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S. HRG. 111–1

# NOMINATION OF HON. DR. PETER ORSZAG, OF MASSACHUSETTS, TO BE DIRECTOR OF OMB AND THE NOMINATION OF ROBERT NABORS, OF NEW JERSEY, TO BE THE DEPUTY DIRECTOR OF OMB

## HEARINGS

BEFORE THE

## COMMITTEE ON THE BUDGET
## UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

**January 13, 2009—NOMINATION OF HON. DR. PETER ORSZAG, OF MASSACHUSETTS, TO BE DIRECTOR OF OMB AND THE NOMINATION OF ROBERT NABORS, OF NEW JERSEY, TO BE THE DEPUTY DIRECTOR OF OMB**

Printed for the use of the Committee on the Budget

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# NOMINATION HEARING

**TUESDAY, JANUARY 13, 2009**

U.S. SENATE,
COMMITTEE ON THE BUDGET,
*Washington, DC.*

The Committee met, pursuant to notice, at 9:05 a.m., in room SD–608, Dirksen Senate Office Building, Hon. Kent Conrad, Chairman of the Committee, presiding.

Present: Senators Conrad, Murray, Wyden, Nelson, Menendez, Cardin, Sanders, Whitehouse, Gregg, and Sessions.

Staff present: Mary Ann Naylor, Majority Staff Director; and Denzel McGuire, Minority Staff Director.

## OPENING STATEMENT OF CHAIRMAN CONRAD

Chairman CONRAD. I want to welcome everyone to the Senate Budget Committee this morning. Today, we consider President-elect Obama's nomination of Dr. Peter Orszag to be the Director of the Office of Management and Budget and his nomination of Rob Nabors to be Deputy Director. In my judgment, these are two outstanding nominations. I would like both of these nominees confirmed quickly given the state of the economy and the Federal budget. It is imperative that the President-elect has his team in place without delay.

We will first consider the nomination of Dr. Orszag. I will need to leave at about 11 o'clock today to return to my home State to attend my annual Marketplace for Entrepreneurs event. Senator Murray will chair the Committee if the hearing extends beyond that time.

Let me begin by welcoming our distinguished guests from the House, House Budget Committee Chairman John Spratt, who I think is on his way, and the Ranking Member, Mr. Ryan, who will introduce Dr. Orszag. We very much appreciate your being here. Representative Ryan's presence in particular says a great deal about the respect that Dr. Orszag has attained on both sides of the aisle.

Dr. Orszag is joined today by his daughter, Leila—I hope that is the correct pronunciation.

Mr. ORSZAG. It is.

Chairman CONRAD. And his son, Joshua. We are very happy to have the two of you here, and we are honored by your presence.

