House, Library, and Capitol Police Headquarters buildings.

FY 2004 BUDGET OVERVIEW

The AOC FY 2004 Budget Estimate consists of an "Annual Budget" and a "Multi-Year Budget" and is summarized by appropriation in the below table. Detailed and clarifying descriptions and justifications are provided for each appropriation under the title, "Analysis of Change" that can be found under the tabbed appropriation as contained in this budget submission.

Architect of the Capitol Appropriation Summary (\$000)								
Appropriation	FY 2002 EOY BA	FY 2003 Enacted	FY 2004 Request	2003/2004 Variance	FY 2002 EOY BA	FY 2003 Enacted	FY 2004 Request	2003/2004 Variance
General Administration								
Total Annual Budget	48,145	56,507	73,098	(4,591)				
Total Multi-Year Budget	3,026	450	85,472	83,022				
Total Appropriation	51,171	58,957	158,570	99,613				
Capitol Building								
Total Annual Budget	12,869	12,820	16,366	3,546				
Total Multi-Year Budget	3,080	19,065	36,002	16,937				
Total Appropriation	15,949	31,885	52,368	20,483				
Capitol Grounds								
Total Annual Budget	6,009	6,522	6,301	(221)				
Total Multi-Year Budget	-	1,780	685	(1,095)				
Total Appropriation	6,009	8,302	6,986	(1,316)				
Senate Office Buildings								
Total Annual Budget	37,716	43,271	48,985	2,684				
Total Multi-Year Budget	3,760	21,178	20,108	(1,070)				
Total Appropriation	41,476	64,449	69,093	1,614				
House Office Buildings								
Total Annual Budget	30,662	35,350	36,066	(284)				
Total Multi-Year Budget	23,344	25,214	31,713	6,499				
Total Appropriation	54,006	60,564	67,779	6,215				
Capitol Power Plant								
Total Annual Budget	48,215	39,882	44,976	5,094				
Total Multi-Year Budget	8,013	61,739	57,181	(4,558)				
Total Appropriation	56,228	101,621	102,157	550				
Library Buildings and Grounds								
Total Annual Budget	13,205	13,763	17,873	4,110				
Total Multi-Year Budget	8,748	23,514	29,235	5,721				
Total Appropriation	21,953	37,277	47,108	9,831				
Capitol Police Buildings & Grnds								
Total Annual Budget	-	400	895	495				
Total Multi-Year Budget	-	23,345	2,075	(21,270)				
Total Appropriation	-	23,745	2,970	(20,775)				
Botanic Garden								
Total Annual Budget	5,646	5,943	6,437	494				
Total Multi-Year Budget	-	120	4,482	4,362				
Total Appropriation	5,646	6,063	10,919	4,856				
Total AOC Annual Budget	202,467	216,458	246,967	30,509				
Total AOC Multi-Year Budget	49,971	176,405	266,953	90,548				
Total AOC Appropriation	252,438	392,863	513,920	121,057				

FY 2004 FULL-TIME EQUIVALENT REQUIREMENTS

Additionally, the AOC FY 2004 Budget Estimate also identifies Full-Time Equivalent (FTE) requirements. The below table highlights the FY 2004 FTE requirements by appropriation:

Architect of the Capitol FTE Summary				
Appropriation	FY 2002	FY 2003	FY 2004	Change
	Actual	Enacted	Request	
General Administration	324	362	362	-
Capitol Building	149	166	177	11
Capitol Grounds	63	69	69	-
Senate Office Buildings	527	555	556	1
House Office Buildings	469	502	502	-
Capitol Power Plant	88	94	94	-
Library Buildings and Grounds	145	153	153	-
Capitol Police Buildings & Grnds	-	-	-	-
Capitol Visitor Center	8	11	11	-
Botanic Garden	47	55	56	1
Total AOC Appropriation	1,820	1,967	1,980	13

The FY 2004 FTE requirement of 1,980 FTEs represents a 0.7% increase over the FY 2003 enacted amount of 1,967 FTEs. Of the increase of 13 FTEs, 5 FTEs will be providing direct support to the planning of the Capitol Visitor Center (CVC) and the eventual maintenance of this new facility. The remaining FTE increase is due exclusively to annualization of enacted increases in FY 2003.

ANNUAL BUDGET OVERVIEW

The total FY 2004 AOC annual budget request is \$246,967,000, which represents a 14.1% increase over the FY 2003 budget of \$216,458,000. The AOC Annual Budget is comprised of two categories, the "Annual Recurring Budget" and "Annual Non-Recurring Budget."

Annual Recurring Budget: The Annual Recurring Budget represents the AOC's year-to-year "Base" budget and incorporates costs associated with the routine care, maintenance, operation, and leasing of the facilities under the jurisdiction of the AOC.

The FY 2004 Annual Recurring Budget totals \$236,540,000, which represents a 16.2% increase over the FY 2003 budget of \$203,423,000. The primary drivers to this increase are payroll (\$12.5 million/6.1%), the lease and operations cost associated with the Alternate Computer Facility (\$6.8 million/3.3%), and electrical/water/sewer utilities (\$3.0 million /1.5%).

The Annual Recurring budget for each appropriation is segregated into Program Groups that incorporate functional areas as defined below:

- **Administrative (AD):** Provides funding for printing and reproduction, office equipment, postage and metered mail and graphics design. Also included are contractor supported activities, to include assistance in development of AOC strategies and policies, and professional consultant services.
- **Architectural and Engineering Services (AE):** Provides funding for contractual staff for the preparation of conceptual designs, performance of design studies, architectural and engineering analyses and other services on projects requested or proposed by both clients and the AOC.
- **Curator Services (CR):** Provides funding for the conservation of works of art consisting of over 800 paintings, sculptures, and decorative objects, 300 gilded picture and mirror frames, updating floor display cases in the crypt, and the rotation of exhibits.
- **Construction Services (CS):** Provides funding for miscellaneous administrative construction services, to include contracting, on an indefinite quantity (IDQ) basis, with firms specializing in cost estimating.
- **Electronic Systems (EC):** Provides funding for maintenance of electronic systems throughout the Capitol Complex, to include cable systems, radio communications and paging systems, the legislative clock and call systems, and hearing room audio systems.
- **Facilities Maintenance (FM):** Provides funding for annual building maintenance services required throughout the Capitol Complex, to include repairing and modifying air conditioning systems, electrical systems, elevators, masonry, plumbing; custodial services; subway maintenance and repair; preventative interior and exterior building maintenance (e.g., painting, pointing, caulking, and surface preservation); insect and pest control; solid and bulk waste disposal; maintenance of fire alarm systems, hydraulic barriers and bollards; chimney cleaning and repairs; and custodial services.
- **Furniture Repair (FR):** Provides funding for the replacement and/or repair of existing furniture, to include procurement of routine materials and supplies, contractor services for upholstery and drapery work, and annual inventory of furniture items.
- **Grounds Maintenance (GM):** Provides funding for trash, leaf and snow removal; lawn maintenance; street and sidewalk maintenance; and purchase of grounds maintenance supplies and equipment.
- **House Restaurants (HR):** Provides funding for preventative maintenance, repairs and replacement of parts and equipment in the House restaurant cafeterias, carry-outs and catering facilities.
- **Information Resources Management (IR):** Provides funding for procurement, operations & maintenance of information technologies, to include computer hardware and software (and user licenses) support; contractor technical services support for computer systems and web sites; and automated systems to include the Financial Management System, the Human Resources Management System, and the Computer-Aided Facility Management System.
- **Jurisdiction Centralized Activities (JR):** Provides funding for training, registration, and seminar fees; travel cost for training (local and long distance); and uniform allowances.
- **Miscellaneous Improvements (MI):** Provides funding for annual unanticipated building alterations requested by Members, Officers, Committees and various Congressional support organizations. Typical alterations include changes in office reconfigurations and small improvement projects.
- **Power Plant Operations & Maintenance (PM):** Provides funding for activities in support of the power plant's operations and maintenance of equipment, to include general annual repairs and maintenance, purchase of industrial supplies, insulation of steam and chill water lines, and vehicle rentals.
- **Payroll (PR):** Provides funding for personnel compensation and personnel benefits for the general administrative support of facilities under the jurisdiction of the Architect of the Capitol. Included are Government staff salaries and other personal services (i.e., paid leave and lump sum annual leave payments upon separation, for compensation above basic rates including, overtime, holiday pay, the Civil Service Retirement System, the Federal Employees Retirement System, Social Security and Medicare); agency contributions to the

Federal Employees Health Benefits Program (FEHBP), Federal Group Life Insurance (FGLI), Worker's Compensation Program, and subsidies paid to employees for commuting costs.

➤ **Safety Engineering Operations & Maintenance (SE):** Provides funding for safety related activities, to include procurement of personnel protective equipment; meters for confined space entry; fall protection devices; electrical safety equipment; respirators and hard hats; and safety inspections and certifications.

➤ **Senate Restaurants (SR):** Provides funding for preventative maintenance, repairs and replacement of parts and equipment in the Senate restaurant cafeterias, carry-outs and catering facilities.

➤ **Utilities (UT):** Provides funding for purchasing utilities for the entire Capitol Complex, to include gas services, electricity, steam, chilled water, potable water, and sewer services.

Detailed justifications for requested funding for Program Groups are provided for each appropriation under the title, "Analysis of Change" that can be found under the tabbed appropriation as contained in this budget submission.

The FY 2004 Multi-Year Budget request is \$266,953,000, which represents a 51.3% increase over the FY 2003 budget of \$176,405,000. Included in the FY 2004 Multi-Year Budget are fifty-six projects. This is compared to the twenty-nine projects being accomplished in FY 2003. Detailed justifications for multi-year projects proposed in FY 2004 are addressed in their respective tabbed appropriations under the title, "Analysis of Change." Major multi-year projects proposed for FY 2004 include:

- Alternate Computer Facility Acquisition \$61,000,000
- West Refrigeration Plant Expansion 40,800,000
- Capitol Master Plan Phase II 26,500,000
- High Voltage Switchgear Replacement 18,672,000

Annual Non-Recurring Budget: The Annual Non-Recurring Budget incorporates costs associated with a wide variety of projects that are considered short-term in duration. However, these projects are also reviewed and validated for possible inclusion into the Annual Recurring Budget as appropriate.

The FY 2004 Annual Non-Recurring budget totals \$10,427,000, which represents a 20.0% decrease from the FY 2003 budget of \$13,055,000. Included in the FY 2004 Annual Non-Recurring Budget are thirty-seven projects as compared to forty-two projects in FY 2003. Detailed justifications for projects proposed in FY 2004 are addressed in their respective tabbed appropriations under the title, "Analysis of Change." Noteworthy annual non-recurring projects proposed for FY 2004 include:

- Culpeper Support \$ 1,263,000
- CVC Operations Preparations 891,000
- Repair of Life Safety Deficiencies 800,000
- Capitol Building Elevator/Escalator Modifications 750,000
- Replace Compact Stack Safety Devices 600,000
- Book Storage Facility, Ft. Meade Support 580,000
- Repair/Replace Senate Marble Floors 510,000

- Elevator and Escalator Modification/Upgrades 13,517,000
- Pneumatic Distribution Control System Install 6,500,000
- Replace Steam Humidifiers 4,715,000
- Barholdt Park & Fountain 4,280,000
- Water Tank Installation, Ft. Meade 4,103,000

Minor Construction: The FY 2004 Multi-Year Budget incorporates the line item, "Minor Construction" that is intended to provide flexibility for unforeseen construction-related needs as required by Members, Officers, Committees and various Congressional support organizations. Minor Construction would typically fund emergent and unanticipated repairs, major alteration projects, land acquisition, and related activities in

MULTI-YEAR BUDGET OVERVIEW

connection with construction and maintenance activities of the AOC. The FY 2004 Multi-Year Budget amount for Minor Construction across all appropriations totals \$18.5 million.

Design, Study and Condition Assessment. Also included in the FY 2004 Multi-Year Budget is the line item, "Design, Study and Condition Assessment." To improve flexibility, responsiveness to emerging requirements, and sequencing 100% design requirements with construction, this line item was instituted. The FY 2004 Multi-Year Budget amount for Design, Study and Condition Assessments across all appropriations totals \$22.5 million.

Additional Notes for the FY 2004 Multi-Year Budget. The basis for this multi-year budget plan is the result of Agency-wide planning and coordination of all major cyclical maintenance projects and building system enhancements in a thorough, systematic and programmed manner. Where appropriate, the Agency mandated and received 100% design documentation for projects prior to requesting budget for construction. Also included in the multi-year budget preparation process were requirements highlighted by AOC clients, to include the Senate, Sergeant-at-Arms, the House, Chief Administrative Officer, the Clerk of the House, the U.S. Capitol Police and the Librarian of Congress.

As in FY 2003, priority continues to focus on Life Safety issues with particular emphasis in seeking funds to address Occupational Health and Safety and Environmental issues. Although the AOC has realized a reduction in the injury/illness rate by 53%, the AOC remains committed to be proactive in aggressively improving on past successes.



GENERAL ADMINISTRATION

INTRODUCTION

The General Administration (GA) appropriation funds the AOC Central Office salaries and management of operations, activities, programs and projects that affect all jurisdictions. The major functions that comprise the Central Office consists of central administration; financial management (including accounting and budget); general counsel; safety; facilities management; security; human resources; AOC-wide architecture, engineering design, and construction management; property management; real estate planning and development; communications; information resources; and procurement.

FY 2004 GENERAL ADMINISTRATION BUDGET

The FY 2004 General Administrative Budget consists of an annual operating budget and a multi-year budget which are summarized in the following table:

General Administration Appropriation Summary (\$000)				
	FY 2002	FY 2003	FY 2004	2003/2004
	EOY BA	Enacted	Request	Variance
Total Annual Budget	48,145	58,507	73,098	14,591
Total Multi-Year Budget	3,026	450	85,472	85,022
Total Appropriation	51,171	58,957	158,570	99,613

SIGNIFICANT CHANGES

Significant program and project increases include the procurement of the Alternate Computer Facility (\$61.0 million); replacement of High Voltage Switchgear (\$18.7 million); and the Capitol Complex Master Plan (\$4.2 million).

FULL-TIME EQUIVALENT REQUIREMENTS

The FY 2004 Budget also contains requirements for Full-Time Equivalents (FTEs). Although the below table reflects no increase over the FY 2003

level of FTEs, 5 FTEs supporting the Flag Office are being transferred from the General Administration appropriation to the Capitol Buildings appropriation. Additionally, 5 FTEs are being added to the General Administration appropriation as a result of the annualization of FTE increases enacted in FY 2003.

General Administration FTE Summary			
FY 2002	FY 2003	FY 2004	Change
Actual	Enacted	Request	
324	362	362	-

ANNUAL BUDGET

The FY 2004 annual budget request for General Administration is \$73,098,000 which represents a 24.9% increase over the FY 2003 budget of \$58,507,000. The annual budget is comprised of recurring and non-recurring costs associated with the management and administration over the facilities under the jurisdiction of the Architect of the Capitol. All recurring costs are broken down into Program Groups (as defined in the AOC General Statement) and non-recurring costs are broken down by project. Justifications for the proposed 24.9% increase in the recurring and non-recurring General Administration Annual Budget for FY 2004 are provided in the section titled, "Analysis of Change" beginning on page GA-4.

MULTI-YEAR BUDGET

The FY 2004 multi-year budget request is \$85,472,000, which represents a significant increase over the FY 2003 budget of \$450,000. The basis for this multi-year budget plan is the result of Agency-wide planning and coordination of all major cyclical maintenance projects and building system enhancements in a thorough, systematic and programmed manner. Where appropriate, the Agency received 100% design documentation for projects prior to requesting construction funding. Project descriptions and justifications for FY 2004 multi-year projects can be found in the section titled, "Analysis of Change."

GENERAL ADMINISTRATION DETAILED FY 2004 BUDGET (\$)

Program Groups	Annual Recurring				FY03 Enacted	FY04 Request	FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request			
Payroll (PR)	32,189,000	31,093,692	35,615,000	39,690,000	4,075,000		
Administrative (AD)	2,942,649	2,901,301	4,248,000	4,010,000	(238,000)		
Architecture Engineering Services (AE)	547,100	546,684	615,000	615,000			
Construction Services (CS)	219,900	213,318	85,000	80,000	(5,000)		
Electronic Systems (EC)	1,150,000	1,147,638	1,162,000	1,162,000			
Facilities Management (FM)	373,200	325,059	364,000	1,324,000	960,000		
Information Resource Management (IR)	6,618,793	6,542,304	9,477,000	14,658,000	5,181,000		
Jurisdiction Centralized Activities (JR)	1,664,358	1,625,080	1,841,000	9,061,000	7,220,000		
Safety Eng. Ops & Maintenance (SF)	807,000	792,742	1,482,000	1,984,000	502,000		
Total	46,512,000	45,187,817	54,889,000	72,584,000	17,695,000		

Description	Annual Non-Recurring				FY03 Enacted	FY04 Request	FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request			
Computer Aided Facility Mgt. CAFM			1,366,000				
Implementation Of AoCNET			500,000				
Financial Management System (FMS)			1,627,000				
Security Project Support For. AoC			125,000				
Contractual Svcs: Energy, Conservation & Mgmt Studies				245,000			
Aoc Procurement Training Initiative				150,000			
Bucket Truck				75,000			
Flat Bed Truck				44,000			
Total	1,633,000	1,389,663	3,618,000	514,000	(3,104,000)		

Multi-Year Projects					
Projects	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	FY03/04 Delta
Implementation of Safety Programs			450,000		
Conduct Energy Survey of Capital Complex				1,600,000	
Replace H.V. Switchgear in (9) Bldgs				18,672,000	
Capital Complex Master Plan				4,200,000	
Alternate Computer Facility				61,000,000	
Total	3,026,000	2,075,169	450,000	85,472,000	85,022,000

Total Annual & Multi-Year Request					
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	FY03/04 Delta
Total Annual Recurring	46,512,000	45,187,817	54,889,000	72,584,000	17,695,000
Total Annual Non-Recurring	1,633,000	1,389,663	3,618,000	514,000	(3,104,000)
Total Annual	48,145,000	46,577,480	58,507,000	73,098,000	14,591,000
Total Multi-Year	3,026,000	2,075,169	450,000	85,472,000	85,022,000
Total Annual & Multi-Year Request	51,171,000	48,652,649	58,957,000	158,570,000	99,613,000

GENERAL ADMINISTRATION - ANALYSIS OF CHANGE

	FY 2004 Agency Request
	FTE Amount (000)
Appropriation, FY 2003	362
Minus Rescission	59,343
Adjusted Appropriation, FY 2003	(386)
	58,957
Program Decreases	
Administrative	(238)
Construction Services	(5)
Computer Aided Facility Mgt CAFM	(1,366)
Implementation of AoCNET	(500)
Financial Management System	(1,627)
Security Project Support for AoC	(125)
Implementation Of Safety Programs	(450)
Total, Program Decreases	(4,311)
	\$
Mandatory Pay and Related Costs:	
Realign Flag Office to Capitol Building	(5)
Comparability Pay Raise 2004	(287)
Annualization of Pay Raise 2003	860
Annualization of New FY-03 Positions	345
Within-grade Increases and Pay Adds	518
Extra Compensable Day	385
Lapse Reduction	131
Retirement Increases	1,268
FEHBA/FEGLI	239
Worker's Compensation	235
Other *	321
Total, Mandatory Pay and Related Costs	60
	\$
	4,075

FY 2004 Agency Request	
FTE	Amount (000)
Program Increases:	
Facilities Management (FM)	960
Information Resource Management (IR)	5,181
Jurisdiction Centralized Activities (JR)	7,220
Safety Engineer Ops and Maintenance (SF)	502
Contractual Svcs: Energy Conservation & Mgmt Studies	245
AoC Procurement Training Initiative	150
Bucket Truck	75
Flat Bed Truck	44
Conduct Energy Survey of Capitol Complex	1,600
Replace H.V. Switchgear In (9) Bldgs	18,672
Capitol Complex Master Plan	4,200
Alternate Computer Facility	61,000
Total, Program Increases	\$ 99,849
Net Increase	\$ -
Total Appropriation	\$ 99,613
	\$ 158,570

* Other includes Awards & Transit Subsidy

Program Increases – Annual Recurring

Payroll (PR) \$39,690,000
 Increase Requested 4,075,000

Increase accessed by annual rise in Cost-of-Living Allowance (COLA), Agency contributions, and the annualization of FTEs enacted in FY 2003.

Facilities Management (FM) \$1,324,000
 Increase Requested 960,000

Increase primarily due to planned demolition of buildings at Ft. Meade (\$450,000); additional maintenance design & estimates; and general cost increase in operations and maintenance.

Information Resource Management (IR) \$14,638,000
 Increase Requested 5,181,000

Increase primarily due to realignment of the Financial Management System (FMS) Application Program and the Computer-Aided Facility Management (CAFM) System from the Annual Non-recurring Budget to the Annual Recurring Budget (\$3.0 million); additional inventory and purchasing modules in the FMS (\$400,000); increase in contractor support of hardware and software (\$860,000); expanded Human Resources Application Program (\$291,000); and general software license increases (\$565,000).

Jurisdiction Centralized Activities (JR) \$9,061,000
 Increase Requested 7,220,000

Increase primarily due to the lease and operational costs for the Alternate Computer Facility (\$6.8 million) and increases in communication costs.

Safety Engineering Operations & Maintenance (SF) \$1,984,000
 Increase Requested 502,000

Increase due to realignment of the safety program implementation and maintenance function from the multi-year budget (\$450,000) to the SF Program Group and increases in contracted program surveys, assessments and plans support.

Program Increases – Annual Non-Recurring

Contractual Services for Energy Conservation & Management Studies \$245,000

This project will provide funding for contractual services to continue AOC energy conservation strategies to achieve a 20 percent reduction in energy consumption by October 2005. Contracted services will include utility tracking that monitor utility account activity and analyze energy consumption anomalies for corrective action; production of energy conservation information packages that supplement brochures produced from Department of Energy with the intent to heighten awareness for Capitol Complex occupants on cost effective methods to save energy; and gathering/analyzing comprehensive energy usage data for report generation. *Impact if not funded:* Inability to implement and/or maintain various energy reduction initiatives necessary in achieving objectives contained in Section 310 of the Legislative Branch Appropriations Act, 1999 mandating reductions in energy consumption.

AOC Procurement Training Initiative \$150,000

This project will fund the services of a consultant to assess and evaluate acquisition initiatives and processes at AOC to determine what courses of study would be beneficial to effectively train AOC personnel who are involved in the various aspects of the acquisition process. The Department of Defense (DOD) currently has the Defense Acquisition Workforce Improvement Act which sets guidelines and educational requirements for all Government procurement professionals in the DOD. The requested funding will implement a similar training improvement initiative for AOC personnel. *Impact if not funded:* Training deficiencies for AOC procurement officials.

Bucket Truck \$75,000

This request will provide funding to replace the current bucket truck used by the High Voltage Shop. The existing truck is over thirteen years old and is becoming highly unreliable due to its poor condition. It is used to repair/maintain streetlights, parking lot lights,

Replace High Voltage Switchgear in 9 Buildings \$18,672,000

This project will provide funds to replace High Voltage (HV) Switchgear in 9 Congressional buildings. HV Switchgear ensures adequate reliable electric power supply through power distribution interfaces with the PEPSCO incoming feeders. It works at 13,800 volts and contains high voltage power breakers and system protective metering devices and constitutes the backbone of the electric power distribution system. The replacement switchgear will ensure maximum technical uniformity between switchgear in different buildings and simplify maintenance in availability of spare parts. The HV switchgear in all buildings are very old (in most cases 42 to 50 years old) and are either at the end of their life expectancy or are no longer logistically supported by the manufacturer. *Impact if not funded:* A single failure of high voltage equipment will not, in most cases, interrupt normal power supply. However, two consecutive failures (if the first one is not promptly fixed) would result in a major power supply breakdown to a building, possibly for days entailing significant cost-to-repair.

Capitol Complex Master Plan \$4,200,000

This project provides funding to plan and execute a Capitol Complex Master Plan. The existing master plan is 22 years old and does not address facility requirements brought about by the Congressional Accountability Act, nor does it relate to the present security environment. A comprehensive Facilities Conditions Assessment (FCA) has not yet been performed, and there is insufficient global input to fully address all necessary decision factors. Therefore, a new master plan for the Capitol complex needs to be developed to:

- (1) assess the present physical condition of the buildings;
- (2) assess the buildings' capacities and functionalities to accommodate current and future Congressional occupancy requirements;
- (3) identify and document current and future Congressional programmatic needs;

grounds lights, historic ornamental light fixtures, placing lights on the West Lawn Holiday Tree and a variety of other uses. *Impact if not funded:* Inability to perform the functions identified above due to inoperative truck.

Flat Bed Truck \$44,000

This request will provide funding to procure a crew cab flat bed truck that will enable permanent mounting of Load Bank electrical test gear. All emergency generators throughout the Capitol Complex are required to be tested on a cyclical basis by the AOC High Voltage Shop. This procurement will enable this testing to be performed more efficiently, saving manpower and costs used in preparing and transporting test gear to off-site locations. *Impact if not funded:* Inability to efficiently perform Load Bank testing.

Program Increases -- Multi-Year

Conduct Energy Survey of Capitol Complex \$1,600,000

This project provides funding to contract qualified consultants to develop a protocol and methodology for use in surveying the Capitol Complex for energy savings opportunities and to provide a report and an electronic database of energy conservation opportunities and implementation requirements. The survey would include life-cycle-cost methods, projected project cost, payback period, and projected energy and water savings. The database would be used to prioritize energy and water savings opportunities and will also assist in rapidly incorporating these projects into ongoing replacements and/or repairs. This initiative is in response to Section 310 of the Legislative Branch Appropriations Act, 1999, requiring the AOC to develop and implement a cost effective energy conservation strategy. *Impact if not funded:* Inability to establish surveying methodologies and conduct a Capitol Complex-wide energy survey as directed in Section 310 of the Legislative Branch Appropriations Act, 1999 mandating reductions in energy consumption.

buildings and the surrounding land within the first five years. Due to the design and interdependencies between the two buildings (e.g., common utility systems and mechanical rooms) it is not feasible to buy only one of the two buildings. Based on preliminary analysis, it is more advantageous to the Government to procure both buildings than continue a full twenty-year lease for one building. *Impact if not funded:* The ACF will continue to be leased with acquisition cost in FY 2005 rising to \$63,000,000.

- (4) address code, environmental and security requirements;
- (5) address visitor and traffic circulation (including parking) and;
- (6) address new technology opportunities. The resulting master plan will serve as a blue print to aide the AOC and Congress in determining capital expenditure requirements and priorities.

Funding for the FCA is being provided in FY 2003 for the House, Capitol and Senate facilities. In addition, a workshop was convened by the National Academy of Sciences to assist in identifying key issues and factors that need to be addressed by a master plan for the Capitol complex. Based on the results of the workshop, a request for proposal will be developed to solicit proposals from firms with demonstrated expertise in campus-type master planning. The scope will include identifying and documenting all of the critical factors that will affect the planning, funding and implementation of future capital projects on the campus. The scope will also call for recommendation on a means of prioritizing the factors.

Impact if not funded: Without this comprehensive master plan for the Capitol Complex, capital projects will not be planned, developed or prioritized within an appropriate comprehensive framework.

Alternate Computer Facility \$61,000,000

This funding request will fund the purchase of the land and buildings for the Alternate Computer Facility (ACF) located in Manassas, Virginia. Per Public Law 107-206, Section 905 (e), the AOC is authorized, subject to the availability of appropriations, to acquire (through purchase, lease, or otherwise) buildings and facilities for use as computer backup facilities (and related uses) for offices in the legislative branch. The AOC entered into a ten-year lease in November, 2002, with a single option of an additional ten years, for such a facility in Manassas, Virginia. The facility selected was one of two adjoining buildings, with the legislative branch occupying one building and the other occupied by commercial tenants. Included in the lease, the AOC has an option to buy both

ARCHITECT OF THE CAPITOL
General Administration

**General Administration
Summary By Object Class**

Object Class	(Dollars in Thousands)				FY 2003/2004 Net Change
	FY 2002 Actual *	FY 2003 Enacted	FY 2004 Request	FY 2003/2004 Net Change	
11 Personnel Compensation	21,877	25,868	28,791	2,923	
12 Personnel Benefits	8,775	9,447	10,599	1,152	
13 Benefits for Former Personnel	284	300	300	-	
21 Travel	45	11	25	14	
22 Transportation of Things	4	-	-	-	
23 Rent, Communications and Utilities	1,157	1,268	8,528	7,260	
24 Printing and Reproduction	2	-	2	2	
25 Other Contractual Services	7,794	21,659	48,624	26,965	
26 Supplies and Materials	8,058	254	328	74	
31 Equipment	405	150	373	223	
32 Land and Structures	230	-	61,000	61,000	
42 Insurance Claims and Indemnities	-	-	-	-	
43 Interest	-	-	-	-	
44 Refunds	-	-	-	-	
Total, Budget	\$ 48,631	\$ 58,957	\$ 158,570	\$ 99,613	

* "FY 2002, Actual" represents total obligations of funds incurred in FY 2002, irrespective of year of appropriation.



CAPITOL BUILDING

INTRODUCTION

The Architect of the Capitol is responsible for the maintenance, preservation, structural and mechanical care of the Capitol; miscellaneous improvements; operation of the mechanical equipment; domestic care of the central portion and most of the areas on the House side; care of Statuary Hall on the House side; and the care of integral Works of Art in the Capitol.

FY 2004 CAPITOL BUILDING BUDGET

The FY 2004 Capitol Building (CB) Budget consists of an annual operating budget and a multi-year budget which are summarized in the following table:

Capitol Building Appropriation Summary (\$000)				
	FY 2002	FY 2003	FY 2004	2003/2004
	EOY BA	Enacted	Request	Variance
Total Annual Budget	12,869	12,820	16,366	3,546
Total Multi-Year Budget	3,080	19,065	36,002	16,937
Total Appropriation	15,949	31,885	52,368	20,483

SIGNIFICANT CHANGES

Significant program and project increases include Capitol Master Plan Phase II (\$26.5 million); Minor Construction (\$5 million); and Modifications to Presidential Inaugural Stands (\$2.8 million).

FULL-TIME EQUIVALENT REQUIREMENTS

The FY 2004 Budget also contains requirements for Full-Time Equivalents (FTEs). As shown in the below table, the FY 2004 Budget reflects an increase of 11 FTE's over the FY 2003 level of 166. This increase is detailed as follows: five FTEs (supporting the Flag Office) are being transferred to the Capitol Building appropriation from the General Administration appropriation; five new FTEs are required to support emerging CVC operations; and one FTE is being added as a result of annualization of FTE increases enacted in FY 2003.

Capitol Building FTE Summary			
FY 2002	FY 2003	FY 2004	Change
Actual	Enacted	Request	
149	166	177	11

ANNUAL BUDGET

The FY 2004 annual budget request for the Capitol Building is \$16,366,000 which represents a 27.7% increase over the FY 2003 budget of \$12,820,000. The annual budget is comprised of recurring and non-recurring costs associated with the daily care, maintenance and operation of the facilities under the jurisdiction of the Architect of the Capitol. All recurring costs are broken down into Program Groups (as defined in the AOC General Statement) and non-recurring costs are broken down by project. Justifications for the proposed 27.7% increase in the recurring and non-recurring CB Annual Budget for FY 2004 are provided in the section titled, "Analysis of Change" beginning on page CB- 4.

MULTI-YEAR BUDGET

The FY 2004 multi-year budget request is \$36,002,000, which represents an 88.8% increase over the FY 2003 budget of \$19,065,000. The basis for this multi-year budget plan is the result of Agency-wide planning and coordination of all major cyclical maintenance projects and building system enhancements in a thorough, systematic and programmed manner. Where appropriate, the Agency received 100% design documentation for projects prior to requesting construction funding. The Senate Sergeant-at-Arms, the House Chief Administrative Officer, the Clerk of the House, and the U.S. Capitol Police were also included in the multi-year budget preparation process for the Capitol Building. Project descriptions and justifications for FY 2004 multi-year projects can be found in the section titled, "Analysis of Change."

CAPITOL BUILDING DETAILED FY 2004 BUDGET (\$)

Program Groups	Annual Recurring				FY03 Enacted	FY04 Request	FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request			
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request			
Payroll (PR)	7,276,000	7,157,685	8,021,000	9,582,000	1,561,000		
Curator Services (CR)	387,000	382,468	87,000	426,000	339,000		
Facilities Management (FM)	2,066,000	2,063,626	1,916,000	2,680,000	764,000		
House Restaurants (HR)	31,000	30,992	31,000	31,000	-		
Jurisdiction Centralized Activities (JR)	217,000	193,637	371,000	258,000	(113,000)		
Miscellaneous Improvements (MI)	400,000	287,674	400,000	400,000	-		
Senate Restaurants (SR)	60,000	59,994	60,000	91,000	31,000		
Total	10,437,000	10,176,075	10,886,000	13,468,000	2,582,000		

Description	Annual Non-Recurring				FY03 Enacted	FY04 Request	FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request			
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request			
ADA Requirements			75,000	132,000			
Elevator/Escalator Mod Program			400,000	750,000			
Replacement of Minion Tile			200,000	525,000			
Computer, Telecom, & Electrical Support			255,000	300,000			
Roofing Repairs around H & S Chimneys			160,000				
Conservation of Wall Paintings			280,000				
Chandelier Restoration & Crystal Globe Replacement			319,000				
Door Refinishing/Restoration			245,000				
Wayfinding and ADA Signage				130,000			
Bird Control System				170,000			
CVC Operations Preparations				891,000			
Total	2,432,000	2,256,538	1,934,000	2,898,000	964,000		

Projects	Multi-Year Projects				FY03 Enacted	FY04 Request	FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request			
Replace Hi Voltage Swgr & Cables, Capitol			2,000,000				
Upgrade Air Conditioning, E. Front, Capitol			12,000,000		630,000		
Study, Design And Condition Assessment			5,065,000		5,000,000		
Minor Construction					26,500,000		
U.S. Capitol Master Plan Phase 2					672,000		
Improvements In The Rotunda					400,000		
Restore Shutters & Upgrade Window Lighting					2,800,000		
Presidential Inaugural Stands					36,002,000		
Total	3,080,000	1,464,612	19,065,000			16,937,000	

	Total Annual & Multi-Year Request				FY03 Enacted	FY04 Request	FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request			
Total Annual Recurring	10,437,000	10,176,075	10,886,000		13,468,000	2,582,000	
Total Annual Non-Recurring	2,432,000	2,256,538	1,934,000		2,898,000	964,000	
Total Annual	12,869,000	12,432,613	12,820,000		16,366,000	3,546,000	
Total Multi-Year	3,080,000	1,464,612	19,065,000		36,002,000	16,937,000	
Total Annual & Multi-Year Request	15,949,000	13,897,225	31,885,000		52,368,000	20,483,000	

* Does not include FY02 No-year Emergency Supplemental Funds

CAPITOL BUILDING - ANALYSIS OF CHANGE

	FTE	FY 2004 Agency Request Amount (000)
Appropriation, FY 2003	166	32,094
Minus Rescission		(289)
Adjusted Appropriation, FY 2003		31,885
Program Decreases		
Jurisdiction Centralized Activities		(113)
ADA Requirements		(75)
Elevator/Escalator Mod Program		(400)
Replacement of Minton Tile		(200)
Computer, Telcom, and Electrical Support		(255)
Roofing Repairs around H&S Chambers		(160)
Conservation of Wall Paintings		(280)
Chandelier Restoration & Crystal Globe Replacement		(319)
Door Refinishing/Restoration		(245)
Replace High Voltage Switchgear & Cables, Capitol		(2,000)
Upgrade Air Conditioning East Front, Capitol		(12,000)
FY-03 Design, Study and Condition Assessment		(5,065)
Total, Program Decreases	-	(21,112)
Mandatory Pay and Related Costs:		
Realign Flag Office from General Administration	5	287
New Positions FY2004	5	289
Comparability Pay Raise 2004		259
Annualization of Pay Raise 2003		13
Annualization of New FY-03 Positions	1	74
Within-grade Increases and Pay Adds		86
Extra Compensable Day		33
Lapse Reduction		359
Retirement Increases		50
FEHBA/FEGLI		78
Other *		33
Total, Mandatory Pay and Related Costs	11	1,561

FY 2004 Agency Request	
FTE	Amount (000)
Program Increases:	
Curator Services (CR)	339
Facilities Management (FM)	764
Senate Restaurants (SR)	31
ADA Requirements	132
Elevator/Escalator Mod Program	750
Replacement of Minton Tile	525
Computer, Telcom, and Electrical Support	300
Wayfinding and ADA Signage	130
Bird Control System	170
CVC Operations Prep	891
FY-04 Design Study and Condition Assessment	630
Minor Construction	5,000
U.S. Capitol Master Plan Phase II	26,500
Improvements in the Rotunda	672
Restore Shutters & Upgrade Window Lighting	400
Inaugural Support	2,800
Total, Program Increases	40,034
Net Increase	\$ 11
Total Appropriation	\$ 20,483
	\$ 177
	\$ 52,368

* Other includes Awards & Transit Subsidy

Program Increases – Annual Recurring

Payroll (PR) \$9,582,000
 Increase Requested 1,561,000
 Increase necessitated by the addition of 11 FTEs in FY 2004 (including annualization of FTEs enacted in FY 2003), annual rise in Cost-of-Living Allowance (COLA) and Agency contributions.

Curator Services (CR) \$426,000
 Increases Requested 339,000

Increase due to storage requirements for sculptures removed from the East Front (\$39,000) and realigning the "Conservation of Wall Paintings" Project (\$300,000) from the FY 2003 Annual Non-Recurring Budget to the FY 2004 Recurring Budget.

Facilities Management (FM) \$2,680,000
 Increases Requested 764,000

Increase due to realigning three projects from the FY 2003 Annual Non-Recurring Budget to the FY 2004 Annual Recurring Budget. These projects are the Chandelier Restoration & Crystal Globe Replacement (\$288,000); Door Refinishing/Restoration (\$250,000) and Roofing Repairs (\$160,000). Increases are also due to additional masonry supplies to repair large pavers (\$51,000) and increased costs for contractual labor (\$15,000).

Senate Restaurants (SR) \$91,000
 Increase Requested 31,000

Increase required for replacement of chairs in the Senate Dining Room

Program Increases – Annual Non-Recurring

ADA Requirements \$132,000

This project provides funding for the renovation of the men's restroom located in S314A, which serves the personnel located in the Senate Press Galleries. The existing restroom cannot

accommodate persons with mobility impairment so there is a need to modify the existing layout and change the bathroom fixtures to allow access to individuals in wheelchairs. In addition this project will include replacement of some of the water fountains throughout the building to bring them into compliance with the ADA. *Impact if not funded:* The facilities and services will remain in violation of the ADA.

Elevator/Escalator Modernization \$750,000

This project will provide funding to modernize three of the remaining four elevators in the Capitol Building that require modernization. The fourth elevator requiring modernization is part of the Capitol Visitor Center construction and therefore, not part of this project. The modernization work will include the complete replacement of components for Elevators HL-2, H-9, and SL-5, with the exception of the counter-weights and cab floors. Due to their age of over 40 years, these elevators experience frequent breakdowns and due to the unavailability of replacement parts, they remain out of service for extended periods of time until the required parts are found or new parts are made to fit antiquated components. This project will also bring these elevators into compliance with applicable ADA requirements and current life and fire safety codes. *Impact if not funded:* The frequent breakdowns will impact the operations of the House and Senate Restaurants, access to the House and Senate Intelligence facilities and the transportation capabilities of building employees and visitors.

Replacement of Minton Tile \$525,000

This project represents an on-going, phased program of Minton Floor Tile replacement which dates back to 1981. This project calls for 1) replacing worn tiles that are losing their integral decorative design and 2) replacing tiles that are becoming badly cupped and causing an uneven floor surface that is a potential trip hazard. The AOC has employed the services of the original Minton Floor Tile manufacturer in reviving the hand manufacturing process and providing new replicas of original tiles for replacement. The original Minton Floor Tiles were manufactured between 1850-1859

Wayfinding and ADA Signage

\$130,000

This project provides funding for the fabrication and installation of interior ADA and directional wayfinding signs and is intended to meet ADA Compliance Guidelines. Currently, there are limited location maps and insufficient primary and secondary building directories. *Impact if not funded:* There will be continued deficiencies in providing directions for Members, staff, constituents and visitors as they navigate their way through the Capitol Building.

Bird Control System

\$170,000

This project funds the removal and replacement of the existing building's exterior bird control system located throughout the Capitol Building. The proposed bird control system will consist of a heavy duty polyethylene mesh system, fabricated of a translucent material to avoid distortion to the architectural appearance of the impacted surfaces. The existing bird control system is ineffective in controlling and deterring birds from nesting in the crevices found throughout the Capitol architecture. Bird droppings contain acid substances that are damaging the sandstone, limestone, and marble surfaces of the building. They also create a maintenance burden since power washing of floor surfaces below the nesting areas must be done on a daily basis. *Impact if not funded:* The birds will continue to cause damage to the Capitol's exterior.

CVC Operations Preparations

\$891,000

This project will provide funding to support operations preparations associated with the CVC and fund long lead actions that must be in place when the CVC becomes operational in the year 2005. Long lead items include the design and program planning of the Visitor Information Stations which will be placed throughout the CVC; design of a "time-passed" system to count the number of visitors passing through the CVC; design and implementation of a new "visitor oriented" internet web site; preparation of bidding specifications and documents necessary for any aspect of the CVC's operations that might be contracted out; development of staffing and

and were installed throughout the U.S. Capitol House and Senate Wings. An organized program of tile replacement is being undertaken according to a series of manageable phases of yearly purchases. This program involves documenting, recording and replicating original individual tiles with new matching replacement tiles. The remaining purchases of tiles are scheduled to occur in FY 2003 and FY 2004, with installation being completed by the year 2010. *Impact if not funded:* The original decorative tile designs will be ultimately lost. This would have major aesthetic and historic preservation implications for the future of the U.S. Capitol.

Computer, Telecom and Electrical Support

\$300,000

This project provides funding for the systematic and coordinated upgrades of the various wiring systems supporting the telecommunications, closed circuit television, electrical, and advanced security systems in the Capitol Building. The Legislative Branch is unable to take full advantage of the increased capabilities in the telecommunications and data transmission fields without these infrastructure improvements. The current wiring systems will not support the high speed telecommunications and data transmissions which have become critical in the modern office environment. Additionally, the Congressional Accountability Act of 1995 requires that Congress conform to OSHA regulations, which does not allow the installation of carpet over wiring, and requires that each office have sufficient electrical outlets to accommodate multiple workstations. Based on the pathways identified, this work includes the channeling of masonry walls and related removal of lead based paint, removal and subsequent replacement of tile flooring, installation of conduits, plastering and painting. Approximately 80% of the spaces on the House side of the Capitol Building and approximately 50% on the Senate side have been completed. *Impact if not funded:* The building occupants will not be able to take advantage of the advances in telecommunications and data transmission fields.

U.S. Capitol Master Plan Phase II

\$26,500,000

operations manuals; and the procurement of equipment that will be used to maintain the new plaza pavers. In addition, the commissioning team will require office equipment and supplies, safety and operational training, equipment and tools, personal protective equipment and supplies, communications equipment (cell phones/pagers), and uniforms.

Program Increases – Multi-Year

Design, Study and Condition Assessment \$630,000

This project provides flexibility to meet the needs of the U.S. Senate and House of Representatives by performing studies, designs and condition assessments to improve project planning and programming. In FY 2004, Capitol Building staff plan to initiate several new design projects that will move into the construction phase in the out-years. The design projects are:

Capitol Buildings	
Restoration of Marble Steps	\$ 105,000
Seismic Study, Capitol Building	120,000
Replace Dimming Systems, East Front Offices	40,000
Upgrade Private Restrooms in the Capitol Building	40,000
Upgrade Electrical Service to House Chamber	50,000
Upgrade Emergency Evacuation/Modification System	275,000
Total, Capitol Buildings	\$ 630,000

Minor Construction

\$5,000,000

Provides flexibility for unforeseen construction-related needs as required by Members, Officers, Committees and various Congressional support organizations.

