

LEGISLATIVE BRANCH APPROPRIATIONS FOR FISCAL YEAR 2006

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

MATERIAL SUBMITTED BY AGENCIES NOT APPEARING FOR FORMAL HEARINGS

[CLERK'S NOTE.—The following agencies of the Subcommittee on the Legislative Branch did not appear before the subcommittee this year. Chairman Allard requested these agencies to submit testimony in support of their fiscal year 2006 budget request. Those statements submitted by the chairman follow:]

JOINT COMMITTEE ON TAXATION

PREPARED STATEMENT OF WILLIAM M. THOMAS, CHAIRMAN

Mr. Chairman and members of the Subcommittee, it is my honor to submit the written testimony of the Joint Committee on Taxation ("Joint Committee") with respect to the fiscal year 2006 appropriation request for the Joint Committee.

Mr. Chairman, the request of the Joint Committee represents the minimum amount necessary to fund the operations of the Joint Committee during fiscal year 2006. The following summarizes the main components of the Joint Committee's request.

—The Joint Committee is requesting an increase of \$330,000 for fiscal year 2006 to cover cost-of-living adjustments and a 1-percent meritorious increase in personnel compensation expenses.

—The Joint Committee is requesting an increase of \$3,000 for fiscal year 2006 to cover increased utilization of the MetroChek program of transit benefits.

—The Joint Committee is requesting an increase of \$67,464 for fiscal year 2006 for equipment purchases. This amount represents the amount rescinded from the Joint Committee fiscal year 2005 appropriation request.

—The Joint Committee is requesting an increase in nonpersonnel expenses of \$15,000 for fiscal year 2006 to cover cost-of-living adjustments.

The following discussion provides (1) detailed information on the Joint Committee appropriation request for fiscal year 2006, (2) a review of Joint Committee operations during calendar year 2004, and (3) a description of the anticipated workload of the Joint Committee during calendar year 2005.

SUMMARY OF FISCAL YEAR 2006 APPROPRIATION REQUEST

The following table summarizes the Joint Committee's appropriation request for fiscal year 2006 relative to the fiscal year 2005 appropriation.

	Fiscal year 2005	Fiscal year 2006
Personnel Costs:		
Personnel compensation	\$7,653,000	\$7,983,000
Transit benefits	20,000	23,000
Nonpersonnel Funding:		
Travel	12,000	12,000
Rent, communications, and utilities	35,000	36,000
Printing	6,000	6,000

	Fiscal year 2005	Fiscal year 2006
Other services	125,000	127,000
Supplies and materials	185,000	189,000
Equipment	329,536	405,000
Total fiscal year 2005 appropriation	¹ 8,365,536
Total fiscal year 2006 request	8,781,000

¹ After reduction for rescission amount of \$67,464.

DETAILS OF FISCAL YEAR 2006 APPROPRIATION REQUEST

Personnel expenses

Details of appropriation request

The Joint Committee's appropriation for fiscal year 2006 relative to fiscal year 2005 requests \$333,000 for increased personnel costs which includes personnel compensation and transit benefits. This increase is attributable to the following amounts, which have been calculated pursuant to information supplied by the House Office of Finance:

Fiscal year 2005 cost-of-living adjustment annualized.—The Joint Committee requests \$72,000 to fund 3 months of the 3.7 percent cost-of-living adjustment for calendar year 2005.¹

Fiscal year 2006 cost-of-living adjustment annualized.—The Joint Committee requests \$179,000 to fund 9 months of the projected 3.1 percent cost-of-living adjustment for calendar year 2006.

Meritorious increases.—The Joint Committee requests \$79,000 for 1-percent meritorious increases for fiscal year 2006.

Transit benefits.—The Joint Committee requests \$3,000 for additional Metro benefits.

Need for adequate funding for personnel expenses

The funding of adequate amounts for personnel costs is critical to the continued ability of the Joint Committee to attract and retain qualified professional staff.

Joint Committee professional staff include tax lawyers, certified public accountants, Ph.D. economists, and highly trained computer specialists. In order to provide the highly technical services required by Joint Committee lawyers and certified public accountants, the Joint Committee generally requires such professionals to have a minimum of 3–4 years of private practice or comparable experience. It is becoming increasingly difficult to attract such individuals to public service and retain them for significant periods given the disparity between private sector salaries and the salaries the Joint Committee can pay.

A similar problem arises with Joint Committee staff economists. The Joint Committee typically hires economists who are just completing their Ph.D. programs. It generally takes an entry-level economist 2–3 years of training to become proficient in the unique skills required to prepare revenue estimates for proposed tax legislation. Once this training period is complete, these economists have highly marketable skills and the private sector firms that attempt to duplicate the work of the Joint Committee offer significant salary increases to attract Joint Committee economists.

At this time, the Joint Committee is actively recruiting to fill open staff positions that have resulted from staff attrition during the last Congress. However, unless adequate amounts are funded for personnel expenses for fiscal year 2006, the Joint Committee will not be able to fill all of its open positions. Failure to fill open positions may result in a reduced level of service to the Congress.

Nonpersonnel expenses

In general

The Joint Committee is requesting \$15,000 to cover cost-of-living adjustments in nonpersonnel expenses for fiscal year 2006. In addition, the Joint Committee is requesting an additional \$67,464 for equipment for fiscal year 2006. The additional money for equipment, which represents the amount rescinded from the fiscal year 2005 request, is requested for the combination of ongoing computer upgrades and

¹ The \$72,000 amount reflects an increase of \$5,000 over the amount included in the original JCT budget request of November 15, 2004 and supporting schedules. The increase reflects an updated COLA for calendar year 2005 which affects the first quarter of the fiscal year 2006 request (i.e., Oct. 1, 2005–Dec. 31, 2005). This COLA postdated the original JCT budget submission and was unilaterally added to the original JCT budget request by the House Finance Office.

the additional cost of equipment to provide for necessary alternative computing capabilities.

Travel

The Joint Committee requests \$12,000 for travel during fiscal year 2006. This amount will be used to pay travel expenses of Joint Committee consultants and Joint Committee staff attending educational conferences.

Rent, communications, and utilities

The Joint Committee requests \$36,000 for fiscal year 2006 to cover anticipated expenses for communications and utilities.

Printing

The Joint Committee requests \$6,000 to cover anticipated printing expenses for fiscal year 2006.