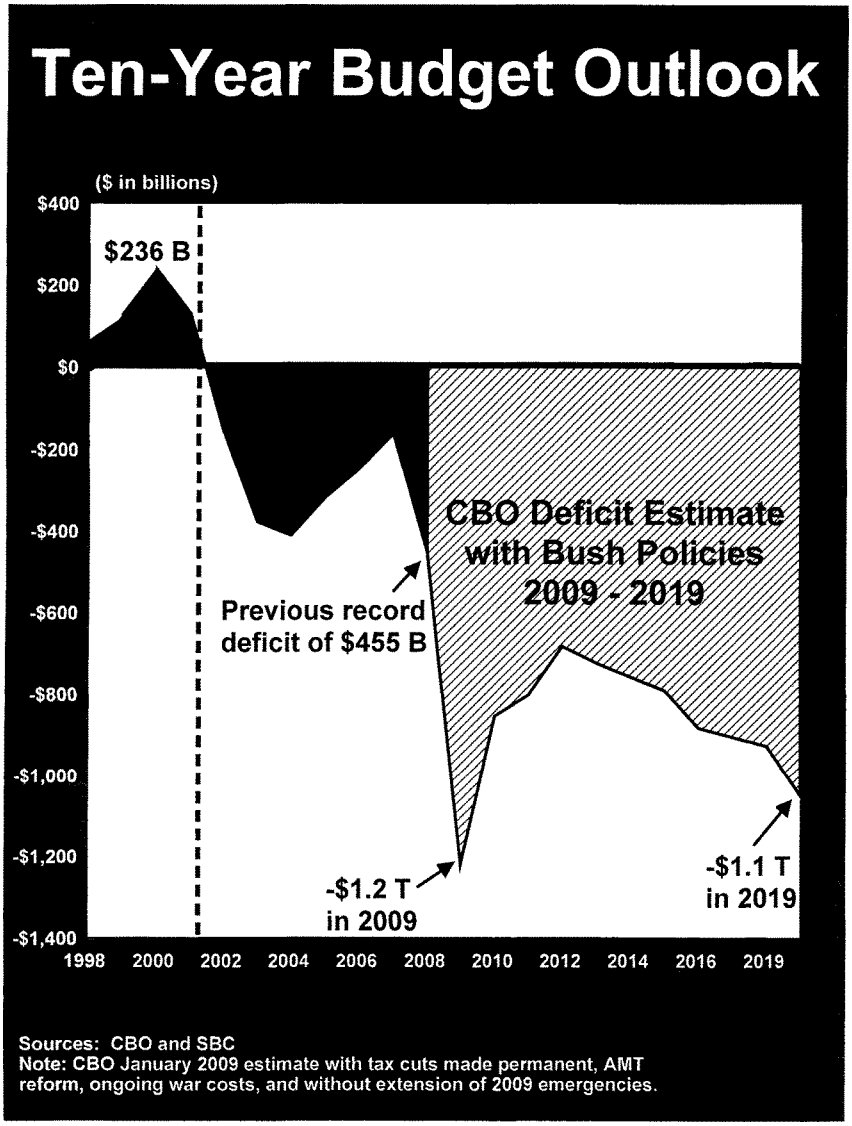
This Committee knows Dr. Orszag well. Two years ago, I picked Dr. Orszag to be the CBO Director, along with my colleagues in the House and the Senate leadership on the Budget Committee. We chose him based on his record and reputation as a talented economist and budget expert. I was not disappointed—and I think it is

fair to say all of us were delighted—by the leadership that he brought to the Congressional Budget Office.

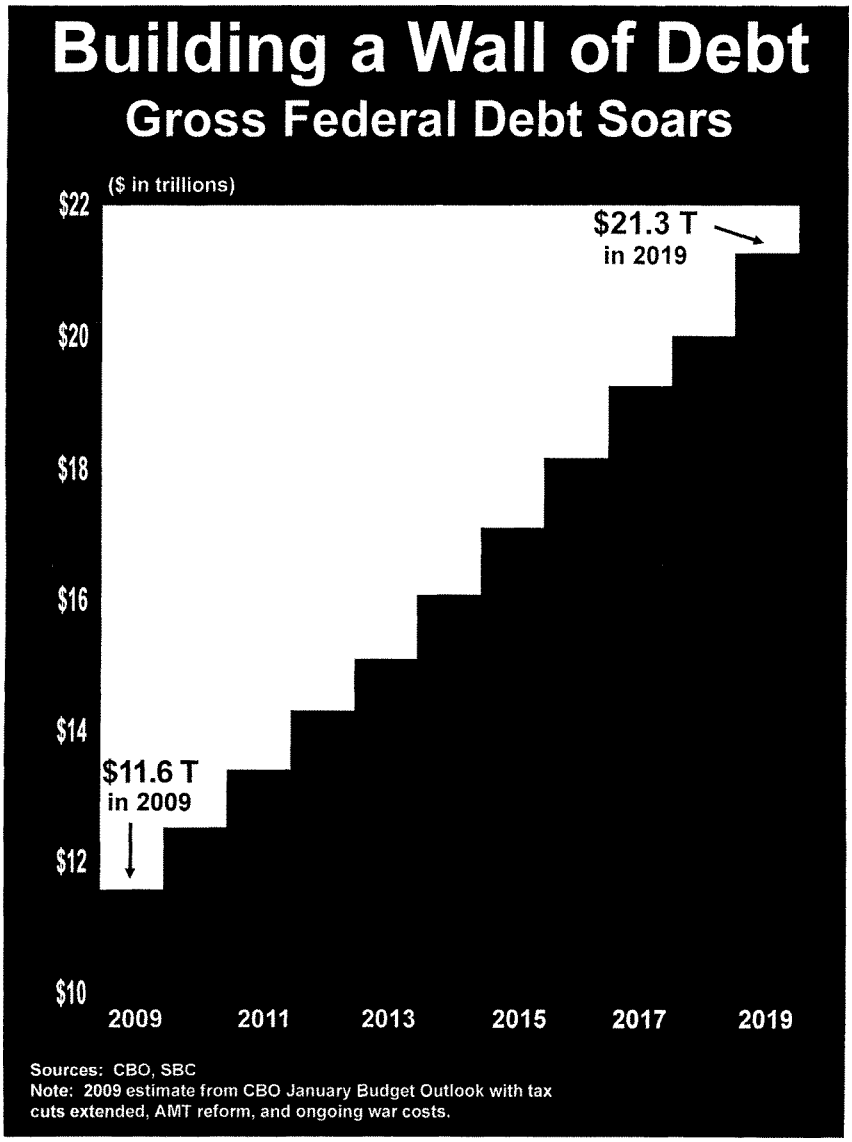
He has provided Congress and this Committee and the American public with invaluable information and insight on the economy and the budget, and his laser-like focus on addressing the growing cost of health care demonstrated his firm grasp of the tremendous long-term budget challenge facing our Nation.