This project will provide design funding to implement the U.S. Capitol Master Plan which addresses upgrades to the infrastructure/support systems of HVAC, fire protection and life safety, electrical, lighting, vertical transportation, telecommunications, system integration, and plumbing systems throughout the Capitol Building. The scope is fundamentally an infrastructure upgrade coupled with limited architectural changes designed to meet fire and life safety codes for the interior of the U.S. Capitol. The proposed work includes upgrades to the Senate and House Chambers; a building-wide sprinkler system; an upgrade of the HVAC system to include smoke evacuation features; an essentially new electrical system to include new distribution wiring and panels and new or refurbished lighting and special electronic systems; additional vertical circulation (elevators and escalators); and upgraded public toilet facilities. The new special electronic systems include security, fire alarm, information technologies fiber optic backbone and legislative call systems. The Master Plan will not affect existing architectural design except in those areas where upgrades necessitate architectural modifications. *Impact if not funded:* The basic fire and life safety deficiencies will not be corrected, resulting in danger to human life in the event of a fire or emergency evacuation.

Improvements in the Rotunda

\$672,000

This project will provide funding to replace signs under the eight Rotunda paintings with ones of improved design and appearance, along with cleaning, conserving, repairing and regilding the large carved wood frames of the paintings. Funds will also provide for the restoration of one of the historic Rotunda benches, and cleaning and repainting the remaining fifteen benches to their historically correct finish. These improvements will enhance the appearance of the Rotunda, which will continue to be a focal point of tours after the completion of the Capitol Visitor Center. The work will complement the planned repainting of the coffers of the inner dome

during the last phase of the Dome Rehabilitation project. *Impact if not funded:* The appearance of key elements in the Rotunda will continue to deteriorate.

Restore Shutters and Upgrade Window Lighting \$400,000

This project will provide funding for the reconditioning and restoration of the historical wooden shutters, and the installation of Magnetic Resonance Imaging (MRI) lighting in window wells located in the Senate and House sides of the Capitol Building. Reconditioning and restoration of the wooden shutters is required to preserve this limited and historical woodwork found in the Capitol Building. Currently, the shutters have peeling paint and are worn or damaged from years of use. Additionally, the MRI lighting will replace existing fluorescent lighting and be installed only on windows facing the building's exterior. *Impact if not funded:* The historical essence of the Capitol will be jeopardized and the shutters will deteriorate to a point beyond reconditioning/restoration.

Presidential Inaugural Support \$2,800,000

This project will provide funding for procuring the presidential inaugural stands configured to comply with current fire and life safety codes, provide ADA accommodations, improve sight-lines, and provide better access and egress so that attendees may enter and leave with greater ease. Additionally, this project will include improved and cost saving site furnishings consisting of metal and wood de-mountable and reusable ramps, stairs, crossovers, steps and platforms on lawns, walks and terraces. This funding will also provide for the rental and/or procurement of all other elements required for the ceremony, including a specialized sound system, audience chairs, materials for the preparation of the grounds, and security related items. *Impact if not funded:* The Presidential Inaugural ceremonies have been held on the West Front of the U.S. Capitol since 1981. If funding is not provided in FY 2004 it will jeopardize the timely completion of these enhanced and more complicated facilities.

ARCHITECT OF THE CAPITOL
Capitol Building

Capitol Building
Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual *	FY 2003 Enacted	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	8,799	6,211	7,418	1,207
12 Personnel Benefits	1,827	1,810	2,164	354
13 Benefits for Former Personnel	-	-	-	-
21 Travel	-	-	-	-
22 Transportation of Things	1	-	-	-
23 Rent, Communications and Utilities	322	-	-	-
24 Printing and Reproduction	2	-	-	-
25 Other Contractual Services	5,440	23,215	42,085	18,870
26 Supplies and Materials	18,719	483	504	21
31 Equipment	745	166	197	31
32 Land and Structures	4,192	-	-	-
41 Grants	-	-	-	-
42 Insurance Claims and Indemnities	-	-	-	-
43 Interest	-	-	-	-
44 Refunds	-	-	-	-
Total, Budget	\$ 40,047	\$ 31,885	\$ 52,368	\$ 20,483

* "FY 2002 Actual" represents total obligations of funds incurred in FY 2002, irrespective of year of appropriation.



CAPITOL GROUNDS

INTRODUCTION

The Architect of the Capitol is responsible for the care and maintenance of the Capitol Grounds (CG) and any changes and improvements made to them. The Capitol Grounds are comprised of approximately 222 acres on which the Capitol, Senate and House Office Buildings and the Capitol Power Plant reside. This area includes lawns, parks, trees, landscaping, horticultural display beds, plazas, terraces, reflecting pools, courtyards, roof gardens, child care center playgrounds, and atria; these areas are equipped with fountains, drinking fountains, outdoor seating, decorative stone retaining walls, lighting, irrigation systems, streets, sidewalks, and parking areas which are all maintained under this appropriation.

FY 2004 CAPITOL GROUNDS BUDGET

The FY 2004 CG Budget consists of an annual operating budget and a multi-year budget which are summarized in the following table:

Capitol Grounds Appropriation Summary (\$000)				
	FY 2002 FOY BA	FY 2003 Enacted	FY 2004 Request	2003/2004 Variance
Total Annual Budget	6,009	6,522	6,301	(221)
Total Multi-Year Budget	-	1,780	685	(1,095)
Total Appropriation	6,009	8,302	6,986	(1,316)

FULL-TIME EQUIVALENT REQUIREMENTS

The FY 2004 Budget also contains requirements for Full-Time Equivalents (FTEs). As indicated in the below table, the FTE level has not increased above the FY 2003 level of 69.

Capitol Grounds FTE Summary				
	FY 2002 Actual	FY 2003 Enacted	FY 2004 Request	Change
	63	69	69	-

ANNUAL BUDGET

The FY 2004 annual budget request for the Capitol Grounds is \$6,301,000 which represents a 3.4% decrease from the FY 2003 budget of \$6,522,000. The annual budget is comprised of recurring and non-recurring costs associated with the daily care, maintenance and operation of the grounds and associated systems under the jurisdiction of the Architect of the Capitol. All recurring costs are broken down into Program Groups (as defined in the AOC General Statement) and non-recurring costs are broken down by Project. Justifications for the recurring and non-recurring CG Annual Budget for FY 2004 is provided in the section titled, "Analysis of Change" beginning on page CG- 3.

MULTI-YEAR BUDGET

The FY 2004 multi-year budget request is \$685,000, which represents a 61.5% decrease from the FY 2003 budget of \$1,780,000. The basis for this multi-year budget plan is the result of Agency-wide planning and coordination of all major cyclical maintenance projects and building system enhancements in a thorough, systematic and programmed manner. Where appropriate, the Agency received 100% design documentation for projects prior to requesting construction funding. Project descriptions and justifications for requests in FY 2004 can also be found in the section titled, "Analysis of Change."

CAPITOL GROUNDS DETAILED FY 2004 BUDGET (\$)

Program Groups	Annual Recurring				FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	
Payroll (PR)	3,917,000	3,606,287	4,253,000	4,539,000	286,000
Facilities Management (FM)	739,000	724,487	767,000	773,000	6,000
Grounds Maintenance (GM)	691,000	682,976	669,000	836,000	167,000
Jurisdiction Centralized Activities (JR)	371,000	339,106	297,000	153,000	(144,000)
Miscellaneous Improvements (MI)	15,000	12,800	1,000	-	(1,000)
Total	5,733,000	5,365,656	5,987,000	6,301,000	314,000

Description	Annual Non-Recurring				FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	
Repairs Trucks	-	-	80,000	-	-
Wayfinding & ADA Compliant Signage	-	-	430,000	-	-
Maintenance Of Outdoor Sculpture (Garfield & Peace)	-	-	25,000	-	-
Total	276,000	228,043	535,000	-	(535,000)

Projects	Multi-Year Projects				FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	
Power Requirements	-	-	1,200,000	-	-
Renovation Former DC Street Lights	-	-	-	435,000	-
Wayfinding & ADA Compliant Signage	-	-	-	100,000	-
Study, Design and Condition Assessment	-	-	580,000	150,000	-
Total	-	-	1,780,000	685,000	(1,095,000)

Total Annual & Multi-Year Request					FY03/04 Delta
FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	FY04 Request	
Total Annual Recurring	5,733,000	5,365,656	5,987,000	6,301,000	314,000
Total Annual Non-Recurring	276,000	228,043	535,000	-	(535,000)
Total Annual	6,009,000	5,593,700	6,522,000	6,301,000	(221,000)
Total Multi-Year	6,009,000	-	1,780,000	685,000	(1,095,000)
Total Annual & Multi-Year Request	6,009,000	5,593,700	8,302,000	6,986,000	(1,316,000)

CAPITOL GROUNDS - ANALYSIS OF CHANGE

	FY 2004 Agency Request	
	FTE	Amount (000)
Appropriation, FY 2003	69	8,356
Minus Reversion		(54)
Adjusted Appropriation, FY 2003		8,302
Program Decreases		
Jurisdiction Centralized Activities (JR)		(144)
Miscellaneous Improvements (MI)		(1)
Replace Trucks		(80)
Wayfinding & ADA Compliant Signage		(430)
Maintenance of Outdoor Sculpture (Garfield & Peace)		(25)
Power Requirements		(1,200)
FY-03 Study, Design and Condition Assessment		(580)
Total, Program Decreases	-	(2,460)
Mandatory Pay and Related Costs:		
Comparability Pay Raise 2004		144
Amplification of Pay Raise 2003		5
Within-grade Increases and Pay Adds		43
Extra Compensable Day		16
Retirement Increases		37
FEHBA/FEGLI		40
Other *		1
Total, Mandatory Pay and Related Costs	-	\$ 286
Program Increases:		
Facilities Management (FM)		6
Grounds Maintenance (GM)		167
Renovation former DC Street Lights		435
Wayfinding & ADA Compliant Signage		100
FY-04 Study, Design and Condition Assessment		150
Total, Program Increases	-	\$ 858
Net Increase	-	\$ (1,316)
Total Appropriation	69	\$ 6,986

* Other includes Awards & Transit Subsidy

Program Increases – Annual Recurring

Payroll (PR) \$4,539,000
 Increase Requested 286,000

Increase necessitated by annual rise in Cost-of-Living Allowance (COLA) and Agency contributions.

Facilities Management (FM) \$773,000
 Increase Requested 6,000

Increase primarily due to increases in pointing and caulking and maintenance of hydraulic barriers.

Grounds Maintenance (GM) \$836,000
 Increase Requested 167,000

Increase primarily due to realignment between non-recurring and recurring line items and increases in upkeep of grounds equipment cost and the cost of supplies.

Program Increases – Multi-Year

Renovation former DC Street Lights \$435,000

This project will provide funding to modernize the 230 streetlights located within the AOC's jurisdiction to improve uniformity among existing streetlights and improve illumination and maintenance which will enhance public safety. The requested funding will be used to implement phase one of six phases which focuses on the area surrounding the Supreme Court. *Impact if not funded:* The streetlights will continue to deteriorate and will not provide adequate lighting.

Wayfinding and ADA Compliant Signage \$100,000

This project will improve wayfinding by procuring and installing wayfinding and ADA compliant signs. The FY 2004 phase of the project is tied to the Capitol Visitor Center (CVC) construction

project and will fund the fabrication and installation of replacement fiberglass handicap entrance signs, which will re-direct individuals to the CVC for the new handicapped entrances before the CVC officially opens. *Impact if not funded:* The replacement ADA compliant signs will not be fabricated and installed.

Study, Design and Condition Assessment \$150,000

This project provides flexibility to meet the needs of the members and staff by performing studies, designs, and condition assessments to improve project planning and programming. In FY 2004, Capitol Grounds staff has planned to initiate several new design projects that will move into the construction phase in the our-years. This funding provides funding for the below initiatives.

Capitol Grounds	
Design, Support Congressional Youth Park	\$ 100,000
Design, Tunnel Drainage, SW Drive	50,000
Total, Capitol Grounds	\$ 150,000

ARCHITECT OF THE CAPITOL

Capitol Grounds

Capitol Grounds Summary By Object Class

(Dollars in Thousands)

Object Class	FY 2002 Actual *	FY 2003 Enacted	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	3,216	3,332	3,516	184
12 Personnel Benefits	831	921	1,023	102
13 Benefits for Former Personnel	-	-	-	-
21 Travel	3	-	2	2
22 Transportation of Things	-	-	-	-
23 Rent, Communications and Utilities	13	-	-	-
24 Printing and Reproduction	-	-	-	-
25 Other Contractual Services	888	3,381	2,113	(1,268)
26 Supplies and Materials	1,392	528	192	(336)
31 Equipment	200	140	140	-
32 Lands and Structures	976	-	-	-
41 Grants	-	-	-	-
42 Insurance Claims and Indemnities	-	-	-	-
43 Interest	-	-	-	-
44 Refunds	-	-	-	-
Total, Budget	\$ 7,519	\$ 8,302	\$ 6,986	\$ (1,316)

* "FY 2002 Actual" represents total obligations of funds incurred in FY 2002, irrespective of year of appropriation.



SENATE OFFICE BUILDINGS

INTRODUCTION

The Architect of the Capitol is responsible for the structural, mechanical, and domestic care of the Senate Office Buildings (SOB) consisting of the Russell, Dirksen, Hart, leased space at Postal Square, Webster Hall, Senate Employees Child Care Center, and the Senate Garage, including operation of the mechanical equipment. The Architect is also responsible for the care, repair, and purchase of furniture and furnishings. (Furniture and furnishings for the Senate side of the Capitol are under the jurisdiction of the Senate Sergeant-at-Arms.) The Architect is responsible for the heating, air conditioning, and lighting of the Senate Office Buildings as well as for all construction, structural improvements, and changes. The Architect is also responsible for the maintenance and operation of the subway transportation systems between the Senate Office Buildings and the Capitol, and for the garages in Dirksen and Hart, plus the Senate Garage.

FY 2004 SENATE OFFICE BUILDINGS BUDGET

The FY 2004 SOB Budget consists of an annual operating budget and a multi-year budget which are summarized in the following table:

Senate Office Buildings Appropriation Summary (\$000)				
	FY 2002	FY 2003	FY 2004	2003/2004
	EOY BA	Enacted	Request	Variance
Total Annual Budget	37,716	43,271	45,955	2,684
Total Multi-Year Budget	3,760	21,178	20,108	(1,070)
Total Appropriation	41,476	64,449	66,063	1,614

FULL-TIME EQUIVALENT REQUIREMENTS

The FY 2004 Budget also contains requirements for Full-Time Equivalents (FTEs). An additional FTE is included in the SOB appropriation as a result of the annualization of FTE increases enacted in FY 2003. Accordingly, the SOB FTE is increased to 556 over the FY 2003 level of 555.

Senate Office Buildings FTE Summary				
FY 2002	FY 2003	FY 2004	Request	Change
Actual	Enacted	Request		
527	555	556		1

SIGNIFICANT CHANGES

Significant program and project increases include Minor Construction (\$5.0 million); Replace Steam Humidifiers, Hart Building (\$4.7 million); Replace Modular Furniture (\$3.0 million); and Renovate Restrooms (\$2.6 million).

ANNUAL BUDGET

The FY 2004 annual budget request for the Senate Office Buildings is \$45,955,000 which represents a 6.2% increase over the FY 2003 budget of \$43,271,000. The annual budget is comprised of recurring and non-recurring costs associated with the daily care, maintenance and operation of the facilities under the jurisdiction of the Architect of the Capitol. All recurring costs are broken down into Program Groups (as defined in the AOC General Statement) and non-recurring costs are broken down by project. Justifications for the proposed 6.2% increase in the recurring and non-recurring SOB Annual Budget for FY 2004 are provided in the section titled, "Analysis of Change" beginning on page SOB-4.

MULTI-YEAR BUDGET

The FY 2004 multi-year budget request is \$20,108,000, which represents a 5.1% decrease from the FY 2003 budget of \$21,178,000. The basis for this multi-year budget plan is the result of Agency-wide planning and coordination of all major cyclical maintenance projects and building system enhancements in a thorough, systematic and programmed manner. Where appropriate, the Agency received 100% design documentation for projects prior to requesting construction funding. The Senate Sergeant-at-Arms and the U.S. Capitol Police were also included in the multi-year budget preparation process for the Senate Office Buildings. Project descriptions and justifications for FY 2004 multi-year projects can be found in the section titled, "Analysis of Change."

SENATE OFFICE BUILDINGS DETAILED FY 2004 BUDGET (\$)

Program Groups	Annual Recurring				FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	
Payroll (PR)	23,989,000	23,381,818	26,542,000	28,776,000	2,234,000
Facilities Management (FM)	3,700,000	3,609,872	4,561,000	4,458,000	(103,000)
Furniture Repairs (FR)	368,000	365,473	1,545,000	1,315,000	(30,000)
Jurisdiction Centralized Activities (JR)	8,072,000	7,997,475	8,946,000	8,822,000	(124,000)
Miscellaneous Improvements	235,000	221,982	235,000	235,000	-
Senate Restaurants (SR)	239,000	228,611	1,334,000	1,339,000	5,000
Total	36,603,000	35,805,232	43,163,000	45,145,000	1,982,000

Description	Annual Non-Recurring			FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	
Kitchen Exhaust & Redesign Webster Hall			108,000	
Refinish Historic Woodwork				300,000
Repair/Replace Marble Floors & Clean Arch Surfaces				510,000
Total	1,113,000	1,077,573	108,000	702,000

Projects	Multi-Year Projects				FY03 Enacted	FY04 Request	FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request			
Bus Ducts And Switchgear Replacement, HSOB			1,950,000				
Repair Waterroofing Under HSOB So Steps			1,800,000				
Modernize 12 Elevators, HSOB			3,060,000				
Mechanical Renovations, DSOB			940,000				
Renovate Restrooms, ADA, DSOB			500,000	2,692,000			
Renovate Restrooms, ADA, HSOB			1,600,000	1,724,000			
Minor Construction			9,578,000	5,000,000			
Studies, Designs And Condition Assessments			1,750,000	1,000,000			
Replace Modular Furn, HSOB			-	3,000,000			
Wayfinding & ADA Signage, SOB			-	1,133,000			
Replace Elevator Webster Hall			-	495,000			
Replace Doors 3rd Floor Balcony			-	349,000			
Replace Steam Humidifiers, HSOB			-	4,715,000			
Total	3,760,000	2,312,066	21,178,000	20,108,000	(1,070,000)		

Total Annual & Multi-Year Request	FY02		FY03		FY04		FY03/04 Delta
	EOY BA	Obligation	Enacted	Request	Enacted	Request	
Total Annual Recurring	36,603,000	35,805,232	43,163,000	45,145,000	45,145,000	1,982,000	
Total Annual Non-Recurring	1,113,000	1,077,573	108,000	810,000	810,000	702,000	
Total Annual	37,716,000	36,882,805	43,271,000	45,955,000	45,955,000	2,684,000	
Total Multi-Year	3,760,000	2,312,066	21,178,000	20,108,000	20,108,000	(1,070,000)	
Total Annual & Multi-Year Request	41,476,000	39,194,871	64,449,000	66,063,000	66,063,000	1,611,000	

SENATE OFFICE BUILDINGS - ANALYSIS OF CHANGE

	FY 2004 Agency Request
	Amount (000)
FTE	\$
Appropriation, FY 2003	64,871
Minus Rescission	(422)
Adjusted Appropriation, FY 2003	64,449
Program Decreases	
Facilities Management	(103)
Furniture Repairs	(30)
Jurisdiction Centralized Activities	(124)
Kitchen Exhaust & Redesign, Webster Hall	(108)
Bus Ducts And Switchgear Replacement, HSOB	(1,950)
Repair Waterproofing Under RSOB So. Steps	(1,800)
Modernize 12 Elevators, HSOB	(3,060)
Mechanical Renovations, DSOB	(940)
FY-03 Renovate Restrooms, ADA, DSOB	(500)
Renovate Restrooms, ADA, HSOB	(1,600)
Minor Construction	(9,578)
Studies, Designs and Condition Assessments	(1,750)
Total, Program Decreases	(21,643)
Mandatory Pay and Related Costs:	
Comparability Pay Raise 2004	839
Annualization of Pay Raise 2003	44
Annualization of New FY-03 Positions	59
Within-grade Increases and Pay Adds	263
Extra Compensable Day	105
Lapse Reduction	375
Retirement Increases	257
FEHBA/FEGLI	286
Other *	6
Total, Mandatory Pay and Related Costs	2,234

Program Increases:		
Senate Restaurants.....		5
Refinish Historic Woodwork.....		300
Repair/Replace Marble Floors & Clean Arch Surfaces.....		510
Renovate Restrooms, ADA, DSOB.....		2,692
Renovate Restrooms, ADA, HSOB.....		1,724
Minor Construction.....		5,000
Studies, Designs and Condition Assessments.....		1,000
Replace Modular Furn, HSOB.....		3,000
Wayfinding & ADA Signage, SOB.....		1,133
Replace Elevator Webster Hall.....		495
Replace Doors 3rd Floor Balcony.....		349
Replace Steam Humidifiers, HSOB.....		4,715
Total, Program Increases		4,715
Net Increase	-	\$ 20,923
Total Appropriation	1	\$ 1,614
	556	\$ 66,063

* Other includes Awards & Transit Subsidy

uneven and is now a safety issue. To address this problem, temporary repairs have been made, however permanent repairs are necessary. The project will replace marble slabs in floors, marble trends on stairs, repair of marble damage, and clean marble, where necessary. *Impact if not funded:* If this project is not addressed increased concerns regarding public safety will result and patch work and temporary repairs will continue to increase.

Program Increases -- Multi-Year

Renovate Restrooms, ADA, Dirksen Senate Office Building \$ 2,692,000

This project will provide funding to renovate the public restrooms in the north risers in the Dirksen Senate Office Building. The restrooms do not currently meet ADA accessibility requirements and are entered through a double door vestibule which inhibits accessibility and wastes valuable space. All existing finishes, partitions, electrical and plumbing fixtures will be removed. Full plumbing and electrical systems will be replaced; mechanical, fire protection and fire alarm systems for each room will be reworked to conform to current standards and codes. *Impact if not funded:* Public restrooms will remain in violation of ADA Guidelines.

Renovate Restrooms, ADA, Hart Building \$1,724,000

This project will provide funding to renovate the third stack of restrooms out of a total of four in the Hart Building. All existing finishes, partitions, electrical and plumbing fixtures will be removed and replaced; mechanical, fire protection and fire alarm systems for each room will be reworked to conform to current standards and codes. *Impact if not funded:* Public restrooms will remain in violation of ADA Guidelines.

Minor Construction \$5,000,000

Provides flexibility for unforeseen construction-related needs as required by Members, Officers, Committees and various Congressional support organizations. Minor Construction will also include upgraded lighting and lead abatement in the basement level of the Russell Building.

Program Increases -- Annual Recurring

Payroll (PR) \$28,776,000
Increase Requested 2,234,000

Increase necessitated by the addition of an FTE in FY 2004 (due to annualization of FTEs enacted in FY 2003), and annual rise in Cost-of-Living Allowance (COLA) and Agency contributions.

Senate Restaurants (SR) \$1,339,000
Increase Requested 5,000

Increase attributed to minor rise in maintenance costs.

Program Increases -- Annual Non-Recurring

Refinish Historic Woodwork \$300,000

This project provides funding for the restoration of the historic woodwork in the Russell Building. Historic woodwork located in Russell Building is in need of refinishing. Typical woodwork consist of chair rail, crown molding, doors & window trim, cabinets and transoms. The woodwork has lost its luster and most of its protective finish due to extensive use and age. The lack of protective finish makes the wood susceptible to greater damage and discoloration. *Impact if not funded:* Historic woodwork will continue to deteriorate and will necessitate total replacement.

Repair/Replace Marble Floor & Clean Architectural Surfaces \$510,000

This project will provide funding to repair and replace spalled and cracked marble floors and stairways in the public walkways and clean architectural surfaces in the public areas at the Russell Senate Office Building. The public corridors and floors one through four of the Russell Building are paved with marble (this includes the Rounda and steps between floors). The marble was installed during the original construction of the building which was completed in the early 1900s. Over the years cracking, spalling and discoloration of the marble pavers has occurred, and in many areas the marble work has become "depressed" due to years of use and pedestrian traffic. Consequently, this wearing has caused the floor surface to become

Design, Study and Condition Assessment

\$1,000,000

This project provides flexibility to meet the needs of the SOB by performing studies, designs and condition assessments to improve project planning and programming. Specific initiatives under this category are:

Senate Office Buildings	
Roof Survey	\$ 265,000
Replace Balusters & Balustrades	286,000
Unspecified Design and Studies	449,000
Total, Senate Office Buildings	\$ 1,000,000

Replace Modular Furniture for Hart Building

\$3,000,000

This project will provide funding to replenish modular furniture inventory. The existing furniture in the Hart Senate Office Building ranges from seventeen to twenty-one years old. Typical modular furniture life cycle ranges from five to fifteen years which is based on the quality of furniture, frequency of relocation and user care. Considering the age, high relocation rate for Senatorial moves and numerous client requests, the AOC has developed a Modular Furniture Replacement Program which will replace metal walls and furniture in the 30 Senator Suites of the Hart Building. *Impact if not funded:* The current furniture in the Hart Building is no longer manufactured and replacements parts cannot be procured; it does not easily accommodate current communication wiring and it is quickly becoming a safety hazard.

Wayfinding & ADA Signage, Senate Office Buildings

\$ 1,133,000

This project includes the fabrication and installation of interior ADA compliant directional wayfinding signs. There are limited location maps and insufficient primary and secondary building directories directing people to handicap entrances, restricted entrances, restrooms, corridor to room number range designation, telephone locations, stairs, tunnels, and subways. *Impact if not funded:* Wayfinding around the Senate Office Buildings will continue to be a problem for visitors, members, and staff.

Replace Elevator Webster Hall

\$495,000

This project will provide funding to replace the Webster Hall elevator that is over 30 years old and not ADA compliant. This request will provide funding to remove and replace the elevator cab, counterweight, cable, and hoisting equipment; and upgrade the electrical feeder. *Impact if not funded:* This elevator will continue to not be ADA compliant (a life safety issue for the occupants of the building) and will increasingly require costly maintenance and repair.

Replace Doors 3rd Floor Balcony, Russell Building

\$349,000

This project provides funding to repair damaged wood of existing doors and windows that are structurally unsound in the Russell Building. The doors and their hardware have been patched to allow limited use but are increasingly becoming inoperable. This funding will repair/replace existing damaged windows and doors to comply with safety and security requirements. *Impact if not funded:* Further deterioration of windows will violate occupant safety and building integrity.

Replace Steam Humidifiers, Hart Building

\$4,715,000

This project will fund removing the existing humidification systems in 25 major air handling units and retrofit them with new "Clean Steam" chemical-free humidification equipment in the Hart Building. To enhance steam quality and reduce maintenance by in-house personnel, a water softening system will be incorporated to work in conjunction with the steam generators. The remaining air handlers will be supplied with cabinet-style humidifiers (located adjacent to air handlers) that will enable "clean steam" humidification. *Impact if not funded:* A "clean steam" chemical-free humidification system, intended to improve indoor air quality, will not be installed.

ARCHITECT OF THE CAPITOL
Senate Office Buildings

Senate Office Buildings
Summary By Object Class
(Dollars in Thousands)

Object Class	FY 2002 Actual *	FY 2003 Enacted	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	24,133	20,340	21,881	1,541
12 Personnel Benefits	5,644	6,202	6,895	693
13 Benefits for Former Personnel	-	-	-	-
21 Travel	23	-	1	1
22 Transportation of Things	10	-	-	-
23 Rent, Communications and Utilities	7,393	7,781	8,100	319
24 Printing and Reproduction	-	-	-	-
25 Other Contractual Services	2,269	26,931	26,020	(911)
26 Supplies and Materials	6,046	1,300	1,326	26
31 Equipment	1,889	1,895	1,840	(55)
32 Land and Structures	341	-	-	-
41 Grants	-	-	-	-
42 Insurance Claims and Indemnities	-	-	-	-
43 Interest	-	-	-	-
44 Refunds	-	-	-	-
Total, Budget	\$ 47,748	\$ 64,449	\$ 66,063	\$ 1,614

* "FY 2002 Actual" represents total obligations of funds incurred in FY 2002, irrespective of year of appropriation.



HOUSE OFFICE BUILDINGS

INTRODUCTION

The Architect of the Capitol, subject to the approval and direction of the House Office Building Commission, is responsible for the structural, mechanical, and domestic care and maintenance of the four House Office Buildings (HOB) and the House Page Dormitory at 501 First Street. This appropriation provides for the structural, mechanical, and domestic care of the Cannon, Longworth, Rayburn and Ford House Office Buildings, garages, and the House Annexes, the House subways, and the operation of the mechanical equipment. The Cannon and Longworth Buildings each contain approximately 500 office and committee rooms, together with storage rooms, shops, transformer stations, tunnels, subways, garage accommodations, restaurants, and other miscellaneous facilities. The Rayburn Building contains approximately 700 office and committee rooms, together with storage rooms, shops, transformer rooms, subways, tunnels and other miscellaneous facilities; the Rayburn Building has a garage in its substructure accommodating 2,400 vehicles.

FY 2004 HOUSE OFFICE BUILDINGS BUDGET

The FY 2004 HOB Budget consists of an annual operating budget and a multi-year budget which are summarized in the following table:

House Office Buildings	Appropriatic Summary (\$000)		
	FY 2002 EOY BA	FY 20 Enacted	FY 2004 2/03/2/004 Request
Total Annual Budget	30,662	35,350	35,066 (284)
Total Multi-Year Budget	23,344	25,214	31,713 6,499
Total Appropriation	54,006	60,564	66,779 6,213

SIGNIFICANT CHANGES

Significant program and project increases include elevator modernization (\$9.4 million); Data Center Upgrade (\$4.3 million); Restroom Upgrades (\$3.0 million); Sprinkler System Extension (\$2.1 million); Minor Construction (\$5.0 million); and Study, Design & Condition Assessments (\$5.0 million).

FULL-TIME EQUIVALENT REQUIREMENTS

The FY 2004 Budget also contains requirements for Full-Time Equivalents (FTEs). As indicated in the below table, the FTE level has not increased over the FY 2003 level of 502.

House Office Buildings FTE Summary			
FY 2002 Actual	FY 2003 Enacted	FY 2004 Request	Change
469	502	502	-

ANNUAL BUDGET

The FY 2004 annual budget request for the House Office Buildings is \$35,066,000 which represents a 0.8% decrease from the FY 2003 budget of \$35,350,000. The annual budget is comprised of recurring and non-recurring costs associated with the daily care, maintenance and operation of the facilities under the jurisdiction of the Architect of the Capitol. All recurring costs are broken down into Program Groups (as defined in the AOC General Statement) and non-recurring costs are broken down by project. Justifications for specific increases in the recurring and non-recurring HOB Annual Budget for FY 2004 are provided in the section titled, "Analysis of Change" beginning on page HOB-4.

MULTI-YEAR BUDGET

The FY 2004 multi-year budget request is \$31,713,000, which represents a 25.8% increase over the FY 2003 budget of \$25,214,000. The basis for this multi-year budget plan is the result of Agency-wide planning and coordination of all major cyclical maintenance projects and building system enhancements in a thorough, systematic and programmed manner. Where appropriate, the Agency received 100% design documentation for projects prior to requesting construction funding. The Chief Administrative Officer and the Clerk of the House were included in the multi-year budget preparation process for the House Office Buildings. Project descriptions and justifications for FY 2004 multi-year projects can be found in the section titled, "Analysis of Change."

HOUSE OFFICE BUILDINGS DETAILED FY 2004 BUDGET (\$)

Program Groups	Annual Recurring				FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	
Payroll (PR)	23,772,000	23,298,382	27,001,000	29,371,000	2,370,000
Facilities Management (FM)	4,658,415	4,473,403	4,108,000	4,659,000	531,000
House Restaurants (HR)	87,000	84,302	87,000	87,000	-
Jurisdiction Centralized Activities (JR)	497,826	494,897	1,254,000	649,000	(605,000)
Miscellaneous Improvements (MI)	200,000	192,978	200,000	200,000	-
Total	29,215,241	28,544,162	32,650,000	34,946,000	2,296,000

Description	Annual Non-Recurring				FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	
Egress Door Improvements, HOB			200,000		
Sound Improvements, Comm Rms			280,000		
Wayfinding Signage			1,100,000		
HOB Master Plan			1,000,000		
Major Elevator Equip. Improvements, HOB			120,000	120,000	
Total	1,446,759	1,389,183	2,700,000	120,000	(2,580,000)

Multi-Year Projects					
Projects	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	FY03/04 Delta
Upgrade Fire Alarm, E & W House Garages			880,000		
Replace PPE Low Voltage Switchgears, RHOB			750,000		
Longworth Emergency Generator			3,500,000		
Elevator Modernization Program, HOB			1,460,000	9,460,000	
Minor Construction			8,604,000	5,000,000	
Study, Design and Condition Assessment			10,020,000	5,000,000	
Sound Improvements, Comm Rms			240,000		
Wayfinding and ADA-Compliant Signage				407,800	
Upgrade Public Restroom HOB				3,000,000	
Upgrade Data Center				4,323,000	
Extend Sprinkler Systems HOB				2,055,000	
Escalator Modernization				1,617,000	
Replace Halon System				611,000	
Total	23,344,000	9,557,163	25,214,000	31,713,000	6,499,000

Total Annual & Multi-Year Request					
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	FY03/04 Delta
Total Annual Recurring	29,215,241	28,544,162	32,650,000	34,946,000	2,296,000
Total Annual Non-Recurring	1,446,759	1,389,183	2,700,000	120,000	(2,580,000)
Total Annual	30,662,000	29,933,345	35,350,000	35,066,000	(284,000)
Total Multi-Year	23,344,000	9,557,163	25,214,000	31,713,000	6,499,000
Total Annual & Multi-Year Request	54,006,000	39,490,508	60,564,000	66,779,000	6,215,000

HOUSE OFFICE BUILDINGS - ANALYSIS OF CHANGE

	FY 2004 Agency Request
FTE	Amount (000)
Appropriation, FY 2003	502
Minus Rescission	60,960
Adjusted Appropriation, FY 2003	(396)
	<u>60,564</u>
Program Decreases	
Jurisdiction Centralized Activities (JR)	(605)
Egress Door Improvements, HOB	(200)
Sound Improvements, Comm Rms	(280)
Wayfinding Signage	(1,100)
HOB Master Plan	(1,000)
FY-03 Major Elevator Equipment Improvements	(120)
Upgrade Fire Alarm, E & W House Garages	(880)
Replace FPE Low Voltage Switchgears, FHOB	(750)
Longworth Emergency Generator	(3,500)
FY-03 Elevator Modernization Program, HOB	(1,460)
FY-03 Minor Construction	(8,604)
Design, Study and Condition Assessment	(10,020)
Total, Program Decreases	(28,519)
Mandatory Pay and Related Costs:	
Comparability Pay Raise 2004	861
Annualization of Pay Raise 2003	42
Annualization of New FY-03 Positions	36
Within-grade Increases and Pay Adds	273
Extra Compensable Day	107
Lapse Reduction	472
Retirement Increases	278
FEHBA/FEGLI	292
Other *	9
Total, Mandatory Pay and Related Costs	2,370

FY 2004 Agency Request
FTE Amount (000)

	FTE	Amount (000)
Program Increases:		
Facilities Management		531
FY-04 Major Elevator Equipment Improvements		120
FY-04 Elevator Modernization Program, HOB		9,460
FY-04 Minor Construction		5,000
FY-04 Design, Study and Condition Assessment		5,000
Sound Improvements, Comm Rms		240
Wayfinding and ADA-Compliant Signage		407
Upgrade Public Restroom HOB		3,000
Upgrade Data Center		4,323
Extend Sprinkler Systems HOB		2,055
Escalator Modernization		1,617
Replace Halon System		611
Total, Program Increases		\$ 32,364
Net Increase	-	\$ 6,215
Total Appropriation	502	\$ 66,779

* Other includes Awards & Transit Subsidy

Program Increases – Annual Recurring

Payroll (PR) \$29,371,000
 Increase Requested 2,370,000

Increase necessitated by annual rise in Cost-of-Living Allowance (COLA) and Agency contributions.

Facilities Management (FIM) \$4,108,000
 Increase Requested 531,000

Increase primarily due to significant rise in contractual services for annual preventative maintenance for escalators; increase in maintenance and repair for heating, ventilation, and air conditioning; and contract increases for hazardous materials abatement.

Program Increases – Annual Non-Recurring

Major Elevator Equipment Improvements \$120,000

This project will provide funding for elevator component repair or replacement such as re-ropping, hoist motor rebuilding, motor/generator set rebuilding, and field coil rewinding. The House Office Buildings have a total of sixty-eight (68) elevators. These elevators are heavily used and the present demands placed on them causes severe equipment wear. The proposed work will significantly reduce equipment down time. *Impact if not funded:* Reliability will continue to deteriorate and service interruptions will continue. Additionally, maintenance costs will continue to rise.

Program Increases – Multi-Year

Elevator Modernization Program \$9,460,000

This project will upgrade two freight elevators in the Cannon House Office Building (CHOB), the underground garage elevators, and twenty-eight Rayburn House Office Building (RHOB) elevators.

The freight car elevator work focuses on removing the old elevators' hoisting equipment and controls, and demolishing the existing hoistway. The hoistway will be rebuilt to create a service elevator that is deep enough for the loading equipment used on it. In the supporting machine room, new hoisting equipment with solid-state drives will be installed. An adjoining elevator sharing the same machine room will undergo similar renovations.

The underground garage elevators are extremely old and have never been renovated. The electric service to these elevators will be updated to bring them up to the present National Electric Code requirements. The proposed work will replace the pump controller, wiring, and upgrade the audible and visual signals to meet Americans with Disabilities Act (ADA) requirements.

The RHOB elevators are antiquated; the wiring is 44 years old, and is dry, brittle, and subject to cracking which causes shorts and failures. This component of the elevator modernization project includes upgrading the elevators in the RHOB by refurbishing existing motors, installing modern solid state drives, and providing new controls and signals to comply with ADA standards. The open relays will be replaced with modern sealed relays and integrated computerized elevator controllers. The antiquated rotary drives will be replaced with solid state drives, which will significantly reduce failures.

Impact if not funded: The RHOB and the underground garage elevators will not be ADA compliant. In the CHOB, the elevator reliability will continue to decline, elevator mechanical and electrical maintenance and repair will continue to increase.

Minor Construction \$5,000,000

This project provides flexibility for unforeseen needs including minor construction, repair, and major alteration projects, and related activities in connection with construction and maintenance activities of the House Office Buildings. This funding was first provided for in FY 2002 on a 5-year basis. *Impact if not funded:* The ability to execute projects to meet unforeseen requirements in a timely manner will be adversely affected.

Design, Study and Condition Assessment

\$5,000,000

This project provides flexibility to meet the needs of the U.S. House of Representatives by performing studies, designs and condition assessments to improve project planning and programming. In FY 2004, House Office Building staff plan to initiate several new design projects that will move into the construction phase in the out-years.

House Office Buildings	
Design Garage Floor Repairs, RHOB	\$ 1,400,000
Design, HVAC System, RHOB	1,000,000
Design, CHOB Renovation Project	1,000,000
Design, Lot 7 Garage	1,000,000
Unspecified Designs and Studies	600,000
Total, House Office Buildings	\$ 5,000,000

The design projects are:

Sound Improvements, Committee Rooms

\$240,000

This project will provide infrastructure improvements in House Office Building hearing rooms to support new high-end multi-media audio/visual systems. The scope of work is developed by each individual committee and is based on their individual requirements.

Impact if not funded: The U. S. House of Representatives will not have adequate audio and visual technology to broadcast hearings on television and through the internet; provide video feeds to the media; accommodate audiences in the large overflow rooms; and develop centralized operations in the House Recording Studio.

Wayfinding and ADA Compliant Signage

\$407,000

This project will provide funding to fabricate and install ADA and directional wayfinding signs such as: room identification, egress, restroom, telephone location, tunnel/subway, and secondary corridor signage inside the House Office Buildings. Wayfinding around the House Office Buildings has been a problem for visitors, members and staff. The Capitol Police spend a considerable amount of time

directing individuals throughout the Capitol Complex. Further, there are no location maps directing individuals to or from the handicap accessible and restricted entrances. *Impact if not funded:* ADA compliance will not be met as required by the Office of Compliance.

Upgrade Public Restrooms, HOB

\$3,000,000

This renovation project will replace all fixtures, partitions, lighting, and interior finishes including marble surfaces, terrazzo or ceramic tile for approximately forty restrooms. The public restrooms in the House Office Buildings have not undergone major renovations since the 1960's. These restrooms must be updated to meet ADA code requirements and brought up to modern building standards in appearance. Similar requests in future years will be submitted until all 202 House Office Building restrooms are renovated. *Impact if not funded:* Non-compliance with the ADA, which may result in citations from the Office of Compliance.

Upgrade Data Center

\$4,323,000

This project will provide funding to upgrade the electrical and mechanical systems to support the Data Center requirements. It will also expand the existing space by an additional 4,000 square feet to provide a flexible floor plan and support structure. The House Information Resources Data Center, located on the sixth floor of Ford House Office Building, was established as a mainframe computer support facility in the late 1970's. The Data Center infrastructure has since become antiquated and has exceeded the recommended twenty-year useful life for its mechanical and electrical equipment. *Impact if not funded:* The Center's current configuration does not effectively support the current or future computer requirements of the House. Electrical and mechanical systems will reach the end of their useful life which will require additional maintenance time and cost, and the potential for increasing amounts of downtime.

Extend Sprinkler Systems, HOB

\$2,055,000

This project will provide full sprinkler system coverage to all of the areas in the House Office Buildings that lack the National Fire Safety Code (NFSC) required sprinkler system coverage. The areas that will be covered are: the hallways, corridors, and private offices and members' suites of the Cannon House Office Building (CHOB), Longworth House Office Building (LHOB), Ford House Office Building, and more architecturally sensitive areas such as the committee rooms, caucus rooms, and the grand staircase and rounda areas in the CHOB and LHOB. These areas were identified in a study performed by Gage-Babcock & Associates in July 2000. *Impact if not funded:* The buildings will not meet fire and safety codes and will not be fully protected in the event of fire.

Escalator Modernization

\$1,617,000

This project will modernize four escalators in the Rayburn Building to ensure that they are fully equipped with current safety features required by safety code. These escalators (Rayburn Building Escalator Bank One) are 40 years old and are in poor condition. Each escalator will be removed and a new escalator will be installed in sequential order (one at a time) to minimize disruptions. *Impact if not funded:* There will be increased escalator downtime, and a potential risk to staff and visitors.

Replace Halon System

\$611,000

This project consists of the replacement of the existing Halon fire suppression systems serving various rooms within the House Office Buildings. The Montreal Protocol banned the production of all Ozone depleting substances by the year 2000. Accordingly, Halon is no longer produced. Thus, an environmentally friendly gaseous fire suppression system is required to replace the existing halon systems in the House Office Buildings. This proposed project will provide funding to install, test, and approve a "clean agent" system. The project will replace the gaseous piping distribution system and storage tanks. Additionally, the fire alarm systems will be modified

based upon current code requirements. This project affects rooms in the Longworth House Office Building, Cannon House Office Buildings, and Ford House Office Building. *Impact if not funded:* If the Halon system is permitted to remain in service and the Halon system discharges as a result of a fire or false alarm, then the replacement system will not be available for several months following discharge. This lack of protection can represent significant property risk.

ARCHITECT OF THE CAPITOL
House Office Buildings

House Office Buildings
Summary By Object Class
(Dollars in Thousands)

Object Class	FY 2002 Actual *	FY 2003 Enacted	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$ 21,733	\$ 20,726	\$ 22,387	\$ 1,661
12 Personnel Benefits	5,101	6,275	6,984	709
13 Benefits for Former Personnel	-	-	-	-
21 Travel	10	-	-	-
22 Transportation of Things	-	-	-	-
23 Rent, Communications and Utilities	5	-	-	-
24 Printing and Reproduction	1	-	-	-
25 Other Contractual Services	7,310	31,926	35,822	3,896
26 Supplies and Materials	14,272	1,380	1,329	(51)
31 Equipment	524	257	257	-
32 Land and Structures	8	-	-	-
41 Grants	-	-	-	-
42 Insurance Claims and Indemnities	-	-	-	-
43 Interest	-	-	-	-
44 Refunds	-	-	-	-
Total, Budget	\$ 48,964	\$ 60,564	\$ 66,779	\$ 6,215

* "FY 2002 Actual" represents total obligations of funds incurred in FY 2002, irrespective of year of appropriation.