Other services

The Joint Committee requests \$127,000 for other services for fiscal year 2006. 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. Most of these services relate to the revenue estimating work of the Joint Committee, including the preparation of macroeconomic analysis. As the graph in Attachment C to this statement demonstrates, the number of revenue estimating requests received by the Joint Committee continues to increase. 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 \$189,000 for supplies and materials for fiscal year 2006. The largest expense in this category is a projected \$150,000 for subscriptions and publications to keep up with current developments in tax law.

Equipment

The Joint Committee requests \$405,000 for equipment for fiscal year 2006. The Joint Committee staff anticipates expending approximately \$230,000 for replacement of servers and for storage upgrades for the Joint Committee's computing needs, which include large-scale economic modeling, macroeconomic modeling and simulation, case tracking, statistical analysis, and general functions such as word processing, spreadsheets and graphing. In addition, Xerox maintenance and usage costs are projected to be approximately \$50,000, and hardware and software maintenance are estimated to be \$125,000.

REVIEW OF JOINT COMMITTEE ON TAXATION OPERATIONS DURING CALENDAR YEAR 2004

In general

Attachments A through E provide a summary of the activity of the Joint Committee staff for calendar year 2004. The attachments include the following information:

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 and public laws involving the Joint Committee staff during 2004.

Attachment B—a listing of all documents published by the Joint Committee staff during 2004.

Attachment C—a graph showing the number of requests received by the Joint Committee from revenue estimates and other assistance during the period 1986 through 2004.

Attachment D—a table providing information on revenue estimate requests and Joint Committee staff responses to various categories of requesting Members for 2004.

(5) Attachment E—information relating to the Joint Committee staff's statutorily mandated duty to review large income tax refunds.

Tax legislative reports

The Joint Committee staff assisted in the preparation of 10 Committee and Conference reports relating to tax legislation considered by the Congress in 2004 and provided assistance on two income tax treaty Committee reports. A complete listing of these reports is included at Attachment A. In addition the Joint Committee staff worked on 17 bills signed into law during 2004.

Joint Committee staff publications

In addition to its work on committee and conference reports, the Joint Committee staff published 74 documents during 2004, 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 2004.

Attachment D also shows information on revenue estimate requests and Joint Committee staff responses to various categories of Members requesting revenue estimates for 2004. The Joint Committee staff is cognizant of its responsibility to provide service to all Members who request it and attempts to be as responsive to non-tax-writing Committee Members as it is to the tax-writing Committee Members.

The Joint Committee staff has been developing a capacity to analyze the effects of major tax legislation on the economy. Several macroeconomic simulation models are used in this analysis, including the staff's Macroeconomic Equilibrium Growth model, and commercially available econometric and overlapping generation models requiring outside contracts. In addition, the staff is working on an in-house neoclassical growth model that can incorporate people's expectations about future policy to provide additional perspective on proposals involving phase-ins, phase-outs, and sunsets of tax policy. Developmental work is being done in connection with anticipated analyses of tax reform and social security reform.

*JCT staff studies, investigations, and refund review**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 2004, the Joint Committee refund staff reviewed 1,163 cases involving \$22.97 billion in proposed refunds and 64 large deficiency cases. The Joint Committee staff raised concerns in 56 refund cases. Errors identified by the Joint Committee staff produced a net reduction in refunds of \$61 million in fiscal year 2004. The average annual reduction in refunds for the last 10 years is \$38.8 million.

ANTICIPATED WORKLOAD OF THE JOINT COMMITTEE ON TAXATION FOR CALENDAR YEAR
2005

During 2005, the Joint Committee expects an increase in workload over 2004. The Joint Committee staff will provide support to the Congress and the tax-writing committees as broad-based and other tax relief proposals, including President Bush's fiscal year 2006 budget proposals, are considered by the Congress. The Joint Committee staff is preparing for legislative action as a result of the President's Commission on broad based tax reform as well as the President's initiative to reform the Social Security system. In addition, the Joint Committee is preparing for Congressional consideration of legislation to extend various expiring tax provisions and to reform the laws relating to employer-provided retirement plans. 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.

In addition to this anticipated legislative activity, 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 prepare a complexity analysis for inclusion in Committee and Conference reports for all revenue legislation. In addition,

the Joint Committee staff has also organized the joint review in 2005 relating to the operations of the Internal Revenue Service and prepared materials for the use of the Congress in connection with that review.

The Joint Committee will continue to satisfy 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.

The Joint Committee staff anticipates that requests from Members for revenue estimates for proposed legislation will increase in 2005, relative to 2004. In addition, the Joint Committee staff will continue to work to develop a macroeconomic model that will provide information on the possible effects on the economy of major tax legislation.

SUMMARY

Mr. Chairman, the Joint Committee has a reputation for providing timely, high quality 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 fill all of its open staff positions.

I respectfully request that the Subcommittee approve the appropriation request of the Joint Committee on Taxation for fiscal year 2006. This request is the minimum amount necessary to fund the operations of the Joint Committee during fiscal year 2006. If the requested funding is not provided, difficult decisions will be required concerning what staff activities can and should be funded.

ATTACHMENT A.—COMMITTEE AND CONFERENCE REPORTS ON WHICH THE JOINT COMMITTEE ON TAXATION STAFF PROVIDED ASSISTANCE, AND PUBLIC LAWS INVOLVING THE JOINT COMMITTEE STAFF DURING 2004

House Committee on Ways and Means

- 108-444—Highway Reauthorization Tax Act of 2004, March 23, 2004
- 108-548—American Jobs Creation Act of 2004, June 16, 2004
- 108-472—The Jamestown 400th Anniversary Commemorative Coin Act of 2003, July 6, 2004
- 108-473—John Marshall Commemorative Coin Act, July 6, 2004
- 108-474—Marine Corps 230th Anniversary Commemorative Coin Act, July 6, 2004

Senate Committee on Finance

- 108-257—Tax Administration Good Government Act, May 4, 2004
- 108-266—National Employee Savings and Trust Equity Guarantee Act, May 14, 2004

Conference Committee Reports

- 108-457—Pension Funding Equity Act of 2004, April 1, 2004
- 108-696—Working Families Tax Relief Act of 2004, September 23, 2004
- 108-755—American Jobs Creation Act of 2004, October 7, 2004