I am pleased that he will bring his immense talent and drive to OMB in the Obama Administration. We will need the best and brightest our country has to offer working together to pull us out of this fiscal and economic decline. Dr. Orszag is exactly the right person for this job at this time. I look forward to continuing to work closely with him as he assumes his new responsibilities.

Before I turn to Senator Gregg, I want to lay out some of the very serious budget challenges facing our country. CBO's new estimates show that the deficit in 2009 will be $1.2 trillion. That is more than 2–1/2 times last year's record deficit. And CBO's numbers show that under current policies, we will face record deficit for years to come, and that is before we adopt any economic recovery plan.




We are building a wall of debt. Gross Federal debt is now estimated to be $11.6 trillion in 2009. If we add in current policies, such as an extension of tax cuts, the alternative minimum tax reform, and ongoing war costs, we could easily see the debt rise to $21.3 trillion by 2019. That is nearly 100 percent of gross domestic product.




Our debt is increasingly financed by foreigners. In 2008, 68 percent of the increase in publicly held debt was held by foreigners. This presents a significant risk to our economy. If these foreigners stop buying U.S. debt, interest rates could shoot up and our economy could be thrown into a downward spiral. The warning signs are already there.

This article was on the front page of the New York Times last week. It was headlined, "China Losing Taste for Debt from the United States." The explosion in debt we are seeing is coming at the worst possible time, just as the baby-boom generation is begin-

ning to retire. It is important to remember that within the decade, by 2018 more than half of the baby boomers will reach the early retirement age of 62. We are facing a demographic tidal wave.

The New York Times

THURSDAY, JANUARY 8, 2009

# China Losing Taste for Debt From the U.S.

## Key Lender Finds Uses for Money at Home

By KEITH BRADSHER

HONG KONG — China has bought more than $1 trillion of American debt, but as the global downturn has intensified, Beijing is starting to keep more of its money at home, a move that could have painful effects for American borrowers.

The declining Chinese appetite for United States debt, apparent in a series of hints from Chinese policy makers over the last two weeks, with official statistics due for release in the next few days, comes at an inconvenient time.

On Tuesday, President-elect Barack Obama predicted the possibility of trillion-dollar deficits "for years to come," even after an $800 billion stimulus package. Normally, China would be the most avid taker of the debt required to pay for those deficits, mainly short-term Treasuries, which are government i.o.u.'s.

In the last five years, China has spent as much as one-seventh of its entire economic output buying foreign debt, mostly American. In September, it surpassed Japan as the largest overseas holder of Treasuries.