CAPITOL POWER PLANT

INTRODUCTION

The Capitol Power Plant (CPP) is the Capitol Complex's centralized provider of utility services not available from other sources. The CPP also houses several functions related to the Legislative Branch Telecommunications Network, and also provides dedicated space for satellite communication dishes providing electronic feeds to the CATV system. The CPP operates and maintains a central steam plant that provides, steam for heating, and a central refrigeration plant that provides chilled water for air conditioning, and all the tunnel distribution and metering systems associated with delivering these utilities. Steam and chilled water are provided for several Legislative Branch clients within the Capitol Complex: the United States Capitol Building, the Senate Office Buildings and the Senate Garage, the House Office Buildings and underground garages, and the Library of Congress Buildings. Steam and chilled water are also provided for the United States Botanic Garden. The CPP also provides steam and chilled water on a reimbursable basis to several other clients, some of whom are not Legislative Branch entities.

FY 2004 CAPITOL POWER PLANT BUDGET

The FY 2004 CPP Budget consists of an annual operating budget and a multi-year budget which are summarized in the following table:

Capitol Power Plant Appropriation Summary (\$000)				
	FY 2002	FY 2003	FY 2004	2005/2004
	EOY BA	Enacted	Request	Variance
Total Annual Budget	48,215	39,882	44,976	5,094
Total Multi-Year Budget	8,013	61,739	57,181	(4,558)
Total Appropriation	56,228	101,621	102,157	\$36

SIGNIFICANT CHANGES

Significant program and project increases include the West Refrigeration Plant Expansion Project (\$40.8 million); installation of a distributed control system (\$6.5 million); installation of oil storage tanks (\$4.2 million); utility increases (\$3.7 million); Design, Study and Condition Assessments (\$2.4

million); and overall programmed increases in the CPP Preventative Maintenance Program (\$1.0 million).

FULL-TIME EQUIVALENT REQUIREMENTS

The FY 2004 Budget also contains requirements for Full-Time Equivalents (FTEs). As indicated in the below table, the level of FTEs has not increased over the FY 2003 level of 94.

Capitol Power Plant FTE Summary			
FY 2002	FY 2003	FY 2004	Change
Actual	Enacted	Request	
88	94	94	-

ANNUAL BUDGET

The FY 2004 annual budget request for the CPP is \$44,976,000 which represents a 12.8% increase over the FY 2003 budget of \$39,882,000. The annual budget is comprised of recurring and non-recurring costs associated with the daily care, maintenance and operation of the facilities under the jurisdiction of the Architect of the Capitol. All recurring costs are broken down into Program Groups (as defined in the AOC General Statement) and non-recurring costs are broken down by project. Justifications for the proposed 12.8% increase in the recurring and non-recurring CPP Annual Budget for FY 2004 are provided in the section titled, "Analysis of Change" beginning on page CPP- 4.

MULTI-YEAR BUDGET

The FY 2004 multi-year budget request is \$57,181,000, which represents a 7.4% decrease from the FY 2003 budget of \$61,739,000. The basis for this multi-year budget plan is the result of Agency-wide programming, planning and coordination of all major cyclical maintenance projects and building design enhancements. Where appropriate, the Agency received 100% system documentation for projects prior to requesting construction funding. Project descriptions and justifications for FY 2004 multi-year projects can be found in the section titled, "Analysis of Change."

CAPITOL POWER PLANT DETAILED FY 2004 BUDGET (\$)

Program Groups	Annual Recurring				FY03/04 Delta
	FY02 EOY BA *	FY02 Obligation	FY03 Enacted	FY04 Request	
Payroll (PR)	5,725,000	5,706,427	6,057,000	6,810,000	753,000
Facilities Management (FM)	96,000	95,655	61,000	102,000	41,000
Jurisdiction Centralized Activities (JR)	114,000	109,654	120,000	121,000	1,000
Miscellaneous Improvements (MI)	225,000	206,253	175,000	125,000	(50,000)
Power Plant Operations & Maintenance (PM)	2,066,177	1,992,599	1,719,000	2,756,000	1,037,000
Safety Eng. Ops & Maintenance (SF)	116,000	113,723	114,000	114,000	-
Utilities (UT)	37,312,823	32,150,893	31,056,000	34,763,000	3,707,000
Total	45,655,000	40,375,203	39,302,000	44,791,000	5,489,000

* Includes \$4.4M Reimbursable

Description	Annual Non-Recurring				FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	
Install Dual, Low Nox Burners, Boilers 5-7			400,000		
Update CAD Drawings For CPP			80,000	85,000	
Emergency Shoring and Repairs to Tunnels			100,000	100,000	
Total	2,560,000	1,754,934	580,000	185,000	(395,000)

Multi-Year Projects					
Projects	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	FY03/04 Delta
Repair Constitution Ave Tunnel			8,500,000		
Procure Emergency Generator			1,500,000		
Repair So Cap St Steam Line			10,289,000	711,000	
West Refrigeration Plant Expansion			41,000,000	40,800,000	
Study, Design and Condition Assessment			450,000	2,380,000	
Replace Utility Tunnel Expansion Joints				440,000	
Replace Stroke, Boilers 1&2				1,200,000	
Install Emerg-Egress, Tunnel Access				350,000	
Install Oil Storage Tanks				4,200,000	
Installation of Distributed Control System				6,500,000	
Intrinsic Health Monitoring System				600,000	
Total	8,013,000	7,411,484	61,739,000	57,181,000	(4,558,000)

Total Annual & Multi-Year Request					
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	FY03/04 Delta
Total Annual Recurring	45,655,000	40,375,203	39,302,000	44,791,000	5,489,000
Total Annual Non-Recurring	2,560,000	1,754,934	580,000	185,000	(395,000)
Total Annual	48,215,000	42,130,137	39,882,000	44,976,000	5,094,000
Total Multi-Year	8,013,000	7,411,484	61,739,000	57,181,000	(4,558,000)
Total Annual & Multi-Year Request	56,228,000	49,541,620	101,621,000	102,157,000	536,000

* \$102M does not include \$4.4M Reimbursable

CAPITOL POWER PLANT - ANALYSIS OF CHANGE

	FY 2004 Agency Request	
FTE	94	Amount (000)
Appropriation, FY 2003		102,286
Minus Rescission		(665)
Adjusted Appropriation, FY 2003		101,621
Program Decreases		
Miscellaneous Improvements		(50)
Install Dual Low Nox Burners, Boilers 5-7		(400)
FY-03 Update CAD Drawing for CPP		(80)
FY-03 Emergency Shoring and Repair to Tunnels		(100)
Repair Constitution Ave Tunnel		(8,500)
Procure Emergency Generator		(1,500)
FY-03 Repair South Capitol Street Steam Line		(10,289)
FY-03 West Refrigeration Plant Expansion		(41,000)
FY-03 Design, Study and Condition Assessment		(450)
Total, Program Decreases	-	(62,369)
Mandatory Pay and Related Costs:		
Comparability Pay Raise 2004		205
Annualization of Pay Raise 2003		6
Within-grade Increases and Pay Adds		69
Extra Compensable Day		26
Lapse Reduction		315
Retirement Increases		76
FEHBA/FEGLI		53
Other *		3
Total, Mandatory Pay and Related Costs	-	753

FY 2004 Agency Request

	FTE	Amount (000)
Program Increases:		
Facilities Management (FM)	41	
Jurisdiction Centralized Activities (JR)	1	
Power Plant Operations & Maintenance (PM)	1,037	
Utilities (UT)	3,707	
Update CAD Drawings For CPP	85	
FY-04 Emergency Shoring and Repair to Tunnels	100	
FY-04 Repair South Capitol Street Steam Line	711	
FY-04 West Refrigeration Plant Expansion	40,800	
FY-04 Design, Study and Condition Assessment	2,380	
Replace Utility Tunnel Expansion Joints	440	
Replace Stokers, Boilers 1&2	1,200	
Install Emergency Egress, Tunnel Access	350	
Install Oil Storage Tanks	4,200	
Installation of Distributed Control System	6,500	
Intrinsic Health Monitoring System	600	
Total, Program Increases	-	\$ 62,152
Net Increase	-	\$ 536
Total Appropriation	94	\$ 102,157

* Other includes Awards & Transit Subsidy

Program Increases – Annual Recurring

Payroll (PR) \$6,810,000
 Increase Requested 753,000
 Increase necessitated by annual rise in Cost-of-Living Allowance (COLA) and Agency contributions.
 Facilities Management (FM) \$102,000
 Increase Requested 41,000
 Increase primarily due to expansion of painting and caulking work, roof repairs, and the need to address mercury and arsenic concerns in the hazardous materials abatement program.
 Jurisdiction Centralized Activities (JR) \$121,000
 Increase Requested 1,000
 Increase due to the need for additional uniforms.

Power Plant Operations & Maintenance (PM) \$2,756,000
 Increase Requested 1,037,000

Increase due to backlog of scheduled routine preventative maintenance and repairs; increased use of numerous critical motors for primary power; tunnel lighting and power systems in need of extensive repair and upgrade; and the need to abate and re-insulate steam lines.

Utilities (UT) \$34,763,000
 Increase Requested 3,707,000

Increase due to industry forecasts of increased fuel rates; anticipation that boiler steam demand will increase necessitating increased fuel consumption; and an increase in District of Columbia Water and Sewage Authority (DCWASA) water and sewer consumption.

Program Increases – Annual Non-Recurring

Update CAD Drawings, CPP \$85,000

This project is to transfer "as-is" drawing information from paper drawings into an electronic Computer Aided Drafting (CAD) program format. Accurate CAD drawings are required to allow for quick access to "as-is" information on the architectural, mechanical, plumbing, electrical, structural and fire protection systems. *Impact if not funded:* The transfer of information from paper to electronic means will be incomplete and will limit the accessibility of information on the infrastructure of the CPP.

Emergency Shoring & Repairs to Utility Tunnels \$100,000

This project provides for emergency repairs to correct life and safety anomalies to the underground tunnel system on an as-needed basis. *Impact if not funded:* The CPP would not be able to sufficiently address tunnel problems in a timely manner, which could lead to life safety concerns.

Program Increases – Multi-Year

Repair South Capitol Street Steam Line \$711,000

This project provides funding for the final increment of funding to repair the South Capitol Street steam line tunnel's concrete trenches that have begun to crack and spall. The deteriorated concrete has allowed water to saturate the insulation and has caused the exterior of the steam lines to corrode. The original FY 2003 appropriation for this project was \$11,000,000; however, based on other funding requirements, only \$10,289,000 was appropriated. The FY 2004 request of \$711,000 fully funds this project to its original amount. *Impact if not funded:* The repairs will not be completed as planned with the associated risk of system failures and safety hazards.

West Refrigeration Plant Expansion

\$40,800,000

This project provides funding for the final increment of funding for the West Refrigeration Plant Expansion Project, which meets the cooling needs of the Capitol Complex. The FY 2003 budget appropriated the first increment of \$41 million for this project. The existing West Refrigeration Plant is operating at its maximum capacity during peak summer load conditions. The Capitol Visitor Center (CVC) will also impose additional loads when it becomes operational. These load demands make it critical that this project be completed before the CVC construction is completed. Construction of the West Refrigeration Plant Extension will accommodate new chillers and include all necessary auxiliary equipment, such as cooling towers, pumps, heat exchangers, piping and controls. *Impact if not funded:* The Capitol Power Plant will be unable to meet the load demands for the Capitol Complex, including the new CVC.

Design, Study and Condition Assessment

\$2,380,000

This project provides flexibility to meet the needs of the CPP by performing studies, designs and condition assessments to improve project planning and programming. Specific initiatives under this category are:

Capitol Power Plant	
Roof Survey	\$ 100,000
Emergency Lighting Survey	50,000
East Plant Use Survey	100,000
Utility Tunnel Modernization Study	1,500,000
Boilers & Auxiliaries Replacement/Overhaul	180,000
Long Term Preventative Maintenance Plan	450,000
Total, Capitol Power Plant	\$ 2,380,000

Replace Utility Tunnel Expansion Joints

\$440,000

This project will replace ten 16-inch expansion joints in the East Tunnel and ten 14-inch expansion joints in the Government Printing Office Tunnel. The existing expansion joints have been in place approximately 50 years, which significantly exceeds their life expectancy. Normal life expectancy for an expansion joint is 20 to 25 years. *Impact if not funded:* If existing joints were to fail, there could be life safety concerns for employees and significant impact to the reliability of steam distribution.

Replace Stoker Boilers 1 & 2

\$1,200,000

This project will provide funding to install new individual drive stokers and air distribution systems on the two Wickes coal fired boilers. There is a need to replace the existing stokers that operate on a common drive with stokers that are independently driven. Currently, a loss of one stoker or drive mechanism eliminates the use of the remaining three stokers, rendering the boiler unable to receive fuel, and thus, unable to generate steam. *Impact if not funded:* The two Wickes coal fired boilers in their current configuration can lose the ability to produce steam with the loss of a single stoker. This seriously impacts the power plant's reliability to supply steam to the Capitol Complex.

Install Emergency Egress, Tunnel Access

\$350,000

This project involves the removal and replacement of existing egress grates/manholes with lift-assisted access doors. It also includes installation of some footholds, ventilation fan guards, proper ladders and exit markings. The existing manholes do not allow an employee any means of escape in the event an emergency situation develops in the tunnel (i.e., a major rupture to a steam supply line). *Impact if not funded:* The current tunnel access/egress is not configured to permit a timely and safe escape from tunnels during a catastrophic event creating a life safety issue.

Install Oil Storage Tanks

\$4,200,000

This project will provide funding to install a 400,000-gallon underground fuel oil storage tank in the CPP auxiliary coal yard. The fuel oil tank will supply oil to the CPP boilers through a utility tunnel being installed as part of the Interim Coal Handling Project. The current fuel oil storage on the site does not provide sufficient capacity in the event of a gas curtailment. This additional 400,000 gallons of storage along with the existing 200,000 gallons of storage will give a total of seven days storage at full load operation. Environmental restrictions have limited the flexibility of burning coal, thus making the plant more dependent on fuel oil. *Impact if not funded:* The CPP will be forced to continue to pay higher costs for natural gas. The plant will continue to operate on limited fuel storage capacity.

Installation of Distributed Control System

\$6,500,000

This project will replace the existing pneumatic controls in the CPP Boiler Plant with digital controls. Existing obsolete controls utilize mercury, which is an environmental hazard. A "fieldbus" protocol will be used in the new control system, which will allow accurate and remote monitoring of the plant. The controls to a boiler must be fully functional and accurate to ensure safe plant operation and operation in compliance with environmental restrictions. Due to the age, inaccuracy, and unavailability of replacement parts, the system must be replaced. *Impact if not funded:* The CPP will continue to use unreliable controls. The plant will not operate as safely or as efficiently as it should. Also, environmental compliance will be placed in jeopardy.

Intrinsic Health Monitoring System

\$600,000

This project will install vibration monitoring equipment on major plant equipment. Increased age of equipment at the power plant increases the requirement for preventive maintenance and trouble shooting. Excessive equipment vibration can cause major motor and equipment damage and failure. By monitoring equipment vibration and comparing the measured amount to manufacturers tolerances,

major repair costs and long-term outages will be minimized. *Impact if not funded:* High repair and replacement costs will be incurred. Major equipment may be taken off-line for a long period of time, potentially resulting in the CPP not being able to supply the required utility load to the Capitol Complex.

ARCHITECT OF THE CAPITOL
Capitol Power Plant

Capitol Power Plant
Summary By Object Class
(Dollars in Thousands)

Object Class	FY 2002 Actual *	FY 2003 Enacted	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	\$ 4,358	\$ 4,803	\$ 5,392	\$ 589
12 Personnel Benefits	892	1,254	1,418	164
13 Benefits for Former Personnel	-	-	-	-
21 Travel	1	1	1	-
22 Transportation of Things	-	-	-	-
23 Rent, Communications and Utilities	28,063	31,400	33,697	2,297
24 Printing and Reproduction	75	-	-	-
25 Other Contractual Services	11,212	63,807	59,778	(4,029)
26 Supplies and Materials	3,626	4,756	6,271	1,515
31 Equipment	740	-	-	-
32 Land and Structures	72	-	-	-
41 Grants	-	-	-	-
42 Insurance Claims and Indemnities	-	-	-	-
43 Interest	-	-	-	-
44 Refunds	-	(4,400)	(4,400)	-
Total, Budget	\$ 49,039	\$ 101,621	\$ 102,157	\$ 536

* "FY 2002 Actual" represents total obligations of funds incurred in FY 2002, irrespective of year of appropriation. Excludes actual reimbursements for furnishing steam and chilled water



LIBRARY BUILDINGS & GROUNDS

INTRODUCTION

The Architect of the Capitol is responsible for the structural and mechanical care of the five Library of Congress (LOC) buildings (the Thomas Jefferson Building, John Adams Building, James Madison Memorial Building, Book Storage Module 1, and the Special Facilities Center) and care of the grounds. Additionally, new storage facilities are under design and construction at Fort Meade, Maryland. A new Library facility will also be added in the future when the Culpeper, Virginia, audio visual facility is transferred from a private donor. AOC responsibilities include liaison with various offices of the LOC to coordinate required activities and programs and coordination of construction management activities that affect the operation of the Library buildings.

FY 2004 LIBRARY BUILDINGS & GROUNDS BUDGET

The FY 2004 LOC Budget consists of an annual operating budget and a multi-year budget which are summarized in the following table:

Library Appropriation Summary (\$000)				
	FY 2002 EOY BA	FY 2003 Enacted	FY 2004 Request	2003/2004 Variance
Total Annual Budget	13,206	13,763	17,673	4,110
Total Multi-Year Budget	8,748	23,514	29,238	5,721
Total Appropriation	21,953	37,277	47,106	9,831

SIGNIFICANT CHANGES

Significant program and project increases include installation of a Water Tank at Ft. Meade (\$4.1 million); Replacement of the Halon Fire Suppression System (\$2.0 million); Elevator Modernization and Escalator Removal (\$2.7 million); Minor Construction (\$2.5 million); and Design, Study and Condition Assessments (\$12.6 million).

FULL-TIME EQUIVALENT REQUIREMENTS

The FY 2004 Budget also contains requirements for Full-Time Equivalents (FTEs). As indicated in the below table, the level of FTEs has not increased over the FY 2003 level of 153.

Library FTE Summary			
FY 2002 Actual	FY 2003 Enacted	FY 2004 Request	Change
145	153	153	-

ANNUAL BUDGET

The FY 2004 annual budget request for the Library Buildings and Grounds is \$17,873,000 which represents a 29.9% increase over the FY 2003 budget of \$13,763,000. The annual budget is comprised of recurring and non-recurring costs associated with the daily care, maintenance and operation of the facilities under the jurisdiction of the Architect of the Capitol. All recurring costs are broken down into Program Groups (as defined in the AOC General Statement) and non-recurring costs are broken down by project. Justifications for the proposed 29.9% increase in the recurring and non-recurring LOC Annual Budget for FY 2004 are provided in the section titled, "Analysis of Change" beginning on page LOC-4.

MULTI-YEAR BUDGET

The FY 2004 multi-year budget request is \$29,235,000, which represents a 24.3% increase over the FY 2003 budget of \$23,514,000. The basis for this multi-year budget plan is the result of Agency-wide planning and coordination of all major cyclical maintenance projects and building system enhancements in a thorough, systematic and programmed manner. Where appropriate, the Agency received 100% design documentation for projects prior to requesting construction funding. The Librarian of Congress was also included in the multi-year budget preparation process for the Library Buildings and Grounds. Project descriptions and justifications for FY 2004 multi-year projects can be found in the section titled, "Analysis of Change."

LIBRARY BUILDINGS & GROUNDS DETAILED FY 2004 BUDGET (\$)

Program Groups	Annual Recurring				FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	
Payroll (PR)	8,300,000	8,094,892	9,012,000	9,883,000	871,000
Facilities Management (FM)	1,811,000	1,662,196	1,903,500	2,770,000	866,500
Grounds Maintenance (GM)	64,898	64,721	65,000	65,000	-
Jurisdiction Centralized Activities (JR)	157,000	140,860	202,000	202,000	-
Miscellaneous Improvements (MI)	255,000	254,211	290,000	315,000	25,000
Total	10,587,898	10,216,880	11,472,500	13,235,000	1,762,500

Description	Annual Non-Recurring				FY03/04 Delta
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	
LOC (Room & Partition) Modifications			467,500		
Upgrade Emergency Generators, IAB&TJB			300,000		
HVAC NW Currain, TJB			453,000		
ADA Requirements			100,000	100,000	100,000
Preservation Environmental Monitoring			100,000	110,000	110,000
Restore Decorative Painting			100,000	100,000	100,000
Replace Siderails, IAB & TJB			120,000	580,000	580,000
Book Storage Facility, Ft. Meade Support			250,000	300,000	300,000
Replace Partition Supports, JMMB			300,000	600,000	600,000
Replace Compact Stack Safety, JMMB				190,000	190,000
Repair Deteriorated Wood Panels				170,000	170,000
Painting of Interior Arcades, TJB				1,263,000	1,263,000
Culpeper Support				75,000	75,000
Fire Extinguishers				250,000	250,000
Fire Safety Project Management				800,000	800,000
Repair Life Safety Deficiencies				4,638,000	4,638,000
Total	2,617,102	2,576,037	2,290,500	4,638,000	2,347,500

Multi-Year/No-Year Projects						
Projects	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	FY03/04 Delta	
Audio Visual Conservation Center, Culpeper		**	5,500,000			
Repair Life Safety Deficiencies			1,000,000			
Repair Roof Under East Parking Lot, TIB			2,180,000			
Add Sprinklers, JMMB			1,383,000			
Design & Const Book Storage Mod 2, Ft Meade			9,566,000			
Modernize 4 Elevators			980,000			
Minor Construction				2,500,000		
Replace Halon Fire Suppression Sys				1,997,000		
Extend/Upgrade Fire Alarm				504,000		
ADA Modifications, Pickford Theater				424,000		
ADA Modifications, SW Entrance JMMB				1,280,000		
Collection Security				1,713,000		
Landscaping, Fort Meade				1,400,000		
Elevator Modernization				1,342,000		
Remove 4 Escalators, JMMB				1,370,000		
Water Tank - Fort Meade				4,103,000		
Study, Design and Condition Assessment				12,602,000		
Total	8,748,000	1,889,282	23,514,000	29,235,000	5,721,000	
	* Includes \$5.0M No-Year Funds ** \$5.5M is No-Year Funds					

Total Annual, Multi-Year & No-Year Request						
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	FY03/04 Delta	
Total Annual Recurring	10,587,898	10,216,880	11,472,500	13,235,000	1,762,500	
Total Annual Non-Recurring	2,617,102	2,576,037	2,290,500	4,638,000	2,347,500	
Total Annual	13,205,000	12,792,917	13,763,000	17,873,000	4,110,000	
Total Multi/No-Year	8,748,000	1,889,282	23,514,000	29,235,000	5,721,000	
Total Annual, Multi and No-Year Request	21,953,000	14,682,198	37,277,000	47,108,000	9,831,000	

LIBRARY OF CONGRESS BUILDINGS & GROUNDS - ANALYSIS OF CHANGE

	2004 Agency Request
	FTE Amount (000)
Appropriation, FY 2003	153
Minus Rescission	\$ 37,521
Adjusted Appropriation, FY 2003	244
Program Decreases	37,277
LOC (Room & Partition) Modifications	(467)
Upgrade Emergency Generators, JAB&TJB	(300)
HVAC NW Curtain, TJB	(453)
FY-03 ADA Requirements	(100)
FY-03 Preservation Environmental Monitoring	(100)
FY-03 Restore Decorative Painting	(100)
FY-03 Replace Sidewalks, JAB & TJB	(100)
FY-03 Book Storage Facility, Ft. Meade Support	(120)
FY-03 Replace Partition Supports, JMMB	(250)
FY-03 Replace Compact Stack Safety, JMMB	(300)
Audio Visual Conservation Center, Culpeper/W&S	(5,500)
Repair Life Safety Deficiencies	(1,000)
Repair Roof under East Parking Lot, TJB	(2,180)
Add Sprinklers, JMMB	(1,383)
Design & Constr Book Storage Mod 2, Ft Meade	(9,566)
Modernize 4 Elevators	(980)
FY 2003 Study, Design and Condition Assessment	(2,905)
Total, Program Decreases	25,804
Mandatory Pay and Related Costs:	
Comparability Pay Raise 2004	310
Annualization of Pay Raise 2003	9
Annualization of New FY-03 Positions	94
Within-grade Increases and Pay Adds	99
Extra Compensable Day	36
Leave Reduction	114
Retirement Increases	113
FEHBA/FEGLI	78
Other *	18
Total, Mandatory Pay and Related Costs	871

2004 Agency Request

	FTE	Amount (000)
Program Increases:		
Facilities Management (FM)		866
Miscellaneous Improvements (MI)		25
FY-04 ADA Requirements		100
FY-04 Preservation Environmental Monitoring		100
FY-04 Restore Decorative Painting		110
FY-04 Replace Sidewalks, JAB & TJB		100
FY-04 Book Storage Facility, Ft. Meade Support		580
FY-04 Replace Partition Supports, JMMB		300
FY-04 Replace Compact Stack Safety, JMMB		600
Repair Deteriorated Wood Panels		190
Painting of Interior Arches, TJB		170
Culpeper O&M		1,263
Fire Extinguishers		75
Fire Safety Project Management		250
Repair Life Safety Deficiencies		800
Minor Construction		2,500
Replace Halon Fire Suppression Sys		1,997
Extend/Upgrade Fire Alarm		504
ADA Modifications, Pickford Theater		424
ADA Modifications, SW Entrance JMMB		1,280
Collection Security		1,713
Landscaping, Ft Meade		1,400
Elevator Modernization		1,342
Remove 4 Escalators, JMMB		1,370
Water Tank - Fort Meade		4,103
FY 2004 Study, Design and Condition Assessment		12,602
Total, Program Increases	-	\$ 34,764
Net Increase	-	\$ 9,831
Total Appropriation	153	\$ 47,108

* Other includes Awards & Transit Subsidy

monitoring systems throughout LOC buildings that measure the temperature and humidity of the Library's critical collections. *Impact if not funded:* The LOC will not have the ability to monitor and manage environments that would adversely affect the preservation of collections.

Restore Decorative Painting \$110,000

This project will restore decorative painting in the Jefferson and Adams Buildings. During the life of the Jefferson and Adams buildings art work was lost due to over-painting of original work. This project uncovers lost work and restores the decorative painting of buildings to their original grandeur. *Impact if not funded:* Art work that was covered will not be restored until a later time.

Replace Sidewalks JAB & TJB \$100,000

This project will replace the deteriorating sidewalks and street curbs throughout the grounds of the Madison, Jefferson and Adams Buildings. They have become a safety concern for the staff and general public. *Impact if not funded:* Personnel using the walkways surrounding the Madison, Adams and Jefferson Building complex will be subject to tripping hazards. Wheelchair bound personnel will have difficulty navigating over the deteriorating surface. The safety issues will be compounded during periods of rain, ice and snow.

Book Storage Facility, Ft. Meade Support \$580,000

This project calls for contracted effort to perform comprehensive facilities maintenance and testing in accordance with appropriate codes. *Impact if not funded:* Will not be able to maintain this new facility for the Library of Congress.

Replace Partition Supports, JMIMB \$300,000

This project provides funding for additional loading capability of Floor-To-Ceiling (FTC) walls. A private contractor will modify and install a track system that safely doubles the loading capacity on FTC walls. *Impact if not funded:* LOC staff may attempt to load walls that have not been upgraded and failure of the older wall configuration may occur. This presents a safety concern as each

Program Increases – Annual Recurring

Payroll (PR) \$9,883,000
Increase Requested 871,000

Increase necessitated by annual rise in Cost-of-Living Allowance (COLA) and Agency contributions.

Facilities Management (FM) \$2,770,000
Increase Requested 866,500

Increase primarily due to significant increase in painting and caulking of exteriors of all Library buildings, and required additional fire alarm testing to meet current building codes.

Miscellaneous Improvements (MI) \$315,000
Increase Requested 25,000

Increase due to rise in failure rate of critical components in the Madison Building (now twenty years old). Additionally, miscellaneous improvements are anticipated to increase at the Ft. Meade and Culpeper facilities as they transition to full operational status.

Program Increases – Annual Non-Recurring

ADA Requirements \$100,000

This project will provide funding for needed changes in LOC buildings to meet ADA requirements. *Impact if not funded:* Inability for LOC to identify and correct ADA deficiencies.

Preservation Environmental Monitoring \$100,000

This funding will be used to provide for and enhance the preservation of collections at the LOC. Proper temperature and humidity controls are critical to extending the life of the collections for the LOC. The project will provide for the installation of

building scaffolding to strip and paint arches. *Impact if not funded:* The paint will continue to deteriorate and fall leading to more extensive and costly repairs later. The public's negative perception of this major tourist attraction will increase due to the lack of proper maintenance.

\$ 1,263,000

Culpeper Support

This project involves the operation and maintenance of the new National Audio Visual Conservation Center (NAVCC) in Culpeper, VA, using a professional facilities maintenance contractor. With oversight from the Architect of the Capitol, the facilities maintenance contractor will perform all routine preventative maintenance on all equipment. *Impact if not funded:* The first half of this project will be turned over in July 2004 and if not funded, the new facility will not be operated and maintained and will fall in disrepair. Additionally, the Library of Congress will not be able to occupy the facility as intended due to the lack of maintenance and required code compliance testing. Lack of funding could jeopardize the property transfer from the Packard Humanities Institute.

\$75,000

Fire Extinguisher

This project will replace 1,450 fire extinguishers per code. The code requires fire extinguishers to be discharged and refilled every 6 years. However, analysis indicates that it is less expensive to replace all extinguishers versus discharging and refilling. *Impact if not funded:* The fire extinguishers will not be replaced at their 6 year cycle leading to a code violation and potential citation by the Office of Compliance. Increased life safety risk will be present due to the potential inoperable fire extinguishers.

\$250,000

Fire Safety Project Management

This project will provide a temporary contracted fire protection engineer on sight to review on-going work and develop guidelines for proper operations of life safety systems. There are extensive fire, and life safety code problems with the Library of Congress facilities, which will take several years to correct. These problems are

wall weighs several hundred pounds and could cause significant personnel and structure damage upon collapse.

\$600,000

Replace Compact Stack Safety, JMIMB

This project is the completion of a multi-year project to replace the electronic safety devices on the book stacks in the Madison building. The LOC Safety Office has advised that the motor drives on the compact stacks could crush and kill an individual if the safety systems were to fail. This new design will eliminate this life safety issue. *Impact if not funded:* The units as installed could harm an employee in the event the safety system failure. Additionally, this is the final phase of a four-phase project and if not funded will drive up costs.

\$190,000

Repair Deteriorated Wood Panels

This project involves the restoration of existing decorative sets of wooden panels located throughout the hallways of the James Madison Building. The decorative wall-mounted sets of wooden panels located throughout the hallways of the James Madison Building have become unsightly. They present a negative view of the building's condition. To maintain a positive view of the Madison Buildings interior, the proposed effort will restore panels to an "as new" condition. All panels shall be removed from their existing location and sent to a contractor's facility for refurbishing. The restoration process involves the cleaning and priming of existing panel surfaces. This effort will be followed by the installation and finishing of new sheets of wood veneer which are glued over top of the existing worn/damaged panel surfaces. *Impact if not funded:* The decorative panels will continue to fade and degrade, presenting a negative view of the building's condition to the hundreds of visitors using the facility on a daily basis.

\$170,000

Painting of Interior Arches, TJB

This project involves repainting arches inside the Jefferson Main Reading Room. The paint on arches is peeling and falling inside various reading rooms. The requested funding will cover the cost of

extremely complicated and require extensive experience with building and life safety code equivalencies. This level of fire protection engineering is not available in-house. In addition, the temporary contracted fire protection engineer will develop code compliant inspection, Testing and Maintenance systems to ensure maintenance of facilities in accordance with applicable codes. *Impact if not funded:* Will be unable to effectively manage the fire and life safety code deficiencies in the Library of Congress facilities.

FY-04 Repair Life Safety Deficiencies

\$800,000

This project will provide materials and labor to complete the necessary repairs to life safety deficiencies. A comprehensive fire safety inspection, performed by the Office of Compliance, was conducted in 2001 yielding hundreds of deficiencies. *Impact if not funded:* Will be unable to make progress on correcting the deficiencies noted in the comprehensive inspection by the Office of Compliance. Insufficient progress will lead to the potential for the issuance of citations by the Office of Compliance and possible exposure to life safety risks posed by deficiencies.

Program Increases – Multi-Year

Minor Construction

\$2,500,000

Provides flexibility for unforeseen construction-related needs of the Librarian of Congress. Additionally, Minor Construction will fund \$500,000 for LOC room partition support, as needed.

Replace Halon Fire Suppression Systems

\$1,997,000

This project consists of the replacement of the existing Halon fire suppression systems serving various rooms within the Library of Congress. The Montreal Protocol banned the production of all Ozone depleting substances by the year 2000. Accordingly, Halon is no longer produced. If a LOC Halon system were to discharge, it would be difficult and costly to acquire and recharge the system. This proposed project will provide funding to install, test, and approve a "clean agent" system. The Halon systems serve rooms with either sensitive electronic equipment or historically significant materials. This project includes replacement within the following

rooms in the Madison Building: the main computer room G02/G04 and AT&T frame room (number LM-516); and the Jefferson Building; AT&T Frame Room LJ-C16; Rare Book Storage Area (4 levels within north and south sides of building) and the AT&T Frame Room (G-08) in the Adams Building. *Impact if not funded:* If the Halon system is permitted to remain in service and the Halon system discharges as a result of a fire or false alarm, then the replacement system will not be available for several months following discharge. This lack of protection can represent significant property risk.

Extend/Upgrade Fire Alarm

\$504,000

This project will provide funding to upgrade the Madison Building fire alarm system to meet ADA standards. When built, the Madison Building did not have strobe lights. This project will install visual strobe lights in the Madison Building to comply with NFPA and ADA regulations. This is a code required system. *Impact if not funded:* In the event of a life threatening situation, the Library staff and hearing impaired could be at potential risk of harm.

ADA Modifications, Pickford Theater

\$424,000

This project will provide funding to modify the existing Pickford Theater in the James Madison Building to meet ADA requirements. *Impact if not funded:* Wheelchair bound personnel will not be able to access the theater.

ADA Modifications, SW Entrance

\$1,280,000

This project will modify the southwest entrance to the Madison Building to be ADA compliant. To encourage the use of public transportation by researchers and the visiting public, the Librarian has determined that the southwest entrance to the Madison Building, which is adjacent to the Capitol South Metro Station, shall be opened for public access. The expanded use of this entrance makes it prudent to modify this entrance to be ADA accessible. *Impact if not funded:* Access to the building for people using public transportation will continue to be difficult. The absence of ADA compliant access at the southwest entrance of the Madison Building

\$1,342,000

Elevator Modification

This project is a continuation of the Elevator Modernization Program currently in progress throughout the Library of Congress. Elevators TJ12, TJ13, JMF1, JMF2 and JMDW1 were selected for modernization based on age, use and number of repairs. There are three different types of elevators in this project; passenger, freight and dumbwater. Modifications will also make them ADA and safety code compliant. Each elevator will be taken out of service and completely refurbished with improved controls and new lifting equipment. *Impact if not funded:* These elevators will continue to decline and require significant and costly maintenance. Risk of passenger injury will continue to increase due to code violations and inadequate safety control mechanisms.

\$1,370,000

Remove 4 Escalators, JMMB

This project eliminates four escalators which are not compliant with current safety codes and provide the Library with much needed swing/storage space to facilitate on-going and future modernization projects throughout the facility. *Impact if not funded:* Existing non-code compliant escalator system will remain in place subjecting personnel to a variety of safety hazards and possible injury. The Library's on-going modernization program will continue to suffer implementation problems due to the lack of swing space.

\$4,103,000

Water Tank, Ft. Meade

To meet fire code requirements of the Book Storage Module 2 project at Fort Meade, a water tank is necessary as a second reliable water source for this and future projects. This project will include a 500,000 gallon on-grade water tank, pumps and an associated distribution network. *Impact if not funded:* This is a code required installation and Book Storage Module 2 can not be occupied until the water tank and associated pumps and distribution network are provided.

forces handicapped visitors and staff who use public transportation to transit 1-1/2 blocks to enter the building.

Upgrade Collections Security

\$1,713,000

This project will construct eight security vaults capable of storing and protecting the Library of Congress' "Platinum" and "Gold" rated collection materials. Materials are currently stored in locations throughout the Library of Congress that do not meet physical security and conservation requirements. This requires the modification of existing space in order to meet the needs of the Library of Congress' collections. *Impact if not funded:* Unprotected "Platinum and Gold" rated materials will continue to be stored in less than adequate secured and controlled environments. This will make them susceptible to theft and exposing them to an environment that accelerates decomposition. Valuable cultural resources will be lost for future generations to study and enjoy.

\$1,400,000

Landscaping, Ft. Meade

This project at Fort Meade provides visual screening landscaping around the warehouses that are exposed to extensive public view. The site is located immediately adjacent to Maryland Route 32 that provides primary access to Ft. Meade, and to internal installation roadways on two other sides. Visual screening (landscaping) is required by the State of Maryland for industrial-type facilities that impact the appearance of primary public roadways. Screening is accomplished by a combination of earth berms, walls, and evergreen planting. Deciduous trees, flowering trees, and shrubs are included in the planting to create visual relief and interest. Berms are constructed to raise the elevation of the plant material to accomplish screening to heights that exceed the initial installation heights of the plant material. Some portion of the Route 32 frontage is occupied by storm water ponds that will prevent the installation of berms and planting to provide screening, so concrete walls have been designed to provide the required visual buffer. Approximately 18 acres at the perimeter of the 67 acre site requires screening. *Impact if not funded:* Negative and unsightly appearance at the Ft. Meade facility subject to general public dissatisfaction and negative media coverage.

Design, Study and Condition Assessment \$12,602,000

This project provides flexibility to meet the needs of the LOC by performing studies, designs and condition assessments to improve project planning and programming. Specific initiatives under this category are:

Library Buildings & Grounds	
Upgrade Emergency Lighting	\$ 350,000
Steam-to-Steam Humidification	375,000
Replace Bathroom Exhaust Systems, TJB	225,000
Study, Damper, Smoke Control	1,397,000
ADA Bathroom Renovations, JAB	236,000
Upgrade Book Conveyor System	200,000
Replace Drinking Water System	200,000
Repair/Replace Cooper Roof, JAB	200,000
Conservation of Murals	69,000
Logistics Warehouse Facility, Ft. Meade	2,600,000
Provide Electrical Upgrade, JMMB	100,000
Offsite Storage Facility	600,000
Design, Replace Windows	600,000
Repair Clean Convectur Units	75,000
Book Storage Module 5, Ft. Meade	1,500,000
Master Plan, Ft. Meade	675,000
Condition Assessment	3,200,000
Total, Library Buildings & Grounds	\$ 12,602,000

ARCHITECT OF THE CAPITOL
Library Buildings and Grounds
Structural and Mechanical Care

Library Buildings and Grounds
Summary By Object Class
(Dollars in Thousands)

Object Class	FY 2002 Actual *	FY 2003 Enacted	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	8,639	7,336	7,922	586
12 Personnel Benefits	1,684	1,676	1,961	285
13 Benefits for Former Personnel	-	-	-	-
21 Travel	1	-	-	-
22 Transportation of Things	6	-	-	-
23 Rent, Communications and Utilities	1	-	-	-
24 Printing and Reproduction	1	-	-	-
25 Other Contractual Services	3,741	27,524	36,382	8,858
26 Supplies and Materials	2,245	604	585	(19)
31 Equipment	589	72	193	121
32 Land and Structures	4,446	65	65	-
42 Insurance Claims and Indemnities	-	-	-	-
43 Interest	-	-	-	-
44 Refunds	-	-	-	-
Total, Budget	\$ 21,353	\$ 37,277	\$ 47,108	\$ 9,831

* "FY 2002 Actual" represents total obligations of funds incurred in FY 2002, irrespective of year of appropriation.



CAPITOL POLICE BUILDINGS & GROUNDS

INTRODUCTION

The Architect of the Capitol is responsible for the maintenance, care, and operation of the U. S. Capitol Police (USCP) Buildings and Grounds. Current existing facilities and those under design for future construction include the Canine Facility, Chemical/Explosive Storage Facility, USCP Headquarters Building, Tactical Training Facility, Off-Site Delivery Center and Vehicle Maintenance Facility.

CAPITOL POLICE BUILDINGS & GROUNDS FY 2004 BUDGET

The FY 2004 USCP Budget consists of an annual operating budget and a multi-year budget which are summarized in the following table:

USCP Bldgs & Grnds Appropriation Summary (\$000)				
	FY 2002	FY 2003	FY 2004	2003/2004
	EOY BA	Enacted	Request	Variance
Total Annual Budget:	-	400	895	495
Total Multi-Year Budget	-	23,345	2,075	(21,270)
Total Appropriation	-	23,745	2,970	(20,775)

ANNUAL BUDGET

The FY 2004 annual budget request for the Capitol Police Buildings and Grounds is \$895,000 which represents an increase over the FY 2003 budget of \$400,000. The annual budget is comprised of recurring and non-recurring costs associated with the daily care, maintenance and operation of the facilities under the jurisdiction of the Architect of the Capitol. All recurring costs are broken down into Program Groups (as defined in the General Statement) and non-recurring costs are broken down by project. Justifications for the proposed increase in the recurring and non-recurring USCP Buildings & Grounds Annual Budget for FY 2004 are provided in the section titled, "Analysis of Change" beginning on page USCP-3.

The Capitol Police Buildings & Grounds Budget currently holds no requirements for Full-Time Equivalents (FTEs).

MULTI-YEAR BUDGET

The FY 2004 multi-year budget request is \$2,075,000, which represents a decrease from the FY 2003 budget of \$23,345,000. The basis for this multi-year budget plan is the result of Agency-wide planning and coordination of all major cyclical maintenance projects and building system enhancements in a thorough, systematic and programmed manner. The Capitol Police were also included in the multi-year budget preparation process for the Capitol Police Buildings and Grounds. Project descriptions and justifications for FY 2004 can also be found in the section titled, "Analysis of Change."