Senate Committee on Foreign Relations

- 108-9—Tax Convention with the Government of Japan
- 108-11—Tax Convention and Protocol with the Government of Sri Lanka

Public Laws Involving Joint Committee on Taxation

- 108-202—Surface Transportation Extension Act of 2004, February 29, 2004
- 108-203—Social Security Protection Act of 2004, March 2, 2004
- 108-218—Pension Funding Equity Act of 2004, April 10, 2004
- 108-224—Surface Transportation Extension Act of 2004, Part II, April 30, 2004
- 108-263—Surface Transportation Extension Act of 2004, Part III, June 30, 2004
- 108-280—Surface Transportation Extension Act of 2004, Part IV, July 30, 2004
- 108-289—Jamestown 400th Anniversary Commemorative Coin Act of 2004, August 6, 2004
- 108-290—John Marshall Commemorative Coin Act, August 6, 2004
- 108-291—Marine Corps 230th Anniversary Commemorative Coin Act, August 6, 2004
- 108-310—Surface Transportation Extension Act of 2004, Part V, September 30, 2004
- 108-311—Working Families Tax Relief Act of 2004, October 4, 2004
- 108-357—American Jobs Creation Act of 2004, October 22, 2004

- 108-375—Ronald W. Reagan Defense Authorization Act for Fiscal Year 2005, October 28, 2004
- 108-429—Miscellaneous Trade and Technical Corrections Act, December 3, 2004
- 108-447—Consolidated Appropriations Act, 2005, December 8, 2004
- 108-476—YMCA Retirement Fund, December 21, 2004
- 108-493—Modification to the Taxation of Arrow Components, December 23, 2004

ATTACHMENT B.—JOINT COMMITTEE ON TAXATION

JCS-04 DOCUMENTS

- JCS-1-04—Explanation Of Proposed Income Tax Treaty Between The United States And Japan Scheduled for a Hearing Before the Committee on Foreign Relations United States Senate on February 25, 2004. February 19, 2004
- JCS-2-04—Explanation Of Proposed Income Tax Treaty Between The United States And The Democratic Socialist Republic Of Sri Lanka Scheduled for a Hearing Before the Committee on Foreign Relations United States Senate on February 25, 2004. February 19, 2004
- JCS-3-04—Description Of Revenue Provisions Contained In The President's Fiscal Year 2005 Budget Proposal. February 2004

JCX-04 DOCUMENTS

- JCX-1-04—List Of Expired And Expiring Federal Tax Provisions. January 21, 2004
- JCX-2-04—Description Of The Chairman's Mark Of The "Tax Administration Good Government Act Of 2004" Scheduled for Markup by the Senate Committee on Finance on February 2, 2004. January 29, 2004
- JCX-3-04—Estimated Revenue Effects Of The Chairman's Mark Of The "Tax Administration Good Government Act Of 2004," Scheduled For Markup By The Committee On Finance On February 2, 2004. January 29, 2004
- JCX-4-04—Description Of Chairman's Modification To The "National Employee Savings And Trust Equity Guarantee Act Of 2003" As Marked Up September 17, 2003, As Scheduled For Markup By The Senate Committee On Finance On February 2, 2004. January 29, 2004
- JCX-5-04—Description Of The "Highway Reauthorization And Excise Tax Simplification Act Of 2004" Scheduled for Markup by the Senate Committee on Finance on February 2, 2004. January 29, 2004
- JCX-6-04—Estimated Revenue Effects Of The "Highway Reauthorization And Excise Tax Simplification Act Of 2004," Scheduled For Markup By The Committee On Finance On February 2, 2004. January 30, 2004
- JCX-7-04—Estimated Revenue Effects Of Tax And Pension Provisions Of H.R. 3108, The "Pension Stability Act," As Passed By The Senate On January 28, 2004. January 30, 2004
- JCX-8-04—Description Of Additional Chairman's Modifications To The "National Employee Savings And Trust Equity Guarantee Act Of 2003" As Marked Up September 17, 2003, Scheduled For Markup By The Senate Committee On Finance On February 2, 2004. February 2, 2004
- JCX-9-04—Estimated Budget Effects Of The "National Employee Savings And Trust Equity Guarantee Act," As Ordered Reported By The Committee On Finance On September 17, 2003, And As Proposed To Be Modified On February 2, 2004. February 2, 2004
- JCX-10-04—Modification Of The Chairman's Mark On The "Highway Reauthorization And Excise Tax Simplification Act Of 2004" Scheduled for Markup by the Senate Committee on Finance on February 2, 2004. February 2, 2004
- JCX-11-04—Estimated Revenue Effects Of The Chairman's Modifications To The "Highway Reauthorization And Excise Tax Simplification Act Of 2004," Scheduled For Markup By The Committee On Finance On February 2, 2004. February 2, 2004
- JCX-12-04—Technical Explanation Of The Tax And Pension Provisions Of H.R. 3108, The "Pension Stability Act," As Passed By The Senate On January 28, 2004. February 9, 2004
- JCX-13-04—Testimony Of The Staff Of The Joint Committee On Taxation Before The Senate Committee On Foreign Relations Hearing On The Proposed Tax Treaties With Japan And Sri Lanka. February 23, 2004
- JCX-14-04—Estimated Budget Effects Of Revenue Provisions Contained In The President's Fiscal Year 2005 Budget Proposal. February 27, 2004
- JCX-15-04—Updated Estimated Budget Effects Of S. 1637, The "Jumpstart Our Business Strength (JOBS) Act," As Reported By The Committee On Finance. March 3, 2004

JCX-16-04—Present Law And Background Relating To Individual Taxpayer Identification Numbers (“ITNS”) Scheduled for a Joint Hearing Before the Subcommittee on Oversight and the Subcommittee on Social Security of the House Committee on Ways and Means on March 10, 2004. March 5, 2004

JCX-17-04—Comparison Of The Tax And Pension Provisions Of H.R. 3108, As Passed By The House And The Senate. March 5, 2004

JCX-18-04—Comparison Of The Estimated Revenue Effects Of The Tax And Pension Provisions Of H.R. 3108, The “Pension Funding Equity Act Of 2003,” As Passed By The House Of Representatives And H.R. 3108, The “Pension Stability Act,” As Passed By The Senate. March 5, 2004