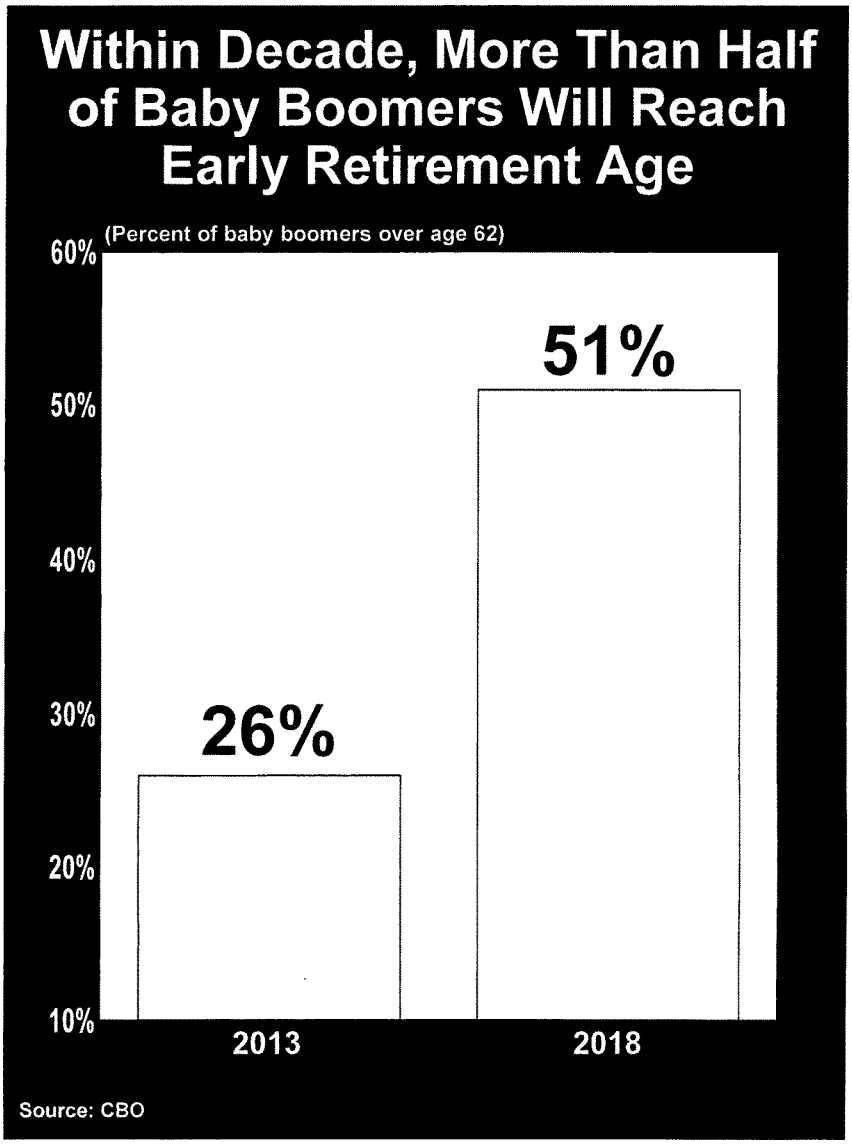
But now Beijing is seeking to pay for its own $600 billion stimulus — just as tax revenue is falling sharply as the Chinese economy slows. Regulators have ordered banks to lend more money to small and medium-size enterprises, many of which are struggling with lower exports, and to local governments to build new roads and other projects.