CAPITOL POLICE BUILDINGS & GROUNDS DETAILED FY 2004 BUDGET (\$)

Annual Recurring				
Program Groups	FY03 Enacted	FY04 Request	FY03/04 Delta	
Facilities Management (FM)	175,000	175,000	175,000	
Jurisdiction Centralized Activities (JR)	400,000	400,000	400,000	
Total	400,000	575,000	175,000	

Annual Non-Recurring				
Description	FY03 Enacted	FY04 Request	FY03/04 Delta	
Replace Ceiling Tiles, USCP Hdqrs	-	320,000	320,000	
Total	-	320,000	320,000	

Multi-Year Capital Projects				
Projects	FY03 Enacted	FY04 Request	FY03/04 Delta	
Design, Offsite Delivery/Screening Center	2,000,000	-	(2,000,000)	
Offsite Delivery Screening Center	5,000,000	-	(5,000,000)	
Design, Tactical Training Fac, Cheltenham, Md	1,500,000	-	(1,500,000)	
Other Facility Improvements	14,845,000	500,000	14,345,000	
Studies, Design & Condition Assessment	-	1,000,000	1,000,000	
Minor Construction	-	575,000	575,000	
CPHQ Elevator Modernization	-	2,075,000	2,075,000	
Total	23,345,000	2,075,000	(21,270,000)	

Total Annual & Multi-Year Request				
	FY03 Enacted	FY04 Request	FY03/04 Delta	
Total Annual Recurring	400,000	575,000	175,000	
Total Annual Non-Recurring	-	320,000	320,000	
Total Annual	400,000	895,000	495,000	
Total Multi-Year	23,345,000	2,075,000	(21,270,000)	
Total Annual & Multi-Year Request	23,745,000	2,970,000	(20,775,000)	

CAPITOL POLICE BUILDINGS & GROUNDS - ANALYSIS OF CHANGE

	FY 2004
	FTE Agency Request Amount (000)
Appropriation, FY 2003	\$ 23,900
Minus Rescission	(155)
Adjusted Appropriation, FY 2003	23,745
Program Decreases	
Design, Offsite Delivery Screening Center	(2,000)
Offsite Delivery Screening Center	(5,000)
Design, Tactical Training Facility, Cheltenham, Md	(1,500)
Other Facility Improvements	(14,845)
Total, Program Decreases	(23,345)
Mandatory Pay and Related Costs:	
No Associated FTE	-
Total, Mandatory Pay and Related Costs	\$ -
Program Increases:	
Facilities Management (FM)	175
Replace Ceiling Tiles, USCP Headquarters	320
Studies, Design & Condition Assessment	500
Minor Construction	1,000
CPHQ Elevator Modernization	575
Total, Program Increases	\$ 2,570
Net Decrease	\$ (20,775)
Total Appropriation	\$ 2,970

Program Increases – Annual Recurring

Facilities Management (FM)	\$175,000	CPHQ Elevator Modernization	\$575,000
<p>Increase due to additional expenses relative to the maintenance and care of the buildings.</p>			
<p><u>Program Increases – Annual Non-Recurring</u></p>			
Replace Ceiling Tiles, USCP Headquarters	\$320,000	<p>This project will provide funding for elevator modernization based on a planning survey that was conducted to determine the scope of modernizing elevators on the north side of the Capitol Police Headquarters building. The project will include replacing drive systems, updating all visual and audible devices, installing new control systems with security features and monitoring ability, upgrading cab furnishings, and floor equipment. The benefits derived from this project consist of ADA compliance, improved fire fighting capability, and upgrades in security features. <i>Impact if not funded:</i> Elevator reliability will continue to degrade and ADA requirements will not be met.</p>	

Program Increases – Multi-Year

Study, Design and Condition Assessment	\$500,000	<p>This project provides flexibility to meet the needs of the Capitol Police by performing studies, designs and condition assessments to improve project planning and programming.</p>	
Minor Construction	\$1,000,000	<p>This project provides flexibility for unforeseen construction-related needs as requested by the Capitol Police. <i>Impact if not funded:</i> The ability to execute projects to meet unforeseen requirements in a timely manner will be adversely affected.</p>	

ARCHITECT OF THE CAPITOL
 Capitol Police Buildings and Grounds

**U.S Capitol Police Buildings and Grounds
 Summary By Object Class**

(Dollars in thousands)

Object Class	FY 2002 Actual *	FY 2003 Enacted	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	-	-	-	-
12 Personnel Benefits	-	-	-	-
13 Benefits for Former Personnel	-	-	-	-
21 Travel	-	-	-	-
22 Transportation of Things	-	-	-	-
23 Rent, Communications and Utilities	-	400	400	-
24 Printing and Reproduction	-	-	-	-
25 Other Contractual Services	-	23,345	2,570	(20,775)
26 Supplies and Materials	-	-	-	-
31 Equipment	-	-	-	-
41 Grants	-	-	-	-
42 Insurance Claims and Indemnities	-	-	-	-
43 Interest	-	-	-	-
44 Refunds	-	-	-	-
Total, Budget	-	\$ 23,745	\$ 2,970	\$ (20,775)

* "FY 2002 Actual" - Capitol Police Buildings & Grounds appropriation commenced in FY 2003



BOTANIC GARDEN

INTRODUCTION

The Architect of the Capitol has served as Acting Director of the United States Botanic Garden (BG) since July 3, 1994. The Architect is responsible for the maintenance, modification and operation of the Garden. The Architect performs his duties in connection with the Garden under the direction of the joint Committee on the Library, which is charged by law with control over the garden. Day-to-day operations are managed by the Executive Director. This appropriation provides for the care and upkeep of the Conservatory, Administration Building, Bartholdi Park, Bartholdi Fountain, the plant collection, the gardens and grounds, and the Production Facility at D.C. Village.

BOTANIC GARDEN FY 2004 BUDGET

The FY 2004 Botanic Garden Budget consists of an annual operating budget and a multi-year budget which are summarized in the following table:

Botanic Garden Appropriation Summary (\$000)				
	FY 2002	FY 2003	FY 2004	2003/2004
	EOY BA	Enacted	Request	Variance
Total Annual Budget	5,646	5,943	6,437	494
Total Multi-Year Budget	-	120	4,482	4,362
Total Appropriation	5,646	6,063	10,919	4,856

SIGNIFICANT CHANGES

One renovation project, the Bartholdi Park and Fountain Project (\$4.3 million), is proposed for the FY 2004 Botanic Garden Budget.

FULL-TIME EQUIVALENT REQUIREMENTS

The FY 2004 Budget also contains requirements for Full-Time Equivalents (FTEs). As indicated in the below table, the level of FTEs increased to 56 over the FY 2003 level of 55. This increase is due to the annualization of FTE increases enacted in FY 2003.

Botanic Garden FTE Summary			
FY 2002	FY 2003	FY 2004	Change
Actual	Enacted	Request	
47	55	56	1

ANNUAL BUDGET

The FY 2004 annual budget request for the Botanic Garden is \$6,437,000 which represents an 8.3% increase over the FY 2003 budget of \$5,943,000. The annual budget is comprised of recurring and non-recurring costs associated with the daily care, maintenance and operation of the facilities under the jurisdiction of the Architect of the Capitol. All recurring costs are broken down into Program Groups (as defined in the AOC General Statement) and non-recurring costs are broken down by project. Justifications for the proposed 8.3% increase in the recurring and non-recurring Botanic Garden Annual Budget for FY 2004 are provided in the section titled, "Analysis of Change" beginning on page BG-4.

MULTI-YEAR BUDGET

The FY 2004 multi-year budget request of \$4,482,000 is primarily to fund the Bartholdi Park and Fountain Project. The Agency has received 100% design documentation for this project which is described and justified in the section titled, "Analysis of Change."

BOTANIC GARDEN DETAILED FY 2004 BUDGET (\$)

Annual Recurring						
Program	FY02	FY02	FY03	FY04	FY03/04	
Groups	EOY BA	Obligation	Enacted	Request	Delta	
Payroll (PR)	2,932,000	2,728,392	3,488,000	3,889,000	401,000	
Administrative (AD)	19,240	18,942	21,000	23,000	2,000	
Electronic Systems (EC)	13,760	13,760	25,000	-	(25,000)	
Facilities Management (FM)	756,000	734,862	506,000	1,003,000	497,000	
Grounds Maintenance (GM)	250,000	249,730	288,500	291,500	3,000	
Jurisdiction Centralized Activities (JR)	294,000	293,644	267,500	263,500	(4,000)	
Miscellaneous Improvements (MI)	10,000	10,000	10,000	25,000	15,000	
Total	4,275,000	4,049,331	4,606,000	5,495,000	889,000	

Annual Non-Recurring						
Description	FY02	FY02	FY03	FY04	FY03/04	
	EOY BA	Obligation	Enacted	Request	Delta	
Fire Alarm System Upgrades, ADA DC Village			25,000			
Shade Curtain Replacement			22,000			
Vehicle Replacement			43,000			
Partnerships			300,000			
Book on History of Botanic Garden			20,000			
Conservatory Galleries Design Exhibits, Banners			652,000			
Interpretive Illustrations - Conservatory Garden Court			225,000			
CAPM Data Capture (Burtholdi Proj)			50,000	50,000		
Minor Construction				400,000		
Dumper Control, DC Village				100,000		
Environmental Control System Replacement				100,000		
Conservatory Electronic Systems				90,000		
West Gallery Exhibit				202,000		
Total	1,371,000	1,326,950	1,337,000	942,000	(395,000)	

Multi-Year Projects					
Projects	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	FY03/04 Delta
Bartholdi Park and Fountain			120,000	4,280,000	
Study, Design and Condition Assessment			120,000	202,000	
Total			120,000	4,482,000	4,362,000
Total Annual & Multi-Year Request					
	FY02 EOY BA	FY02 Obligation	FY03 Enacted	FY04 Request	FY03/04 Delta
Total Annual Recurring	4,275,000	4,049,331	4,606,000	5,495,000	889,000
Total Annual Non-Recurring	1,371,000	1,326,950	1,337,000	942,000	(395,000)
Total Annual	5,646,000	5,376,280	5,943,000	6,437,000	494,000
Total Multi-Year	-	-	120,000	4,482,000	4,362,000
Total Annual & Multi-Year Request	5,646,000	5,376,280	6,063,000	10,919,000	4,856,000

BOTANIC GARDEN - ANALYSIS OF CHANGE

	FY 2004 Agency Request FTE	Amount (000)
Appropriation, FY 2003	55	\$ 6,103
Minus Rescission		(40)
Adjusted Appropriation, FY 2003		6,063
Program Decreases		
Electronic Systems (EC)		(25)
Jurisdiction Centralized Activities (JR)		(4)
Fire Alarm System Upgrades, ADA, DC Village		(25)
Shade Curtain Replacement		(22)
Vehicle Replacement		(43)
Partnerships		(300)
Book on History of Botanic Garden		(20)
FY-04 Conservatory Galleries Design Exhibits, Banners		(652)
FY-03 Interpretive Illustrations - Garden Court		(225)
FY-03 CAEM Data Capture (Barholdt Project)		(50)
FY-03 Study, Design And Condition Assessment		(120)
Total, Program Decreases	-	\$ (1,486)
Mandatory Pay and Related Costs:		
Comparability Pay Raise 2004		121
Annualization of Pay Raise 2003		14
Annualization of New FY-03 Positions	1	66
Within-grade Increases and Pay Adds		36
Extra Compensable Day		13
Lapse Reduction		92
Retirement Increases		24
FEHBA/FEGLI		28
Other *		7
Total, Mandatory Pay and Related Costs	1	\$ 401

	FY 2004 Agency Request FTE	Amount (000)
Program Increases:		
Administrative (AD)	2	
Facilities Management (FM)	497	
Grounds Maintenance (GM)	3	
Miscellaneous Improvements (MI)	15	
FY-04 CAEM Data Capture (Barholdt Project)	50	
Minor Construction	400	
Damper Control, DC Village	100	
Environmental Control System Replacement	100	
Conservatory Electronic Systems	90	
West Gallery Exhibit	202	
Barholdt Park and Fountain	4,280	
Study, Design And Condition Assessment	202	
Total, Program Increases	-	\$ 5,941
Net Increase	1	\$ 4,856
Total Appropriation	56	\$ 10,919

* Other includes Awards & Transit Subsidy

Program Increases – Annual Recurring

Payroll (PR)	\$3,889,000
Increase Requested	401,000
Increase necessitated by the addition of one FTE in FY 2004 (due to annualization of FTEs enacted in FY 2003) and annual rise in Cost-of-Living Allowance (COLA) and Agency contributions.	
Administrative (AD)	\$23,000
Increase Requested	2,000
Increase due to an increase in the requirements for books, office equipment and supplies.	
Facilities Management (FM)	\$1,003,000
Increase Requested	497,000
Increase due to realigning "Partnership" support from non-recurring to the recurring budget (\$300,000) and additional support (\$150,000); realigning "Shade Curtain Replacement" from non-recurring to the recurring budget (\$22,000); and general cost increases in operations and maintenance.	
Grounds Maintenance (GM)	\$291,500
Increase Requested	3,000
Increase due to general cost increases in operations and maintenance.	
Miscellaneous Improvements (MI)	\$25,000
Increase Requested	15,000
Increase to fund emergency and unplanned minor repairs.	

Program Increases – Annual Non-Recurring

Computer-Aided Facility Management (CAFM) Data Capture	\$50,000
This project will automate preventive and routine maintenance schedules throughout the facilities of the Botanic Garden. The work includes capturing data from numerous systems and equipment such as the heating ventilation and air conditioning systems, plumbing systems, boilers and heating pumps, greenhouse fans and specialized greenhouse heating equipment, vehicle maintenance, irrigation systems and electrical systems. Automation of the maintenance schedules will allow for better maintenance planning and will ensure that maintenance takes place within manufacturer's recommended intervals. <i>Impact if not funded:</i> The maintenance requirements will not be automated and will be inefficient. This may result in additional maintenance delays and may cause potential system breakdowns.	
Minor Construction	\$400,000
This project provides flexibility for unforeseen needs including minor construction, repair, and alteration projects, and related activities in connection with construction and maintenance activities of the Botanic Garden greenhouses. <i>Impact if not funded:</i> The ability to execute projects to meet unforeseen requirements in a timely manner will be adversely affected.	
Damper Control, DC Village	\$100,000
This project will provide fire dampers to comply with the National Fire Protection Association (NFPA) fire codes as well as a building smoke control system. Elements of the heating ventilation and air conditioning system in the Botanic Garden Production Facility are not in compliance with NFPA 101, Life Safety Code. In addition, the existing smoke control system is substandard. Construction includes the installation of new fire dampers, new emergency generators, supply fans, exhaust fans, smoke dampers, smoke detectors, air intake louvers and exhaust louvers. <i>Impact if not funded:</i> Life safety is compromised and NFPA life safety codes will not be met.	

Environmental Control System Replacement

\$100,000

This project will replace the current greenhouse system with computerized monitoring and control for individual greenhouses with individualized control panels all linked to a central operator station that has monitoring, control, and trend logging capabilities. The present greenhouse environmental control system is aged (14 years old), obsolete and technologically inadequate to respond to environmental demands. *Impact if not funded:* The environmental control system will reach the end of its useful life and will fail.

Conservatory Electronic Systems

\$90,000

This project will provide funding for warranties on electronic systems throughout the Botanic Garden Conservatory. *Impact if not funded:* In the event of failure of supported electronic equipment, replacement and/or repair costs would be excessive.

West Gallery Exhibit

\$202,000

This project includes the fabricating and installing 2,400 square feet of permanent exhibit space in the Conservatory West Gallery. The Conservatory West Gallery functions as a visitors orientation point within the Conservatory. The exhibit, "Plants and Civilization" will complete the interpretive master plan for the Conservatory's plant displays and exhibits for the Conservatory's educational program, a phased installation that began in 2000. Additionally, this project includes the fabrication and installation of large durable banners that announce the Botanic Garden displays. The displays will be visible from Maryland Avenue and will serve to draw visitors walking on the National Mall into the Conservatory. The large banners will match smaller ones that will be displayed on streetlight poles of Independence Avenue. The project will also focus the script writing and recording of a custom audio tour featuring each house and gallery of the Conservatory. *Impact if not funded:* The education program will be incomplete and will not meet the needs of the public.

Program Increases – Multi-Year

Bartholdi Park Fountain Restoration and Park Renovations

\$4,280,000

This project will provide funding to restore the Bartholdi fountain which was purchased from the 1876 International Centennial Exhibition in Philadelphia, and was moved to Washington, DC in 1877. The Fountain, restored to its cast iron metal base in 1986, was expected to last approximately 10 years. The four top coatings have disintegrated and the cast iron is exposed in areas. Although the fountain is functional, both the top and lower basins leak and many of the water sprays function sporadically. This project will renovate and restore the existing fountain and basin. This includes providing and applying a coating treatment to the deteriorating metal finish, upgrading and replacing all plumbing, upgrading the electrical components, installing a new utility vault, basin, light fixtures, and 19th century replicas of the original light fixtures and basin standards. All irrigation to the fountain and Bartholdi park will be replaced. Most of the park does not have an irrigation system and requires high maintenance and manpower during the summer months. Additionally, the deteriorating sidewalk will be removed and replaced to make the park ADA accessible. *Impact if not funded:* The Bartholdi sculpture will continue to deteriorate and the fountain will be inoperable. Additionally, the park will not be ADA accessible.

Study, Design and Condition Assessment

\$202,000

This project provides flexibility to meet the needs of the Botanic Garden by performing studies, designs and condition assessments to improve project planning and programming. This request provides funding for the below initiatives.

Botanic Garden	
Design, Bartholdi Park Planting	\$ 50,000
Production Facility Floor Drainage Correction	127,000
ADA Elevator Replacement	25,000
Total, Botanic Gardens	\$ 202,000

ARCHITECT OF THE CAPITOL
Botanic Garden

Botanic Garden
Summary By Object Class
(Dollars in Thousands)

Object Class	FY 2002 Actual *	FY 2003 Enacted	FY 2004 Request	FY 2003/2004 Net Change
11 Personnel Compensation	2,297	2,611	2,910	299
12 Personnel Benefits	652	877	979	102
13 Benefits for Former Personnel	-	-	-	-
21 Travel	10	2	4	2
22 Transportation of Things	-	1	1	(1)
23 Rent, Communications and Utilities	26	20	3	(17)
24 Printing and Reproduction	16	-	-	-
25 Other Contractual Services	298	2,086	6,562	4,476
26 Supplies and Materials	717	383	401	18
31 Equipment	1,001	83	60	(23)
32 Land and Structures	200	-	-	-
41 Grants	-	-	-	-
42 Insurance Claims and Indemnities	-	-	-	-
43 Interest	-	-	-	-
44 Refunds	-	-	-	-
Total, Budget	\$ 5,217	\$ 6,063	\$ 10,919	\$ 4,856

* "FY 2002 Actual" represents total obligations of funds incurred in FY 2002, irrespective of year of appropriation.

[CLERK'S NOTE.—The justification of the budget request for the Joint Economic Committee, the Office of Compliance and the Open World Leadership Center submitted to the Subcommittee follows:]

Congress of the United States

JOINT ECONOMIC COMMITTEE
(CREATED PURSUANT TO SEC. 561 OF PUBLIC LAW 304, 75TH CONGRESS)

Washington, DC 20510-6602

March 10, 2003

The Honorable Jack Kingston
Chairman
Subcommittee on Legislative
Committee on Appropriations
House of Representatives
H-147 The Capitol
Washington, DC 20515

Dear Mr. Chairman:

I am pleased to submit to the Subcommittee the budget request of the Joint Economic Committee for Fiscal Year 2004.

I am forwarding a Fiscal Year 2004 budget request of \$3,987,000. This request includes the anticipated current and budget year cost of living adjustments and two additional positions.

Thank you for your consideration.

Sincerely,



Robert F. Bennett
Chairman

SCHEDULE A
FISCAL YEAR 2004

JOINT ECONOMIC COMMITTEE
SUMMARY
By ORGANIZATION AND By OBJECT CLASS

CATEGORIES	FY2002 ACTUAL		FY2003 ESTIMATE		FY2004 ESTIMATE		NET CHANGE 2003/2004	
	Staff	Dollars	Staff	Dollars	Staff	Dollars	Staff	Dollars
1. Breakdown by Organization Joint Economic Committee	45	\$3,151,151	46	\$3,658,000	48	\$3,987,000	2	\$329,000
2. Breakdown by Object Class:								
Personnel Compensation	45	3,061,897	46	3,508,000	48	3,837,000		
Reimbursable Detail/WAE		--						
Telecommunications		4,932		10,000		12,500		
Other services (Contracts, Hearings, Subscriptions, Travel, Computers, Petty Cash)		63,120		126,000		120,000		
Stationery		21,202		14,000		17,500		
TOTAL	45	\$3,151,151	46	\$3,658,000	48	\$3,987,000	+2	+\$329,000

SCHEDULE B
FISCAL YEAR 2004

JOINT ECONOMIC COMMITTEE
ANALYSIS OF CHANGE TO BUDGET BASE BY ORGANIZATION AND OBJECT CLASS

CATEGORIES	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		WORKLOAD		TOTAL CHANGES	
	Staff	Dollars	Staff	Dollars	Staff	Dollars	Staff	Dollars
1. Breakdown by Organization								
Joint Economic Committee		\$329,000			2		2	\$329,000
2. Breakdown by Object Class								
Personnel Compensation		36,000						36,000
Annualization of COLA(FY03)		104,000						104,000
Budget Year COLA (FY04)		183,000					2	183,000
New Positions		6,000						6,000
Budget Year COLA-New Positions								
TOTAL		\$329,000					2	\$329,000

SCHEDULE C
FISCAL YEAR 2004

JOINT ECONOMIC COMMITTEE
DETAILED ANALYSIS OF CHANGE BY ORGANIZATION

	CALCULATION OF BASE	
	STAFF	AMOUNT
Appropriation, FY 2003	46	\$3,658,000
	FY 2004 STAFF	BUDGET REQUEST AMOUNT
I Adjustments to Base		
A. Mandatory Pay, Related Costs		
1. Promotions, Merit Increases		
2. Annualization of COLA(FY03)		36,000
3. Budget Year COLA (FY 04)		104,000
4. New Positions		183,000
5. Budget Year COLA-New Positions		6,000
B. Price Level Changes		
1. Miscellaneous Expenses		
C. Program Type Changes		
1. Legislation		
2. Workload (Increase in Staff)	2	
3. Equipment		
II Net Increase/Decrease Requested	+2	+329,000
III TOTAL FY 2004 BUDGET REQUEST	48	\$3,987,000

**SCHEDULE D
FISCAL YEAR 2004**

**JOINT ECONOMIC COMMITTEE
SUMMARY OF COMMITTEE REQUEST
FY2004 BUDGET REQUEST**

	CALCULATION OF BASE STAFF AMOUNT	
Appropriation, FY2003	46	\$3,658,000
	FY 2004 STAFF	BUDGET REQUEST AMOUNT
PROPOSED CHANGES FOR FY2004		
A. Mandatory Pay, Related Costs		
1. Annualization of COLA(FY03)		36,000
2. Budget Year COLA (FY 04)		104,000
3. New Positions		183,000
4. Budget Year COLA–New Positions		6,000
B. Price Level Changes (Miscellaneous)		
C. Program Type Changes		
1. Legislation		
2. Workload (Increase in Staff)	2	
3. Equipment		
TOTAL PROPOSED CHANGES	+2	+329,000
FY 2004 BUDGET REQUEST	48	\$3,987,000

JOINT ECONOMIC COMMITTEE
FISCAL YEAR 2004

	2002 Appropriation P.L. 106-554 (Prior Year)	2003 Appropriation P.L. 108-7 (Current Year)	2004 Request (Budget Year)
Appropriation or Estimate	\$3,424,000	\$3,658,000	\$3,987,000
Personnel Compensation/Benefits			
Full-time payroll	\$3,061,897	\$3,508,000	\$3,837,000
Reimbursable detail, WAE	-----	-----	
Total Compensation	\$3,061,897	\$3,508,000	\$3,837,000
Non-personnel expenses:			
Contracts	----	48,500	36,000
Hearings	----	25,000	35,000
Travel	1,999	5,500	5,500
Telecommunications	4,932	11,000	12,500
Subscriptions	57,578	39,000	39,000
Stationery	21,202	14,000	17,500
Computers, software	167	5,000	2,000
Petty cash, other services	3,376	2,000	2,500
Total Non-personnel	\$89,254	\$150,000	\$150,000
TOTAL BUDGET	\$3,151,151	\$3,658,000	\$3,987,000

PERSONNEL SUMMARY	2002 actual	2003 estimate	2004 estimate
Number of positions	45	46	48



OFFICE OF COMPLIANCE

OVERVIEW OF FISCAL YEAR 2004 BUDGET REQUEST

The Office of Compliance is requesting \$2,518,000 for fiscal year 2004 operations, reflecting an increase of \$229,000, or ten percent, from the agency's fiscal year 2003 request. The increase will provide sufficient funding for the Office's mandated operations, including hearings, mediations, and educational activities. The increase restores funding to fully staff the agency's current FTE positions, and it incorporates a one-time capital expenditure of \$60,700. The Office is requesting that a total of \$304,700 remain available until September 30, 2005 for two purposes, i.e., for the per diem services of Hearing Officers and mediators, and safety and health consultants.

In addition to an increased hearing load, the Office continues to experience significant increases in requests for safety and health inspections, as well as more intense activity related to emergency preparedness. This agency's mandate to educate covered employees on the Occupational Safety and Health Act and Americans with Disabilities Act requirements of the CAA, and to enforce them in the legislative branch, has consumed increasing amounts of our resources since 9-11-2001. As a result, one of the largest components of the increase is to fund a newly created position and benefits for an industrial hygienist (\$125,000).

The Office also seeks to provide adequate funding -- on an FTE basis -- for the when-actually-employed positions of the agency's five-member Board of Directors (\$137,950 for salary and benefits). Of the remainder, a significant part of the increase results from an external mandate: to fund the Office's allocated share of a legislative branch-wide accounting system that was originally projected to be designed and executed in FY 2003.

The balance of the increase that is being requested for agency program and administrative expenses is \$148,750, \$58,600 of which is to fund staff cost of living increases and the associated benefits, and \$28,000 of which is for Hearing Officer costs. The request includes:

- funding for 17 full-time equivalent positions (FTEs), reflecting an increase of two positions from FY 2003;
- funding for a 3.7 percent cost of living increase for Office staff;
- an additional \$28,000 in two-year money for hearings and mediations, based on current projections;

- \$60,700 to fund the Office's portion of the new accounting system being procured by several agencies of the legislative branch to replace the increasingly obsolete Federal Financial System.

The Office of Compliance is requesting the inclusion of additional language in the FY 04 budget. Provisions are included for an allowance for representation and reception, to establish a student loan repayment program, and for authority to provide incentive awards. No additional funds are requested for these provisions. They allow the Office of Compliance to achieve parity with executive branch and virtually all legislative branch agencies.

(The following information is presented in accordance with guidance set forth in the Office of Management and Budget's Circular A-11. Should Administration legislation pass requiring agencies to pay the full cost of providing CSRS pension and annuitant health benefits, an additional total of \$98,200 will be necessary for the increased cost to the agency for funding post-retirement health benefits (\$85,800) and the government's share of our current CSRS employee (\$12,400).)

OVERVIEW OF THE OFFICE OF COMPLIANCE'S AUTHORITY AND RESPONSIBILITIES

The Congressional Accountability Act of 1995 (CAA) established an independent Office of Compliance (Office) in the legislative branch to administer and enforce the provisions of the CAA. In general, the CAA applies the rights and protections of eleven labor and employment statutes to covered employees within the legislative branch: the Fair Labor Standards Act of 1938, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967, the Family and Medical Leave Act of 1993, the Occupational Safety and Health Act of 1970, chapter 71 of title 5 of the U.S. Code (relating to federal service labor-management relations), the Employee Polygraph Protection Act of 1988, the Worker Adjustment and Retraining Notification Act, the Rehabilitation Act of 1973, and chapter 43 of title 38 of the U.S. Code (relating to veterans' employment and reemployment).

Most provisions of the law cover the House of Representatives, the Senate, the Capitol Guide Service, the Capitol Police, the Congressional Budget Office, the Office of the Architect of the Capitol, the Office of the Attending Physician, the Office of Compliance, and their employees. The sections of the CAA relating to safety and health, veterans' reemployment rights, employee polygraph protection, and worker adjustment and retraining also apply to the Library of Congress and the General Accounting Office.

Under the CAA, the Office is charged with establishing and administering alternative dispute resolution procedures, including adjudicative hearings and appeals, for covered legislative branch employees who allege violations of certain sections of the Act. The Office of the General Counsel enforces the sections of the CAA dealing with unfair labor practices, safety and health, and disability access. This includes investigation and prosecution of claims under these sections, and periodic inspections to ensure both health and safety, as well as disability access compliance. Additionally, the Office is mandated to provide education and information to Members of Congress, other employing offices, and employees of the legislative branch.

The primary functions and processes of the Office are presented below, along with major accomplishments of FY 2002, and plans for FY 2003 and FY 2004.

DISPUTE RESOLUTION**Requests for Information, Counseling, and Mediation**

The Office provides legislative branch employees with a neutral, confidential, and efficient process for resolving disputes arising under the CAA. Employees and employing offices may, at any time, seek informal advice and information on the procedures of the Office and the rights, protections, and responsibilities afforded under the CAA and the substantive rules. The Office responds to all inquiries on a confidential basis, and tracks both the number and the nature of the inquiries.

Under the CAA, employees must request counseling and mediation under the auspices of the Office of Compliance before filing a formal administrative complaint or initiating a Court action.¹ The Office provides counseling and mediation in a neutral, confidential setting. During the 30-day counseling period, the counselor evaluates the alleged violation, advises the employee of his or her rights and responsibilities under the CAA, and facilitates resolution of the problem. If the counseling does not resolve the employee's concerns, the Office provides neutral, trained mediators to assist the parties in resolving the dispute. The period for mediation is generally 30 days, but may be extended at the request of the parties.

Adjudication

If the dispute remains unresolved after counseling and mediation, the employee may choose either to pursue the claim through the adjudicative hearing process under the auspices of the Office, or to file suit in Federal District Court. An employee who elects the adjudicative procedures of the Office files a formal complaint with the Office. The Executive Director appoints an independent Hearing Officer to consider the case and render a written decision, which may be appealed to the Office's Board of Directors. The Board of Directors issues written decisions, which may then be appealed to the U.S. Court of Appeals for the Federal Circuit. The administrative hearing process offers speedier resolution and confidentiality, while offering the same remedies as civil action.

¹ This pertains to all cases involving statutes made applicable by the CAA, except those arising under the Federal Service Labor-Management Relations Act, the Occupational Safety and Health Act, and the Americans with Disabilities Act of 1990.

FY 1997 - FY 2002 Comparison

	<i>Calls for Information</i>	<i>Requests for Counseling</i>	<i>Requests for Mediation</i>	<i>Complaints Filed</i>
FY 1997	1,716	165	158	6
FY 1998	961	68	56	8
FY 1999	1,098	323	49	14
FY 2000	611	75	329	3
FY 2001	595	430	386	10
FY 2002	543	77	54	12

Accomplishments in FY 2002

Dispute Resolution Process: FY 2002 was the sixth full fiscal year of the Office's administration and enforcement of the CAA, including the operation of the alternative dispute resolution process. Many workplace disputes continue to be resolved by the Office of Compliance prior to litigation or adjudication. During the past fiscal year, a total of 543 calls for information were made to the Office directly, or to the Office's information line. In FY 2002, a total of 77 formal counseling requests were filed. Of the cases filed in FY 2001, 8 cases were pending in counseling and 15 cases were pending in mediation as of October 1, 2001. A total of 54 requests for mediation were received in FY 2002.

Seven complaints were awaiting a hearing or Hearing Officer decision on October 1, 2002, and five new complaints have been filed to date during FY 2003. In FY 2002, six Hearing Officer decisions were issued, and one case was withdrawn after being assigned to a Hearing Officer. The Board received six appeals of Hearing Officer decisions, and no Board decisions were finalized in regard to the six appeals.

Federal Court Settlements: Under the CAA, the Executive Director is empowered to approve any settlement entered into by the parties to any controversy under the Act. In FY 2002, the Executive Director continued to assist the parties in the settlement of Harris et al. v. Architect of the Capitol, C.A. No.1=97CV01658 (D.C.D.C.) involving hundreds of plaintiff female custodial workers, by disbursing payments to plaintiffs in excess of \$2.5 million, and by certifying the recomputation of retirement benefits.

Another large group of cases involving African-American Capitol Police officers that proceeded from mediation to Federal Court settled in late FY 2002, and the Office disbursed the settlement, which benefitted hundreds of Capitol Police officers, in August 2002.

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FY 2002 STATISTICS

Counseling

Pending in counseling on 10/1/01	8
Counseling requests received	77
Closed during or after counseling but before mediation (Total = 6)	<i>Settled:</i> 2
	<i>No further action taken:</i> 4
Mediation requests received	54
Pending in counseling on 10/1/01	20

Mediation

Pending in mediation on 10/1/01	15
Pending in open period for filing complaint on 10/1/01	278
Mediation requests received	54
Closed during or after mediation (Total = 302)	<i>Settled:</i> 16
	<i>No further action taken:</i> 17
	<i>District court suit filed:</i> 269
Complaints filed with OC for admin. hearings after mediation ended	12
Mediation period recently ended (period open for filing complaint)	24
Pending in mediation on 10/1/02	15

Complaints and Hearings

Complaints pending on 10/1/01	1
Complaints filed	12
Hearing Officer decisions issued	0
Resolved without Hearing Officer decision (settled or withdrawn)	2
Pending on 10/1/02	12

Board Action

Appeals pending on 10/1/01	2
Appeals filed	0
Board decisions issued	1
Pending on appeal on 10/1/02	1

Labor-Management Relations Cases: As of the beginning of FY 2002, five labor-management relations matters were pending. In Plumbers Local 5, et al. and the Office of Architect of the Capitol, Case Nos. 02-LMR-03 & 02-LMR-05; and International Brotherhood of Electrical Workers, Local 26, Case Nos. 02-LMR-04 & 02-LMR-06, the Board decided collective bargaining negotiability disputes relating to the payment of fringe benefits to the bargaining units employees.

In Office of the Senate Sergeant at Arms and Teamsters Local No. 246, Case No. 02-LM-01, the Office processed a labor organization representation petition and subsequently certified the labor organization as the exclusive bargaining representative after conducting a secret ballot election.

During FY 2003, to date, three labor-management relations matters have been filed with the Office. In Council 26, AFSCME and the Office of the Architect of the Capitol, Case No. 03-LMR-01, the labor organization is seeking a determination regarding the negotiability of its proposal governing the assignment of work to members of the bargaining unit. In Teamsters Local 246 and Office of the Senate Sergeant at Arms, Case 03-LM(AC)-01; and Teamsters Local 246 and Capitol Police Board, Case No. 03-LM(AC)-02; the petitioning labor organization is seeking to amend its certifications of representative to reflect a change in its name based upon its merger into another local union of the same International.

Plans for FY 2003 and FY 2004

The workload of the dispute resolution process remains at an extremely high level to date in FY 2003, particularly in new complaints requiring hearings. Twelve complaints were pending as of October 1, 2002, compared to one at the same time last year. Six new complaints have been filed in the first five months of the fiscal year, compared to four during the same time period last year. Each of the 18 cases has been active, and in some stage of the hearing process during these five months. Since hearings are our most expensive recurring cost, and since they are mandated by the Congressional Accountability Act to be conducted within strict timelines, we have incurred unavoidable, unanticipated, and very high expenditures in this area, and we expect to continue to do so for the foreseeable future.

We have taken every reasonable measure to reduce these costs, while still staying within the mandates of the CAA. We have renegotiated the hourly rates of the retired judges who serve as our Hearing Officers, we will make use of Hearing Officers of an analogous federal agency (or agencies) under (a) new interagency agreement(s) whenever possible, among other measures.

The Office is also assigning in-staff qualified professionals to conduct some mediation sessions, as a cost-cutting measure. Some employing offices have expressed their strong preference for the use of outside mediators. While the Office would prefer the latter course, this action is dictated by our budgetary situation.

Appeals requiring a Board of Directors decision have also increased significantly from previous levels. Four appeals were pending as of October 1, 2002, compared to one at the same time last year, and two new appeals were filed in the first five months of the fiscal year, compared to none last year. One of the two is a negotiability appeal about a union proposal regarding the assignment of work to its bargaining unit employees.

The Office is currently in the final stages of consultation with attorneys for the Architect of the Capitol and female African-American employees to disburse the \$2.5 million settlement of Harris v. Architect of the Capitol. The Office is also disbursing a substantial settlement in the Juanita Johnson v. Architect of the Capitol case, which has involved multiple decisions of both the Federal Court and the Board of Directors.

The Board may review arbitrators' awards after collective bargaining agreements are in place. Either party to an arbitrator's award can file an exception to an award claiming that the award is deficient under section 220 of the CAA, and the Board's function is to make a determination on the matter.

Other matters that the Board may be called upon to determine in the future are similar to those which the Federal Service Impasses Panel of the FLRA handles, i.e., to resolve bargaining impasses when they occur. The Board may determine impasses in one of several ways, at its discretion, including, but not limited to the use of mediators, use of Board members as arbitrators, or by holding hearings.

**INSPECTIONS, TECHNICAL ASSISTANCE AND INVESTIGATIONS:
OCCUPATIONAL SAFETY AND HEALTH**

Periodic Inspection: The CAA requires the General Counsel of the Office of Compliance to inspect facilities in the legislative branch for compliance with safety and health standards at least once each Congress, and to report the findings to Congress. The most recent such mandatory inspection took place during the final months of the 107th Congress, a two-year period ending in December 2002. Approximately 30,000 employees are covered by the OSHA standards. Twenty million square feet of space are included in the inspections, including the Capitol, House and Senate chambers and office buildings, the Library of Congress, as well as such operations as the Capitol Power Plant, and numerous carpentry, paint finishing, and metal shops. Employing offices are informed of any deficiencies identified, so that hazards can be corrected.

Requests for Safety and Health Inspections: The CAA's safety and health provisions give covered employees the right to request inspections of potentially hazardous conditions in work areas. When a request for inspection is received, the Office of the General Counsel ("OGC") initiates an on-site investigation, after which it sends a detailed report to the employing office which describes the conditions found, reports the results of any tests performed, and explains any steps that may be needed to remedy the problem.

In the event that the responsible employing office fails to correct the problem within a specified time, the OGC inspects and issues citations and/or notifications, as appropriate. If, after issuing a citation, the General Counsel determines that a violation has not been corrected, the General Counsel may file a complaint with the Office which is submitted to a Hearing Officer.

Technical Assistance: Like the Occupational Safety and Health Administration (OSHA), the OGC has the responsibility for providing compliance assistance to employing offices and covered employees. The OGC also provides consensus standards and interpretations of OSHA standards to employing offices upon request, as well as information about proposed OSHA regulations that affect their operations. In addition, the OGC assists in the development of programs to reduce occupational injuries in legislative branch agencies that have high lost-time injury and illness rates, and facilitates the development of emergency action plans by employing offices.

Accomplishments in FY 2002 and to Date in FY 2003

The OGC conducted the biennial comprehensive safety inspections required by the Congressional Accountability Act. This year the OGC inspected all employing offices on Capitol Hill because of the overall concern that many employing offices may not have been prepared for possible upcoming emergencies. All employing offices are required to prepare an

Emergency Action Plan under the safety and health regulations and train their employees on its procedures.

The OGC worked with the U.S. Capitol Police prior to beginning the office inspections so that the officers could meet with many of the employing offices and help them come into compliance prior to the OGC inspector's visit. Because of this joint effort, the inspectors found most of the Legislative Offices to be in substantive compliance with current emergency plans (with the exception of the Library of Congress, over which the Capitol Police do not as yet have jurisdiction).

The inspections were complicated by the fact that during the comprehensive fire safety inspections conducted in FY 2001 and into 2002 many fire safety hazards were discovered and a number of these problems had not yet been abated. Most of the remaining issues yet to be fixed will require time to conduct design studies and seek funding. Although these outstanding hazards were not repeated in the periodic inspection report prepared as a result of the recent inspections, they must continue to be tracked to assure they are eventually corrected.

Even though this round of inspections was the third time that employing offices were inspected since the OGC was created, the inspectors continued to find a significant number of serious safety and health hazards. Copies of the periodic inspection report were shared with the Oversight Committees of both the House and Senate.

Plans for FY 2003 and FY 2004

In addition to periodic inspections, the OGC continues to receive an increasing number of requests for safety and health inspections. The OGC has seen a significant increase in requests for inspection in the last two years; from 18 in 2001 to 24 in 2002. The rate has continued to increase in the first two months of 2003, and 31 requests are currently pending. These requests frequently deal with complex problems.

As has been the case for many legislative branch employees, the Office has been directly impacted by recent terrorism incidents. In fact, much of the current focus of our safety and health work involves OSHA standards relevant to terrorist threats, such as emergency action/evacuation plans, chemical-biological response, fire safety and emergency communications, and respirator effectiveness. Some are police or security sensitive and must be handled with considerable sensitivity. Recent issues have included investigating whether there are substantial quantities of lead particles in the Rayburn heating and air conditioning ventilation duct work. Several requests deal with the inadequacies of police emergency response procedures. One request filed questioned the adequacy of the emergency escape or Quick 2000s that have been purchased and distributed on Capitol Hill. (The report generated as a result of this investigation was recently commended by the Department of Homeland Security.)

In order that the safety and health inspections and investigations may continue to go forward, we have contracted for the services of a fire safety expert on a short-term basis. However, we expect to use approximately \$45,000 of the funds that we originally requested for safety and health experts for contracted Hearing Officers in FY 2003. Many of the currently active requests for safety and health inspections are precipitated by the natural and often judicious fears of Hill employees. Given the urgent nature of some of the requests, reducing funding for them at this time is very unfortunate. We are actively pursuing two alternatives to postponement of this critical work; i.e., seeking additional assistance from OSHA for this purpose, and requesting additional funds in a supplemental request.

For the past five years, the Office has made use of the full-time services of a detailee provided under an interagency agreement with the Occupational Safety and Health Administration, which has also provided certain technical equipment for the use of the Office. The inspection and enforcement programs are time-intensive and varied, and specialists of varying expertise are often needed on a sporadic basis.

UNFAIR LABOR PRACTICES

The General Counsel is responsible for investigating allegations of unfair labor practices filed under section 220 of the CAA, and for filing and prosecuting complaints of unfair labor practices. The General Counsel is also responsible for providing compliance assistance to employing offices, and responding to employees' questions. The OGC may be called upon to provide training in this area, as well.

Accomplishments in FY 2002 and Plans for FY 2003

The OGC's unfair labor practice workload will likely continue to increase as bargaining proceeds within the units already certified, and new efforts at unionization of other employees, are undertaken. In late 2002, a new bargaining unit was certified, made up of facilities workers and certain other employees of the Senate Sergeant at Arms. Covered employers have hired additional lawyers with labor law expertise in response to this trend.

The number of charges filed in FY 2002 was 18, three of which resulted in the issuance of a complaint. This matter was settled prior to trial by the parties with the assistance of the General Counsel.

The General Counsel has been successful in facilitating settlements in many cases, including the settlement noted above, that resulted in the first collective bargaining agreement entered into by the AoC and a certified labor organization. However, experience suggests that settlements are difficult to secure, and that a significant percentage of meritorious charges may require litigation, with attendant costs and delays. In addition, the General Counsel may be asked to provide additional training programs for covered entities.

**PUBLIC SERVICES AND ACCOMMODATIONS
UNDER THE AMERICANS WITH DISABILITIES ACT**

Inspections: Pursuant to section 210 of the CAA, the Office of the General Counsel is required to conduct inspections at least once each Congress to determine compliance with the rights and protections against discrimination in the provision of public services and accommodations established by the Americans with Disabilities Act. The inspection cycle is similar to the cycle for the safety and health inspections described above. However, since only public areas, and not those areas used exclusively by employees, are subject to this provision of the CAA, less space is inspected -- an estimated 8 million square feet, rather than the 20 million square feet inspected for safety and health. The most recent biennial ADA public access report was issued in December 2002.

Disability Access Charges: The General Counsel is also responsible for investigating charges of disability access discrimination. If the General Counsel concludes that a violation has occurred, she may either request mediation to resolve the dispute, or file a complaint against the entity responsible for correcting the violation. While the General Counsel has successfully facilitated disability access charges filed to date, future charges may require mediation or litigation, with an attendant increase in costs.

Technical Assistance: The CAA directs the OGC to provide employing offices with technical advice to assist them in complying with disability access requirements. In addition, the OGC routinely answers questions from Congressional offices and legislative branch employees on disability access laws.

Plans for FY 2003 and FY 2004

Two ADA cases remain open at this time, and will be resolved in the near future by the OGC.

Funding needed to administer and enforce the disability access provision of the CAA is expected to remain at roughly its current level. In past years, considerable assistance was received from the Department of Justice and the Architectural and Transportation Barriers Compliance Board (Access Board). If this assistance were no longer available to the OGC, it is estimated that an additional 150 consulting hours per year at roughly \$80 per hour would be necessary to fulfill the mandatory functions.

EDUCATION AND INFORMATION

Under the CAA, the Office of Compliance provides education and information to Congress, other employing offices of the legislative branch, and covered employees. In order to fulfill its mandate to inform covered employees and employing offices of their rights, protections and responsibilities under the CAA, the education and information program distributes written materials and publications, conducts briefings, maintains a web site on the Internet and provides counseling, referrals, and information to employees and employing offices on an individual basis.