JCX-19-04—Estimated Revenue Effects Of Certain Tax Provisions Contained In S. 1072, The “Safe, Accountable, Flexible, And Efficient Transportation Equity Act Of 2004,” As Passed By The Senate. March 12, 2004

JCX-20-04—Description Of “The Highway Reauthorization Tax Act Of 2004” Scheduled for Markup by the House Committee on Ways and Means on March 17, 2004. March 15, 2004

JCX-21-04—Estimated Revenue Effects Of H.R. 3971, The “Highway Reauthorization Tax Act Of 2004,” Scheduled For Markup By The Committee On Ways And Means On March 17, 2004. March 17, 2004

JCX-22-04—Estimated Trust Fund And General Fund Effects Of Certain Tax Provisions Contained In H.R. 3971, The “Highway Reauthorization Tax Act Of 2004,” Scheduled For Markup By The Committee On Ways And Means On March 17, 2004. March 17, 2004

JCX-23-04—Description Of Chairman’s Amendment In The Nature Of A Substitute To H.R. 3971 The “Highway Reauthorization Tax Act Of 2004”. March 17, 2004

JCX-24-04—Estimated Revenue Effects Of The Chairman’s Amendment In The Nature Of A Substitute To H.R. 3971, The “Highway Reauthorization Tax Act Of 2004,” Scheduled For Markup By The Committee On Ways And Means On March 17, 2004. March 17, 2004

JCX-25-04—Estimated Trust Fund And General Fund Effects Of Certain Tax Provisions Contained In The Chairman’s Amendment In The Nature Of A Substitute To H.R. 3971, The “Highway Reauthorization Tax Act Of 2004,” Scheduled For Markup By The Committee On Ways And Means On March 17, 2004. March 17, 2004

JCX-26-04—Estimated Trust Fund And General Fund Effects Of Certain Provisions In The “Highway Reauthorization And Excise Tax Simplification Act Of 2004,” As Passed By The Senate. March 26, 2004

JCX-27-04—Estimated Revenue Effects Of Title IX Of H.R. 3550, The “Highway Reauthorization Tax Act Of 2004,” Scheduled For Consideration On The House Floor. April 1, 2004

JCX-28-04—Estimated Revenue Effects Of The Tax And Pension Provisions Contained In The Conference Agreement For H.R. 3108, The “Pension Funding Equity Act Of 2004”. April 2, 2004

JCX-29-04—Revised Disclosure Report For Public Inspection Pursuant To Internal Revenue Code Section 6103(p)(3)(C) For Calendar Year 2002. April 6, 2004

JCX-30-04—Disclosure Report For Public Inspection Pursuant To Internal Revenue Code Section 6103(p)(3)(C) For Calendar Year 2003. April 6, 2004

JCX-31-04—Estimated Revenue Effects Of H.R. 4181, Scheduled For Consideration On The House Floor. April 28, 2004

JCX-32-04—Estimated Revenue Effects Of H.R. 4227, For Consideration By The House Committee On Rules. May 5, 2004

JCX-33-04—Estimated Revenue Effects Of The Revenue Provisions Contained In H.R. 4279, As Passed By The House Of Representatives. May 14, 2004

JCX-34-04—Estimated Revenue Effects Of H.R. 4275, As Passed By The House Of Representatives. May 14, 2004

JCX-35-04—Estimated Budget Effects Of H.R. 1528, The “Tax Administration Good Government Act,” As Passed By The Senate On May 19, 2004. May 20, 2004

JCX-36-04—Estimated Revenue Effects Of S. 1637, The “Jumpstart Our Business Strength (‘JOBS’) Act,” As Passed By The Senate. May 20, 2004

JCX-37-04—Estimated Revenue Effects Of H.R. 4359, The “Child Credit Preservation And Expansion Act Of 2004,” As Passed By The House Of Representatives. May 21, 2004

JCX-38-04—Estimated Revenue Effects Of H.R. 4520, The “American Jobs Creation Act Of 2004,” Scheduled For Markup By The Committee On Ways And Means On June 10, 2004. June 8, 2004

JCX-39-04—Comparison Of The Estimated Revenue Effects Of The Tax Provisions Contained In H.R. 3550, The “Transportation Equity Act: A Legacy For

Users,” As Passed By The House Of Representatives, And H.R. 3550, The “Safe, Accountable, Flexible, And Efficient Transportation Equity Act Of 2004,” As Amended By The Senate. June 9, 2004

JCX-40-04—Comparison Of The Estimated Trust Fund And General Fund Effects Of Certain Tax Provisions Contained In H.R. 3550, The “Transportation Equity Act: A Legacy For Users,” As Passed By The House Of Representatives, And H.R. 3550, The “Safe, Accountable, Flexible, And Efficient Transportation Equity Act Of 2004,” As Amended By The Senate. June 9, 2004

JCX-41-04—Description Of H.R. 4520, The “American Jobs Creation Act Of 2004” Scheduled For Markup by the House Committee on Ways and Means on June 14, 2004. June 10, 2004

JCX-42-04—Description Of The Chairman’s Amendment In The Nature Of A Substitute To The Provisions Of H.R. 4520, The “American Jobs Creation Act Of 2004”. June 10, 2004

JCX-43-04—Estimated Revenue Effects Of The Chairman’s Amendment In The Nature Of A Substitute To H.R. 4520, The “American Jobs Creation Act Of 2004,” Scheduled For Markup By The Committee On Ways & Means On June 14, 2004. June 10, 2004

JCX-44-04—Description Of Present Law Relating To Charitable And Other Exempt Organizations And Statistical Information Regarding Growth And Oversight Of The Tax-Exempt Sector Scheduled for a Public Hearing Before the Senate Committee on Finance on June 22, 2004. June 22, 2004

JCX-45-04—Estimated Revenue Effects Of H.R. 4520, The “American Jobs Creation Act Of 2004,” As Passed By The House Of Representatives. June 22, 2004

JCX-46-04—Description Of The Chairman’s Amendment To H.R. 1914, The “Jamestown 400th Anniversary Commemorative Coin Act Of 2003,” H.R. 2768, The “John Marshall Commemorative Coin Act,” And H.R. 3277, The “Marine Corps 230th Anniversary Commemorative Coin Act”. June 22, 2004