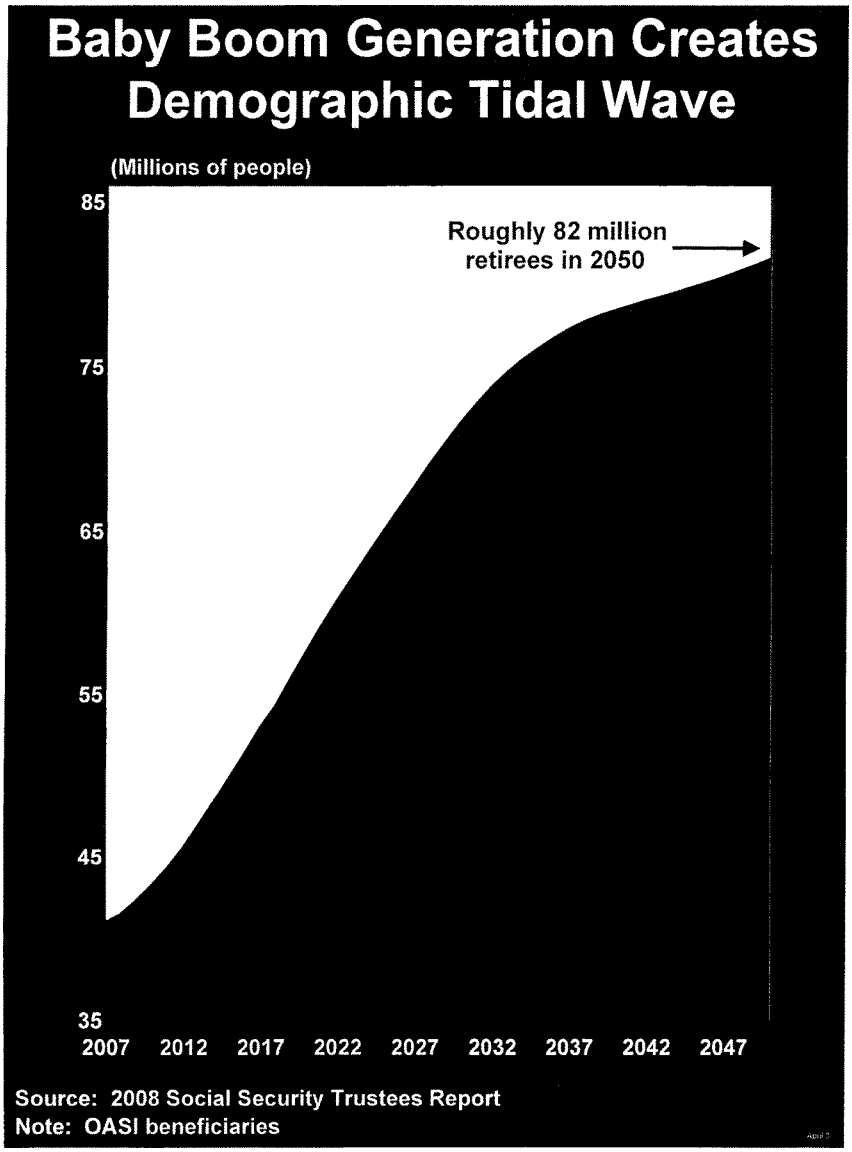
"All the key drivers of China's Treasury purchases are disappearing — there's a waning appetite for dollars and a waning appetite for Treasuries, and that complicates the outlook for interest rates," said Ben Simpfendorfer, an economist in the Hong Kong office of the Royal Bank of Scotland.

Fitch Ratings, the credit rating agency, forecasts that China's foreign reserves will increase by $177 billion this year — a large number, but down sharply from an estimated $415 billion last year.