Accomplishments in FY 2002 and to Date in FY 2003

The Office of Compliance's world wide web site was redesigned in FY 2002 and incorporates a newly designed logo which will be transitioned into new materials. The new site was launched in the opening days of the 108th Congress. The website (www.compliance.gov), located on a Government Printing Office (GPO) server and accessible via GPO's Access system, is section 508 compliant, and it is continually updated as events warrant. It currently includes virtually all of the information the Office has published for the use of employees and employing offices.

The eighth annual report, presenting statistics on the use of the Office of Compliance, was submitted to Congress in January of 2003. The report, required under section 301(h) of the CAA, covers the period from January 1, 2002 to December 31, 2002.

In December 2002, the Office transmitted its redesigned Section 102(b) Report to Congress on the applicability to the legislative branch of any employment laws not made applicable by the CAA. In the 107th Congress, the Board of Directors met with leadership and key congressional staff to present this eighth annual report.

Other publications created or redesigned include an emergency evacuation procedure template, fact sheets on Wage and Hour, EEO, and Safety and Health. These publications were designed with district staff in mind and used at the District Institutes sponsored by the Congressional Research Service.

On a monthly basis, the Office mailed its two brochures detailing the rights and protections afforded under the CAA to all newly hired covered employees. Moreover, monthly briefings were presented by the Office to new Senate employees in order to familiarize them with the CAA and the Office of Compliance. When requested, briefings were conducted for senior staff in House employing offices. Of late, these briefings have focused on specific areas of the CAA, including emergency preparedness, employment discrimination, the Fair Labor Standards Act, and the Family and Medical Leave Act.

Our interactive telephone information line provides callers with recorded information (this contact data is included in the annual statistical Report to Congress), or directs them to an

Office staff member who discusses claims and provides resource referrals. The Office's website (www.compliance.gov) averaged about 35,000 "hits" per month in FY 2002.

Plans for FY 2003 and FY 2004

The Office has undertaken a long-range effort to increase awareness, visibility and utilization of the Office of Compliance. The plan to accomplish these goals is multi-year by design and segmented into three phases. Due to budgetary constraints and increased workload only some tasks within each phase were completed in FY 2002 but additional tasks are scheduled to commence in limited form in FY 2003.

Phase I of the plan includes research and assessment of current communication efforts. Perhaps most important to the success of the education campaign is basic, updated information about covered employees and employing offices. A large portion of those covered by the CAA are transient. The CAA is a relatively new law and, upon adoption, it mandated major institutional change. Baseline information is currently needed to gauge how much has changed within the legislative branch of government since enactment of the law. Communications and Education staff plan on conducting interviews, focus groups and/or a survey using limited, if any, outside assistance.

Phase II is program development and public awareness. The two most important pieces of this phase include the establishment of an organizational identity and the redesign of our current web page. As mentioned, the Office completed its initial redesign of the www.compliance.gov website with the beginning of the 108th Congress. Included in this redesign is a newly created logo which will be incorporated into redesigned and updated Office literature and outreach material as finances allow. Planned activities include varying outreach efforts, using current material in different formats.

Phase III focuses on visibility and sustaining the initiative. Planned activities for Phase III include increased outreach, relationship building and maintenance, building internal capacities, and evaluation.

A recent success in our new education and information program is the design, creation and distribution of a series of "*Bulletins*" to all Capitol Hill complex employees covered by the Congressional Accountability Act. The "*Bulletins*" cover timely topics from emergency preparedness to notification of periodic inspections to stress and anxiety at the workplace. Subsequent "*Bulletins*" will continue to contain timely information of universal significance to legislative branch employees. It is the goal of the Office to minimize postage costs by electronically transmitting the "*Bulletins*" to as many covered employees as possible. To this end, we are actively seeking access to House, Senate, and other covered employees' email systems via each chamber's intranet systems.

At this writing, the Office of Compliance is partnering with the U.S. Capitol Police in a special edition of the "Bulletin" to provide guidance on a range of emergency situations. Because of security concerns only a limited printed version will be made available and electronic dissemination will be hosted by each chamber. We are hopeful that this experience will prove successful and electronic dissemination will become the norm. However, if we are not successful in this effort, we will incur additional postage and/or courier fees, in addition to the cost of printing the "Bulletins."

The Office will continue our ongoing education and information activities. We will prepare, publish, and distribute the *Guide to the Congressional Accountability Act* resource manual, informational posters, and brochures. The Office will mail its two brochures detailing the rights and protections afforded under the CAA to all newly hired covered employees, on a monthly basis. As required by the statute, we will continue to send some important communications to covered employees at their home addresses.

Monthly briefings will continue to be presented by the Office to new Senate employees in order to familiarize them with the CAA and the Office of Compliance.

PROMULGATION OF REGULATIONS

The CAA requires the Executive Director, subject to Board approval, to adopt rules governing the procedures of the Office. The CAA further requires the Board to adopt, subject to Congressional approval, substantive regulations implementing sections of the CAA that apply rights and protections of the Fair Labor Standards Act, the Family and Medical Leave Act, the Employee Polygraph Protection Act, the Worker Adjustment and Retraining Notification Act, Titles II and III of the Americans with Disabilities Act, the Occupational Safety and Health Act, the Federal Service Labor-Management Relations Statute, and the Veterans' Employment Opportunities Act.

The Board of Directors recently submitted proposed substantive regulations pursuant to the Veterans' Employment Opportunities Act. Proposed amendments of the Office's Rules of Procedure are also under active consideration at this time. Interested parties provided the Board with penetrating and elucidating comments regarding its proposed VEOA regulation. The Board is taking those comments into account in the regulation promulgation process.

The Office has also initiated a review of the three sets of substantive regulations which have not, as yet, been approved by Congress: those required pursuant to the Occupational Safety and Health Act, to the Americans with Disabilities Act, and to the Federal Service Labor Management Relations Act as it applies to the employing offices listed at section 220(e) of the CAA.

The Office is currently updating its Procedural Rules and, when they are completed, they will publish the revised rules in the Congressional Record.

STUDIES AND REPORTS

Section 102(b)(2) of the CAA requires the Board to submit a bi-annual report to Congress on the applicability to the legislative branch of any employment laws not made applicable by the CAA. Section 301(h) of the CAA requires an annual report to Congress presenting statistics on the use of the Office of Compliance.

Sections 210(f)(2) and 215(e)(2) of the CAA require the General Counsel of the Office to submit, at least once every Congress, reports to Congress and the Office of the Architect of the Capitol containing the results of the periodic inspections required by the CAA. These reports, discussed in the **Inspections, Technical Assistance, and Investigations** section above, must also outline the steps necessary to remedy a violation, describe the consequences of each violation, and estimate the cost and time needed to correct the violation.

Plans for FY 2003 and FY 2004

As required by the CAA, the Board has recently prepared its fourth cycle of biennial section 102(b) reports for submission to Congress during FY 2003. The Board continues to examine the degree to which current employment and public disability access laws apply to the legislative branch, and will continue to make recommendations as to whether provisions of those laws that do not now apply should be made applicable.

The reports required by sections 210(f)(2) and 215(e)(2) of the CAA were submitted by the General Counsel to Congress and the Office of the Architect of the Capitol in December and November, 2002, respectively; these reports contain the results of the periodic inspections required by the CAA.

The annual report presenting statistics on the use of the Office of Compliance was prepared and submitted to Congress in January. The report is required under section 301(h) of the CAA. These reports may be found at our website (www.compliance.gov).

ADMINISTRATIVE AND FINANCIAL IMPROVEMENTSAccomplishments in FY 2002

In FY 2002, the Office certified and disbursed its first two Federal Court “class action” cases, which involved partnering with the Office of Personnel Management, the National Finance Center, and two legislative branch agencies who were parties in the cases, to oversee calculations of settlements affecting retirement and other benefits. Lump-sum payments were also certified and disbursed to many litigants.

The Office completed its Emergency Action Plan in mid-2002. This comprehensive Plan provides for contingencies and alternatives for various exigencies, including what to do in cases of various life-threatening emergencies, accounting for staff, sheltering in place, data disaster recovery, and so on. The Plan has served as a template for other legislative branch agencies in a sanitized form.

As a member of the Legislative Branch Financial Managers Council, the agency participated in efforts to standardize budget justification formats, and in a study of the application of student loan repayment programs in the legislative branch.

As have other agencies in the Capitol complex, the Office has not received regular mail deliveries in several months, pending irradiation for possible anthrax contamination. In addition to accepting faxed and/or electronic submissions of materials whose dates are critical, so that employees who are covered by the CAA are not adversely impacted by the current mail delivery hiatus, the Office has now made electronic versions of our counseling forms available on our website.

The Office wrote or updated documentation or standard operating procedures for various systems and procedures in FY 2002. New documentation included: the Emergency Action Plan; internal accounting procedures; and standard operating procedures for the case tracking system. Revised documentation included: position descriptions; financial directives; the employee handbook; and travel procedures.

The Office has greatly increased use of desktop publishing and in-house printing, both as a cost-saving measure and to enhance the recognition of our printed materials by covered legislative branch employees. As mentioned in Education and Information above, we are hopeful that we will be allowed to access and use Capnet email for House and Senate distribution of our materials, in order to effect further savings.

Plans for FY 2003 and FY 2004

As a member of the Legislative Branch Financial Managers Council, the agency is participating in a study of the use of leave sharing programs in the legislative branch.

The agency plans to perform a comprehensive needs analysis and equipment obsolescence plan in the remainder of FY 2003, for implementation in FY 2004 and in subsequent fiscal years. We have not been able to replace increasingly obsolete personal computers in FY 2002 and FY 2003 – our equipment budget was depleted in FY 2002 by the need to purchase monitoring equipment and personal protective equipment to address terrorism concerns both internally, and for all covered legislative branch employees. In the current fiscal year, it is likely that we will need to reprogram equipment funding to help pay for the unexpected number of hearings that are currently in progress.

AWARDS AND SETTLEMENTS APPROPRIATION

Section 415 of the CAA established "an account of the Office in the Treasury of the United States for the payment of awards and settlements . . . under this Act," and further authorized to be appropriated "such sums as may be necessary to pay such awards and settlements." Section 415 stipulated that awards and settlements under the CAA should only be paid from that account, which is to be separate from the operating expenses account of the Office of Compliance established under section 305 of the CAA. The Executive Director approves all such awards.

The Legislative Branch Appropriations Acts of 1996 through 2000, and for FY 2002 have appropriated funds for awards and settlements under the CAA. The FY 2001 and FY 2003 appropriation bills, as incorporated into the Consolidated Appropriations Act of FY 2001 and the Consolidated Appropriations Resolution, 2003, respectively, also contained the following language:

Such sums as may be necessary are appropriated to the account described in subsection (a) of section 415 of Public Law 104-1 to pay awards and settlements as authorized under such subsection.

In FY 2002, a total of \$4,080,920 was awarded and disbursed under ten settlements made under section 415 of the CAA. To date in FY 2003, a total of \$134,489 has been awarded under two settlements, and is in the process of being disbursed.

Settlements by Fiscal Year

Fiscal Year	Number of Settlements	Total \$ Amount
FY 1997	6	\$39,429.00
FY 1998	16	\$103,180.00
FY 1999	6	\$72,350.00
FY 2000	15	\$45,638.00
FY 2001	7	\$121,400.00
FY 2002	10	\$4,080,920.00
<i>FY 2003 (to date)</i>	2	<i>\$134,489.00</i>

THE OFFICE OF COMPLIANCE'S BUDGET REQUEST FOR FY 2004

The Office of Compliance's FY 2004 budget request of \$2,518,000 reflects an increase of \$229,000 from the FY 2003 budget request of \$2,289,000, with an additional two FTE positions. This reflects an increase of \$472,400, or 23 percent, from the agency's fiscal year 2003 appropriation of \$2,045,600. A significant part of the increase, or \$60,700 is for an expenditure that is out of the Office's control, to fund the Office's portion of a new accounting system. Funding for this system was originally requested in the agency's FY 2003 request.

One of the additional two FTE positions is for a newly created position and benefits for an industrial hygienist (\$125,000). The Office is experiencing a significant increase in requests for safety and health inspections in the last two years, as well as more intense activity related to emergency preparedness. Even with the historical cooperation of the Occupational Safety and Health Administration, the exponentially increasing workload of our sole industrial hygienist necessitates this additional position for the critical function of protecting the employees of the legislative branch.

The second FTE position is to account for the hours worked by the Office's five-member Board of Directors, who serve as "when-actually-employed" employees of the Office. A total of \$137,950 is required for this purpose. The remaining increase in personal services and benefits of \$58,600 is attributable to a 3.7 percent cost of living increase.

The following information is presented in accordance with guidance set forth in the Office of Management and Budget's Circular A-11. Should Administration legislation pass requiring agencies to pay the full cost of providing CSRS pension and annuitant health benefits, an additional total of \$98,200 will be necessary for the increased cost to the agency for funding post-retirement health benefits (\$85,800) and the government's share of our current CSRS employee (\$12,400).

In other services, an increase of \$28,000 is requested for the services of Hearing Officers and mediators, which includes price increases for the contracted services of mediators, Hearing Officers, court reporters, and safety and health experts, as well as a projected continuation of the Office's current need for these services. An additional increase of \$14,000 is requested to fully fund an increase in the cost of the Office's interagency agreement for administrative services with the Library of Congress.

An increase of \$10,700 is requested for printing services, based on FY 2002 actual expenditures and on the fact that the agency plans to publish significantly more new and revised publications in the next fiscal year as a major component of its increased emphasis on education and information. The agency has used up virtually all of its store of printed materials such as informative pamphlets about the mediation process, as well, and will be reprinting these materials in FY 2004 with our highly recognizable new logo.

As in prior years, this budget request is based on the assumption that the Office of Compliance will remain co-located with the Library of Congress. Further, this budget request takes into account that GAO and Library employees are covered under certain Congressional Accountability Act provisions. However, should Congress decide that the GPO, GAO and/or the Library are to be placed under the jurisdiction of the Office of Compliance more comprehensively than they are at present, additional funding and staffing will be required.

In addition, a note we have mentioned in previous requests bears repetition here. Since its inception, the Office has been located in the Adams building of the Library of Congress. Pursuant to an agreement with the Library, the space was expanded to accommodate our initial operations. On the basis of this occupancy, no additional funding for moving expenses, rent, utilities, or system and phone wiring has been included in this request. If the Office were required to relocate in FY 2004, additional funding would be sought in a supplemental request for this purpose.

The following pages are comprised of Schedules A, B, C, and an explanation of the changes included in Schedule C.

**OFFICE OF COMPLIANCE
BY OBJECT CLASS**

Schedule A

	FY 02 ACTUAL		FY 03 ESTIMATE		FY 04 ESTIMATE		NET CHANGE FY 03 - FY 04	
	STAFF (FTEs)	DOLLARS (\$000)	STAFF (FTEs)	DOLLARS (\$000)	STAFF (FTEs)	DOLLARS (\$000)	STAFF (FTEs)	DOLLARS (\$000)
11 Personnel Compensation	15	1,199	15	1,201	17	1,475	2	274
12 Personnel Benefits		285		298		350		52
13 Benefits to Former Personnel		0		0		0		0
21 Travel		33		35		35		1
22 Transportation of Things		0		0		0		0
23 Rent, Communications and Utilities		41		57		58		1
24 Printing and Reproduction		14		20		31		11
25 Other Services		447		385		518		133
26 Supplies and Materials		20		28		29		1
31 Equipment		18		22		22		0
32 Land and Structures								0
42 Insurance Claims and Indemnities								0
Total	15	2,058	15	2,046	17	2,518	2	472

Note: Columns and rows may not add due to rounding.

Schedule B

**OFFICE OF COMPLIANCE
ANALYSIS OF CHANGE**

By Organization and by Object Class

Breakdown by Organization	MANDATORY PAY AND RELATED COSTS		PRICE LEVEL CHANGES		LEGISLATION			WORKLOAD			EQUIPMENT, ALTERATIONS, MAINTENANCE, REPAIRS, ETC.		TOTAL CHANGES	
	STAFF (FTEs)	DOLLARS (\$000)	STAFF (FTEs)	DOLLARS (\$000)	STAFF (FTEs)	DOLLARS (\$000)	STAFF (FTEs)	DOLLARS (\$000)	STAFF (FTEs)	DOLLARS (\$000)	STAFF (FTEs)	DOLLARS (\$000)	STAFF (FTEs)	DOLLARS (\$000)
11 Personnel Compensation	1	174			*		1	100					2	274
12 Personnel Benefits		27						25						52
13 Benefits to Former Personnel														0
21 Travel				1										1
22 Transportation of Things														0
23 Rent, Communications and Utilities				1								**		1
24 Printing and Reproduction									11			**		11
25 Other Services				44					88					133
26 Supplies and Materials				1										2
31 Equipment														4
32 Land and Structures														0
42 Insurance Claims and Indemnities														0
Total	1	201		47			1	224					2	472

Note: Columns and rows may not add due to rounding.

OFFICE OF COMPLIANCE
Detailed Analysis of Change by Organization

	Calculation of Base	
	Staff	Amount (\$000)
Appropriation, 2003	15	2,046
Budget Base, 2003	15	2,046
	2004 Request	
	Staff	Amount (\$000)
I. Adjustments to Base		201
A. Mandatory Changes		47
1. FY 03 Cost of Living Salary & Benefits Annualized		12
2. FY 04 Cost of Living Adjustment		47
3. FTE Salary & Benefits for WAE employees	1	138
4. Extra day – FY 2004		5
B. Price Level Changes		47
1. Travel		1
2. Rent, Communications, and Utilities		1
3. Other Services		44
4. Supplies and Materials		1
C. Program Type Changes		224
1. Legislation	*	*
2. Workload		224
A. Personnel Compensation & Benefits	1	125
B. Rent, Communication, and Utilities		**
C. Printing and Reproduction		11
D. Other Services		88
3. Equipment, Maint, Repairs, Etc.		0
A. Transportation of Things		
B. Equipment		
II. Net Increase/Decrease Requested		472
III. Total Appropriation Request, 2004	17	2,518

Note: Columns may not add due to rounding.

EXPLANATION OF CHANGES SHOWN ON SCHEDULE C:

For salaries and expenses for the Office of Compliance, \$2,518,000. This reflects an increase of \$472,000 from the FY 2003 appropriation of \$2,046,000, with an additional two FTE positions.

Mandatory Pay and Related Changes:

Mandatory personnel increases, including salary and benefits, that total \$58,800 are requested to fund a projected cost of living adjustment of 3.7 percent of staff salaries.

In accordance with the decision of the Legislative Branch Financial Managers' Council and with OMB Circular A-11, and since the Office expects to fully staff its appropriated FTE positions in FY 2004, an additional FTE position is being requested to ensure that the Office's when-actually-employed employees, the Members of its Board of Directors, do not exceed the FTE ceiling. Funding for this FTE totals \$138,000 in salary and benefits.

Funding for an extra workday in FY 2004 has been requested in the amount of \$4,600.

Price Level Changes:

Increases from the FY 2003 approved levels, based on inflation factors, are requested in: travel (\$600); rent, communications and utilities (\$1,000); printing (\$400); other services (\$6,900); and supplies (\$500).

Price increases for the contracted services of mediators, Hearing Officers, and court reporters have been requested in the amount of \$23,500. An additional increase of \$14,000 is requested to fully fund an increase in the cost of the Office's interagency agreement for administrative services with the Library of Congress.

Program Type Changes:

Legislation:

* Additional staff may be required if Congress decides that GPO, GAO, and/or the Library of Congress are to fall under the purview of the Congressional Accountability Act, more so than they do presently. (The LOC and the GAO are covered by the safety and health provisions of the CAA.) No such staffing increase was included in this request.

Workload:

In personnel services, an increase of \$125,000 is requested for an FTE position and benefits for an industrial hygienist. This request is based on the continuing escalation of requests for safety and health inspections and technical assistance.

An increase of \$10,700 is requested for printing services, based on actual expenditures in the first half of FY 2003, and on the need to replace depleted and outdated agency publications in the next fiscal year.

In other services, an increase of \$60,700 is requested to fund the Office's portion of a new accounting system being procured by several agencies of the legislative branch to replace the increasingly obsolete FMS. An additional \$27,700 is requested for the services of Hearing Officers and mediators, based on actual usage in the second half of FY 2002 and the first half of FY 2003.

** Although no additional funding is requested for FY 2004 for rent, communications and utilities, additional funds will be requested for this purpose in a supplemental request, in the event that the Office of Compliance vacates the Library of Congress during this fiscal year.



Center for Russian Leadership Development

www.open-world2002.gov
The Library of Congress • 101 Independence Avenue, S.E.

Tel 202.707.8943 Fax 202.252.3464
Washington, DC 20540-9980

March 25, 2003

Dear Mr. Chairman:

I am pleased to submit to the Subcommittee the Open World Leadership Center Trust Fund fiscal year 2004 budget request. Per the provisions of Public Law 108-7, the Center for Russian Leadership Development will become the Open World Leadership Center on May 15, 2003.

This budget request reflects an increase of \$1.9 million over fiscal 2003, and will provide the necessary funding to continue the Center's expanded mission to host in the United States up to 3,500 young political and civic leaders from designated foreign countries, establish a cultural leaders program with Russia, and maintain the Russia Open World alumni program.

Thank you for your consideration.

Sincerely,



James H. Billington
Chairman of the Board of Trustees

Enclosures

The Honorable Jack Kingston
Chairman, Subcommittee on Legislative
Committee on Appropriations
U.S. House of Representatives
H-147, The Capitol
Washington, DC 20515

Board of Trustees: Librarian of Congress James H. Billington, Chair • Senator Ted Stevens, Honorary Chair • Senator Carl Levin • Senator Bill Frist
Representative Amo Houghton • Representative Robert E. Cramer, Jr. • Ambassador James F. Collins • Mr. George Soros • The Honorable James W. Symington
Geraldine M. Otremba, Executive Director

**Payment to the Russian Leadership Development Center
Trust Fund**

Summary By Staffing and Object Class
(Dollars in Thousands)

Category	FY 2002 Actual	FY 2003 Budget ¹	FY 2004 Estimate	FY 2003/2004 Net Change
1. Staffing (FTEs):				
Payment to the Russian Leadership Development Center Trust Fund	0	0	0	0
Total, FTEs	0	0	0	0
2. Object Class:				
11 Personnel Compensation	\$0	\$0	\$0	\$0
12 Personnel Benefits	0	0	0	0
21 Travel	0	0	0	0
22 Transportation of Things	0	0	0	0
23 Rent, Communications and Utilities	0	0	0	0
24 Printing and Reproduction	0	0	0	0
25 Other Contractual Services	8,000	0	0	0
26 Supplies and Materials	0	0	0	0
31 Equipment	0	0	0	0
94 Financial Transfers	0	12,915	14,815	+
Total, Appropriations	\$8,000	\$12,915	\$14,815	+ \$1,900

**Payment to the Russian Leadership Development Center
Trust Fund**

Summary of Change By Object Class

(Dollars in Thousands)

Category	Mandatory Changes	Price Level Changes	PROGRAM CHANGES			Net Change
			Staff Level Increases	Other Increases	Non- Recurring	
1. Appropriation:						
Payment to the Russian Leadership Development Center Trust Fund	\$0	\$0	\$0	\$1,900	\$0	+ \$1,900
Total	\$0	\$0	\$0	\$1,900	\$0	+ \$1,900
2. Object Class:						
11 Personnel Compensation	\$0	\$0	\$0	\$0	\$0	\$0
12 Personnel Benefits	0	0	0	0	0	0
21 Travel	0	0	0	0	0	0
22 Transportation of Things	0	0	0	0	0	0
23 Rent, Communications and Utilities	0	0	0	0	0	0
24 Printing and Reproduction	0	0	0	0	0	0
25 Other Contractual Services	0	0	0	0	0	0
26 Supplies and Materials	0	0	0	0	0	0
31 Equipment	0	0	0	0	0	0
94 Financial Transfers	0	0	0	1,900	0	+ 1,900
Total	\$0	\$0	\$0	\$1,900	\$0	+ \$1,900

**Payment to the Russian Leadership Development Center
Trust Fund**

Detailed Analysis of Changes

(Dollars in Thousands)

	Calculation of Base	
	FTE Staff	Amount
	Budget Base, 2003	0
	2004 Request	
	FTE Staff	Amount
I. Adjustments to Base		
A. Mandatory Changes		
1. Ingrades		\$0
2. Annualization of 1/2003 pay raise		0
3. Funding of 1/2004 pay raise		0
B. Price Level Changes		
1. Travel		0
2. Transportation of things		0
3. Rent, communications and utilities		0
4. Printing and reproduction		0
5. Other contractual services		0
6. Supplies and materials		0
7. Equipment		0
C. Program Increases		
1. Staff level increases		0
2. Other Program increases		
a. Travel		0
b. Transportation of things		0
c. Rent, communications and utilities		0
d. Printing and reproduction		0
e. Other contractual services		0
f. Supplies and materials		0
g. Financial transfers		1,900
D. Program Decreases		
1. Staff level decreases		0
2. Other Program decreases		
II. Net Increase/Decrease Requested	0	1,900
III. Total Budget Request, 2004	0	\$14,815

**Payment to the Russian Leadership Development Center
Trust Fund
Summary of Agency Request
FY 2004 Budget Request**
(Dollars in Thousands)

	FTE	Amount
Enacted Budget, FY 2003	0	\$13,000
Less: Rescission		(85)
Revised Enacted, FY 2003		\$12,915
Proposed Changes for FY 2004:		
Mandatory Pay and Related Costs		\$0
Price Level Changes		0
Program Type Changes:		
Staff Level		0
Other		1,900
Non-Recurring		0
Total Proposed Changes	0	\$1,900
Budget Request, 2004	0	\$14,815

TUESDAY, JULY 15, 2003.

CAPITOL VISITOR CENTER

WITNESSES

DAVID M. WALKER, COMPTROLLER GENERAL OF THE UNITED STATES
JEANETTE M. FRANZEL, DIRECTOR, FINANCIAL MANAGEMENT AND ASSURANCE

BERNARD L. UNGAR, DIRECTOR, PHYSICAL INFRASTRUCTURE
ALAN M. HANTMAN, ARCHITECT OF THE CAPITOL

WELCOMING REMARKS

Mr. KINGSTON. Good afternoon. I would like to welcome everybody here and thank the members of the committee who have arrived and I particularly thank both the Honorable Alan Hantman, the Architect of the Capitol; and the Honorable David Walker, Comptroller General of the United States for being here.

We are here today to discuss the Capitol Visitor Center, where our committee is increasingly playing more of a role of oversight. We believe that we can make a very positive contribution in the role of oversight, yet this committee, particularly many of the members of this committee, feels it may be intervening a little later than we would have liked to. However, we are going to try to do everything we can to achieve a better understanding of the scope of this project, the budget, the schedule and any contingencies.

The idea of the Visitor Center had been around for many years. There is no dispute that it will happen. I know there have been a lot of discussions and maybe rhetorical saber rattling implying that we are going to fill in the hole, and I know there are members who may even feel that way individually, but this committee wants to get this project done, and so we are not here to discuss, "Are we going to have a Visitor Center or not."

What we are concerned about is some of the overruns. The recent GAO cost analysis states that the project is grossly over budget and greatly delayed. The committee is therefore concerned. The people who first envisioned the Visitor Center did not necessarily picture an expansion of 580,000 square feet and a cost of potentially \$500 million. We know there have been a lot of change orders as we have had previous hearings with the Architect of the Capitol where it appears that there are simply too many bosses coming in day by day, month by month saying, "Do this, do that." We know that there have been additions.

We know that 9/11 had an impact on the CVC, and consequently there are a number of explanations that exist. Nonetheless, we want to take this project from this point forward and say, "What can we do to rein it back in? Is it Congress that is putting in all these changes? Is it mismanagement? Is there an organizational problem? Is it failure to communicate?" We don't know, but what

we want to do is stop the lack of knowledge, because we want to be sure that this project is something that all of us in the Legislative Branch family can be proud of at the end of the day. In order to get to a state where we are not pointing fingers and debating it outside of a chamber or a civil meeting, we all have to get on one page and say, "This is what is going to happen from this point on and we are all at least somewhat unified."

With that, I yield to Mr. Moran, the Ranking Minority Member of this subcommittee.

PROJECT CONCERNS

Mr. MORAN. Thank you very much, Mr. Chairman, first of all for having this hearing. As everyone in this room knows, I think we included no new funds for this project in the appropriation bill that we just passed on the House floor, but we don't have the luxury of waiting another year to gain a handle on cost overruns, many of which we have already acknowledged and understand, and some of the management issues that at least have been raised.

So I think this hearing is timely and appropriate before we go to conference with the Senate on the Legislative Branch appropriations bill. So I supported your decision, Mr. Chairman, to slow down the pace of the Architect's other construction projects until we can perform this review.

Now, I know that media interest and comparisons to Boston's Big Dig have not been seen as particularly helpful and probably inappropriate, but the fact is that many of our colleagues have very substantial concerns about this project, the need for it and the cost of it. Those are the questions we are going to be asking, and I trust that we are going to get responses that are not only concise by just the kinds of responses that are going to allay the concern of our colleagues, and that is really our responsibility, to represent the concern of our colleagues.

I have a number of pretty specific questions that I want to ask, and I think this is going to be a very constructive hearing, and I trust that we will get definitive answers and be able to move forward as a result of this hearing. So thanks, Mr. Chairman.

SWEARING IN OF WITNESSES

Mr. KINGSTON. I thank the gentleman from Virginia.

Mr. LaHood.

Mr. Tiaht.

The Chair wants to notify members that we are going to try to adhere to the 5-minute rule as much as possible, and in so doing, give everybody plenty of opportunities to speak.

We will now swear in the witnesses. Under Rule 11, Clause 2(m) of the Rules of the House, Section 1(b) of the Rules of the Committee, I am authorized as Subcommittee Chairman, to administer the oath. I ask all mentioned as well as those who might be called upon to answer questions, to please stand and raise your right hand.

[Witnesses sworn.]

Mr. KINGSTON. The Chair will now recognize the Honorable David M. Walker, Comptroller General of the United States to summarize his testimony.

STATEMENT OF THE COMPTROLLER GENERAL

Mr. WALKER. Thank you, Mr. Chairman. Mr. Moran, members of the subcommittee, I would like for my entire statement to be included in the record, if that is all right, Mr. Chairman, and I will hit the highlights.

Mr. KINGSTON. Certainly.

Mr. WALKER. As you know, first as a result of a mandate of the Appropriations Committee and then subsequently as a result of requests from Leadership, GAO has been involved for several years and much more extensively for a number of months in monitoring activities associated with the Capitol Visitor Center project. When we got more extensively involved in the fall of last year, we noted a number of concerns with regard to a variety of management issues. The Architect of the Capitol agreed with most of our recommendations and took actions associated therewith.

In the spring of this year, we determined, based upon our oversight work, that the then estimated budget amount of \$303.5 million for the Capitol Visitor Center "base project" was no longer current. We, therefore, made a recommendation that there needed to be an updated estimate of that base project.

The Architect of the Capitol and Gilbane Corp. updated their project cost estimates in March of this year. Subsequently, the Architect hired Tishman Construction Corporation to review the reasonableness of the assumptions of that estimate.

We were then asked to review Tishman's work. The bottom line is that based upon the assumptions and scope that Tishman was given, we believe their analysis was reasonable, but we did come up with an additional \$7 million that we believed needed to be added to their estimate, thereby bringing the total up to \$351.3 million for the base project versus \$303.5 million under the current budget.

We also noted that there were a number of different contingencies and uncertainties that could potentially affect the project. Although none of these contingencies is guaranteed to occur, Congress should at least be aware of them should they have to be considered for future budgeting. When you are digging big holes, you never know what you are going to find under the ground. There are certain other issues that may or may not come to pass. So we performed additional analyses to try to come up with an estimate of what the cost associated with those additional uncertainties might be. We noted in my testimony what the dollar range cost for these uncertainties might be.

As you know, the Architect estimates that the project is on schedule for substantial completion of the plaza deck by January 2005, for the substantial completion of the entire center by September of 2005, and for final completion and opening to the public by December of 2005. The fact is for a variety of reasons, including weather, (we haven't had great weather this year at least up until recently) and there is 134 days of delay so far. There may or may

not be additional days of delay. Some delays were anticipated. Others could not have been anticipated.

We recommended that an additional \$2 million be included as a contingency for potential additional delays. Finally, Mr. Chairman, I would note that we included, as noted on pages 6 and 7 of my testimony, a number of specific recommendations for the Congress in order to try to mitigate the potential risks associated with these uncertainties.

Candidly, Mr. Chairman, let me say for the record right now that when the first estimate was done for this project it was not based upon an updated set of specifications, and so by definition one has to expect that there were going to be some variances. Second, when the first estimate was done for this project, it was prior to the events of September 11, 2001, and needless to say there are a number of security and other considerations that have to be considered as a result of September 11th.

Let me also say that while the Congress is our client, and I am proud to be an officer of the United States, in the Legislative Branch, there are a number of different players who are interested and involved in this project. This project has a degree of complexity, and a degree of controversy that one does not normally see in major construction projects. I will be happy to answer any particular questions that you might have associated therewith.

Thank you, Mr. Chairman.

[The prepared statement submitted for the record by the Comptroller General follows:]

United States General Accounting Office

GAO

Testimony
Before the Subcommittee on Legislative,
Committee on Appropriations, House of
Representatives

For Release on Delivery
Expected at 1:30 p.m. EDT
Tuesday, July 15, 2003

CAPITOL VISITOR CENTER

Current Status of Schedule and Estimated Cost

Statement of David M. Walker,
Comptroller General of the United States



Mr. Chairman and Members of the Subcommittee:

Recognizing the need for a new facility to provide greater security for all persons working in or visiting the United States Capitol and to enhance the educational experience of visitors who have come to learn about Congress and the Capitol building, Congress authorized the Architect of the Capitol (AOC) to build a new visitor center for the Capitol. The three-story, underground facility, located on the East side of the Capitol, is designed to be a seamless addition to the Capitol complex when completed without detracting from the appearance of the Capitol or its historic landscaping. It is the largest project on the Capitol grounds in over 140 years. According to current plans, when complete it will include theaters, an auditorium, exhibit space, a service tunnel for truck loading and deliveries, storage, and space for use by the House and Senate.

In response to requests from members of the Capitol Preservation Commission (CPC) and the conference report to the Omnibus Consolidated and Emergency Appropriations Act, 1999 (House Conference Report 105-825), GAO has been providing ongoing assistance to the CPC and the Senate and House appropriations committees in their monitoring and oversight of the Capitol Visitor Center (CVC) project. While we have provided a wide range of assistance as the project has evolved, today, given the current decisions facing the Congress, I will focus on (1) management of the project, (2) the estimated cost for the project, (3) the status of the project's schedule, and (4) actions that Congress and the AOC should consider taking to address funding gaps and other current project issues and risks.

Management of the Project

Shortly after we began to monitor progress on the CVC project, we made a number of suggestions to the AOC aimed at ensuring effective management of the project based on our previous work reviewing construction projects in all three branches of government. AOC generally agreed with our suggestions and took the following actions.

The AOC hired a construction management firm, Gilbane, for day-to-day detailed management of the project. Gilbane has provided project management, including supervision of contractors' work, schedule and cost monitoring, procurement of general conditions construction work, and monitoring and protection of the Capitol building from potential impact of construction. Recently, Gilbane has been working to implement a cost tracking system that conforms to the AOC's approved budget line items for the CVC.

Recognizing the impact that construction of the CVC would have on day-to-day congressional operations, AOC established a communication/outreach effort specifically dedicated to meeting the ongoing need of providing Congress with information regarding the project's impact on congressional operations, as well as progress toward completion of the CVC.

To supplement its in-house capability, AOC also entered into an agreement with the General Services Administration (GSA) to provide services related to management of the

Sequence 1 and 2 procurements. Under the agreement, GSA managed the procurement process, while the AOC (the source selection authority) awarded and now administers the contracts.

While these positive steps have been taken, there are a number of other actions needed to strengthen project management that are outlined in the following sections, including developing risk mitigation strategies and improving tracking and reporting.

Estimated Cost for the Project

Earlier this spring, we and the AOC determined that the estimated budget amount of \$303.5 million for the CVC "base project"¹ was no longer current. The estimate was limited due to uncertainties related to the preliminary nature of the design work, unknown scope of pre-construction requirements, and security adjustments to the design after the events of September 11, 2001. In addition, it was already evident that the expected cost of a number of line items in the estimate, such as utility relocation, tree preservation, temporary visitor screening facilities, and historic preservation, would be exceeded.

Based on GAO's recommendation, the AOC and Gilbane updated the project cost estimates as of March 20, 2003. The AOC then contracted with Tishman Construction Corporation (Tishman) to review the March 20, 2003 estimate and perform a cost analysis based on information currently available. We reviewed the methodology, assumptions, and support for the analysis, dated May 16, 2003, including contingencies, scope items not included in the estimates, and risks and uncertainties.² We also conducted a supplemental analysis to identify potential future costs due to additional risks and uncertainties not included in the updated estimates.

While we identified limitations to Tishman's analysis, our review found that Tishman's analysis was generally reasonable given the scope and assumptions provided by the AOC to Tishman. However, based on information available to us as of June 16, 2003, we identified cost adjustments to Tishman's analysis of the base project, totaling \$7 million, that we believe need to be made. These adjustments would increase Tishman's estimated cost at completion for the base project from \$344.3 million to \$351.3 million.

Due to the nature of the uncertainties still surrounding the project's estimated cost to complete and the limitations of information available at this time, there will likely be events occurring in the future that could further materially affect the project's cost at completion. For example, additional risks and uncertainties, which cannot be predicted with certainty at this time, were not priced as part of Tishman's analysis or as part of our adjusted figure. The result of this supplemental analysis disclosed that these additional

¹ The base project includes a finished visitor center shell and core, an extended loading dock service tunnel, exterior finishes, improvements to the East Plaza, construction of unfinished House and Senate expansion space, exhibits, technical security systems, and a connecting tunnel to the Library of Congress. The base project does not include other items funded by other sources, such as finishing the House and Senate expansion space and certain security-related enhancements.

² Although we performed procedures to review the methodology, assumptions, and support behind the latest cost analysis for the CVC project, we did not conduct an audit.

risks and uncertainties could potentially raise the estimated cost at completion of the base project to between \$380 million and \$395 million. (See the list of additional risks and uncertainties below.) These potential additional costs of between \$30 million and \$45 million do not need to be added to the base project budget at this time; however, a number of actions need to be taken to mitigate known risks.

Additional Risks and Uncertainties That Could Affect Project Cost or Utilization

- Unforeseen conditions, including potential underground complications
- Potential for scope creep due to lack of a finalized and approved design program in some areas
- Cost overruns on “design-to-budget” scope, e.g., exhibitions and technical security
- Cost and schedule impacts due to contractor coordination issues
- Project delays and subsequent contractor claims
- Delays due to unique situations—e.g., government functions, terrorist alerts, state funerals
- Unanticipated client requests
- Inaugural support
- Unknown operator requirements (gift shop, kitchen, theater, exhibitions)
- Capitol Building settlement or other damage
- Impact of cost allocations to the House and Senate expansion space on the CVC base budget

In order to arrive at the potential estimated cost of \$380 million to \$395 million, which includes the additional risks and uncertainties, we used the CVC project team’s lowest, most likely, and highest cost estimates for 37 project elements (e.g., structure/site, East Front structure, Library of Congress tunnel) and a simulation analysis to calculate different combinations of the project team’s estimates that factored in risks and uncertainties. Some of the larger risks and uncertainties include unforeseen conditions (including potential underground obstructions); building settlement; contractor coordination issues, especially as they relate to any delays experienced; and the lack of an approved design program in some areas.

While it is not possible to eliminate all risks and uncertainties, certain steps can and should be taken to lessen their potential impact on the final cost of the project. Research by the Construction Industry Institute (CII) shows project scope is the major determinant of the cost of a project.³ Tishman noted that the reasonableness of AOC’s

³Construction Industry Institute, *Project Change Management*, Special Publication 43-1 (Austin, Tex.: November 1994).

and Gilbane's March 20, 2003, estimate could not be determined for several items because detailed requirements for those items have not been fully determined or approved by the CPC. CII research also shows that the lack of scope definition is the root cause of cost overruns, late completion dates, excessive rework, unnecessary disputes among project participants, and other problems associated with construction projects.⁴ While we did not identify any scope or quality changes to date that have not been brought to the CPC's attention, we are concerned that allowances for the "design to budget" items (for example, the exhibition space and technical security) may not be sufficient to cover the expected scope and quality. We believe there is a continual need for the AOC to align customer expectations with the project's scope, quality, and cost considerations. The Tishman analysis noted that the percentage of pending changes to date compared to the Sequence 1 contract cost is already above industry norms and that there is the potential for scope creep. As a result, it will be important for the AOC to implement controls for the advance and formal approval of any scope changes.

It is general practice when performing budget estimates for construction projects to carry a contingency allowance to cover such issues as unforeseen field conditions and design and price changes. The Tishman analysis evaluated the adequacy of the estimated contingency amounts and increased the amounts in several areas. Based on the information we gathered, we also increased the estimates for contingencies in certain areas. As the project moves forward, it is important that the AOC implement controls for using these contingency funds. Furthermore, we understand that the method to be used for tracking and reporting on contingency balances remains unresolved.

There are also items not in the base project that need to be resolved. For example, the requirements, estimated costs, and funding sources for wayfinding signage,⁵ additional furniture, fixtures, and equipment, and artwork have not been fully determined. In addition, the method for operating and maintaining the CVC has not yet been determined. Consequently, neither the updated estimates nor our supplemental analysis include provisions for these items.

Although not considered part of the base project, the \$70 million already appropriated for the House and Senate expansion space may not be sufficient to make the space fully functional. Our review noted that substantial funds have already been allocated from the House and Senate expansion space budgets. Also, substantial risk exists because the design for the House and Senate expansion space is not complete, and it is assumed that the expansion space will be "designed to budget." However, to the extent that the future design and requirements exceed the remaining budget amounts, additional funds may be needed.

⁴Construction Industry Institute, *Improving Early Estimates*, Implementation Resource 131-2 (Austin, Tex.: September 1998).

⁵Code-required signage is included in the estimated cost of the base project.

Status of the Project's Schedule

To expedite the project schedule and maintain the option for use of some portion of the CVC for the inaugural events of January 20, 2005, the AOC divided the project into the following stages, rather than bid the total project after completion of all design work:

Pre-construction (largely complete)

- Pre-construction work includes utility relocations, historic preservation efforts, tree care, and temporary visitor facilities. These efforts were conducted in advance of building construction to expedite the start of the construction contractor work. The work is basically completed, with the exception of ongoing tree preservation.

Construction (in process)

- The construction contract for structural/foundation work, referred to as Sequence 1, was awarded to Centex Construction in June 2002 and, assuming no delays, is scheduled to be substantially complete in Spring 2004. As discussed below, the Sequence 1 contractor has experienced delays and the AOC is working with the contractor to determine the impact of these delays to the project.
- The construction contract for the project interface with the East Front of the Capitol, known as Sequence 1C, was awarded on July 11, 2003. Assuming no delays, this work is scheduled to be complete in Summer 2004.
- The construction contract for mechanical, electrical, plumbing and interior finishes work, referred to as Sequence 2, was awarded on April 18, 2003 to Manhattan Construction. Assuming no delays, completion of the construction work is scheduled for December 2005. However, as discussed below, current delays in Sequence 1 could impact the Sequence 2 schedule.

Senate and House Expansion Space (in design phase)

- The design of these spaces is scheduled to be completed late in 2003. The construction of these spaces is scheduled to begin in the summer of 2004, with completion in 2006.

Exhibits (in design phase)

- The final phase of the project will involve the fabrication and installation of the exhibits. Because installation involves climate requirements only available in completed space, this contract is scheduled to be awarded and begin in late 2003, with projected completion in December 2005.