JCX-47-04—Comparison Of The Tax Provisions Contained In H.R. 3550, The “Transportation Equity Act: A Legacy For Users,” As Passed By The House Of Representatives, And H.R. 3550, The “Safe, Accountable, Flexible, And Efficient Transportation Equity Act Of 2004,” As Amended By The Senate. June 25, 2004

JCX-48-04—Present Law And Background Relating To The Tax Treatment Of Tip Income. July 13, 2004

JCX-49-04—Description Of H.R. 982, A Bill “To Clarify The Tax Treatment Of Bonds And Other Obligations Issued By The Government Of American Samoa”. July 16, 2004

JCX-50-04—Estimated Revenue Effects Of H.R. 4841, The “Tax Simplification For Americans Act Of 2004,” As Amended, And Scheduled For Consideration By The House Of Representatives. July 21, 2004

JCX-51-04—Estimated Revenue Effects Of H.R. 4840, The “Tax Simplification For America’s Job Creators Act Of 2004,” Scheduled For Consideration By The House Of Representatives. July 21, 2004

JCX-52-04—Present Law And Analysis Relating To Tax Benefits For Higher Education Scheduled for a Public Hearing Before the Senate Committee on Finance on July 22, 2004. July 21, 2004

JCX-53-04—Comparison Of The Estimated Budget Effects Of H.R. 4520, The “American Jobs Creation Act Of 2004,” As Passed By The House Of Representatives, And H.R. 4520, The “Jumpstart Our Business Strength (‘JOBS’) Act, As Amended By The Senate. July 23, 2004

JCX-54-04—Explanation Of Proposed Protocol To The Income Tax Treaty Between The United States And The Netherlands Scheduled for a Hearing Before the Committee on Foreign Relations United States Senate on September 24, 2004. September 16, 2004

JCX-55-04—Explanation Of Proposed Protocol To The Income Tax Treaty Between The United States And Barbados Scheduled for a Hearing Before the Committee on Foreign Relations United States Senate on September 24, 2004. September 16, 2004

JCX-56-04—Present Law And Background Relating To Tax-Exempt Financing Of Indian Tribal Prisons Scheduled for a Public Hearing Before the Senate Committee on Finance on September 21, 2004. September 20, 2004

JCX-57-04—Comparison Of Provisions Contained In H.R. 1308, The “All-American Tax Relief Act Of 2003,” As Passed By The House Of Representatives On June 12, 2003, And H.R. 1308, The “Relief For Working Families Tax Act Of 2003,” As Passed By The Senate On June 5, 2003. September 21, 2004

JCX-58-04—Testimony Of The Staff Of The Joint Committee On Taxation Before The Senate Committee On Foreign Relations Hearing On The Proposed Tax Protocols With Barbados And The Netherlands. September 22, 2004

JCX-59-04—Estimated Revenue Effects Of H.R. 1057, The “Adoption Tax Relief Guarantee Act,” Scheduled For Consideration By The House Of Representatives. September 22, 2004

JCX-60-04—Estimated Revenue Effects Of The Conference Agreement For H.R. 1308, The “Working Families Tax Relief Act Of 2004”. September 23, 2004

JCX-61-04—Comparison Of Certain Provisions Of H.R. 4520 As Passed By The House Of Representatives And As Amended By The Senate: Provisions Relating To The Repeal Of The Exclusion For Extraterritorial Income, Domestic Production, And The Corporate Income Tax Rates Applicable To Small Corporations. September 29, 2004

JCX-62-04—Comparison Of Certain Provisions Of H.R. 4520 As Passed By The House Of Representatives And As Amended By The Senate: Job Creation Tax Incentives For Manufacturing, Small Business, And Farming. September 29, 2004

JCX-63-04—Comparison Of Certain Provisions Of H.R. 4520 As Passed By The House Of Representatives And As Amended By The Senate: Provisions Relating To International Tax Reform And Simplification For United States Businesses. September 29, 2004

JCX-64-04—Comparison Of Certain Provisions Of H.R. 4520 As Passed By The House Of Representatives And As Amended By The Senate: Revenue Provisions. September 29, 2004

JCX-65-04—Comparison Of Certain Provisions Of H.R. 4520 As Passed By The House Of Representatives And As Amended By The Senate: Alcohol Fuels And Fuel Fraud Provisions. September 29, 2004

JCX-66-04—Comparison Of Certain Provisions Of H.R. 4520 As Passed By The House Of Representatives And As Amended By The Senate: Expiring Provisions. September 29, 2004

JCX-67-04—Budget Impact Of The Proposed Protocols To The Income Tax Treaties Between The United States And The Netherlands And Between The United States And Barbados. September 30, 2004

JCX-68-04R—Estimated Budget Effects Of The Chairman’s Mark Relating To H.R. 4520, The “American Jobs Creation Act Of 2004,” Scheduled For Consideration By The House And Senate Conferees Continuing On October 5, 2004. October 5, 2004

JCX-69-04—Estimated Budget Effects Of The Conference Agreement For H.R. 4520, The “American Jobs Creation Act Of 2004”. October 7, 2004

JCX-70-04—Description Of The Tax Technical Corrections Act Of 2004. November 19, 2004

JCX-71-04—List Of Expiring Federal Tax Provisions 2004–2014. December 23, 2004

ATTACHMENT C.—JOINT COMMITTEE ON TAXATION REVENUE ESTIMATE REQUESTS

Calendar year	No. of requests
1986	474
1987	420
1988	900
1989	1,290
1990	1,286
1991	1,461
1992	2,350
1993	2,380
1994	1,259
1995	2,278
1996	1,792
1997	2,079
1998	2,729
1999	4,150
2000	2,807
2001	4,491
2002	3,583
2003	4,839
2004	3,580

ATTACHMENT D.—REQUEST DATA RELATING TO THE 2ND SESSION OF THE 108TH CONGRESS ¹

[Calendar Year 2004]

Requestors	Requests Received	Requests Pending	Requests Closed	Percent Closed
Ways and Means Committee:				
Republicans	842	66	776	92.2
Democrats	188	19	169	89.9
Senate Finance Committee:				
Republicans	933	91	842	90.2
Democrats	1,162	97	1,065	91.7
Non-Ways and Means Committee:				
Republicans	71	7	64	90.1
Democrats/Independent	78	10	68	87.2
Non-Senate Finance Committee:				
Republicans	81	10	71	87.7
Democrats	131	10	121	92.4
Others	94	9	85	90.4
Total	3,580	319	3,261	91.1

¹ Totals include both revenue and non-revenue requests.