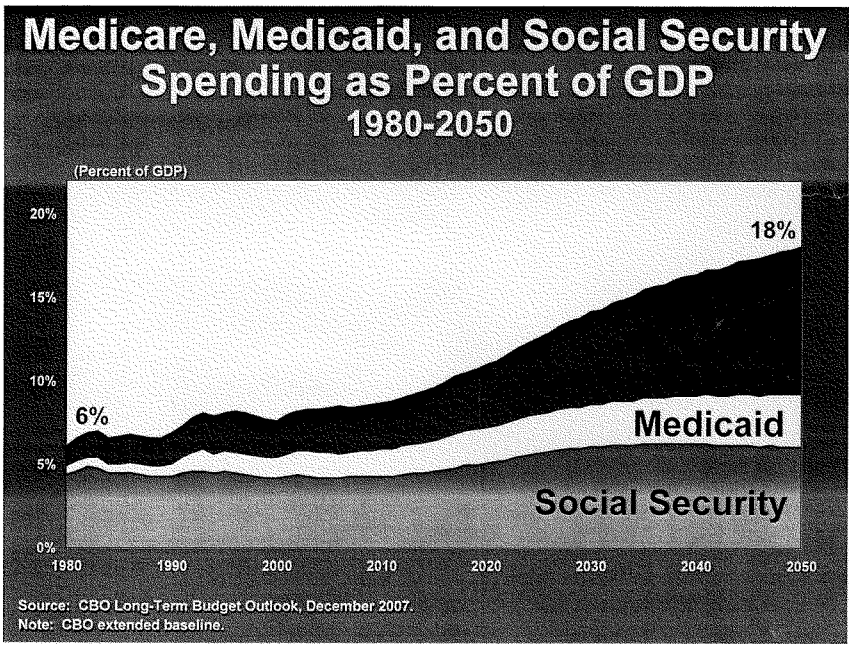
China's voracious demand for

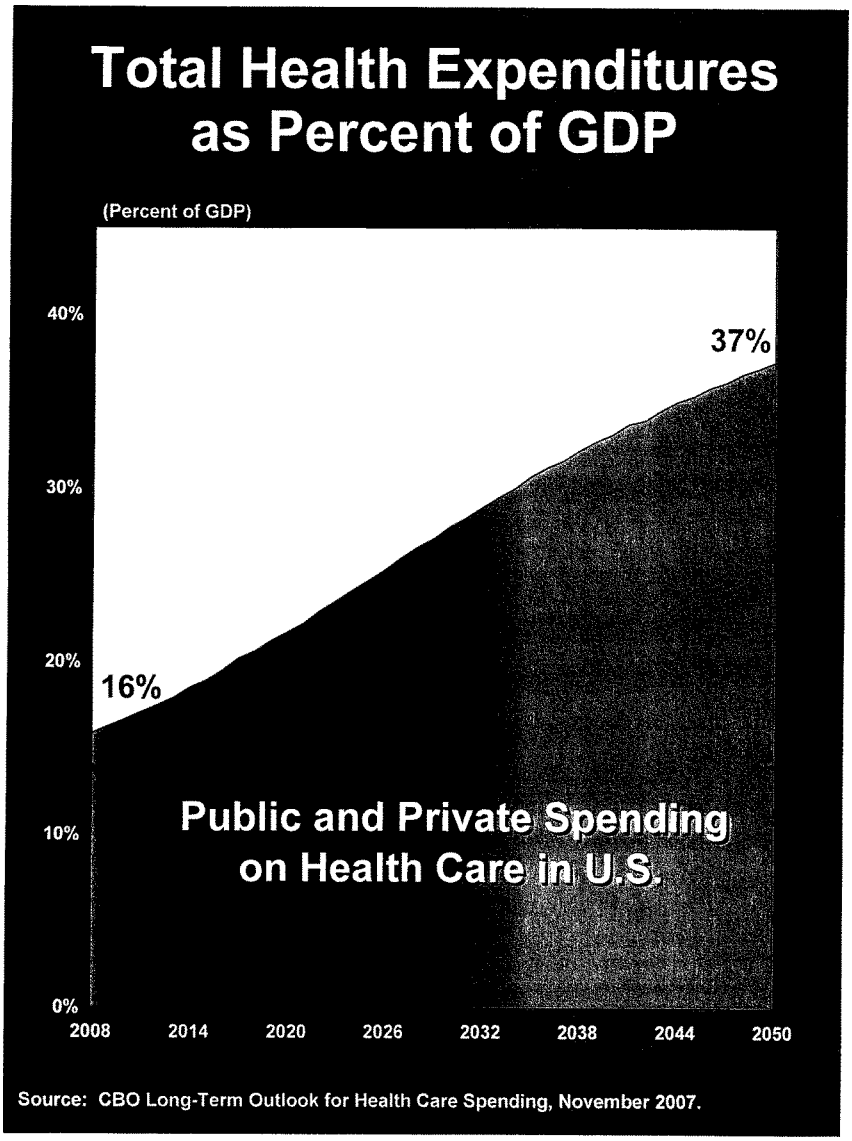
*Continued on Page A10*


Within Decade, More Than Half of Baby Boomers Will Reach Early Retirement Age
(Percent of baby boomers over age 62)
60%
50%
40%
30%
20%
10%
26%
51%
2013
2018
Source: CBO




But this is not just a demographic issue. Rising health care costs pose a bigger threat. These rising health care costs are exploding the cost of our health care system. By 2050, more than 18 percent of our gross domestic product will be spent on Medicare, Medicaid, and Social Security. That represents nearly all of current Federal spending. And this is not just an issue of Federal health spending. Private sector health spending is also exploding. Taken together, public and private health care spending will reach 37 percent of GDP by 2050 if we stay on our current course. Clearly, that is completely unsustainable.


Medicare, Medicaid, and Social Security
Spending as Percent of GDP
1980-2050
(Percent of GDP)
20%
15%
10%
5%
0%
18%
6%
Medicaid
Social Security
1980
1990
2000
2010
2020
2030
2040
2050
Source: CBO Long-Term Budget Outlook, December 2007.
Note: CBO extended baseline.