The AOC's May 2003 status report indicates the project is on schedule for substantial completion of the plaza deck in January 2005, substantial completion of the CVC in September 2005, and final completion and opening to the public in December 2005. The project, however, is currently experiencing delays and the AOC is working with Gilbane to develop a fully integrated schedule. Until the AOC develops a fully integrated schedule, it will be difficult to determine whether the estimated completion dates are likely to be met. A fully integrated schedule would combine schedules for all of the

interrelated CVC projects, activities, and long-lead-time procurements (e.g. Sequence 1, Sequence 2, East Front interface, west refrigeration plant expansion, 2005 inauguration) into one coordinated schedule. (The Sequence 2 full schedule is currently not available but is due from Manhattan in August.) According to Gilbane's June 5, 2003, report, the Sequence 1 contractor's May update shows a 134-workday⁹ delay to the completion of Sequence 1. The AOC and contractor are negotiating the potential impact of any delays on the project schedule and budget. The AOC has indicated that current Sequence 1 delays have possibly led to a 40 workday overlap between the Sequence 1 and Sequence 2 schedules. Although Gilbane and the AOC are working with Centex and Manhattan to mitigate the impact of the 40 workday overlap to the schedule, it is currently unclear what the total effect of the current Sequence 1 delays will be to the final project completion date or costs. Because the project is still in the early stages of construction, there is risk of additional delays. We included an additional \$2 million in contingency in our adjustments to the Tishman estimated cost-to-complete for possible delay and acceleration costs.

Matters for AOC and Congressional Consideration

Although the AOC has already initiated some actions to address some issues, we identified the following specific matters for the AOC's and your consideration:

- Expediently address the current funding gap between the \$303.5 million provided for the base project and the updated estimates.
- Consider how best to address the potential costs associated with the risks and uncertainties not specifically included in the updated estimates for the base project.
- Ask the AOC to develop a plan to mitigate risk factors, to the extent practicable, and implement recommendations made by Tishman in the May 16, 2003, report including, but not limited to:
 - revalidate the program of requirements for each cost element,
 - identify, contract for, and begin coordination of all operator requirements with existing design and construction efforts,
 - identify and involve the exhibit and audio visual equipment operators as soon as possible, and
 - institute a proactive schedule management and tracking system related to potential contractor delay claims.
- Determine whether to establish and fund a reserve account for any additional amounts above the current estimates to cover future costs due to risks and uncertainties that cannot be priced or estimated at the current time and establish procedures for timely release of the funds to the CVC project.

⁹ The current contractor schedule indicates a 5 day workweek. Therefore, 134 workdays is equivalent to 187 calendar days, or approximately 6 months.

- Continue to resolve the scope, requirements, estimated costs, and funding sources for unresolved items in the base project, such as fitout of the CVC administration, guide service, first aid and gift shop spaces.
- Continue to resolve the scope, requirements, estimated costs, and funding sources for the items **not** in the base project, including the House and Senate expansion space.
- Implement controls for the approval of changes and AOC's use of contingency funds.
- Continue to resolve contingency tracking and reporting issues to achieve a single and standardized budget and reporting format.
- Expeditiously develop a comprehensive, integrated master project schedule.

We will continue our monitoring efforts throughout construction. I will be happy to answer any questions at this time.

For further information regarding this testimony, please contact Jeanette M. Franzel at (202) 512-9471 or Bernard L. Ungar at (202) 512-4232.

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July 15, 2003

CAPITOL VISITOR CENTER

Current Status of Schedule and Estimated Cost



Highlights of GAO-03-10147, a testimony before the Subcommittee on Legislative, Committee on Appropriations, House of Representatives.

Why GAO Did This Study

GAO has been providing ongoing assistance to the Capitol Preservation Commission and the Senate and House Appropriations Committees in their monitoring and oversight of the Capitol Visitor Center construction project. Given the current decisions facing the Congress, this testimony covers (1) management of the project, (2) the estimated cost for the project, (3) the status of the project's schedule, and (4) actions that Congress and the AOC should consider taking to address funding gaps and other current project issues and risks.

What GAO Recommends

We propose that the Architect of the Capitol and Congress consider taking actions to

- address the gap between the \$303.5 million current funding for the "base project" and the updated estimates;
- consider how best to address costs associated with risks and uncertainties not included in updated "base cost" estimates;
- continue to resolve scope, requirements, estimated costs, and funding sources for unresolved items;
- implement controls for the approval of changes and use of contingency funds;
- continue to resolve contingency tracking and reporting issues; and
- expeditiously develop a comprehensive, integrated master project schedule.

www.gao.gov/cgi-bin/getrpt?GAO-03-10147

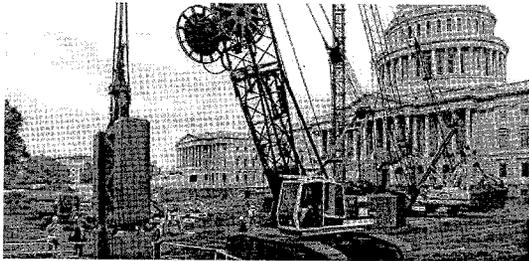
To view the full product, including the scope and methodology, click on the link above. For more information, contact Jeanette Franzei (202) 512-9471 or tranzelj@gao.gov or Bernard L. Ungar at (202) 512-4232.

What GAO Found

Recognizing the need for a new facility to provide greater security for all persons working in or visiting the United States Capitol and to enhance the educational experience of visitors who have come to learn about Congress and the Capitol building, Congress authorized the Architect of the Capitol (AOC) to build a new Capitol Visitor Center. The three-story, underground facility, located on the East side of the Capitol, is designed to be a seamless addition to the Capitol complex when completed without detracting from the appearance of the Capitol or its historic landscaping.

Earlier this spring, GAO and the AOC determined that the estimated budget amount of \$303.5 million for the Capitol Visitor Center (CVC) "base project" was no longer current. Based on GAO's recommendation, the AOC hired a contractor to help analyze and update the cost estimate for completion of the base project. GAO's review of the contractor's "base cost" estimate analysis identified \$7 million in adjustments, therefore increasing the contractor's \$344.3 million estimate to \$351.3 million. GAO also conducted a supplemental analysis to identify potential future costs due to additional risks and uncertainties not included in the updated estimates. The result of this supplemental analysis disclosed that these risks and uncertainties could raise the estimated cost to between \$380 million and \$395 million. These potential additional costs do not need to be added to the base project budget now; however, a number of actions need to be taken to mitigate known risks.

The AOC's May 2003 status report indicates the project is on schedule for substantial completion of the plaza deck in January 2005, substantial completion of the CVC in September 2005, and final completion and opening to the public in December 2005. However, the project is currently experiencing delays and until the AOC compiles a fully integrated schedule, there will not be adequate information to determine whether the estimated completion dates are likely to be met.



United States General Accounting Office

BASE COST

Mr. KINGSTON. Thank you, Mr. Walker. I wanted to start with the base cost, because I want to make sure everybody understands. The initial base cost was \$265 million, and according to your additional estimate, it would run to \$305. Now the base is \$351 million.

Mr. WALKER. The base we estimated at \$351.3 million, that is correct.

Mr. KINGSTON. Our two major modifications indicate, \$70 million for House and Senate office expansion space and \$35 million for enhanced security. Hence, we are now looking at a project that is \$456 million.

Mr. WALKER. Without consideration of additional contingencies for risks and uncertainties, that is correct.

Mr. KINGSTON. Of the additional contingencies, there are 37 that you enumerated in your report. Correct?

Mr. WALKER. There is additional potential of between the \$30 and \$45 million, yes.

Mr. KINGSTON. So it is between \$30 and \$45 million?

Mr. WALKER. That is correct, Mr. Chairman.

Mr. KINGSTON. You mentioned just now in your testimony a \$2 million cushion for contingencies?

Mr. WALKER. The \$2 million is already in there. It is a subset of the \$7 million number that GAO added..

Mr. KINGSTON. At the \$456 million level, which is known, in addition to that there is \$37 million unknown?

Mr. WALKER. There is potential for \$30 to \$45 million more that may or may not occur.

Mr. KINGSTON. May or may not occur?

Mr. WALKER. Right. And we believe a number of steps can and should be taken to try to mitigate the related risk and exposure.

Mr. KINGSTON. Right. But those unknowns—

Mr. WALKER. \$30 to \$45 million, right.

Mr. KINGSTON. You are saying the dollar figure to those unknown is \$30 to \$45 million?

Mr. WALKER. That is correct.

Mr. KINGSTON. We are then looking at \$456 million plus \$30 to \$45 million more?

Mr. WALKER. \$30 to \$45 million, which may or may not occur. That is for the base, correct.

INFORMING THE CONGRESS

Mr. KINGSTON. Either way you want to add it, the taxpayers are paying for it.

In terms of GAO, what I don't quite understand is why did we arrive at this point before this committee or members of the Congress found out about it. It seems to me that it was only in maybe March of this year when people started getting much more concerned, there was a lot more visibility about this. Why?

REESTIMATION OF COST

Mr. WALKER. Well, I think there are several reasons, Mr. Chairman. First, let me note that you wouldn't have the information that you have in order to conduct this oversight hearing without GAO's

involvement. Let me also say that if I was still in the private sector, this is probably not a job that I would have taken for a variety of reasons. But the answer is we noted certain concerns back last fall. Actions were taken with regard to many of those concerns. We started expressing preliminary concern with regard to the reasonableness of the estimates and made a specific recommendation early this year that there needed to be a reestimation. I think there were some concerns on behalf of certain staff as to whether or not we articulated those as early as we could have. Reasonable people can differ on that. We were also asked to be constructive in trying to have a constructive relationship with the AOC and not to sound warnings too early or too prematurely in ways that could unduly and possibly unnecessarily alarm people.

My personal opinion, Mr. Chairman, is that starting in April of this year, when I personally got involved in this matter, we have reached an understanding of what type of alert mechanisms we are going to use. We are now participating each week in the Leadership and Appropriation senior staff meetings that occur on Monday of each week. My understanding is that any concerns that may have existed in the past, whether they are valid or not, are not relevant at the present point in time, and I don't think have been for the last several months.

NOTIFICATION BY THE AOC

Mr. KINGSTON. Should the Office of the AOC notified Congress earlier, saying "Hey, there is an issue here, and you need to know about it? I ask the question trying to be as constructive as possible, but all of us—the AOC, the Congress, the GAO—have a problem, and will not be conveniently placed on anybody's doorstep, leaving the other two covered from it. We are looking for solutions from here on. I think part of what we have to look at is how to avoid this occurring again. The AOC has lots of projects, including the Supreme Court major renovation going on right now. We need to change this for the future. Consequently, I ask should there have been notification from the AOC earlier, in your opinion?

Mr. WALKER. Well, as I said, I am not intimately familiar with the details before I got involved. I will say this, human nature being what it is and given the scrutiny associated with this particular project and the fact that it is of concern not just to the Appropriators but also the Leadership, one wants to be fairly certain that there is a problem in managing the project before saying something about it.

I would respectfully suggest that is why it is important for GAO to be involved, for us to be able to identify issues that may be problems but not to a degree of certainty yet, to be able to send up a signal of concern which may or may not come to pass but at least an early warning indicator, if you will, such that Congress can determine what, if any, action is necessary.

In fairness, Mr. Chairman, I will also say that one of the challenges associated with this is that Congress still has to define all the specifications and get control of change orders. A lot of people have different opinions about what they want out of this project. Those opinions can differ based upon Leadership and Appropriators, House, Senate, and it is really important that there be a def-

inition of exactly what is going to be delivered and a control be gained over any potential change orders, because in many cases the increase in price is not necessarily because of cost overruns. It is because of scope changes, of which there has to be better control. You wouldn't see this in the private sector.

Mr. KINGSTON. We are going to do one 5-minute round, then let Mr. Hantman testify and then we will have questions for either. We are not ignoring you, Alan. Mr. Moran.

SPECIFIC COST DATA

Mr. MORAN. Thank you, Mr. Chairman. I am going to follow up with your initial line of questioning, and I think these, the answers, if I might suggest, are one word, yes and no, if I could structure them that way.

First we have the base funding. The Chairman talked about this is the actual structure that will house the Visitor Center, including the new cost to complete estimate that the GAO agreed upon. That number is \$351.3 million. Right?

Mr. WALKER. That is correct.

Mr. MORAN. \$351.3 million. The GAO warned of additional funding requirements to cover uncertainties for that base project and stated that the cost of completion will—now, these are GAO's words—"will most likely be between \$380 and \$395 million." Is that correct?

Mr. WALKER. That is correct, Mr. Moran. We were trying to attempt to value those uncertainties.

Mr. MORAN. "Most likely" are the words that you used.

Mr. WALKER. We stand by what we said.

Mr. MORAN. Thank you. Now, I understand that with Legislative Branch funds, there is an additional \$35.8 million that will pretty much go to the Capitol Police to implement their requirements for security at the center. Correct?

Mr. WALKER. It is my understanding that those funds are coming from another source.

Mr. MORAN. Now, next I understand there is \$70 million that has been budgeted for constructing the expansion space, \$35 million for the House and \$35 million for the Senate. Right?

Mr. WALKER. That is my understanding, Mr. Moran.

CONSTRUCTION CONTINGENCIES

Mr. MORAN. Now, Mr. Walker, you warned that \$70 million may not be adequate for that, and, Mr. Hantman, I understand that the primary restraint on this element of the project is that it is designed to budget. You are aiming for that price, but the \$70 million figure is not necessarily solid. So I assume that you have completed those designs that you have told us about and that you are confident at this point that you can come in at that price. I mean, I don't want to get into the weeds too much here, but for our comfort level let's just assume that this element of the project goes over by, say, 6 percent, which is pretty much the standard contingency number. So we could say \$74 million. Would that be reasonable?

Mr. HANTMAN. One clarification, Mr. Moran, is the design is still underway with both the House and the Senate on both of the expansion spaces. So it has not been completed yet. What we are try-

ing to do is—on a space by space programmatic need is to explain to the Leadership what we can expect in terms of the quality of the finishes in each of those spaces so that we can control those expectations.

Mr. MORAN. Well, in your professional judgment, 6 percent over budget would be reasonable?

Mr. HANTMAN. We have a 10 percent contingency for—

Mr. MORAN. Ten percent.

Mr. HANTMAN. And a 10 percent contingency for construction built into those \$35 million—

Mr. MORAN. Well, let's say \$77 million then for the 10 percent contingency?

Mr. HANTMAN. It is already built—

Mr. MORAN. Oh, it is already built in. Ten percent is built in.

Mr. HANTMAN. That's correct.

RELATED COSTS

Mr. MORAN. Got you. So the \$70 million really ought to be adequate. Okay. So let's deal with \$70 million.

Then we have funding related to the project. You have to modify the Capitol building with improved electrical and air handling systems. Substantial modifications are underway for the Capitol power plant, and as part of the construction process you needed to relocate some offices. So I understand the cost of those projects is about \$102.3 million. Is that accurate?

Mr. HANTMAN. I am not sure which ones we are adding up.

Mr. MORAN. Well, we can show you the numbers, but that is related costs, Capitol power plant particularly, it comes to \$102.3 million?

Mr. HANTMAN. Mr. Moran, the Capitol power plant would have been built with or without the Visitor Center itself. So I really think it is unreasonable to assign the cost for the Capitol power plant expansion to the Visitor Center. There is a fairly small increment of cost that would be related to the—

Mr. MORAN. Well, in the budget justification it says related Capitol Visitor Center funding, and this is from your office, and it has \$2 million—it has \$81.8 million Capitol power plant appropriation, West refrigeration plant. So it comes under—and your budget justification says related CVC funding.

Mr. HANTMAN. A portion of it certainly is related, Mr. Moran, but the project itself should have gone—

Mr. MORAN. Well, okay. We'll use the \$81.8 million, then, that you referred to as related CVC funding. Should we do that?

Mr. HANTMAN. If you want to take the time, I can certainly explain the whole background of—

Mr. MORAN. I do want to fall within—as closely as I can within this 5 minutes, but to get the point—what I get to, \$395 million plus police security, \$35 million. Expansion space, we will say \$70 million, because that includes the 10 percent contingency. The related funding, we will say \$81.8 million rather than the \$102 million that I had. So we are talking 18 and 4—we dropped 22, so we are basically talking about \$584 million is what I come to in total.

Mr. HANTMAN. From the power plant perspective, the way I calculate it, sir, is there is about a \$3 million component of that would

be applied to the Visitor Center, about half of one of the refrigeration machines since the rest of the plant will be built in any event.

TOTAL PROJECT COST

Mr. MORAN. Well, I want to get to worst case because I want to tell the Members the maximum that they should expect to have to come up with, and I included what you said was related CVC funding. If that is not the case, then it is much easier. We are talking about \$500 million tops.

Now, you know, that is hard to swallow, but the Members are going to choke on any number that is higher than these numbers that we are talking about now. Do you think you can get in within \$500 million?

Mr. HANTMAN. Our basic project, Mr. Moran, is really the construction portion of the Visitor Center. That is the project. There are some components which GAO has referred to as operations type of elements which are not in the construction portion of the budget, but those—

Mr. MORAN. Well, I understand that, but from the Members' perspective, they want to know how much is this bloody thing going to cost us, and they don't want to know, well, the Architect is responsible for this, and somebody ought to—the Capitol Police is responsible for this. What is the total cost of this project? Would you say it is \$500 million today?

Mr. HANTMAN. I would have to go through the numbers that you enumerated before and take a look at them. I could certainly do that, sir.

TOTAL CONSTRUCTION COST

Mr. WALKER. Mr. Moran, for the record I think it's important to note that with respect to the \$35 million—it's not my understanding that that those funds go to the Capitol police, but it does relate to the Capitol Visitor Center. It's for safety and security issues but—

Mr. MORAN. So it should be a—

Mr. WALKER. Who it goes to is—

Mr. MORAN. I don't want to belabor there. I don't want to seem—but we need a number, a total number that we can tell the Members, and it looks to me as though that number is half a billion dollars.

Mr. WALKER. It is about \$500 million if you fully absorb everything, but what's important to note is that a lot of these things have already been funded.

Mr. MORAN. Got you, but according to the GAO we are looking at \$500 million for this project.

Mr. WALKER. That is with valuing the potential uncertainties that we talked about which may or may not occur.

Mr. MORAN. I know there is always going to be a caveat, but you understand what I am trying to get at, and I think it is the same thing the Chairman is getting at. Let me leave it—hand it off to somebody else to continue to try to get at that number, but that is what the hearing is all about, what is the total cost.

Mr. KINGSTON. I thank the gentleman.

Mr. LaHood.

EXTENT OF MANAGEMENT LEADERSHIP

Mr. LAHOOD. Mr. Walker, how many architects are on this project? How many chiefs are there? How many people are responsible for this?

Mr. WALKER. Well——

Mr. LAHOOD. How many? It is not one, obviously. It is more than one, though, right?

Mr. WALKER. There are external consultants involved, and other people in Mr. Hantman's office involved.

Mr. LAHOOD. About how many?

Mr. WALKER. You would have to ask Mr. Hantman, sir. I don't know.

Mr. LAHOOD. Your report doesn't state how many?

Mr. WALKER. No, sir, it does not get to that level of detail.

Mr. LAHOOD. Well, your comments that you made where you said there are a lot of complexities and a lot of players, that is what I am getting at. Tell me what you mean by that.

Mr. WALKER. What I mean by that is that you are talking about a complex that is going to meet the entire needs of the Congress, along with the House and the Senate. There are a variety of individuals who are interested in this project. You have the House, the Senate, the Leadership, and the Appropriators. Each one has an opinion as to what they believe this project's scope ought to be. As a result, one of the things that I believe has to be gotten control of better is to freeze the specifications and get control of any potential change orders, because some of the numbers that we are talking about here don't include certain things like furniture. Now, furniture is not something that you would consider to be part of a construction budget.

CAPITOL PRESERVATION COMMISSION

Mr. LAHOOD. I just want to interrupt you for a second, Mr. Walker, to say this. You spelled off at least five different groups or individuals. So what I was hoping maybe your report would suggest is not only suspending where we are at but suggesting or recommending some kind of a Visitor Center control board that would be made up of the Speaker, the Majority Leader, and other leadership who have an interest in office space.—The Capitol Hill police, people from the Legislative Branch Subcommittee and others. Obviously it is going to be very easy for us to sit here and take pot shots at one guy, when in reality it is much bigger than one guy, as you have just elucidated.

You clicked off five different, and it is probably more like between five to ten who have some share, some—they are stakeholders in this thing, and they come to the Architect one day and say, hey, we need—I don't know, maybe some leadership people say, hey, we need more space. The Intelligence Committee, the chairman says we need space for the Intelligence Committee. The Capitol Hill police say, hey, we need space for this group, whatever.

I had a very long discussion with the Chief of Staff for the Speaker of the House about this issue. This is a very important

project to him, and I know there are other leadership people, who are very interested as well.

So the point I am trying to make here is I don't want to spend the rest of the afternoon taking pot shots at one guy when there is a whole host of people around here who have had some say and have some share in this thing in terms of changing it maybe every other week, maybe every other day. I don't know, but I would like your comments on that.

Mr. WALKER. The Capitol Preservation Commission is the body that is theoretically responsible and accountable, but it is comprised of a number of different individuals who wear a number of different hats. There is a shared responsibility for where we are today, and one of the things that has to happen is that there has to be a finalizing of the specifications—

Mr. LAHOOD. Who does that?

Mr. WALKER. I would argue that the AOC has the responsibility to try to help facilitate getting that done. The Capitol Preservation Commission or some designated body of that needs to buy off on it, and then there needs to be a process for change orders that would be employed from that point forward, because as Mr. Hantman said, the scope and specs are still not totally nailed down. As a result, we are trying to do as best as we possibly can given the situation that we are dealing with.

COMPARABLE PROJECTS

Mr. LAHOOD. Have you ever seen a project like this before?

Mr. WALKER. Oh, I have seen projects—I don't think it is fair to compare this to the Big Dig. I don't think it is accurate or appropriate to compare it to the Big Dig, but, as I mentioned before, Mr. LaHood, when I used to be in the private sector, you would have to be careful about engagements that you accepted and engagements that you continued on, and one of the real problems here is determining who's in charge.

Mr. LAHOOD. Do you think this project is a disaster?

Mr. WALKER. No, I don't think it is a disaster. I believe that, the Congress has decided, as the chairman said, that this is going to proceed. The key is what needs to be done in order to minimize the possibility that we are going to have any problems going forward. My testimony includes a number of specific recommendations of what we believe needs to be done in order to try to get better control of it and to minimize the possibility of having problems going forward.

Mr. LAHOOD. Do you know if it was in the private sector we could actually nail down a figure that Mr. Moran is looking for?

Mr. WALKER. Keep in mind that we did use certain private sector players to try to come up with this estimate but they can only come up with an estimate based upon the specifications that they are given as of that point in time, all the more reason we have got to finalize the specifications to be able to get control of any potential change orders.

Mr. LAHOOD. Mr. Chairman, let me just say this. I think we have identified the problem. At least from my point of view, we have identified it. There is an awful lot of people cooking the stew around here and the stew isn't getting cooked very well, because

you have got people adding salt and pepper and seasoning and everything else every other day and if we don't do anything else as a Subcommittee, I think we need to get our arms around this.

Thank you.

Mr. KINGSTON. Well, this Subcommittee may become the new cooking team.

Mr. Tiahrt came in next, Mr. Clyburn, so I am going to stick with the Committee tradition, and then you are next. Then Mr. Culberson. Mr. Tiahrt.

PROJECT FUNDING

Mr. TIAHRT. Thank you, Mr. Chairman. The baseline contract had a series of specifications that were developed, and then they gave this original estimate. Was that the original \$303 million you talked about?

Mr. WALKER. Originally \$265 million, then \$303.5 million. Now up to \$351.3 million.

Mr. TIAHRT. And the \$351 million was based on the current, or the original contract, plus all the class 1 changes to that contract to this point in time?

Mr. WALKER. Based upon the latest best estimate of the base contract.

Mr. HANTMAN. That is exclusive of the expansion area for the House and the Senate, yes.

Mr. TIAHRT. And so that is the \$70 million on top of that?

Mr. HANTMAN. That's right.

Mr. TIAHRT. Well, Alan, are you the administrator of the contract then?

Mr. HANTMAN. Yes, sir.

Mr. TIAHRT. Basically, you oversee any additions. Any class 1 changes or changes to the contract, you have to approve, or does it have to go through the Capitol Preservation Commission?

Mr. HANTMAN. All of the boxes of money that we are talking about, the \$265 million, the \$38.5 million, the \$70 million, all were voted on by the Capitol Preservation Commission.

Mr. TIAHRT. And the Commission is the 18 Members of Congress—nine from the House and nine from the Senate?

Mr. HANTMAN. That is correct.

Mr. TIAHRT. Most of them are appointees from the Speaker and the President pro temp?

Mr. HANTMAN. That is correct, and so the additional funding that—the \$47.9 million that GAO is talking about right now is the only element that has not been voted on in terms of the dollars that we are currently spending.

Mr. TIAHRT. Okay. I just looked over the blueprints and noticed that—

Mr. KINGSTON. If the gentleman will yield, they did not vote on the \$35 million for security either. Correct?

Mr. HANTMAN. That is correct. And the expansion space I think came from a larger group as well, but it was a Congressional appropriation.

Mr. TIAHRT. Well, is it basically the security requirements and then the—filling in the holes—or filling in the shell space for the Senate and for the House?

Mr. HANTMAN. That is correct.

Mr. TIAHRT. That hasn't been voted on yet. Those plans haven't been approved yet. Is that correct?

Mr. HANTMAN. The money has been voted on. The plans have not been finalized. We are working with the House for their plans and the Senate for their plans in terms of what they want to put inside the shell space that was to be built as part of the original project.

CONGRESSIONAL AUDITORIUM

Mr. TIAHRT. Have they approved the plans for the auditorium on the East side?

Mr. HANTMAN. Yes. That was specifically voted for by the Preservation Commission.

Mr. TIAHRT. And what is the capacity of the auditorium on the East side?

Mr. HANTMAN. 450 people, sir.

Mr. TIAHRT. And what is the purpose of the auditorium?

Mr. HANTMAN. It is called a Congressional auditorium. One of the roles potentially is to have it as a SCIF area, a place where the entire House—

Mr. TIAHRT. When you say SCIF, you mean it fulfills the security requirements?

Mr. HANTMAN. That is correct. Whether the Senate comes in or the House itself uses it, the capacity was basically decided on that level. There were discussions early on in the design process whether or not we should look at the possibility of having State of the Unions in that Chamber, and it was decided by the Preservation Commission not to. So we had looked at schemes up to 700, 750 people in that space at one time.

Mr. TIAHRT. So in essence it is just a second Chamber for the House if necessary?

Mr. HANTMAN. There has been some discussion if and when the House Chamber or the Senate Chamber is to be retrofit, renovated, that either Chamber could go to that Chamber on a temporary basis.

Mr. TIAHRT. So it is a contingency Chamber in case there is some future renovation in either the House or the Senate?

Mr. HANTMAN. There is also a distinct desire by the Library of Congress to use it for film showing for the community and things of that nature, yes.

Mr. TIAHRT. What is the cost of the auditorium?

Mr. HANTMAN. As I recall, the original number was something of the magnitude of—was it \$34 million? It was I think—

Mr. TIAHRT. And was that based on provisions to hold 450 people?

Mr. HANTMAN. I believe so.

Mr. TIAHRT. So it would be physically impossible to have a joint session there?

Mr. HANTMAN. That is correct.

Mr. TIAHRT. And so we are going to have some film showings, and if we have a renovation, then the House could use it—and it will just be make-shift auditorium after that?

Mr. HANTMAN. It could be for any caucus, Democratic Caucus, Republican Caucus, larger groups of people to—

Mr. TIAHRT. So if we want to save \$34 million, how far are we in the process? How much have we spent?

Mr. HANTMAN. We started putting in the end wall, the eastern wall right now. The base design assumes obviously that element as a major element relative to the flow of people coming into the building from Capitol Hill.

Mr. TIAHRT. Could the footprint be expanded to accommodate a joint session of the House?

Mr. HANTMAN. We could look at that. We think that that would certainly impact obviously the schedule and the dollars.

Mr. TIAHRT. I just don't want for us to get used to the \$34 million. I don't know what the expansion would cost, but either the auditorium needs to be big enough to be effectively utilized, or it ought to be eliminated. I think we have an interim size auditorium that we have sort of compressed, and it is not going to be effectively used. I don't know how we can use it that much, just for a couple of times in the future, maybe during a 6-week period, a 6-month period when we have other accommodations that could be available. Maybe there is some bunker capability here in case there is another attack, but I think this is one of the areas we ought to look at for a cost savings, Mr. Chairman.

Mr. KINGSTON. I thank the gentleman, and if you will yield, I want to make a comment. The Coolidge Auditorium in the Library of Congress has the capacity to seat Congress. It has over 435 seats right now. And then there is the Pickford Theater in the Library of Congress that shows films currently.

Mr. TIAHRT. Well, it sounds like the tunnel to the Library of Congress is more important than this auditorium.

Mr. KINGSTON. Could be.

Mr. TIAHRT. Thank you, Mr. Chairman.

Mr. KINGSTON. Mr. Clyburn.

DESIGNING TO BUDGET

Mr. CLYBURN. Thank you, Mr. Chairman. Mr. Chairman, I think that Mr. Tiahrt's questions is a segue into what I wanted to ask about, and that is this whole concept of design to budget. I have a real problem with that, because I—this is my first elective office. I have always been managing something all of my life, and I have a real problem with setting a budget and then designing to the budget rather than establishing what our needs are and developing something to meet those needs, and it would seem to me that if we are going to have a facility that should—or if we need to have a facility to accommodate a joint session, then we ought to be developing the facility and then determining the budget, but it seems to me that what we have done here is decide to squeeze something down to a budget that you consider to be politically correct or something. I don't know exactly how we have come up with this, but I have a real problem with this, and I would like to know what this auditorium is going to be, because if it is only going to be 400 to 425, 450 seats, I don't think you need it. And if we do need something that will accommodate a joint session, then we ought to sit down and really be open with everybody involved and say what we are doing here and being honest about this budget, because this designing to budget I have always found in my management back-

ground will get you in trouble every time. And maybe that is what's got us in this trouble here, that we have not determined what we wanted to do and then put a budget on it, but we have decided to figure out what would be, I don't know, acceptable and then come up with a design. And if that is what we are doing here, then that explains the problem. I mean, why do we need this auditorium? I mean, what are we planning to accomplish with this auditorium, is my question.

Mr. HANTMAN. Mr. Clyburn, I think we are talking about two issues here. First of all, it is the expansion space for the House which had a \$35 million budget, which was as you point out developed on a per-square-foot basis without a program at that point in time. We are now working with the leadership to talk about the type of spaces that would go in there, including a two-story hearing room for the public, for major committee meetings, and other meeting rooms and things of that nature to support the efforts of the Capitol. So that is the \$35 million, and what we are doing, again, is prioritizing, say, the quality of the finishes so that the hearing room has the same quality of finishes you would expect—the project would be adjacent to the Capitol and would be in line with other hearing rooms that the House has.

When you get down to some of the lesser important spaces in the expansion space, those would have less finishes. It wouldn't have the stone. It wouldn't have the bronze, things of that nature. So we are comfortable that we are using that budget and we are working with the leadership to give them a room by room breakdown of what we believe we can afford within that \$35 million budget.

The second issue of course is the auditorium itself, which was always a part of the basic project for the Visitor Center within the \$265 million, and the funding for that is part of the \$265 million project.

Mr. WALKER. \$351.3 million now.

Mr. HANTMAN. I am sorry.

Mr. WALKER. Mr. Clyburn, I think it is fair to say that the auditorium has been part of this from the beginning. One can debate whether or not you need it. That is a policy decision for the Congress to decide, but the type of items that, I think, fall under design to budget are things like the House and Senate expansion space, the exhibit space, and the technical security issues. Those areas, there is a budget of X. The specifications haven't been defined. The specifications are going to have to be modified to fit the budget, and you are right, you wouldn't do it that way in the private sector.

AUDITORIUM

Mr. CLYBURN. Well, let me—I don't know how much time I have got. The original design for this auditorium was to seat how many people?

Mr. HANTMAN. 450 people is what was approved by the Preservation Commission.

Mr. CLYBURN. Is that what was asked for? What were we supposed to be doing with the auditorium then? 450 people would barely get the Members as currently—I mean, what are we, 435 plus 5 for—what are we, 440 people with the Territories, and of

course I am an advocate for reducing these 600,000 Congressional district sizes anyway. I am not too sure we don't need to be 475 on the House side. We may get to that one day, because you do that statutorily, and so we may get to that. It won't be big enough for the House if that is where we are. But what were we supposed to be doing with this auditorium, I guess? There is 450—what was supposed to be the purpose?

Mr. HANTMAN. The purpose was, again, for the secure briefings, for meetings of larger groups of Members on the House or the Senate side, for use by the Library of Congress as well for the films.

Mr. CLYBURN. But only one body at a time.

Mr. HANTMAN. One body at a time. That's correct, sir.

Mr. CLYBURN. Well, it would seem to me that—I don't know if this is where Mr. Tiaht was going, but it is certainly where I would love to see us really go over this, is to determine whether or not we ought to bite the bullet, design something that will meet the needs as we project, or we ought to just dispense with all of this, this auditorium business, because I really don't believe, between the Library of Congress, between the whole of the House and other facilities around, the Smithsonian, other places I have been, they have got some pretty big spaces that could have these meetings in. But if we are going to try to accommodate the Members of the Congress and the visiting public, I just don't think that this auditorium gets us there.

Mr. KINGSTON. Mr. Culberson.

SPACE REQUIREMENTS

Mr. CULBERSON. Thank you, Mr. Chairman. Many of my questions have already been asked and answered, but I wanted to follow up on a couple of areas. I can tell the subcommittee from my own experience in Texas that we didn't even begin to build the extension of the Capitol in Texas until we had a real consensus among all the members of the Texas House and the Senate that it needed to be done. We were actually terribly overcrowded at the Texas Capitol. Single floors had been divided in two so that there were actually two stories within what had been designed as a single story. So it was a terrible overcrowding problem, and it is my impression from listening to the testimony and learning what I have, being a new member of this committee, that the Visitor Center extra space might not be as needed as it was in Texas. We really needed the space. That appears to be a big difference.

I have also made inquiries, Mr. Chairman—I will be providing you and the members of the subcommittee with some very specific information on how we controlled the cost of the Capitol extension in Texas, because we just never had these conversations or debates. Everyone was very happy and satisfied, and I am going to provide that to you, Mr. Chairman, as well as contact information as we discussed before, and I hope we can have an opportunity to bring the Architect of the Texas Capitol here and perhaps discuss either formally or informally what was done in Texas to control the cost, because again we just never encountered these problems.

GAO PARTICIPATION

Mr. CULBERSON. Which leads me to my question. Mr. Walker, I wanted to ask in the brief time we have before this vote, you mentioned that you were invited to basically participate, provide some guidance on this project in response to a request from members of the Capitol Preservation Commission. Is this the first report that you have provided on the Visitor Center since you received those requests?

Mr. WALKER. We are providing ongoing information to senior staff of the leadership and the appropriators every week.

Mr. CULBERSON. But is this the first formal report that you have submitted?

Mr. WALKER. This is the first formal testimony that we have provided, yes.

Mr. CULBERSON. But you got the request back in 1999 to become involved.

Mr. WALKER. We started getting much more extensively involved last fall.

Mr. CULBERSON. I just wonder why we are only hearing from you now and why we didn't hear from you earlier formally.

Mr. WALKER. Well, first let me say that I have sent correspondence that this committee has been copied on before this testimony. One was, for example, April 10, 2003, but my point is that this situation is unusual. We are in a situation where, as you know, 99 percent of the work that GAO does is for the legislative branch or the executive branch. This is an unusual circumstance where recently, within the last 2 or 3 years, Congress has asked us with increasing frequency to try to help it deal with some legislative branch issues. This involves a very different type of relationship. We try to do our job but also meet the desires of our client as to how frequently we report and in what form we report. This committee asked for a hearing, and we are happy to be involved in a hearing to report on what we are doing, but we are reporting on an ongoing basis informally.

Mr. CULBERSON. This is the first time you have been asked to provide formal report—

Mr. WALKER. That is correct.

Mr. CULBERSON. That is what I wanted to get at. Let me ask you very quickly if I can about your specific recommendation, which is one that makes sense to me, that there be a clear chain of command, a limited number of cooks in the kitchen as Mr. LaHood and the Chairman correctly point out. If you would talk to us specifically about your recommendation on implementing controls for the approval of changes. What, based on your experience on other construction projects in the Federal Government, have you seen work successfully in controlling the cost of other types of construction projects, and what specific recommendations do you have as to what types of controls you are talking about to put some cap or limit on approval?

Mr. WALKER. Well, first, I think we need to more clearly define responsibility and accountability. We need to first agree on the basic specifications. They are still not agreed upon. That has got to be done, and so all these estimates are based upon current un-

derstandings. We have got to nail the scope and specifications down. Second, once those are nailed down, to the extent that people want to end up talking about change orders, then there has to be a very disciplined process that is followed involving a defined number of persons within a specified period of time, communicating with all the interested parties. Appropriators obviously are interested parties as well as the leadership. It has got to be a much more timely and disciplined process than has been the case in the past.

Mr. CULBERSON. Can you direct us to some other type of Federal guidelines or Federal construction project that we could look to for guidance?

Mr. WALKER. I will be happy to provide some information for the record based upon the work that GAO has done.

[The information submitted for the record by the GAO follows:]

Question. For the record, please provide the Committee some information on federal guidelines for construction projects.

Response. During the course of our work we have used the following federal agency references, which may be of assistance in understanding the importance of scope control and the change order process:

1. "Construction Management Guidebook", Department of State, July 1, 1998;
2. "Project Management Practices", Department of Energy, October 2000; and
3. "Facilities Standards for the Public Buildings Service", General Services Administration, March 2003.

In addition, we have used the following private sector references:

1. "Improving the Accuracy of Early Cost Estimates for Federal Construction Projects", National Research Council, National Academy Press, Washington, DC, 1990; and
2. "Special Publication 43-1, Project Change Management", Construction Industry Institute, Austin, Texas, 1994.

SOURCES OF OVERRUN COSTS

Mr. CULBERSON. In your experience, is this highly unusual for a project of this type to encounter overruns of this size?

Mr. WALKER. Well, let me clarify. When we talk about overruns, I think it is important to look underneath. Some overruns are due to changes in scope. Some overruns are due to subsequent events that could not have been anticipated at the time, like September 11th. Some of them are more traditional overruns. I think it is important that those be broken down. Let's just say—as Mr. Clyburn mentioned before—the way that this has been handled is not a model for best practice from the private sector. However, what we need to do now is what can be done from this point going forward to minimize the chance of future problems, and I think we have got some specific recommendations that can help you there.

Mr. CULBERSON. Thank you very much, Mr. Walker. Thank you very much, Mr. Chairman.

Mr. KINGSTON. Mr. Price, I think we still have time for you to ask questions. It is the intent of the Chair to come back after these three votes, but you can certainly have 5 minutes right now.

IDENTIFYING STEPS FOR MEASURING PROGRESS

Mr. PRICE. Well, thank you, Mr. Chairman. Let me ask my question and we will see how far we get toward an answer. I will be glad to come back, and I am glad you are planning to reconvene. I apologize for coming in a bit late, and some of this may have al-

ready been touched on, but the question I would like to ask does follow up on what I have heard so far. It has to do with what the perspective is going forward. It is a three-part question. Mr. Walker, addressing you initially but also Mr. Hantman, have in fact all the requirements for this project been identified?

Mr. WALKER. No.

Mr. PRICE. Secondly, are there detailed designs that enumerate these requirements?

Mr. WALKER. Some but not all.

Mr. PRICE. I am not sure the answers to these three questions are identical. I expect they aren't. Thirdly, to the extent there are requirements that have been identified and detailed designs that enumerate the requirements, to what extent do we have reliable, with the stress on reliable, cost estimates attached to these designs? That is the way I think we need to analyze the situation going forward. I notice on page 3 of your testimony you have a box which very conveniently summarizes additional risks and uncertainties that could affect project costs or utilization. You might want to use that as your benchmark to identify which of these additional risks and uncertainties you think are real and what the dimensions of these risks and uncertainties are. Mr. Hantman, I would be happy to have you also comment on this list and where you think we are.

Mr. WALKER. Well, first no. All the specifications have not been defined. Second, some have, however, and are documented, but not all. Third, for those that have been defined and documented, there are cost estimates, which is the basis for this hearing.

COST ESTIMATES

Mr. PRICE. Reliable cost estimates in your view?

Mr. WALKER. Reasonable cost estimates. At this point, we believe that what we are giving you is a reasonable cost estimate, and we stand behind it, but I also will come back to where you started out. We have got to nail down the exact scope and specifications, and gain better control over any potential proposed modifications, or else you are not going to be able to effectively manage this, and your cost estimates will not be reliable.

Mr. PRICE. Go ahead, Mr. Hantman, yes.

Mr. HANTMAN. With respect to your first question regarding have all requirements been identified, I spoke a little bit earlier relative to the expansion space that we are currently working with the House and with the Senate leadership to define their needs in the \$35 million expansion areas. So that is being defined right now, and as we talked about before, we are working not to exceed the \$35 million budget.

One area that still does need to be defined, as pointed out in the GAO report, is the methodology for operations of the Visitor Center, whether or not there is going to be a private outside contractor coming in to run this, in which case they may fund some of the things in the kitchen. They may fund some of the other operational costs and furniture fixtures and equipment, or whether or not my office would be told to operate it or some combination thereof of parts and parcels. So the operation's budget and some of the fitouts

that are not related directly to construction that would be needed, say, on an opening day have not yet been determined.

Mr. WALKER. And Mr. Price, let me say that the \$30 or \$45 million uncertainty range deals with the bulleted items on page 3 that you refer to.

Mr. PRICE. That is your estimate of uncertainties?

Mr. WALKER. That is correct. Risks and uncertainties are based upon a Monte Carlo modeling analysis which is used in the private sector and in connection with construction projects.

STRUCTURAL PROGRESS

Mr. PRICE. Well, just quickly before we have to go. That first one of course jumps out as you read it. We know about the unforeseen conditions that were encountered early on. To what extent are these potential underground complications still a threat? Are there still some unpleasant surprises possible?

Mr. HANTMAN. Mr. Price, we have completed the foundation wall around the vast majority of the project at this point in time, 70 feet down, 2,200 linear feet, et cetera. You probably heard about the well that we found on the House side which delayed us about 5 weeks and did cause us a delay on the project and a way for us to catch up on that time. The most significant excavations that we still need to do other than removing earth within the perimeter wall that we have already built, we think we've encountered the worst of it so far within the project perimeter. On East Capitol Street we need to dig a utility tunnel that will tap into the utility distribution system on Second Street in back of the Supreme Court and back of the Jefferson building. What we are trying to do is minimize risk over there and look at alternative methods of digging that tunnel, having prefabricated parts come in and concrete parts, laying the pipes to minimize the risk. That is one of the issues. And clearly completing the truck tunnel on the Senate side is another one of the issues that we are looking at right now.

Mr. KINGSTON. We have 4 minutes to vote, so the Chair will recess subject to the call of the Chair.

[Recess.]

STATEMENT OF THE ARCHITECT OF THE CAPITOL

Mr. KINGSTON. The committee will come back to order. Alan, my original intent was to have the GAO testify with some questions and then have you testify with some questions for you, followed by a combination of questions. However, we already jumped in to asking you questions, but I want to give you the opportunity to say anything generally.

Mr. HANTMAN. No. I appreciate that, Mr. Chairman. And if I could just submit the testimony for the record. I would just like to talk a little bit about where we have been so far in this hearing and maybe straighten out a couple of issues from my perspective.

[The prepared statement submitted for the record by the Architect of the Capitol follows:]

**TESTIMONY OF ALAN M. HANTMAN, FAIA
ARCHITECT OF THE CAPITOL**

Fiscal Year 2004
The U.S. Capitol Visitor Center Hearing
United States House of Representatives

15 July 2003

The U.S. Capitol Visitor Center (CVC) was conceived as an extension of the Capitol, an extension that will welcome visitors to the seat of the Legislative Branch of the United States Government. When it is completed, the CVC will improve Capitol security and functional capability. Equally as important, the CVC will enhance the visitor experience, providing greater comfort and accessibility, as well as new educational opportunities. This project is not simply another improvement to the Capitol, however. It is one of historic dimension, being the largest addition to the Capitol in 140 years and it should reflect the same permanence that President Washington had insisted upon during original construction of the Capitol. Given the physical constraints of Capitol Square, the CVC is also perhaps the last opportunity to extend the Capitol within the historic framework of the Grounds and the structure that is so recognizable to people throughout the world.