ATTACHMENT E.—MEMORANDUM

DECEMBER 8, 2004.

TO: Chief of Staff, Joint Committee on Taxation
FROM: Senior Refund Counsel
SUBJECT: Refund Section—Operations Report October 1, 2003 through September 30, 2004

This is a report on the more significant developments in this Office during this period.

SUMMARY

Volume—Refund Cases.—1,163 reports were received during this period. The total dollar amount of refunds was \$22,977,809,443.

Reports Received	2000	2001	2002	2003	2004
Examination Division	550	406	487	555	1,058
Appeals Division	99	76	95	82	92
Department of Justice	10	14	4	7	9
Chief Counsel	5	6	2	5	4
Total	664	502	588	649	1,163
Concerns ¹	49	51	41	39	56

¹ Includes 0 post review deficiency cases for 2000, 4 for 2001, 0 for 2002, 1 for 2003 and 2 for 2004.

Post Review.—The Service reports 64 large deficiency cases to us on an annual basis.

Other Action.—We made recommendations that the Service publish guidance in certain areas we also made five legislative recommendations.

Exhibits and Appendices provide detailed information on most of the foregoing. Errors identified by us in fiscal year 2004 and prior years, and settled in fiscal year 2004 produced a net reduction in refunds or an increase in deficiencies of \$61 million. The average annual reduction for the last ten years is \$38.8 million. Such corrections also reduced NOLs by \$9.8 million; reduced credits by \$133,000 reduced AMT NOLs by \$103.2 million and decreased basis and amortization by \$31 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.

APPENDIX A.—PROPOSALS FOR STATUTORY, RULING, MANUAL AND REGULATORY CHANGES

Raised the possibility of legislation to amend section 305(c) to reference section 1272(d). (NB)

Suggested the IRS review procedures for reporting section 835(d) credits to Joint Committee in view of recent failure to timely report credit. (RG)

Raised for future reference the issue of longer carryback periods from certain years, and the problem that arises when taxpayers file for a change in period to obtain more than one tax year ending in the relevant year. (NB)

Raised the issue of the characterization issue of licenses in the section 367/351 contexts. (NB)

Raised the fact that section 172(h) has never been amended to conform to the 5-year periods contained in 172(b)(1)(H). (RG)

Amend section 1033 to clarify that merger termination fees do not qualify. (NB & RG)

Suggested the IRS review two compensation rulings. (CS & NF)

EXHIBIT I.—REPORTS TO JC AS REQUIRED BY IRS CODE SECTION 6405—FISCAL YEAR 2004

Month	No. of Cases Received	Cumulative Total	Cumulative Monthly Average	Dollar Receipts	Cumulative Dollar Receipts
October	73	73	73	\$2,004,276,357	\$2,004,276,357
November	43	116	58	488,511,179	2,492,787,536
December	52	168	56	1,290,914,965	3,783,702,501
January	65	233	58	1,010,727,485	4,794,429,986
February	119	352	70	4,214,438,769	9,008,868,755
March	109	461	77	1,114,379,529	10,123,248,284
April	109	570	81	1,395,622,914	11,518,871,198
May	168	738	92	5,487,895,592	17,006,766,790
June	105	843	94	1,278,596,373	18,285,363,163
July	109	952	95	2,007,877,685	20,293,240,848
August	121	1,073	98	1,696,776,685	21,990,017,533
September	90	1,163	97	987,791,779	22,977,809,312

EXHIBIT II.—JOINT COMMITTEE CASES RECEIVED BY TYPES OF TAXPAYER AND SOURCE—FISCAL YEAR 2004

	Amount	Percent		Amount	Percent
TYPES OF TAXPAYERS			SOURCE OF REPORTS		
Individuals	40	3.4	Compliance	1,058	91.0
Estates	5	.4	Appeals	92	7.9
Trusts	4	.3	Justice	9	.8
Corporations	1,114	95.9	Tax Court	4	.3
Total	1,163	100.0	Total	1,163	100.0

EXHIBIT III.—JOINT COMMITTEE MONTHLY RECEIPTS—REFUND REPORTS FROM COMPLIANCE AND APPEALS—FISCAL YEAR 2004

Month	Compliance	Cumulative	Appeals	Cumulative
October	69	69	3	3
November	39	108	4	7
December	48	156	3	10
January	57	213	8	18
February	105	318	11	29
March	102	420	5	34
April	105	525	4	38
May	153	678	13	51
June	91	769	13	64
July	98	867	10	74
August	109	976	10	84

EXHIBIT III.—JOINT COMMITTEE MONTHLY RECEIPTS—REFUND REPORTS FROM COMPLIANCE AND APPEALS—FISCAL YEAR 2004—Continued

Month	Compliance	Cumulative	Appeals	Cumulative
September	82	1,058	8	92

EXHIBIT IV.—JOINT COMMITTEE ON TAXATION CONCERNS ON REFUND REPORTS—FISCAL YEAR 2004

	Number of Con- cerns Issued	Percentage of Total Concerns Issued
Compliance	48	85
Appeals	7	13
Tax Court	1	2
Total	56	100

TOTAL REPORTS RECEIVED

	No.
CMP	1,058
AP	92
TC	4
J	9
Total	1,163

JOINT ECONOMIC COMMITTEE

PREPARED STATEMENT OF JIM SAXTON, CHAIRMAN

Mr. Chairman and members of the Committee, it is a pleasure to express my strong support for the fiscal year 2006 budget request of the Joint Economic Committee (JEC).

This budget request will support the JEC's focus on quality research and economic analysis needed by Congress and the public. The Committee's research and activities are substantive and credible, and have been cited in the Financial Times, Wall Street Journal, Forbes, Time, Washington Post, New York Times, Institutional Investor, and many other publications.

As you know, the Committee's research covers a broad array of issue areas including both domestic and international economic policies. In addition, the Committee closely monitors and analyzes current economic, financial, and employment conditions. The Committee has several ongoing research programs including fiscal and monetary policy, tax policy, insurance reform, and reform of the International Monetary Fund (IMF) and the World Bank.

One of our research programs, for example, focuses on recent Federal Reserve monetary policy. A series of JEC research papers and hearings continues to explore the specific features of the most successful monetary policy in U.S. history. Our research in this area indicates that the Federal Reserve has essentially been conducting informal inflation targeting for a number of years.

Since this monetary policy has proved so effective and beneficial to the economy, it is important to provide Congress with an explanation of inflation targeting and how it works. Inflation targets are usually ranges setting permissible changes in some broad price index. For example, one might choose to set a formal inflation target of 1 to 3 percent in such an index. Monetary policy is then geared to achieve this inflation target over a designated timeframe.

A number of JEC research papers also have documented that many other nations have successfully implemented inflation targeting, with very positive effects. I continue to believe that it would be beneficial for the United States to set more formal inflation targets and to institutionalize this approach to monetary policy.

In the area of taxation, a number of JEC studies have analyzed various tax provisions in light of their impact on capital formation. These studies examine how various features of the income tax can undermine incentives for saving and investment. Other JEC related research reviews U.S. tax policy and compares it to the tax policies of other nations. Another research project demonstrates the deficiencies in commonly used tax distribution tables.

An additional research program involves reform of the International Monetary Fund (IMF) and the World Bank. Some of this JEC research has resulted in legislation changing IMF lending policies, producing taxpayer savings of many millions of dollars. More recent JEC research has exposed hundreds of millions in hidden taxpayer subsidies that could result from new IMF proposals currently under consideration.

In recent weeks, the JEC has expanded its international research program to include a review of allegations concerning accounting irregularities at the World Bank. The Committee has verified that accounting errors of tens of millions of dollars did in fact occur and were not effectively addressed by World Bank management in a timely manner. While many of these accounting problems occurred several years ago, some of the problems are much more recent. We will continue to explore these World Bank accounting issues in coming months.

Insurance reform is another ongoing research program of the Committee. A number of Committee studies examine policy issues related to terrorism insurance, medical liability reform, and tort reform.

In closing, I would like to emphasize that the quality and productivity of Committee research products will continue in the 109th Congress as we execute an aggressive research agenda. I would also like to thank the Members of this Committee as well as other Members of Congress for their support of the work of the Joint Economic Committee.

NONDEPARTMENTAL WITNESSES

[CLERK'S NOTE.—The subcommittee was unable to hold hearings on nondepartmental witnesses. The statements of those submitting written testimony are as follows:]

PREPARED STATEMENT OF THE ASSOCIATION OF RESEARCH LIBRARIES AND THE COUNCIL ON LIBRARY AND INFORMATION RESOURCES

This statement is submitted on behalf of the Association of Research Libraries (ARL) and the Council on Library and Information Resources (CLIR) in support of the fiscal year 2006 budget request of \$627,802,000 for the Library of Congress (LC).

The funding request for fiscal year 2006 will allow the Library to fund ongoing operational activities while at the same time, support a number of key activities of interest to the library community and the Nation. Importantly, several of these initiatives focus on enhancing preservation of and access to the Library's collections. These projects include the National Audio-Visual Conservation Center (NAVCC), the National Digital Information Infrastructure and Preservation Program (NDIIPP), digitization and deacidification initiatives.

The National Audio-Visual Conservation Center (NAVCC) in Culpeper, Virginia will serve as the central storage and conservation facility for the Library's audio-visual collections and will also be home to specialized preservation laboratories for audiovisual media. This project was put on a five-year plan three years ago and progress is moving according to schedule. The fiscal year 2006 funding request for this project is \$16.17 million. This facility will provide sufficient capacities and capabilities for the Library to store, preserve and provide access to its collections of moving images and recorded sound for well over the next 25 years. ARL and CLIR support the Library's fiscal year 2006 request of \$16.17 million for collections relocation, digital preservation activities, and more relating to the NAVCC.

To preserve our past, libraries have established collaborative programs to protect millions of books and other materials, much of which is becoming unreadable due to the acidic paper on which they are printed. This is a national crisis and our response must be sustained over many years. ARL and CLIR thank the Congress for your continuing support of the Library's deacidification and related preservation efforts. We support the request for \$3.375 million to preserve an additional 4.5 million items.

The library community supports many preservation initiatives. ARL recently released a paper, "Recognizing Digitization as a Preservation Reformatting Method," (http://www.arl.org/preserv/digit_final.html) that supports digitization as a viable preservation reformatting strategy. CLIR and the Coalition for Networked Information (CNI) endorsed this paper and approach. This paper is but a first step in building community support and facilitating the development of policies, standards, guidelines, and best practices. It is recognized that there are many methods available to preserve paper-based materials with digitization becoming more widely accepted by many communities.

ARL and CLIR support the mission of the National Digital Information Infrastructure and Preservation Program (NDIIPP) to develop a national strategy to collect, archive, catalog, and preserve the rapidly increasing amount of digital content for current and future generations, especially materials that are created only in digital formats. Libraries throughout the United States are investing in comparable initiatives, thus cooperation among institutions will be fundamental to the success of these endeavors. ARL and CLIR support the request to extend by five years, the securing of commitments by other organizations and entities to partner in the NDIIPP. In 2004, the Library awarded more than \$13.9 million to eight U.S. institutions to collect and preserve digital materials under the NDIIPP.

The Library created the National Film Preservation Foundation (NFPF) in 1996 to preserve American films, such as documentaries, silent-era films, avant-garde works, ethnic films, newsreels, home movies and independent works. In addition to protecting films from disintegration, NFPF organizes, obtains funding, and manages

collaborative projects that enable film archives to work together on national preservation initiatives. These are important activities and merit Congress' full support. Indeed, ARL supported legislation before Congress to reauthorize these important activities.

Funding to assist the Library in its long-term preservation and access initiatives is critical to ensuring that the American public benefits from our Nation's cultural resources as well as from the Library's global resources. We look forward to working with members of the Subcommittee on Legislative Branch and very much appreciate the Subcommittee's continued support for the Library of Congress and its programs.

PREPARED STATEMENT OF THE ASSOCIATION OF RESEARCH LIBRARIES AND THE
COUNCIL ON LIBRARY AND INFORMATION RESOURCES

On behalf of the Association of Research Libraries (ARL) and the Council on Library and Information Resources (CLIR), we write in support of the fiscal year 2006 appropriations request for the U.S. Government Printing Office (GPO). We request your support for GPO's fiscal year 2006 budget request of \$131,120,000 and in particular the request of \$33,837,000 for the Salaries and Expenses (S&E) Appropriation of the Superintendent of Documents. This appropriation supports the Federal Depository Library Program (FDLP), the cataloging and indexing of government publications, the distribution of government publications to the International Exchange Program and more. We commend GPO for investing in technologies and systems to support enhanced access to electronic government information and in programs to ensure the authenticity and preservation of this information.