The need for a visitor center was, in fact, acknowledged as early as the mid-1970s, when the Architect of the Capitol issued, "Toward a Master Plan for the United States Capitol," a report which recommended the construction of a building to improve Capitol security and to accommodate the ever-increasing number of visitors to the Capitol. In 2000 alone, approximately 3.5 million visitors entered the Capitol. The CVC was identified as necessary not only to meet the physical needs of visitors to the U.S. Capitol, but also to meet the changing nature of visitor expectations and their desire to witness the Legislative Branch in action.

In 1991, Congress authorized the use of previously-appropriated security enhancement funds for the conceptual planning and design of a CVC. The CVC was to provide reception and screening facilities, educational exhibits, auditoriums and other programs, and ancillary support and service facilities. The design was to be sympathetic to the architecture of the Capitol Building, preserving an atmosphere of free and open access while incorporating measures to strengthen its security.

Changes in security needs, prompted by terrorist activity in the mid-1990s and then highlighted by the tragic murder of two Capitol Police officers in 1998, and other considerations, required revisiting and revalidating the report completed in 1995. A new report was completed and issued in 1999, and served to reaffirm the four fundamental goals which have guided the design of the project. The events of 9/11 served to underscore each of the project goals.

- **Security:** The Visitor Center must provide a secure public environment to welcome and manage a large number of visitors and protect the Capitol Building, its occupants, and guests in an atmosphere of free and open access.
- **Visitor Education:** The Visitor Center must establish and present a body of information and accessible resources on the workings and history of Congress, the legislative process, and the

mechanics of our representative democracy.

- **Visitor Comfort:** The Visitor Center must provide the amenities, comfort, and convenience for visitors appropriate to the world's most recognizable symbol of representative democracy and one of the nation's most visited tourist destinations.
- **Functional Improvements:** The Visitor Center must respond to the functional limitations of the Capitol by providing modern, efficient facilities for such functions as truck loading and deliveries, constituent assembly rooms, and improved pedestrian connections to the Senate and House office buildings.

On June 20, 2000, members of the Capitol Preservation Commission ceremonially broke ground to signal the beginning of a process that we fully expect will culminate in December 2005 when the CVC will open its doors to the public.

Construction Update

The Sequence 1 contractor is moving at full throttle, since a \$99-million dollar contract was awarded in June 2002. This contract involves site demolition, perimeter wall construction, excavation, installation of site utilities, construction of the concrete and steel structure, waterproofing, and construction of a new truck service tunnel. In June 2003, a key construction milestone was reached -- the perimeter foundation wall, approximately 2,100 linear feet of concrete wall that extends 70 feet into the ground, was completed. With the perimeter wall in place, which ensures that the foundation of the Capitol itself is secure, crews can proceed with deep excavation throughout the site and have excavated to the halfway point throughout much of the site. Excavation will reach its final depth of 50 feet on the House side in August 2003. At that time, crews will begin erecting the first of 132 55-foot-long steel columns that will support the CVC structure and portions of the roof deck structure will be installed by early this fall. Presently, more than 500 truckloads of material are being removed each day.

Construction of the new service tunnel on the north side of the Capitol is progressing well. This effort is also part of the Sequence 1 contract. While this project is not readily visible to Members on the House side, the service tunnel constitutes a sizeable portion of overall CVC construction, encompassing one-sixth of the entire excavation effort. When completed, the tunnel and eight new underground loading docks will provide a secure and more aesthetically appropriate means to handle all truck loading and delivery activities occurring at the Capitol. No longer will truck deliveries and garbage removal take place adjacent to the Capitol on the East Front. In fact, by moving the entire operation below ground, all truck related activities will be virtually invisible to Members, staff and visitors.

With the Sequence 1 contract in the peak of activity, the AOC awarded a \$144-million contract for Sequence 2 this April. This contract includes installation of electrical, mechanical, and plumbing services, and all stone and architectural build-out and finishes of the CVC. The Sequence 2 contractor has been mobilizing to the site over the last several weeks and it will work side-by-side with the Sequence 1 contractor until the Sequence 1 work winds down next year.

Project Challenges

The CVC project team faced many challenges during the initial construction phase called “pre-construction activities.” Some of these challenges are explained below to facilitate a better understanding of the complexity of the CVC project.

Facts and Figures

The CVC encompasses approximately 580,000 square feet on three levels, located underground on the East Front of the Capitol, and encompasses an area nearly two-thirds the Capitol itself. At 193,000 square feet, the footprint of the project is larger than the Capitol’s footprint and the CVC is, by far, the largest addition to the Capitol in its 200-year history. The CVC will provide secure screening of all visitors to the Capitol by providing a secure entrance hundreds of feet away from the face of the Capitol. After being screened, visitors will enter a Great Hall, which will include information and ticketing desks, and provide a spacious area where visitors can gather while viewing the Capitol Dome through grand skylights. The CVC will feature a 600-seat dining facility, plentiful restrooms and House and Senate gift shops. The facility also will include approximately 17,000 square feet of museum quality exhibition space that will provide resources on the workings and history of the Capitol, the Congress, and the legislative process. In addition, two 250-seat orientation theaters will present a short film designed to inform visitors about the Capitol and the Congress. The project also includes a 450-seat Congressional Auditorium, constituent assembly rooms, an underground service tunnel and loading dock and mechanical and storage space. The CVC will not just meet, it will exceed current standards for accessibility required by the Americans with Disabilities Act. The project also includes modifications within the East Front Extension of the Capitol that will significantly upgrade accessibility and vertical circulation. When completed, the CVC will accommodate up to 4,000 visitors at any one time, which means that visitors will no longer need to wait outside in bad weather, sometimes up to three hours, to visit their Congress.

Following are the key pre-construction activities that were required before main construction activities could begin. It should be noted that these pre-construction activities were accomplished in an atmosphere of heightened security following the events of 9/11. The increased screening requirements and the more secure site logistics procedures presented additional challenges to the CVC team and our contractors. Nevertheless, we still were able to begin on schedule in October 2001 with the award of our first pre-construction contract for tree preservation.

Tree Preservation

Early in the CVC design process, it was agreed that the design of the CVC must minimize, to the extent possible, modifications to the original and historic landscape designed by Frederick Law Olmsted in 1874. As a first measure, a tree preservation contract was awarded, which includes the presence of an on-site tree expert throughout construction of the CVC. Further, in concert with the CVC project team and the AOC’s senior landscape architect, the contractor developed and has implemented a comprehensive tree preservation plan which includes: tree protection fencing, which was erected to protect the trees from construction vehicles and crews; a canopy mist system was installed to keep trees free of construction dust so they can “breathe” during the construction process; a new irrigation system was installed to ensure proper soil moisture levels at all times; and historic

trees were carefully and painstakingly relocated to safe locations elsewhere on the East Capitol Grounds. Additionally, trees were pruned and, in some cases, supported with cables, to enhance their survivability during and after construction. And finally, the tree preservation contractor keeps a chart on every tree within the CVC construction fence in order to monitor each tree's vital statistics. It should be noted that the full extent of these preservation initiatives, while appropriate, were not clearly defined when the original CVC budget was established four years ago.

Historic Preservation

In addition to protecting and preserving trees on the East Capitol Grounds, special care was taken to preserve all of the original and historic Frederick Law Olmsted hardscape features on the East Front Plaza. These features, which include all the fountains, lanterns and retaining walls that were in the project footprint, were carefully disassembled and will be restored and reinstalled in their original locations upon completion of the Plaza. The CVC design team has done an exceptional job in integrating the original hardscape features within the new CVC Plaza, but again, the scope of this work exceeded what was originally planned for during the original budget estimation process. However, all parties involved agreed that the work performed to preserve these historic elements was appropriate and justified.

Utility Relocation (Utility Lines Requiring Relocation)

Utility lines within the project footprint needed to be relocated prior to excavation of the project site. This was no small task, especially when considering the many utility lines that have been installed at various times during the last 100 years. Relocating these lines, while keeping the Capitol itself fully functional, has proved to be a delicate and, by far, the most difficult pre-construction activity. Part of the difficulty was due to the fact that many of these utility lines were poorly or inaccurately documented on the building drawings that were available to the project team. As it became increasingly apparent that existing drawings were potentially unreliable, crews attempted to do much of the utility work at nights or on weekends, and to some extent, crews worked around the legislative calendar in an effort to minimize disruption to the Capitol and its occupants.

Relocation of 30" Water Line Relocation- Amtrak Loop

One specific example of the many problems faced during utility relocation work occurred on First Street NE where crews had intended on rerouting a large 30-inch water line across First Street at a location that was believed suitable to accommodate the necessary excavation. Drawings provided to the AOC by Amtrak showed an existing Amtrak train tunnel to be approximately 18 feet below ground at the location where the utility line was to cross First Street as the tunnel rises toward Union Station. The 18-foot clearance shown on the drawings would have easily provided the necessary room to lay the 30-inch water line over the top of the tunnel. However, upon actual excavation, the Amtrak tunnel wall was found to be less than two feet below the asphalt. This required that crews divert the 30-inch water line several hundred feet to a location where the Amtrak tunnel was farther below ground. This, in turn, added a few hundred feet to the overall length to the utility line and a few extra weeks of work. The cost for this change alone was \$328 thousand dollars.

New Visitor Screening Facilities, Ramps, and Canopies

Requirements related to temporary screening of visitors also changed significantly. It was known before construction that visitor screening functions must continue in a manner that was both secure and respectful. Toward this end, a temporary visitor screening facility was constructed on the south side of the Capitol. After coordination with the Senate Rules Committee and the U.S. Capitol Police, it was agreed that a temporary screening facility on the North side of the Capitol was required to handle visitors coming from the north who are visiting the Senate Gallery. New ramps along both the south and north side of the Capitol were constructed to lead visitors to the West Front Terrace. To facilitate access, the CVC project funds supported the implementation of a shuttle program whereby modified golf carts are used to bring persons with disabilities from the new ticket kiosk at the southwest corner of Capitol Square up to the south screening facility. Finally, at the request of House and Senate leadership, new canopies were installed over areas where visitors wait for entrance into the screening facilities. Beyond the construction of the South Screening Facility, the other screening-related facilities (north screening facility, canopies, and ramps from the north side) were not in the original scope of work. Nevertheless, the CVC team worked closely with Leadership Staff, the Sergeants at Arms, the Capitol Guide Service, the Capitol Police, and other key House and Senate Offices, to erect these new facilities in a relatively short time frame and to ensure a smooth transition to the new tour routes. Establishing fully functional screening facilities outside the project perimeter was critical to the project team's ability to close off the entire project site on schedule and move forward into actual construction.

Efforts to Minimize Disruption to Members and Staff Noise Reduction Windows on East Front, and Parking Accommodations

Also before major construction began, noise reduction window units were installed over every window on the East Front. While this work was not in the original pre-construction plan, it was agreed that these windows would reduce noise sufficient to allow the Congress to continue its business with only minimal disruption. Indeed, these windows have cut the construction noise down significantly and have kept noise complaints to an absolute minimum, even when work occurred just a few feet away from the Capitol building.

Additional Parking Zones

Creation of alternate parking areas for both the House and Senate also was critical to minimizing inconvenience to Members and Staff. The CVC team has successfully offset every parking space that has been impacted by construction activities. This was achieved through the diligent, and often times, creative, efforts of both the House and Senate Parking Offices. As with other pre-construction activities, actual work required far exceeded the original scope.

Alternate Media Sites

New media sites for both the House and Senate were established at locations off the Plaza to allow press operations to continue during construction. This effort, too, required work and costs above and beyond what was originally planned, primarily due to the installation of telecommunications lines that were more complex than those originally required for these sites.

New Truck Screening Facility

New security screening measures imposed on all vehicles coming to the construction site, while very reasonable after 9/11, have added additional time to every trip made. At the current peak of excavation, approximately 100 dump trucks attempt to make five to six trips a day to and from the site. Additional screening time for each trip, which can be more than 500 a day, have additional costs. Further, a new remote truck screening station was completed at a location along Constitution Ave. NW, just west of Capitol Square. This new facility required new telecommunications conduit, additional paving, fencing and installation of other security elements. This new screening station has been fully functional for several months and has been very effective not only in providing advanced vehicle screening, but also in facilitating the Capitol Police's ability regulate the flow of vehicles coming to the site so that we minimize traffic impacts along both Constitution Avenue and First Street NE.

Unforeseen Site Conditions within CVC Site

In addition to unforeseen site conditions encountered during utility relocation work, there have been several unforeseen conditions encountered within the CVC project site during excavation. First, crews have had to contend with one of the wettest winters on record, a trend which, unfortunately, carried over into spring as May rains were more than double the average for that month. Wet conditions have the potential to wreak havoc on any construction site, especially one involving excavation and very large equipment, which gets bogged down in the mud. During the winter, however, the contractor worked crews 24 hours a day, seven days a week at times to make up for some lost time during construction of the perimeter wall, but excavation can only occur between certain hours of the day and there have been delays as a result. Presently, the AOC staff and the project construction manager are working with both the Sequence 1 and Sequence 2 contractors to examine the delays experienced thus far and mitigate any impacts to the overall schedule.

Another unforeseen condition within the project site was encountered just during completion of the perimeter wall along the face of the House side of the Capitol. Crews hit an old well during excavation of a slurry wall trench, which is believed to have been constructed in the late 1790s to facilitate construction of the original House wing. Crews needed to create a stable environment within the void created by the well in order to pour concrete for three perimeter wall panels. This required breaking through the stone well and using a series of grouting techniques to establish the necessary foundation in which new wall panels could be constructed. What normally would have required six days of work instead required five weeks. Again, the CVC project management team is working closely with our Sequence 1 contractor to determine the impacts of this delay on the overall schedule.

The events of 9/11 prompted a reassessment of all of the CVC project security elements. As a credit to the original design by the project architects, the reassessment team recommended no significant changes to the overall design. However, additional requirements, which necessitated more robust mechanical systems and other improvements, were imposed. In turn, changes to the core CVC structure were needed to accommodate these new systems, and these changes came at a very late stage in the design process. In fact, Sequence 1 design documents were already complete and Sequence 2 documents were about one month from completion.

And finally, there have been still other unforeseen site conditions both inside and outside our construction fence. These conditions might not have had significant or “unrecoverable” impacts to either the CVC budget or schedule, but cumulatively, they amount to a significant cost. These costs, when combined with the higher award amount for the Sequence 2 contract, prompted the AOC to request a review of the overall cost-to-complete.

CVC Budget

With regard to the overall budget, the original CVC project budget of \$265 million was established in 1999. At that time, the budget provided for the core CVC facilities, including the Great Hall, orientation theaters, an exhibition gallery, a cafeteria, gift shops, mechanical rooms, unfinished shell space for the future needs of the House and Senate, and a truck service tunnel.

After September 11, 2001, new security requirements, new underground connections, including a tunnel to the Library of Congress, and various security enhancements, prompted the appropriation of \$38.5 million in additional funds, which were provided in the Emergency Supplemental Appropriation. The CVC team was then tasked to design and build-out the House and Senate shell space, requiring an additional \$70 million, which was provided in the Legislative Branch Appropriations bill in November of 2001. These additional requirements to the original scope brought the total amount of the project to date to \$373.5 million. I would like to emphasize, however, that despite how these figures may have been reported in the papers, the additional requirements and scope of work has resulted in the appropriation of additional funds.

However, early this spring, in its letter about the Capitol Visitor Center to the Capitol Preservation Commission dated April 10, 2003; the General Accounting Office noted that “the project budget estimate of \$373.5 million is no longer current. The estimate was limited due to uncertainties related to the preliminary nature of the design work, unknown scope of pre-construction requirements, and additional security adjustments to the design after the events of 9/11. In addition, it is already evident that the expected cost of a number of line items in the estimate, such as utility relocation, tree preservation, temporary visitor screening facilities, and historic preservation, will be exceeded.”

As a result, the AOC decided this past April that a prudent course of action would be to have a full and independent review of the cost-to-complete all the remaining work related to the Capitol Visitor Center. The build-out of House and Senate shell space and the additional security elements were considered as separate “not-to-exceed” projects.

That independent cost-to-complete report was completed in mid-May and was then turned over to the General Accounting Office for a full analysis. Over the following several weeks, GAO scrutinized the entire report, conducted interviews, and hired an outside firm to assist with a comprehensive assessment of the report. GAO presented its findings and recommendations to the Capitol Preservation Commission on June 9. GAO’s recommendation is to appropriate an additional \$47.8 million to complete the project. It should be emphasized that the GAO cites fully justifiable reasons for its recommendation, all of which are typical of, but, in some cases, unique to a construction project of the magnitude, complexity, and historical significance of the Capitol Visitor Center project. It should also be noted that in response to a request from the Capitol Preservation

Commission and the conference report to the Omnibus Consolidated and Emergency Appropriations Act, 1999 (House Conference Report 105-825 (1998)), the GAO has been providing ongoing assistance to the CPC and the Senate and House appropriations committees in their oversight of the project.

As noted in my letter to the House Appropriations Committee on April 4, mistakes were made in the reporting of additional costs and the AOC did not execute the budget precisely as approved in the March 2002 obligation plan. Moreover, the project's reserves, originally identified separately in the initial 1999 budget, were essentially incorporated into the approved obligation plan amounts for Sequence 1. Even though budget execution against approved levels has progressed well, it became obvious that the remaining funding was insufficient to complete the project. The budget shortfall was underscored when the Sequence 2 contract was awarded in an amount that was 10 percent higher than the government estimate. This difference, however, is considered well within a reasonable range by both the General Services Administration and the Department of Defense.

I am taking the necessary steps to ensure that going forward, obligation plans are adhered to and that all expenditures are clearly reflected in monthly financial reports. These reports, which are being reviewed by the GAO, will bring to the attention of the Committee any issues that may impact the cost, timeliness or quality of the project. In addition, representatives from both the House and Senate Appropriations Committees now participate in our weekly coordination meetings with the Capitol Preservation Commission to ensure that any issue related to cost is identified early and addressed promptly.

I would also like to note that last year, the AOC implemented a new accounting system that is in full compliance with all Federal accounting standards. Further, under the oversight of the GAO and the Capitol Preservation Commission leadership, two independent public audits have been performed on the obligations and expenditures of the CVC project specifically, and both audits resulted in "clean" opinions. The AOC also been working under an agreement with the General Services Administration to manage its procurement processes and, unlike any AOC project ever before, a professional construction management firm was hired to assist the AOC in this historic project.

Schedule

Despite the many challenges discussed earlier, and pending the appropriation of the additional funds identified in the cost-to-complete funding request, the project team is on schedule to meet project completion milestones. The first major milestone is to support the Inaugural in January 2005. Based on meetings with the Inaugural Committee, this means that portions of the East Front Plaza deck will be complete, especially near the face of the building, to accommodate a presidential motorcade and/or the landing of the President's helicopter on the East Front Plaza.

The second major milestone will occur in the fall of 2005. As the Sequence 2 contract documents clearly stipulate, the facility will be, "substantially complete and capable of being occupied and used by the Government for the intended purpose."

Finally, the doors of the Capitol Visitor Center to the public are expected to open to the public in December 2005 as scheduled.

Communications Efforts

It should be noted that CVC communications initiatives, most specifically, efforts to keep Members and Staff informed about the project have increased in response to the tremendous demand for CVC information. While there have been some shortfalls in the timely reporting of issues, great strides have been made to distribute CVC information to all Members and Staff. In fact, at the onset of pre-construction activities, the AOC recognized the need to implement a comprehensive plan for distributing CVC information.

Toward that end, the AOC:

- hired a full-time CVC communications officer dedicated to distributing CVC information and responding to all CVC-related inquiries;
- distributes a CVC weekly construction summary with a focus on those activities that have a direct impact on Members and Staff. Summaries are distributed through key Leadership offices in both the House and Senate. All summaries are posted to the AOC web site to ensure maximum accessibility of information and recent editions include construction photos of ongoing activities;
- distributes CVC construction notices, as appropriate, when work has impacts related to Member or Staff parking, access, corridor closures, noise disturbances, or visual changes to the historic landscape;
- continues to work with Leadership Staff to coordinate and present CVC materials at numerous briefings for both Members and Staff. Just last month, we situated presentation boards on the House Steps and I personally welcomed Members to stop by between or after their evening votes to look out over the project site, discuss any issues they had, or to ask any questions about the project. Events were scheduled two Mondays in a row and approximately 30 Members stopped by on both nights;
- distributed a Dear Colleague letter to all the Members inviting them to join the AOC on a CVC site visit (Wed., June 25) and to provide them another opportunity to ask any questions they may have about the project. Five Members attended;
- worked with the Appropriations staff to coordinate a CVC site visit specifically for the Appropriations subcommittee, which was held on June 24.
- accommodates any request for a CVC site visit by Members or Staff and we also have a routine site visit for them every Friday at 10:00 A.M. These site visits are regularly attended by House Leadership staff and the visits are very helpful in our efforts to communicate current and upcoming construction activities or issues;
- has established good working relationships in recent weeks with both The Hill and Roll Call

to help promote the timely and accurate reporting of information through these publications;

- developed and distributed CVC brochures to every Member. These brochures are also distributed to visitors entering through the South Screening Facility.
- created a separate CVC web site with a link from the AOC web site. The CVC site includes every weekly construction summary, current press releases, an brief overview presentation, project background information, dozens of construction photos and a direct e-mail link to the project communications officer.
- posted large signs at eight locations around Capitol Square that show renderings of the CVC and provide information about the CVC. The signs also invite interested parties to visit the CVC web site;
- And finally, our communications officer has responded to more that 120 media inquiries over the last year and have been the subject of more than 20 articles in Roll Call and The Hill. The project was also featured in the Washington Post and the New York Times and other articles appeared in the Baltimore Sun, USA Today and New York Newsday. Also within the past year, we have been featured on the covers of the Engineering News Record, Preservation Magazine, McGraw Hill Construction News and other publications. I have talked about the project on C-SPAN, Fox News, NBC Nightly News, and other broadcasts. And while not all the press has been positive, we are trying to educate and inform the public about this high-profile project.

Closing Statement

In an effort to put the CVC request for additional funding into some context, two excerpts from an article that appeared March 31, 2003, in the Washington Post about the recently completed Washington Convention Center are noteworthy. The article pointed out the fact that the Center's \$834 million bill was about 17 percent above that project's original 1998 estimate, but that the "increase did not seem extravagant to the several groups overseeing the project." The article quotes the General Accounting Office as saying that "although there were cost adjustments and price increases, none of the costs were outside the realm of a project of this scope and size." The article later reports that according to officials, "the final costs rose mainly because of the complexity of the structure, and unforeseen problems."

It can be said that the Capitol Visitor Center, while smaller than the Convention Center, is no less complex. In fact, it can be argued that the CVC project is even more complex when considering the unique security requirements, the historic significance of both the Capitol and its grounds, and the need to keep the Capitol itself fully operational at all times during construction. As with the Washington Convention Center, many unforeseen problems also have been encountered and requirement changes have occurred following the events of 9/11.

Finally, let me say that the Office of the Architect of the Capitol has always worked closely with this Committee in a successful and collaborative relationship. I thank the Committee for its generous support, which has allowed us to complete many critical projects, provide exemplary service, and assure continuity of operations at the Capitol, the House Office Buildings and throughout the Capitol

complex. As I stated at the beginning of my opening remarks, the Capitol Visitor Center is, by far, the most visible, significant, and certainly the most historic of all the projects I manage.

Let me assure you that my project team and I recognize that, ultimately, it will be the millions of visitors for generations to come who will be the final judges of our work today and we are dedicated to building a Visitor Center that all Americans can be proud of when they come to see their Congress and their Capitol.

Thank you -- I will be happy now to respond to any questions you may have.

HISTORY OF CVC PROJECT

Mr. HANTMAN. First of all, Mr. Chairman, I thank you for the opportunity to be here. I think it is important. I think a lot of misinformation is out there, and hopefully we can clarify that through this committee hearing.

First of all, this is an important, historic, necessary project. I think most of the Congress agrees on that, although we may talk about a part and parcel over here or there, whether that is necessary or not.

A little historical background. In 1999, when the original \$265 million budget was established, that was the basic CPC budget that was for the Visitor Center portion of it as well as excavating and building a shell for future expansion space for the House and the Senate. It was basically just a concrete shell, big open areas with no finishes in it. That was the \$265 million project. Any architect, any engineer, when they embark on a major project comes up with a concern that we have heard talked about today. Clients always say, while you are at it, why don't you also build A, B, or C. And clearly that has happened over here. 9/11 occurred. I think there is good reason for the \$38.5 million that was added to the project at that point in time. It was, as Mr. Walker indicated, that was an increase in scope. That was not a cost overrun or anything of that nature.

Then, the House and the Senate decided that the shell space needed to be filled in, that in fact there were good reasons to support the activities of the Congress in the Capitol building itself; that things were so crowded that utilizing that space as soon as reasonably could be done made sense, and then \$70 million was appropriated for that. And that brings us to the \$373 million. And again, I do consider the \$70 million, 35 for the House, 35 for the Senate as really separate projects. We are still working on the drawings, as I indicated earlier. We haven't got a price from a bidder on this yet. We have to negotiate prices on that. We are working to the \$35 million limit. And as I indicated to Mr. Moran, we do have a 10 percent design contingency and a 10 percent construction contingency in those numbers right now.

So all of these funds to that point were appropriated. And as Mr. Walker did indicate, the \$47.9 million we're talking about now is a cost to complete is the first increment of what could be perceived as a cost overrun or additional funding necessary for the base project.

And I would just like to quote, if I could, Mr. Chairman. There were two excerpts from an article that appeared in March 31st in the Washington Post about the recently completed Washington Convention Center. The article pointed out the fact that the center's \$834 million bill was 17 percent above the project's original 1998 estimate, but that the, quote, "increase did not seem extravagant to the several groups overseeing the project." It quotes the GAO as saying that: "Although there were cost adjustments and price increases, none of the costs were outside the realm of a project of this scope and size." It later talks about the final cost rose mainly because of the complexity of the structure and unfore-

seen problems. And I think Mr. Walker spoke to that also in terms of the private sector.

I can't think of a more difficult place to build a project in terms of the oversight, in terms of keeping the Capitol, a fully occupied building doing the business of the country, actively moving forward so that the House and the Senate would not be disturbed by a major construction project which is increasing the size of the Capitol by at least two-thirds over again.

So, again, when we talk about that, I think we can argue that the CVC project is even more complex than the convention center considering the security requirements, the historic significance of the buildings and the grounds, the need to keep the Capitol itself fully operational at all times.

So, again, this cost to complete that we are talking about is something that I asked the Office of Management and Budget to consider as a budget amendment, and hopefully that will be considered by both the Senate and the House.

So I just wanted to make the point, sir, that, again, this is an excellent project, it is a necessary project, a historic project, and it has been run in a manner that, because of all the unexpected issues below grade, because of the security issues, the penalties to the contractors, our expectations were we would have more bidders than we actually had. So when you had two final bidders coming in for sequence two, as Mr. Walker indicated, some people shied away from the project because of the complexities. And I think that hurt us in terms of the actual bids that came in.

I did want to clarify one issue relative to the auditorium because there's been a lot of discussion going on about it. I had mentioned the number \$34 million for the auditorium earlier on. And that in fact was the estimated cost for one of the four options considered by the Capitol Preservation Commission. And that was option 2-A, which included a 550-seat lower auditorium and a 200-seat upper auditorium. So that was the 750-seat model. I stand corrected on that.

The option number one, which was actually selected by the Capitol Preservation Commission, has 350 seats at the lower level and 100 seats at the upper level for a value of \$20 million as opposed to the \$34 million. This was the delta that we were talking about, a \$14 million delta between option 1 which we have distinguished and which we bid, and option 2-A which was the 750-seat auditorium which was not accepted by the Preservation Commission.

A final point relative to that \$20 million. That is included in our contracts at this point in time. We would have to negotiate with the current contractors in terms of what dollars have not yet been committed, what money they have expended on the excavation. They have started to do the perimeter walls. Certainly they haven't done the finishes inside or anything like that. Whether or not we save 5, \$6 million out of the \$20 million—I'm not sure what the number would be, we would have to work on that, but certainly it would be significantly less than the 20 million we estimated the auditorium to cost in the first place.

COST TO COMPLETE ESTIMATES

Mr. KINGSTON. Thank you. I have two questions. On July 10th, you told NBC News in a letter, quote: "Finally, you ask if the latest cost to complete estimate will be the last. In light of the exhaustive review of all project elements competed by the Architect, a private consultant, and then by GAO, I am confident that no further cost to complete estimates will be required."

GAO is telling us there is still the lack of design and additional risk factors. Are you confident with \$485 million or not confident?

Mr. HANTMAN. The risk factors that are discussed by GAO are challenges for us. What we need to do is manage this budget, manage the changes that Mr. Walker referred to, make sure that there are no design changes to the basic core construction budget over here. What I started alluding to before the break, Mr. Chairman, in terms of operations and additional costs that are not related to the construction itself is really what we are talking about. And I think what Mr. Moran was trying to get at, not only the construction costs but all of the other elements, furniture, fixtures, equipment, how the House might choose to fit out the constituent meeting room, for which we have no furniture in the base building budget, how they might choose to fit out the gift shops for which we're going to build the shell, but we are not going to supply the fixtures for the gift shop. That's a determinant for the House and the Senate once they determine how the operations are going to be handled.

So in terms of the construction side of it, that is what we are dealing with, and we are going to work like hell to make sure that this budget and this cost to complete is something that we can work with.

Mr. KINGSTON. In a superficial 30-second-sound-bite-in-Washington thinking, you could write a letter that the \$465 million would be accurate, minus the gift shop, minus the committee rooms, minus the furniture or other contingencies. You could do that for this Committee?

Mr. HANTMAN. Any construction project, Mr. Chairman, can put in reasonable contingencies. And I think in the dollars that we are talking about, we have inserted reasonable contingencies. If we have lying in states and we have to shut down the project for X period of time, if we have major construction issues that no construction project would anticipate or could anticipate at this point in time, those are costs and risks that we can't quantify at this point in time. We think that the number, the GAO number of 47.9 million is a strong number, it is a basic number, and we would work to make sure that that was—

PROJECT SAVINGS

Mr. KINGSTON. Allow me to rephrase the question. I am a disgruntled homeowner and I've hired your firm to oversee the renovation of my house. Because of weather delays, an unexpected underground well or whatever, we are behind schedule and over budget. Give me 10 ways I can save money on this project.

Mr. HANTMAN. Certainly the discussion that we had, these are issues that were voted on by the Preservation Commission. But if

the auditorium were cut out, there might be 5, 6, \$7 million. Something of that nature could be saved. The Preservation Commission also voted on the tunnel to the Library of Congress. If we stopped it at this point in time, we might be able to save \$8 million or something out of the 10, \$12 million we were talking about. Because it's in the contract, we would have to negotiate it out with the contractor. I am not sure where we would come out on that.

We have a cafeteria being planned, we have a kitchen being planned. If we didn't finish off those facilities, that might be 3 or \$4 million that can be saved on the equipment, on the finishes on those spaces. If there was—we have two orientation theaters, one on the House, one on the Senate side. If we just left one of those spaces as a shell and we didn't finish it off, that might be a couple of million dollars. But, again, what we are doing is cutting down on the basic needs of the Visitor Center itself and how we are going to be servicing all those folks who are coming from around the world to experience our Capitol. And the fundamental problem that we face right now is there is no place for them to dine, there's not adequate restroom facilities, there is no way for them to learn about the Congress and how its work is done. That's what the exhibition space would be about. And if we didn't finish off the exhibition space, certainly that would be dollars not spent.

VISITOR EXPERIENCE

Mr. KINGSTON. I will say this respectfully, and not sarcastically. But the republic has managed to survive without a visitor's center for 200 years, and people have had a great Capitol experience. They've found a place to go to the bathroom and a place to eat. I don't think many items are essential. When the family comes up, if they don't have a cafeteria, they will find one. Washington has plenty of cafeterias.

What I would like, is for you to say, "I want to make you happy. You are spending money on this tunnel that you really don't need, because all you really need is an umbrella if it's raining. We all know most Members of Congress don't utilize the Library of Congress with the alacrity that they could be. Why don't you consider saving \$7 million bucks?" That would probably be a mature suggestion, a mature idea. Or tell me, "That's the stupidest idea in the world. If you really want to save money, cut out the cafeteria, or back off this ludicrous idea for more office space for the House." You are the guy who is there close to the project that can tell me what needs to be cut out.

I worked in a little construction, not anywhere near your level of expertise, but I do know the fundamentals. If you have a project like this, you must go back in the real world and come up with some way to save money. What can we do to show the American people that we have a basic understanding of taxpayer money and how hard they work for it? We need these ideas from you. It's your job. You need to be able to say, "The idea to go to a 450-seat auditorium was foolish; you all should have stuck with the 750. That was \$14 million you could save. It's not a good idea, and here's why."

I have never had any Member of the House say we really need a tunnel to the Library of Congress.

The gift shops. Why can't we privatize them? You have a space—go to vendors, let them bid on it and outfit it. They'll be a tenant with a 5-year contract. I believe we do that on the national parks, although I may be wrong. There have to be some real and good ideas that we can come up with, in the Legislative Branch family to save some money so that we can go out unified and proud. It would be nice to say, "We just couldn't do everything we wanted to do, but we had some difficult decisions, rather than the same old, "We're already in this, let's just appropriate more money, because the Senate, they're insensitive; they've already put the \$48 million in there and all we are going to do is politic this thing out."

It is the position of this Committee that we are not going to support the additional \$48 million. We could be outgunned. But I am promising you, it is not going to be easy to outgun this Committee. We have bipartisan unity and we have a lot of passion and angst about the CVC. As we go down to the Floor, Members come up to me, Mr. Moran, and to Mr. Clyburn to encourage us, and say, "We are glad you all are fighting this thing, because it is ridiculous, and I have got to go back home in my swing district and justify it, and I'm embarrassed by it." When I say, "what can we cut out," we'll be asking that repeatedly over and over and over again, because we are not going to rattle our swords and then get rolled into this process.

Mr. Moran, Mr. Clyburn was here first. So.

Mr. CLYBURN. I will be glad to yield to my—

Mr. MORAN. No. Go ahead.

PROJECT COMPONENTS

Mr. CLYBURN. Thank you.

Let me begin by saying that I do believe that a visitor's center is a positive. I believe that. I still remember my first visit to this campus, so to speak, and I do believe I would have gotten a much better experience and I think my children would have gotten a much better experience if we had a visitor's center of this kind, with the kind of programmatic efforts being put forth to really get them to understand and see, visualize the—not just the Capitol building but the background. I am—as most of the members here know, I am very much a historic preservationist. I believe in historic preservation, I believe in restoration programs. I fight for them all the time. And I believe that historically this is something we ought to do.

My problem, though, is probably wrapped into how we have allowed the public to view this. I was told that a few days ago, maybe a couple weeks ago this whole project was a part of some maybe the fleecing of America, maybe, one of these TV programs.

But I don't agree with all of that. I think we ought to do this. But I do believe we ought to separate out what the Visitor Center is and get the public to understand that this much money is being spent on the Visitor Center, this much money is being spent on the House and Senate additions, office additions, is all wrapped into the Visitor Center. And that is what is out there, is one big number for the Visitor Center. And I don't think the public really—and I am not too sure all the Members—know that there is a substantial

expansion of House and Senate office space involved in this project to get us up to this big number.

I do have a problem, and I understand the design of the auditorium and I can understand the preservationists really wanting to keep this thing neat and compact. But, then, I think you have to balance all of that with what our Nation's needs are and what the Congress' needs are. And I am not too sure that we have done that in this instance, and I am really not too sure exactly what the preservationists had in mind for this 450-seat auditorium that they are recommending that you go with instead of the 750.

Could you tell me whether or not anybody had any discussions about how this auditorium is going to be used?

Mr. HANTMAN. Yes, Mr. Clyburn. There was significant discussion, and not necessarily unanimity, in terms of the size of the auditorium, whether or not we should build it for the 750 size where State of the Unions could be held there or whether or not it was going to be a functional congressional meeting area where the entire House could meet in session, if in fact they needed to as an alternative to the existing House Chamber. Or, again, security type briefings in a SCIF atmosphere could be held. There isn't a room that large that is a SCIF related room in any of the Capitol buildings right now.

So those were some of the main issues in addition to the use that the Library of Congress was proposing as well.

AUDITORIUM

Mr. CLYBURN. Well, in my own mind, I can see an auditorium being used. There are programs I have gone to down at the Kennedy Center which I think would have been much better and much more meaningful if it were in an auditorium of this sort here on the Capitol grounds. I can think of a few things that have gotten rained out here in the Mall that this auditorium would have been very useful for. I don't see where, just to meet if you need to meet. I mean, if the House needs to meet, that is a lot of money for an auditorium just to meet in case you need a place to meet. We have got some pretty good looking digs to meet in already. So I am not too sure. I think this is the kind of stuff that is giving us a problem with our Members and with the public, because if that's all that this auditorium is going to be used for, then I think there is a legitimate concern on people's part as to whether or not that amount of money ought to be spent. But I think if people knew that the kind of facilities that you have on July 4th would not be rained out, we could move to an auditorium that could accommodate certain people or other kinds of patriotic programs or would have other kinds of programs that might be better suited here on the campus grounds than down at the Kennedy Center or some other place. I think that you could make a case for that. But I don't know if you could make a case to the public about having a room just so the House or Senate could meet if need be when they've got two big meeting places already. So I think that's what has gotten us a little trouble.

But as for this member, a former history teacher, I believe in all of this stuff. I really do, and I am passionate about it. But I also believe that we have to really educate the public as to what we are

doing and why we are doing it and what it is going to cost. I think that this whole thing of just flying by the seat of our pants and doing this, that, and the other without any real concrete plan, I really believe we should have spent a year or so making these plans and then going forward, rather than just doing it and then plan the next phase and doing something else and then planning the next phase. That's what's got us all screwed up here.

With that, Mr. Chairman, I yield.

Mr. KINGSTON. I thank the gentleman.

Mr. Moran.

UNCERTAINTIES REVISITED

Mr. MORAN. Thank you, Mr. Chairman.

In talking about what leverage we have and what has not as yet been committed, this \$35 million that's for the House of Representatives expansion space, after the basic construction is done, there's \$13.6 million left for what you refer to as fitout of those spaces. And you say that it is under a design to budget mechanism, and GAO tells us that those funds may not in fact be sufficient. But they do say that Mr. Walker's report has said that 13.6 million is available from the budget to fit out the House expansion space. Tell me exactly what the fitout funds are used for.

Mr. HANTMAN. If we talk about the new hearing room, Mr. Moran, which is a two-story space being designed for the expansion space, there would be the finishes on the wall. It would be stone, it will be wood. The ceiling construction. The dais that would be built in the room. All of those, the hardware would be part of the fitout of the space. The distribution duct work coming off the central mechanical room into the space would be part of the fitout of the space. Special conduits, things of that nature. And that is—and flooring would also be part of that as well.

Mr. MORAN. It just seems that \$13.6 million is a lot of money for the molding and the doors and a dais and so on. Maybe I am not envisioning it. I can see construction, you know, of the basic space, but—which is, what, about \$20 million, I guess. More than \$20 million. But this fitout of \$13.6 million, it may be something that it is not essential, not integral to the project. And, I mean, I don't want to, you know, short-change any of the rooms. But I don't know; this includes the 10 percent contingency money, doesn't it?

Mr. HANTMAN. Correct, sir.

Mr. MORAN. GAO says you have spent about \$2 million of those contingency funds at this point? I think they put down \$2 million, right? So you figure \$3.5 million was the contingency amount that was budgeted?

Mr. WALKER. It's been allocated, which means in some cases it's been spent; in other cases it's probable that it's going to be spent and, therefore, it's been allocated.

Mr. MORAN. Well, I don't know. I guess this is the kind of thing we need to discuss. You know, it's not a whole lot of money out of the total, but it's something that clearly we don't have a defined project—I guess your term would be defined project scope. I think that's the operable term for this, for the 13.6 million. But it may be something that we want to look more carefully at. I know it's just a microcosm of the larger project, but it's something that's un-

committed, it's money that has not as yet been provided, I gather, and it's something that's clearly within the purview of the House leadership at this point, I think.

But you have been asked a lot of questions; this has gone on some time, I'm not going to belabor it. Again, we'll have some discussion of what we can and should do. I sympathize with Mr. Clyburn, that we want to—when we do this, we want to do it right. But we know that we can't criticize other projects around the country the way that money is used if we can't keep our own house in order, so that it—we are more than happy to undergo scrutiny of any kind, at any time.

But with that, I will conclude my questions, Mr. Chairman.

EXPECTATIONS FOR THE CENTER

Mr. KINGSTON. I thank the gentleman.

When the project started having all the overruns for utilities and unknown conditions, why didn't the AOC contact Congress and say, "We have a problem?"

Mr. HANTMAN. I think what one of the things that Mr. Walker said earlier about expectations of significant bids is something that we had talked about, Mr. Chairman. The project was initially tracked with all of our project components as a lump sum. And we were tracking the overall budget, we were optimistic that our goals could be met even with the high utility costs that started coming in. We had not finalized the design for sequences one and two, and we were pretty confident, I guess—too much so in hindsight—that the design, the bidding climate would be favorable to the costs that we were projecting for those sequences.

FINANCIAL PLAN

Mr. KINGSTON. There are a number of accounts. Isn't it true that you have borrowed from various accounts, for example, one account for furniture or wiring, redirected to wallpaper or flooring?

Mr. HANTMAN. When we resolved the dollars that had been spent to date, Mr. Chairman, relative to the obligation plan, we were pretty much right on budget.

Mr. KINGSTON. But you have taken money from one account and applied it to another account.

Mr. HANTMAN. The project was not originally tracked as, you know—and I apologized for that in our letter of March—I think it was April—that we were tracking it on a lump sum basis for the entire project as opposed to a line-by-line obligation plan.

Mr. KINGSTON. This committee would like to make legislative changes to prevent these things from happening. But that is a practice which although apparent to me, may be harder for other Members of Congress to interpret. I understand what you are saying: lump sum you are okay, but dollar for dollar, you are still taking it out of one pocket and putting it in the other one.

Mr. HANTMAN. And we have changed our accounting procedures in line with the obligation plan, and we will be tracking it exactly that way going forward, Mr. Chairman.

Mr. KINGSTON. Mr. Walker.

TRACKING COSTS

Mr. WALKER. Mr. Chairman, this is an example of where there's two sets of books going on here. The total is not any different. But if you look at it from the standpoint of the contingency, the House wanted to allocate contingencies by line item. The Senate didn't allocate the contingency money by line item; it basically kept one fund. And as events unfolded, they then, based on the facts and circumstances basis, allocated money to a specific line item where the problem was. So the totals are the same, but this is an example of where there is a separate subaccount accounting between the House and the Senate. One of the things we hope that can happen is we can come up with one approach that can be clearly defined and consistently applied, because I totally agree that part of the problem here is communication. There are some clear expectation gaps and inconsistencies between how the House and the Senate are viewing this. If we could come to an understanding as to how this thing is going to be tracked in reporting, that would solve part of the problem, I think.

Mr. MORAN. Would the gentleman yield for a minute?

Mr. KINGSTON. Yes.

Mr. MORAN. I am told that the way the House does it is on the recommendation of the Architect. The way we are budgeting is at your recommendation, Mr. Chairman; isn't that true?

Mr. HANTMAN. In terms of unconceived or unexpected soil conditions or problems on the site, certainly we budgeted and we allocated dollars to cover those to keep the project going. But in terms of the original budget and how it was broken down, certainly we and our design team came up with the breakdown in order of magnitude in terms of where we thought the dollars needed to be allocated for the project.

Mr. MORAN. So the proposed allocation plan was yours.

Mr. HANTMAN. That is correct.

Mr. MORAN. And the House followed that.