The FDLP is a long-standing partnership between the Federal Government, the library community and the public. The FDLP provides the American public with access to a wide array of Federal information. GPO Access provides the public with access to information in an increasingly electronic environment. In addition to Congress, the White House, approximately 130 Federal departments and agencies, and the courts rely on GPO's services to create and disseminate government information through the World Wide Web.

The GPO and the participating Federal Depository Libraries (FDLs) are undergoing an exciting transformation. This transformation is a result of the new capabilities and opportunities that are possible with the adoption of digital technologies and the explosive growth of the Internet. Researchers, students and members of the public can engage in sophisticated searching and manipulation of information and data including ready access to data, image files and more. Increasingly, the data and information available is both current and historical as many libraries and others digitize special collections that are rich in the cultural and political history of our Nation.

As noted by the Pew Internet and American Life Project, "the Internet has reached into, and in some cases, reshaped just about every realm of modern life." This shift to the adoption and use of electronic information resources reflects the interests and activities of the public. According to a recent Nielsen/NR survey (March 2005), there are 200,933,147 Internet users in the United States or 67.8 percent of the population. This represents an increase in usage of the Internet of 104.9 percent between 2000–2005. These statistics demonstrate how the American public is now engaging in online activities—education, e-commerce, politics and a wide range of other activities. The findings of the Electronic Publishing Initiative (EPIC) at Columbia University are illustrative of this change. EPIC found that electronic resources have become the most used tool for information gathering by students. In particular, undergraduate students rely upon the World Wide Web and graduate students are more dependent upon library electronic services. The *GPO Strategic Vision for the 21st Century* clearly recognizes how the American public depends upon E-services and how they use information.

Research libraries, indeed all libraries, are experiencing an explosive growth in the acquisition and use of electronic resources. As a result, there is a dramatic rise in digital services in libraries and in teaching, learning and research applications. The acceleration to electronic services is due in large part to the new opportunities to provide access to information more effectively. Data collected by ARL members over the past decade indicate that the portion of the library materials budget that is spent on electronic resources is growing rapidly. The percentage of the average library budget that is spent on electronic materials has increased more than eight-fold, from an estimated 3.6 percent in 1992–93 to 25 percent in 2002–03.

Since the early 1990's, the library community has actively advocated for the inclusion of electronic government information in the FDLP. Congress, with guidance from this Committee, has supported this move to an increasingly electronic FDLP.

This direction recognized the enhanced capabilities that electronic services provide to users of government information.

Most recently, the move to electronic delivery of information in the FDLP has increased at a fast pace. By October-November 2004, 95 percent of the titles in the FDLP were available electronically (even if tangible forms were also available) and only 5 percent had no electronic counterpart.

The shift to a predominantly electronic FDLP signals a change in nature of the Program. The FDLP is moving from a collection-based program to a service-based program and from print-based to electronic. The focus of the program is on expertise and access to the information resources, not on the physical collection. In addition, the future of the FDLP will be in building shared collections where resources are managed and interoperated. These may also include print collections that are digitized. It is expected that different models of shared repositories are likely to emerge and diversity is desirable and encouraged.

Participating libraries make significant local contributions to ensure effective public access to government information. For example, as a participating regional federal depository library (since 1879), the University of Colorado-Boulder Library spends approximately \$675,000 for staff, material purchases, equipment and a variety of projects that enhance public access to government information. In addition, the Colorado State University selects approximately 60 percent of materials available via the FDLP and spends \$200,000 on staff. The average yearly cost for 6 academic FDLs in Illinois is \$348,107 and all select over 78 percent of the government information available via the program.

One hundred and eight ARL members are federal depository libraries located in congressional districts throughout the United States. Of the 108 participating ARL libraries, 22 are regional depositories that collect and maintain all information available via the FDLP. As of the fall of 2003, the average annual investment in the program by ARL selective FDLs was \$352,680 and was \$386,251 for ARL regional FDLs. Moreover, a recent survey of ARL FDLs and non-ARL regional libraries reports a jump in the reliance upon no-fee government E-resources as well as an increase in the licensing of commercial E-resources. Finally, 99 percent of ARL selective FDLs report links to electronic government information in their online catalogs and 100 percent of all regional FDLs link to government E-resources. Clearly, many participating FDLs have embraced the use of electronic products and services.

The GPO fiscal year 2006 funding request, including that for Salaries and Expenses, includes key initiatives that focus on ensuring that GPO is well positioned to provide needed information services in the evolving networked environment. GPO is investing in new strategic initiatives that define its and the FDLP's future. For example, GPO is supporting the development of authentication services, preservation planning and implementation, improvements to GPO Access, web harvesting, and reallocation of resources to manage the electronic collection. The Salaries and Expenses request of \$33,837,000 supports several critically important programs such as the FDLP, the Cataloging and Indexing Program, and the International Exchange Program. This amount includes necessary increases to support the continued operation of the FDLP, and the increased demands upon GPO Access. In particular, we strongly support the request of \$1 million in support of digitization of government information. We urge you to approve the full Salaries and Expenses appropriations request for fiscal year 2006.

ARL recently released a paper, "Recognizing Digitization as a Preservation Reformatting Method," (http://www.arl.org/preserv/digit_final.html) that supports digitization as a viable preservation reformatting strategy. CLIR and the Coalition for Networked Information (CNI) endorsed this paper and approach. This paper is but a first step in building community support and facilitating the development of policies, standards, guidelines, and best practices. It is recognized that there are many methods available to preserve paper-based materials with digitization becoming more widely accepted by many communities.

In closing Mr. Chairman, we very much appreciate your and the Subcommittee's support of GPO and the FDLP over the course of many years. The continuing investment in systems and services to provide the public with effective access to government information will ensure that valuable electronic government information will be available and preserved for future generations. We respectfully ask for your continued support by approving the Government Printing Office's fiscal year 2006 appropriations request in its entirety. We also ask that this statement be included as part of the hearing record.

Thank you very much for your consideration of this request.