Mr. HANTMAN. And as it turns out, when we reconciled the methodology that we had determined along with GAO since 1999 in terms of how to keep track of what a normal construction project is, a lot of line items that the obligation plan had, we were within a half a percent of the obligation plan.

Mr. WALKER. In total. But our recommendation was not to break it out by line item. You are the client, you need to decide what you want to do. But our recommendation was not to do that, because by definition you are going to have a lot more variances that may or may not be a problem.

PROJECT BUDGET

Mr. KINGSTON. It is hard for us to track this budget methodology and we want to be as knowledgeable as possible. A footnote to that: I understand the budget folks are being moved out of their space in the Capitol now.

Mr. HANTMAN. Unfortunately, yes.

Mr. KINGSTON. Who do we need to talk to about that? Because we in this committee need them near us.

Mr. HANTMAN. The Leadership has asked for the space that they are currently sitting in.

Mr. KINGSTON. As a member of Leadership, I will see what I can do to help, because I think it would be good for our Committee for the duration of this project to have that information as close by as possible.

I understand that half of the \$48 million that the Senate has put in their budget is for contingency. That figure seems a little high to me. Is this in that \$35 to \$40 million range or is that a different contingency?

Mr. WALKER. A \$22.8 million contingency, which is built into the \$351.3 million number.

Mr. KINGSTON. So it's not included in that \$37 million of unknown items.

Mr. WALKER. That's correct. It is already provided for in the \$351.3 million number.

Mr. KINGSTON. But there is \$22 million of contingency that is built into that.

Mr. WALKER. Right.

Mr. KINGSTON. You are then saying there could be another \$37 million on top of that?

Mr. WALKER. Right. Based upon the items outlined in my testimony.

Mr. KINGSTON. So we are looking at \$59 million in contingencies?

PROJECT CONTINGENCY

Mr. WALKER. Potentially. The \$22.8 million,—just to clarify—is already in the \$351.3 million that is expected to be spent. And we believe that you can expect to spend that money. The other \$30 to \$45 million is based upon uncertainties that were not considered by Tishman that we believe you need to be aware of, that may or may not occur, that we have tried to quantify, and that are not of the same level of certainty as this \$22.8 million. The \$22.8 million we think you are going to incur that. We think it is likely that you are going to incur some of these other costs, although time will tell.

Mr. KINGSTON. If you are certain it will be incurred, then it is really not a contingency.

TISHMAN ESTIMATES

Mr. WALKER. Well, contingency from the standpoint we don't know exactly for what item it will be incurred. We know that history shows that it is highly probable that you will incur additional costs. I don't know if this has been provided for the record. But as part of the briefing document that we did back—Tishman estimated about \$1.5 million for preconstruction, an additional \$9 million for the CVC I, \$9.2 million for CVC II, \$300,000 for the Jefferson Building modifications, and \$1 million for other costs. We added \$2.9 million to that, a vast majority of which dealt with phase one of the project. And it's standard procedure. I mean, this is not unusual for this type of project.

Mr. CLYBURN. Mr. Chairman, I don't know, I might be just a little bit confused here. But on page 3 of testimony you submitted, Mr. Walker, you have got these uncertainties in the box here. Now,

if I were to check this into accounting and go forward to page 4, your last paragraph on page 4.

Mr. WALKER. Okay. Yes, sir.

Mr. CLYBURN. Now, is that a summary of what's in the box or—

Mr. WALKER. No. Basically what we are saying is this has to do with the base project. The base project is the \$351.3 million.

Mr. CLYBURN. Right.

Mr. WALKER. All right. The \$70 million, which is at the bottom of page 4, has to do with the supplemental House and Senate space. As the Chairman or Mr. Moran pointed out a few minutes ago, we noted that there is a certain amount of money left from that. Tishman has said that there is a risk that the money that's left may not be enough money, because, again, the theory on this additional space for the House and Senate is you were going to build to budget.

Well, until you know what you are going to get and until you define this as what you need—what the scope and specifications are and what it's going to cost—there is a risk that while you may want to build to a budget depending upon what your expectations are you are going to get, then you may or may not be able to stay within this number.

It comes back to what you said before. The first thing that has to happen is, "What do you want, what are the specifications, what's the cost," and drive it all based upon that. And it hasn't been done that way.

Mr. KINGSTON. Will the gentleman yield?

Mr. CLYBURN. I will be glad to yield.

ADDITIONAL POTENTIAL COMPONENTS

Mr. KINGSTON. The 37 items are not unspecified items, correct?

Mr. WALKER. These are 37 potential additional uncertainties that deal with the base project and it deals with a range of line items that I would be happy to provide for the record.

Mr. KINGSTON. How many unspecified components of this project are still out there?

Mr. WALKER. Well, Mr. Chairman, it's not really unspecified components. It's elements, okay? We believe that there is an additional degree of risk and uncertainty that has to be considered. So it is not necessarily a new component.

Mr. KINGSTON. Those are the 37 items. But what Mr. Clyburn is referring to is we still have a number of undesigned items in the project, correct?

Mr. WALKER. Correct.

Mr. KINGSTON. How many are there?

Mr. WALKER. The biggest single thing that hasn't been nailed down yet is the House and Senate expansion space. You also have exhibit space and certain technical security issues. Those are big-ticket items and those are to be built to budget, but they have not been adequately defined as to what the design and related specifications will be.

Mr. KINGSTON. If we are building to budget, we run the risk of finding out afterwards it is not quite what we need.

Mr. WALKER. I totally agree, Mr. Chairman. I would not recommend to this committee or any part of Congress to build to budget. However, that's what Congress has decided to do.

Mr. KINGSTON. Will the gentleman continue to yield?

Mr. CLYBURN. Yes. You are doing a better job than I was.

NEED VERSUS WANT

Mr. KINGSTON. Well, then where do we go from here on those four or five items that you just listed?

Mr. WALKER. My personal view, Mr. Chairman, is that the Capitol Preservation Commission or some subset thereof has to involve all the stakeholders, the leaders, the appropriators, et cetera, and needs to nail down what are needs versus wants. What are the specifications, you know, the functions and the specifications for needs versus wants. Let's cost those out and let's manage it based upon that going forward. I would not recommend a build-to-budget approach.

Mr. KINGSTON. Could you provide a letter stating the items where we need to make some decisions?

Mr. WALKER. I am happy—

Mr. KINGSTON. Or the AOC can.

Mr. WALKER. I am happy to give you a letter that says here are some items where we believe decisions need to be made.

[The letter submitted for the record by the GAO follows:]



G A O

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United States General Accounting Office
Washington, DC 20548

Comptroller General
of the United States

July 22, 2003

The Honorable Jack Kingston
Chairman
The Honorable James Moran
Ranking Minority Member
Subcommittee on Legislative
Committee on Appropriations
United States House of Representatives

In response to your request at the July 15, 2003, hearing on the Capitol Visitor Center (CVC), this letter discusses (1) additional elements that need to be resolved, (2) significant project elements to be designed to budget, (3) our recommendations for improving controls and monitoring the project, and (4) our observations about reducing the project scope as a cost-cutting mechanism. The information in this letter is based largely on information in our letters dated April 10, 2003, June 20, 2003, and our testimony dated July 15, 2003, as well as information discussed at the Subcommittee's July 15, 2003, hearing.

Additional Elements That Need to Be Resolved

As discussed in our July 15 testimony, the total estimated cost at completion for the entire project does not include (1) the cost for certain items that have been identified as necessary to complete the project but are not yet priced, or (2) the potential costs for risks and uncertainties that have been associated with the base project. Also, current estimates do not include any costs that would be associated with operating and maintaining the facility once it is complete.

The requirements, estimated costs, and funding sources for the following items must also be resolved:

- Wayfinding signage (code-required signage is already included)
- Additional furniture, fixtures, and equipment (including computers)
- Additional audiovisual and kitchen equipment
- Some telephone & data cabling and most telephone and data equipment¹

¹ Most telephone and data cabling (does not include the expansion space or the Capitol) is included in the CVC 2 base contract.

- Artwork
- Requirements and estimated costs for possible changes to filtration equipment
- Method for operating the CVC

Significant Project Elements to Be “Designed to Budget”

The nature of phased construction, which the AOC is using to help meet the project schedule, required the AOC to prepare estimates and proceed with construction before the total project requirements and design were complete. A phased process was necessary to expedite the schedule and maintain the option for use of some portion of the CVC for the Inaugural events of January 2005.

The exhibit space, technical security and the House and Senate expansion space are areas in the current cost to complete estimate that have not been fully designed yet. Because the design for these items was not complete, the assumption is that these items will be designed to budget. However, to the extent that the future design and requirements exceed the remaining budget amounts, additional funds may be needed in order to meet the expectations of various parties, including the Capitol Preservation Commission. In addition, the estimates to complete include the following “allowances” (amounts set aside in the current budget) for these items.

Exhibit Space	\$18 million
Technical Security	\$14.35 million
House Expansion Space	\$13.6 ² million
Senate Expansion Space	\$15.9 ³ million

The scope requirements and design specifications for these items need to be finalized before a total cost for the entire project can be determined. Our analysis of potential costs due to risks and uncertainties includes some consideration of risks and uncertainties related to the exhibits and technical security; however, it did not include consideration of the risks and uncertainties associated with the House and Senate expansion space because it is not part of the base project and was therefore, beyond the scope of our review. Although not necessarily considered a “design to budget” item, it is also unclear whether the interagency transfer for security enhancements of \$35 million will be sufficient to meet the related requirements.

Our Recommendations for Improving Controls and Monitoring the Project

In our June 20 letter and our July 15 testimony, we made several recommendations to address improving controls, monitoring, and mitigation of current risks to the project. During our testimony to the Subcommittee, we also emphasized the need to complete the scope requirements and specifications design for all aspects of the project as soon as possible.

² Of the \$35 million appropriated for this item, this is the estimate remaining for “fit-out”.

³ Of the \$35 million appropriated for this item, this is the estimate remaining for “fit-out”.

Although the AOC has already initiated some actions to address some of our previous recommendations, we have identified the following specific matters for the AOC's and your consideration:

- Expeditiously address the current estimated funding gap between the \$303.5 million provided for the base project and the updated estimates of \$351.3 for the base project. Reconciling this gap will require a funding increase and/or scope modifications.
- Consider how best to address the potential costs associated with the risks and uncertainties not specifically included in the updated estimates for the base project.
- Ask the AOC to develop a plan to mitigate risk factors, to the extent practicable, and implement recommendations made by Tishman Construction (AOC contractor) in its May 16, 2003, report, including, but not limited to:
 - revalidate the program of requirements for each cost element
 - identify, contract for, and begin coordination of all operator requirements with existing design and construction efforts
 - identify and involve the exhibit and audiovisual equipment operators as soon as possible, and
 - institute a proactive schedule management and tracking system related to potential contractor delay claims.
- Determine whether to establish and fund a reserve account for any additional amounts above the current estimates to cover future costs due to risks and uncertainties that cannot be priced or estimated at the current time and establish procedures for timely release of the funds to the CVC project.
- Continue to resolve the scope, requirements, estimated costs, and funding sources for unresolved items in the base project, such as fitout of the CVC administration, guide service, first aid and gift shop spaces.
- Continue to resolve the scope, requirements, estimated costs, and funding sources for the items not in the base project, including the House and Senate expansion space.
- Implement controls for the approval of changes and AOC's use of contingency funds.
- Continue to resolve contingency tracking and reporting issues to achieve a single and standardized budget and reporting format.
- Expeditiously develop a comprehensive, integrated master project schedule.
- Obtain updated cost at completion estimates periodically during the course of the project.

Reducing Project Scope as a Cost-Cutting Mechanism

During the course of the Committee's July 15 hearing, considerable discussion took place regarding the possibility of reducing the CVC project's scope in order to reduce costs. Elimination of the planned auditorium and the Library of Congress tunnel were two possible scope reductions discussed. Mention was also made of changes in proposed finishings and fixtures. In our view, possible scope reductions and their implications are matters to be resolved between the AOC, the Capitol Preservation Commission, and Congress. The Committee may want to ask the AOC to develop a list of possible scope reductions that could be made along with the associated cost, schedule, and ultimate facility appearance and functionality implications in considering scope changes. However, in considering scope changes, we believe it is essential to consider the achievable cost reductions, especially recognizing that project redesign and contract modification costs would likely be incurred.

We are also sending copies of this letter to the Chairmen and Ranking Minority Members of the House and Senate Appropriations Committees, the Chairman and Ranking Minority Member of the Senate Legislative Subcommittee on Appropriations and members of the Capitol Preservation Commission.

We will continue our monitoring efforts of the project throughout construction, as well as the AOC's actions in response to our recommendations.

If you have any questions about the contents of this letter, please contact Jeanette M. Franzel at (202) 512-9471 or Bernard L. Ungar at (202) 512-4232.

A handwritten signature in black ink, appearing to read 'D. Walker', with a horizontal line extending to the right.

David M. Walker
Comptroller General
of the United States

cc:

House Committee on Appropriations

C.W. Bill Young, Chairman
David Obey, Ranking Minority Member

Senate Committee on Appropriations

Ted Stevens, Chairman
Robert C. Byrd, Ranking Minority Member

**Senate Committee on Appropriations
Legislative Subcommittee**

Ben Nighthorse Campbell, Chairman
Richard J. Durbin, Ranking Minority Member

United States Capitol Preservation Commission

Co-Chairman

Speaker of the House J. Dennis Hastert

Senate Members

Majority Leader Bill Frist
Minority Leader Tom Daschle
Trent Lott
Christopher J. Dodd
Robert F. Bennett

House Members

Majority Leader Tom DeLay
Minority Leader Nancy Pelosi
Robert W. Ney
Chaka Fattah
John L. Mica
Steven C. LaTourette
John B. Larson

Ex-Officio Member

Alan M. Hantman

EXPECTATION GAP

Mr. WALKER. There could be an expectation gap. If there's an expectation gap, then either A, you could have an adverse budget variance, or B, you don't end up getting what you thought you were going to get even though you don't have an adverse budget variance. That is one of my concerns. There are a lot of stakeholders here. There are a lot of people that have a vested interest, there's a lot of people that have different wants, needs, and expectations. Those have to be reconciled and those have to be resolved.

Mr. KINGSTON. Let me yield my time to the gentleman.

PROJECT RENDITIONS

Mr. CLYBURN. Mr. Chairman, that's—you have gotten to the heart of the matter, I think, and I thank you for that. There are some times when you are glad you aren't in charge.

But, you know, the big fear I have is that the Members—I've watched them going back and forth between votes—walking over to your display out there, looking at all these pictures, and these renditions or what's locked in their minds. And what you are saying here today is in order for these Members to get to those renditions, then somebody is going to have to belly up to the bar and we have got to make some decisions about some additional expenditures, or we'll never get to those renditions.

Mr. WALKER. If I can.

Mr. CLYBURN. Sir?

Mr. WALKER. You are right, sir. I said back in April that one of the concerns that we have about this project is with the artist renditions. As a Member of Congress, you see that and you think that's what you are going to get. All right? They set certain expectations.

Mr. CLYBURN. Absolutely.

DEFINING THE SCOPE

Mr. WALKER. Which may or may not reflect reality, all right? They may or may not have been budgeted for and may or may not be feasible within the budget allocation.

I mean, the AOC and Congress have to define scope and specifications, nail it down, and better manage it in order to minimize the possibility of expectation gaps. You are going to have some when you have 535 Members of the House and Senate, but there are things that can and should be done to minimize that. And I think a lot of people are doing exactly what you said, Mr. Clyburn. They're looking at those and saying, that's what I'm getting.

Mr. CLYBURN. That's exactly right. And that is where we are, and that's what's causing this problem. Because you guys are the experts and you know what is required to get us there, and you know that you do not have the resources currently to get us from where we are to what's in those renditions. And it is our job to in some way get these things meshed.

And I'm not too sure how we are going to do that, Mr. Chairman.

I do believe that some kind of communication, a letter or something from you that will allow the Chairman to begin having meetings with the leadership or whoever we need to meet with to either

eliminate these expectations or in some way, as you say, to minimize them; because they are way up there, and we will never get there with the amount of money that we are talking about here. I don't even think we will get to the \$451 million.

Now, I don't know a whole lot about construction, but I do know a little bit about government practices. And so I don't think we are going to get there with \$451 million, not what our people think we are going to get. So I don't know what it takes, whether it's a letter from you, but I think, Mr. Chairman, you need something that will lay a foundation for us having some meetings and some discussions with the people who are expecting from us to do what they think ought to be done by this committee or this subcommittee.

Thank you, Mr. Chairman.

BUILD TO BUDGET

Mr. HANTMAN. If I could just clarify something, please. When the original budget was established, we had what we call allowances, because we had not designed the exhibition space, we had not—the security elements still have not been picked out, so we had an allowance for security. We also had allowances for expansion space on the House and the Senate side with virtually no program. And that's what we are working on right now so we can define the program and try to work to the budget.

So when you talk about build to budget, we had the 35 million for the House and we are looking at 80,000 square feet and we are prioritizing the use of those dollars to make sure that the most—the quality spaces are where the quality spaces have to be. And those that are offices or secondary meeting areas don't need the stone, they don't need the finished woods, things of that nature.

So in terms of when you establish a base budget and you don't have a design, clearly having those allowances makes sense. That's the only way you can really do that. So when I think that when Mr. Walker is talking about building to budget, I think the exhibition space that we are talking about, which was an \$18 million dollar budget, Mr. Applebaum—who is the exhibit designer—is designing to that budget, even using some of these funds to finish off his space.

The security, they are about to start a study this coming month in the Capitol Police sense to determine what type of magnetometers, what other type of equipment they want to build for their 14.3, I think it's 14.3 million dollars, for the allowances on security.

In terms of the expansion space, there were no renderings. What we are developing at this point in time is essentially what we're being told should be developed in that space, and we are trying to control expectations in terms of what the budget can effectively control.

So when I talked about the big meeting room, I said that's really where you want to put the dollars that you have appropriately, and go down the chain in terms of prioritizing. But in terms of the renderings that we have on the plaza, the granite pavers, the elements that match the Olmsted landscape, all of those have been bought already. We are basically there on most of those quality issues—and we haven't stinted on it, Mr. Clyburn. So.

Mr. CLYBURN. Mr. Chairman, let me ask. I noticed Mr. Walker indicated that he would not recommend to Congress that we build to budget. That's too late for this project, right?

Mr. WALKER. Oh, I think there are steps that you can and should take. I mean, you can't change history. There are steps that you can and should take to define what do you want to get, and to try to provide reasonable assurance that in fact your budget is adequate; if your budget is not adequate, then you may need to make a conscious choice. Do you want to redefine scope or do you want to appropriate more money? I think you need to make a conscious decision. I think that's possible, I think that's appropriate.

I think it's fair to say on the renditions that Mr. Hantman mentioned when you look at the exhibit space, that's one where I have seen the most renditions. And you look at it, it looks very nice. I think that's where there are some expectations.

This is what I'm going to get for \$18 million. Neither one of us can tell you that you're going to be able to get what that rendition says for \$18 million. I think that it is reasonable to have an allocation. There is nothing wrong with that. That is appropriate in certain circumstances. But you need to take steps as quickly as possible to define exactly what you're going to get, what you think it's going to cost and to the extent there's a gap, close the gap, either change the scope or change the budget. You move on from there and then get control of the process from that point forward. I'm talking more prospective because a lot of the changes that have occurred so far, again, subsequent events, conditions that were unexpected, underground or whatever else that became evident, but if we don't get control of the scope and the process, then those risks will continue, and I'm confident that you can.

PROJECT OVERSIGHT

Mr. KINGSTON. We're all guilty of this scenario in Washington, where you serve on a Committee and it becomes a little staff-driven, and perhaps not everybody attended every single meeting, or when they did, they were distracted by phone calls and interruptions, and maybe did not exhibit the influence that they should have. This committee, however, is interested in active involvement from this point on, and I think our oversight position here is precarious—we're jumping in the pool with you. We may drown with you, or we may all make it across the other side, but we want you to know that we're taking this very seriously. 48 million additional dollars is a huge amount of money when we're fighting for prescription drug coverage and a war and to solve a huge deficit, and we cannot just take the passive position of, "We're going to do this because somebody else started this ball and we don't want to stop it." We are not going to stop it, but what we are going to do is guide it safely to a little less spending, hopefully, or to avert a disaster.

If this hearing does nothing else today, what I would like to see from the AOC is a list of what these unspecified areas are and how we can obtain contractors to bid them right now and put a price tag on them. There's no sense in us going to the Floor of the House saying \$35 million is going to handle it, because we don't know if it will or not.

Regarding the display, if you tell me to spend \$18 million on a display, I will spend \$18 million on a display. It's possible if you ask three people somebody might come in at \$13½ million. Somebody might come in at \$22 million. That would be a much better approach. We can't go back and do that at this point. If I understand correctly, Mr. Applebaum has got an \$18 million program. Is that it?

Mr. HANTMAN. That's basically correct, Mr. Chairman. We had the basic concept for the exhibition approved by the Leadership.

COMPETITIVE BIDS

Mr. KINGSTON. Well, is it contracted with Mr. Applebaum, or is it just Leadership saying this is what we're going to spend?

Mr. HANTMAN. We have a budget for expending the dollars. He has not expended or—

Mr. KINGSTON. If he hasn't signed the contract, we're not obligated. One way we can save money is to bid the display component of this, right?

Mr. HANTMAN. That would be intended, sir, to bid it. Correct?

Mr. KINGSTON. We can get two or three different providers. I'm sure there are a lot of them.

Mr. HANTMAN. Competitive bidding is what we're all about.

Mr. KINGSTON. And so like the Corps of Engineers, we think it is going to come in around \$18 million, but if it comes in at \$13 million, we just put \$5 million in our pocket.

Mr. HANTMAN. Absolutely.

Mr. KINGSTON. Which would be our best route on all open projects so Mr. Clyburn gets his artist's rendering and the taxpayer gets their \$5 million.

Changing the process is very important. Have you two seen the report language that we put in our House version of the bill?

Mr. WALKER. I haven't.

COMMITTEE OVERSIGHT

Mr. KINGSTON. Well, I'm shocked and horrified you all haven't read our bill. I don't know what you did in your spare time. This Committee wants more communication, more reporting. We want to know more about the financial status, the obligation, authority. What we are trying to do at the end of the day is actually make your life a little bit better. People are going to be coming up to you all day long, with requests such as the soundproofing of the windows on the east front: 250 grand; and transplanting the trees went from an intensity level of an 8 to a 10, which then costs more money in the middle of the project.

What we want is a little more formalized system so that if somebody comes up to you and says we want you to consider this, you need to be protected by a gatekeeping process coming back to the Committee for large change approvals.

I will want to spend money, if I see the wisdom of building an auditorium—which I'm not convinced that we need to do. Why would we build one the same size as the one across the street? If there's a justification for the auditorium, we don't need to duplicate what we already have; however, if that part of the building is signed and sealed, then I don't want to reopen it. If our Committee

is more involved in some of these processes, we can give you some cover. We can be the excuse, and we can share the blame.

Mr. HANTMAN. Mr. Chairman, we would like the financial reporting system to be totally transparent so there's no questions about it. As things are entered, as commitments are made, it's right there for everybody to see.

CULTURAL CHANGES

Mr. KINGSTON. Some of the things where I want you to think in terms of cultural change, is when an unelected staffer gives direction, we want to give you a little insulation, to say, "You know, that's fine, but this Committee is going to have to know about it." I don't think that we need to put that into legislative language, but you need the gatekeeping mechanism to keep people from getting to you.

We're very interested in finalizing these specs and bidding out the subcomponents of the displays, the office finishing, and security.

There must be a way to alter the way we do change orders, as that's where some of the profit and the cost of any construction project is. It's great if you're the contractor; it's horrible if you're the customer.

What we would like from both of you is a list of 10 things we can do to change the process, which we could put into language, and take to the Senate, the House leadership, and the Senate leadership, and say "This has got to happen. It's got to happen on this project; but in addition, it needs to happen on future projects."

If we can then go back and say because of the new process and changes, we've come up with a way to save millions of dollars, it will be huge for this Committee. In addition, if we can show that we have made some tangible changes, it's important. I like the specs idea.

I'm not convinced that we can't cut off the tunnel going to the Library of Congress. If our committee can say, "This is something that we made a tough decision on, but tunnels are tricky under existing streets, when you've got Amtrak around and when you're dealing with historic properties where you may discover things like wells that you didn't know existed."

LIBRARY TUNNEL

Mr. KINGSTON. Tell me why that tunnel is necessary, and keep it in mind that from my perspective this is a Capitol Visitor Center, and not a Library of Congress, slash, Congressional Visitors Center.

Mr. HANTMAN. That was passed, as you know, Mr. Chairman, in the \$38.5 million security post-9/11 issue. So in terms of that tunnel as an alternative means of egress, safety, that was one of the rationales for it as well. It wasn't just the issue of getting out of the rain or not using umbrellas. So that was part of it. The concern about convenience of visitors as well as the Congress in terms of going to the library events, that Members—that visitors can come from the library into the Visitor Center itself, and vice versa, so they can share the treasures of the library as well as see the exhibits was part of the rationale for that.

Mr. KINGSTON. It can be severed, though?

Mr. HANTMAN. Construction-wise, it could be, sir.

Mr. KINGSTON. On the east front of the Capitol right now, the walls were built for future tunnel entrances, right?

Mr. HANTMAN. In the east front?

Mr. KINGSTON. In the east front of the existing Capitol.

Mr. HANTMAN. Back in 1950 when the expansion was done on the east front of the Capitol, there were knock-out panels for future connections to an underground parking garage which never took place, and we are using those knock-out panels now for the Visitor Center.

Mr. KINGSTON. So if we did not move forward with the tunnel, you could put knock-out panels in there that would allow us to go back in the future, should we see the need for it?

Mr. HANTMAN. We could.

Mr. KINGSTON. Mr. LaHood.

Mr. LAHOOD. It's difficult to know, not having been here, so I think I'll just let it go for now, rather than trying to tread over—is it conceivable that the public could go from the Capitol through the tunnel to either Longworth or Cannon and get to the Library of Congress?

Mr. HANTMAN. There is a circuitous route that does go through the Madison Building and to the Jefferson Building, yes.

Mr. LAHOOD. So there is currently a tunnel from the Capitol to the Library of Congress, the Madison Building, right?

Mr. HANTMAN. That is correct, sir.

Mr. LAHOOD. And if people who were in the Capitol, touring the Capitol, wanted to go to the Library of Congress underground, there is a way to do that.

Mr. HANTMAN. That is correct.

Mr. LAHOOD. Thank you.

Mr. KINGSTON. Let me continue on this thing, because it is something that is a concern of mine. In terms of this tunnel, the library has different hours than the Capitol. I think the library is closed on Sundays. The Visitor Center would be open.

Mr. HANTMAN. Yes.

Mr. KINGSTON. Would that not be a day on the weekend when you'd have a bigger tourist load anyway?

Mr. HANTMAN. I could get you a breakdown normally in terms of what times of day and days of the week and a whole breakdown on an annual basis of when the tourist peaks, okay?

Mr. KINGSTON. Do the Madison Building and the Jefferson Building have different hours?

Mr. HANTMAN. I'm not sure about that, Mr. Chairman.

Mr. KINGSTON. Because the tunnel that Mr. LaHood is referring to closes at 6:00 in the evening. When they have receptions in the Madison Building you can get there in the tunnel, but you can't come back.

Mr. HANTMAN. We could check on that time frame for you.

LIBRARY TUNNEL ENTRANCE

Mr. KINGSTON. There is a security inconsistency that already exists in the current tunnel that somebody should be thinking about. Wasn't the distance between the tunnel and the Amtrak tunnel,

supposed to be several feet and it turned out to be approximately 18 inches?

Mr. HANTMAN. That was two different issues, Mr. Chairman. When we had the utility tunnel trying to cross First Street right near the Capitol Police headquarters, we had a 30-inch water line that we wanted to get over the top of Amtrak, because it rises as it gets closer to Union Station. So we only had 18 inches over there. The clearance above Amtrak at the Jefferson Building is adequate to get a tunnel above that so that we can hit the lower levels of the Jefferson Building for that connection.

Mr. KINGSTON. We did a 10-year renovation of the Jefferson Building.

Mr. HANTMAN. That is correct.

Mr. KINGSTON. How much was that?

Mr. HANTMAN. I believe it was \$81 million for both the Jefferson Building and the Adams Building.

Mr. KINGSTON. This tunnel would come into the Jefferson Building?

Mr. HANTMAN. That is correct.

Mr. KINGSTON. And how much would that change what we just paid to renovate?

Mr. HANTMAN. The space it would come into, Mr. Chairman, is on two levels. There is a waiting area right across from the concert hall that is—I forget the name of the concert hall down at the lower level, but there is a waiting room with benches in it. That would be the main point of entrance of the tunnel which starts at the lower level. Stairs and an elevator would come up from that lower level into that waiting area and then people would distribute into the corridor system of the library.

Mr. KINGSTON. We would lose some of that recently renovated marble.

Mr. HANTMAN. The waiting room—the benched room is not highly finished at this point in time. It was more a functional type of room. So it doesn't have much of the marble and the bronze that the rest of the library has.

PROJECT SAVINGS

Mr. KINGSTON. Mr. LaHood or Mr. Clyburn, if you have any questions, jump in. What I'm going to ask you again is—as my architect and as customers, we don't have the money. Assume we only have \$450 million, period. We're all very concerned about the budget announcement today that the deficit is \$450 billion, and that's certainly not your fault, but we still have to come up with ways to save money. Can you give me a list of 10 suggestions?

Mr. HANTMAN. I can certainly give you, Mr. Chairman, the list of the items that would be easiest to cut off and still have some type of an experience for the visitors coming into—

Mr. KINGSTON. And you could do it with some real enthusiasm to the degree that, "We want to save the project. We want it to be a good quality project. The experience is going to be a great one."

My wife and I went to St. Louis a couple of years ago, and that Lewis and Clark exhibit there and the Gateway to the West, is a great exhibit. People who come here are going to see that kind of thing and feel real good about their government, but we do need

to nip and tuck a little bit. We want to do this process and change, which is real important, but we also need to show to folks that, "Okay, we've come up with some things that this committee can feel good about recommending." It just seems to me that it's absurd that in this town it's, "Well, shucks, we can't stop it now because it's already in process."

This committee inherited somewhat of a mess, but we're going to change it. We're going to join your hand and join Mr. Walker's hand, and we're all going to walk through this thing together. We're going to get out to the other end and we're going to hold our heads high. But we need to salvage the project a little bit. That is the attitude of this Committee.

However, if it looks like there's going to be a problem with this Committee, we're going to game it through the Leadership, or the Senate, then this Committee will probably have a different attitude and find other ways to extract the pound of flesh out of the project. We don't want to have to do that. As you know, Mr. Clyburn has already said he wants the project. Mr. LaHood is really a great institutional protector, so we're not here to just yank the rug out of this thing in a sour grapes fashion, but we have lots of colleagues who would.

Mr. Walker.

GAO'S LEGISLATIVE RESPONSIBILITY

Mr. WALKER. I would just say our statute is very clear, Mr. Chairman. It says we shall do work for committees and subcommittees. So we'll be happy to work with you, and ultimately you're going to have to end up dealing with your colleagues to reconcile the wants, needs, affordability and accountability issues, but we're happy to be there to help.

Mr. KINGSTON. We do want to hold other hearings which I'm sure you'll both be very enthusiastic about. Again, we're doing this in the spirit that we're with you.

Mr. Clyburn.
Mr. LaHood.

CAPITOL PRESERVATION COMMISSION

Mr. LAHOOD. Let me just go back to a point that I made earlier, and that is to the architect, I guess. There are many masters on this—it seems there are many masters on this project. Would it be helpful if we could identify one group of people or so-called one master that you knew very definitively that when they spoke, this was it; that it wasn't going to be the last person that spoke to you that made the decision about something?

Mr. HANTMAN. Originally, at the genesis of this project, Mr. LaHood, I had requested basically just that, one master. And the solution was the Capitol Preservation Commission because there are 18 Members on it, leadership of both parties, both Houses, most major committees as well. So that, as a tool for decision-making, seemed to be the best model. The question of how you get responsibility for any requested changes and all, as Mr. Kingston has indicated, is a critical issue; because "while you're at it, do this," and "while you're at it, do that" is certainly something that could raise budgets and, in fact, has impacted this—

Mr. LAHOOD. Are there any Members of Congress on this group?

Mr. HANTMAN. 18 Members of Congress are on this—

Mr. LAHOOD. They are all Members of Congress.

Mr. HANTMAN. But every Monday we meet with the senior staff who represent those Members at the senior level.

Mr. LAHOOD. So do the principals ever show up?

Mr. HANTMAN. Not to these meetings, Mr. LaHood.

Mr. WALKER. Mr. LaHood, being an officer of the United States Congress and an officer of the U.S., there are a lot of congressional commissions, and I think what you need to do is you need to think about having a subcommittee or something of—this larger commission and staff are critically important, there is no question about that. They play a very, very important role. But I think you need to have more Member involvement, and it needs to be a subset to be able to handle certain issues. They can go to the full commission, you know, for certain major policy issues, but I think process is an issue, and players—

Mr. LAHOOD. Good suggestion. Thank you, Mr. Chairman.

CLOSING STATEMENT

Mr. KINGSTON. Thank you, Mr. LaHood. Mr. Clyburn.

We want to come up with legislative language that helps create a gatekeeper so that you don't have 10 different masters telling you what to do.

My own frank opinion is that we're the appropriators, we write the check, and I think we can be very aggressive in terms of a Committee. If we are going to write the checks, we're going to have our say-so in it. That's number one.

Number two, we want to be sure that on these specs for the \$35 million House, \$35 million Senate, for the security, for the display, we want to get numbers on those, and we want to put in place a mechanism to get those sub-bid or whatever is necessary. We want to define these 30 to 45 numbers. We have discussed the oversight in terms of accounting, which we want to formalize and affirm that this Committee has some oversight and say-so. We are doing that in terms of partnership here.

The other thing I would like to see is a list of potential cutoff points of tangible bricks and mortar that we can extract from this project so that we can tell Members, "We've searched our soul, we've searched the plans, and we've searched the designs and we've come up with some things." Of course at the end of the day, we need to know and trust what the final number is. So when December of 2005 arrives that's where we are, because we're all accountable. Our credibility is on the line, and it's a legacy. We all need to walk out of here with our heads held high, and again, we can work together on these things. Then there are ways we can work separately, but nobody wants to do that.

All right. With that being said gentlemen, the Subcommittee is adjourned subject to the call of the Chair.

[The GAO review of the Tishman Cost Analysis follows:]



United States General Accounting Office
Washington, DC 20548

Comptroller General
of the United States

June 20, 2003

Congressional Requesters

In response to requests from certain members of the Capitol Preservation Commission (CPC) and the conference report to the Omnibus Consolidated and Emergency Appropriations Act, 1999 (House Conference Report 105-825 (1998)), GAO has been providing ongoing assistance to the CPC and the Senate and House appropriations committees in their oversight of the Capitol Visitor Center (CVC) project. Earlier this spring, we and the Architect of the Capitol (AOC) determined that its budget amount of \$303.5 million for the base project¹ was no longer current. Based on GAO's recommendation, the AOC, with the assistance of an outside consultant, performed an updated cost analysis based on information currently available.

Objectives and Methodology

As discussed with your staffs in April and May 2003, we reviewed the methodology, assumptions, and support behind the May 16, 2003, cost analysis prepared by the outside consultant, Tishman Construction Corporation (Tishman), including contingencies, scope items not included in the estimates, and risks and uncertainties. We also interviewed individuals involved in the CVC project to obtain their input, their evaluation of the project's risks, and the status of the project. We used the information gathered to develop adjustments to Tishman's cost analysis. We also conducted a supplemental analysis to include potential future costs due to additional risks and uncertainties not included in the updated estimates. In addition, we discussed the status of the project schedule and changes to project scope and quality.

We conducted our work to assist the CPC and the appropriations committees in conducting their oversight activities. Although we performed procedures to review the methodology, assumptions, and support behind the latest cost analysis for the CVC project, we did not conduct an audit. Furthermore, due to the nature of the uncertainties currently surrounding the project's estimated cost to complete and the limitations of information available at this time, there will likely be events that occur in the future that could materially affect the project's cost at completion.

¹The base project, as defined by the AOC's "1999 Revalidation Study," includes a finished visitor center shell and core, an extended loading dock service tunnel, exterior finishes, improvements to the East Plaza, construction of unfinished House and Senate shell space, exhibits, technical security systems, and a connecting tunnel to the Library of Congress.

On June 9, 2003, we briefed your staffs on the results of our review. This letter transmits the finalized information from that briefing and summarizes our observations and recommendations. This letter and the enclosure are intended for the use of the CPC, the appropriations committees, and the AOC.

Results

Although we identified limitations to Tishman's analysis, our review found that Tishman's analysis was generally reasonable given the scope and assumptions provided by the AOC to Tishman. We identified adjustments, totaling \$7 million,² that we believe need to be made and which would increase Tishman's estimated cost at completion for the base project from \$344.3 million to \$351.3 million.³ Our \$351.3 million adjusted estimate is based on information available to us as of June 16, 2003; the project's cost at completion could change as project requirements evolve and if future issues arise during construction.

Furthermore, the above estimates do not include additional risks and uncertainties that were not priced as part of Tishman's analysis or as part of our adjusted figure. These additional risks and uncertainties, which cannot be predicted at this time, could potentially raise the estimated cost at completion of the base project to between \$380 million and \$395 million. While it is not intended that the potential additional costs of between \$30 million and \$45 million be added to the base project budget at this time, there is substantial risk of future cost increases due to these risks and uncertainties. Although it is not possible to eliminate all risks and uncertainties, certain steps can and should be taken to lessen their potential impact on the final cost of the project. Additionally, the decision as to whether or not to provide any additional funding for these risks and uncertainties at this time, by such means as establishing a reserve account, is a congressional policy decision.

In order to arrive at the potential estimated cost of \$380 million to \$395 million, which includes the additional risks and uncertainties, we used the CVC project team's lowest, most likely, and highest cost estimates for 37 project elements (e.g., structure/site, East Front structure, Library of Congress tunnel) and a simulation analysis to calculate different combinations of the project team's estimates that factored in risks and uncertainties. Some of the larger risks and uncertainties include unforeseen conditions (including potential underground obstructions); building settlement; contractor coordination issues, especially as they relate to any delays experienced; and the lack of an approved design program in some areas.

There are also items not in the base project that need to be resolved. For example, the requirements, estimated costs, and funding sources for wayfinding signage,⁴

²The \$7 million in GAO adjustments includes amounts for several known items that were not included in Tishman's cost analysis and additional contingency amounts that we believe are necessary at this time.

³The \$351.3 million includes \$2 million in contingencies that could instead be considered as part of the additional risks and uncertainties.

⁴Code-required signage is included in the estimated cost of the base project.

additional furniture, fixtures, and equipment, and artwork have not been fully determined. In addition, the method for operating and maintaining the CVC has not yet been determined. Consequently, neither the updated estimates nor our supplemental analysis include provisions for these items.

The AOC's April 2003 status report indicates the project is on schedule for substantial completion of the plaza deck in January 2005, substantial completion of the CVC in September 2005, and final completion and opening to the public in December 2005. According to the construction manager's (Gilbane) June 5, 2003, report, the excavation/foundation contractor's May update shows a 134-day delay. The AOC and contractor are negotiating the potential impact of any delays on the project schedule and budget. Because the project is still in the early stages of construction, there is risk of additional delays.

Research by the Construction Industry Institute (CII) shows project scope is the major determinant of the cost of a project.⁵ Tishman noted that the reasonableness of the construction manager's March 20, 2003, estimate could not be determined for several items because detailed requirements for those items have not been fully determined or approved by the CPC. CII research also shows that the lack of scope definition is the root cause of cost overruns, late completion dates, excessive rework, unnecessary disputes among project participants, and other problems associated with construction projects.⁶ While we did not identify any scope or quality changes to date that have not been brought to the CPC's attention, we are concerned that allowances for the "design to budget" items (for example, the exhibition space and technical security) may not be sufficient to cover the expected scope and quality. We believe there is a continual need for the AOC to align customer expectations with the project's scope, quality, and cost considerations. The Tishman analysis noted that the number of pending changes to date is already above industry norms and that there is the potential for scope creep. As a result, it will be important for the AOC to implement controls for the advance and formal approval of any scope changes.

It is general practice when performing budget estimates for construction projects to carry a contingency allowance to cover such issues as unforeseen field conditions and design and price changes. The Tishman analysis evaluated the adequacy of the estimated contingency amounts and increased the amounts in several areas. Based on the information we gathered, we also increased the estimates for contingencies in certain areas. As the project moves forward, it is important that the AOC implement controls for the use of these contingency funds. Furthermore, the method to be used for tracking and reporting on contingency balances remains unresolved.

Although not considered part of the base project, the \$70 million already appropriated for the House and Senate expansion space may not be sufficient to make the space fully functional. Our review noted that substantial funds have

⁵Construction Industry Institute, *Project Change Management*, Special Publication 43-1 (Austin, Tex.: November 1994).

⁶Construction Industry Institute, *Improving Early Estimates*, Implementation Resource 131-2 (Austin, Tex.: September 1998).

already been allocated from the House and Senate expansion space budgets. Also, substantial risk exists because the design for the House and Senate expansion space is not complete, and it is assumed that the expansion space will be "designed to budget." However, to the extent that the future design and requirements exceed the remaining budget amounts, additional funds may be needed.

Matters for AOC and Congressional Consideration

Although the AOC has already initiated some actions to address some issues, we identified the following specific matters for the AOC's and your consideration:

- Expeditiously address the funding gap between the \$303.5 million provided for the base project and the updated estimates.
- Consider how best to address the potential costs associated with the risks and uncertainties not specifically included in the updated estimates for the base project.
 - Ask the AOC to develop a plan to mitigate risk factors, to the extent practicable, and implement recommendations made by Tishman in the May 16, 2003, report.
 - Determine whether to establish and fund a reserve account for any additional amounts above the current estimates to cover future costs due to risks and uncertainties that cannot be priced or estimated at the current time and establish procedures for timely release of the funds to the CVC project.
- Continue to resolve the scope, requirements, estimated costs, and funding sources for the items not in the base project, including the House and Senate expansion space.
- Implement controls for the approval of changes and AOC's use of contingency funds.
- Continue to resolve contingency tracking and reporting issues to achieve a single and standardized budget and reporting format.

Agency Comments

We discussed this letter and the enclosure with AOC officials who generally agreed with their contents. They also provided us with technical comments that have been incorporated, as appropriate.

If you have any questions about the contents of this letter or the enclosed briefing slides, please contact Jeanette M. Franzel at (202) 512-9471 or Bernard L. Ungar at (202) 512-4232.

We are also sending copies of this letter to other members of the Capitol Preservation Commission and the Chairmen and Ranking Minority Members of the legislative subcommittees of the House and Senate Appropriations Committees.

A handwritten signature in black ink, appearing to read 'D. Walker', with a long horizontal line extending to the right.

David M. Walker
Comptroller General
of the United States

Enclosure

List of Requesters

The Honorable Bill Frist
Senate Majority Leader

The Honorable Tom Daschle
Senate Minority Leader

The Honorable Ted Stevens
Chairman
Committee on Appropriations
United States Senate

The Honorable Robert C. Byrd
Ranking Minority Member
Committee on Appropriations
United States Senate

The Honorable Tom DeLay
House Majority Leader

The Honorable Nancy Pelosi
House Minority Leader

The Honorable C.W. Bill Young
Chairman
Committee on Appropriations
House of Representatives

The Honorable David Obey
Ranking Minority Member
Committee on Appropriations
House of Representatives

cc:

United States Capitol Preservation Commission

Co-Chairman

Speaker of the House J. Dennis Hastert

Senate Members

Trent Lott

Christopher J. Dodd

Robert F. Bennett

Ben Nighthorse Campbell

Richard J. Durbin

House Members

Robert W. Ney

Chaka Fattah

John L. Mica

Steven C. LaTourette

John B. Larson

Ex-Officio Member

Alan M. Hantman

**House Appropriations Committee
Subcommittee on Legislative**

Jack Kingston, Chairman

James P. Moran, Ranking Minority Member

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