Senator Gregg and I have made a proposal to our colleagues to face up to these long-term challenges. We are open to other proposals, but we believe something like what we have outlined is needed. Here are the highlights of the task force proposal:

## Conrad-Gregg Bipartisan Fiscal Task Force

- To address long-term fiscal imbalance
- Panel of lawmakers and Administration officials
- Everything on table
- Fast-track consideration; Congress must vote
- Bipartisan outcome

One, it would be tasked with addressing our long-term fiscal imbalances.

Two, it would consist of sitting lawmakers and representatives of the administration.

Third, everything would be on the table.

Fourth, the panel's legislative proposal would get fast-track consideration, and Congress would have a vote.

Finally, it would be designed to ensure a bipartisan outcome.

In announcing his economic team, President-elect Obama said, "Short term, we have got to focus on boosting the economy and creating jobs. Part and parcel of that is a plan for a sustainable fiscal situation long term."

## President-elect Obama on Addressing Long-Term Fiscal Situation

"...[S]hort term, we've got to focus on boosting the economy and creating ... jobs, but part and parcel of that is a plan for a sustainable fiscal situation long term..."

– President-elect Barack Obama
Remarks at Press Conference
Announcing Economic Team
November 24, 2008

He has it exactly right. That is exactly what Senator Gregg and I are calling for. Our Nation's economic future will remain at risk until and unless we confront this long-term fiscal challenge.

With that, I want to turn to the distinguished Ranking Member, Senator Gregg.

**OPENING STATEMENT OF SENATOR GREGG**

Senator GREGG. Thank you, Mr. Chairman. Thank you for your opening comments, which I am in 100 percent agreement with relative to the concern which you raise on the debt and the need to address it and the issue of the entitlement spending and the baby-boom generation. We have heard considerable good counsel on this issue from Dr. Orszag over the years.

I am not sure why we are having this hearing since you have got the Republican Ranking Member of the House Budget Committee, the Chairman of the House Budget Committee, yourself and myself, and I suspect everyone in this room supports these two nominees. They are exceptional. They are talented. We are lucky to have them in public service, and I think the President-elect has done himself well and done his administration good service and is guaranteeing quality people when he puts people like this on his team.

I would say this: You do not seem to turn out the crowd that Senator Clinton has turned out this morning, however.

[Laughter.]

Senator GREGG. There are a lot of other issues which we hope to discuss also, but in order not to extend this hearing, I am not going to get into those until we get to the question-and-answer period. But I just want to reinforce what the Chairman has said on the issue of the need to address the underlying issue which we as a Nation are going to have to confront after we get by this immediate economic downturn, which is obviously severe, disruptive, and a terrible event for a lot of individual Americans. The bigger event is the coming fiscal tsunami that is facing us as a result of the retirement of the baby-boom generation and the huge costs which we will incur.

And we are going to look forward to some encouraging and thoughtful ideas on this as to how we take that issue on from this team at OMB.

Thank you.

Chairman CONRAD. Thank you, Senator Gregg.

Welcome, Chairman Spratt. If you want to proceed, and then we will turn to the Ranking Member, Congressman Ryan, and then we will hear from Dr. Orszag. Then we will have questioning rounds, and we will limit it to 7 minutes, and we will try to be strict about it so that everybody can have some clear idea of when their time will come.

Chairman Spratt, welcome to the Senate Budget Committee. We appreciate very much your being here.

**STATEMENT OF HON. JOHN M. SPRATT, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA**

Mr. SPRATT. Thank you for inviting me across the Capitol to testify on behalf of Peter Orszag for Director of OMB. Had the choice

been mine, Peter is exactly the person I would have chosen, and indeed, Mr. Chairman, 2 years ago, when the nomination for the directorship of CBO was our choice, we selected Peter Orszag. I think you would agree with me he fulfilled our expectations in every possible way.

Our country faces massive problems: a recession that is deepening, unemployment that is soaring, business failures and foreclosures occurring at a rate not seen since the 1930's. As a result, the Government is racking up deficits and accumulating debt that will take a generation of sustained effort to overcome.

During a time when we are plagued with problems, we can at least be thankful that the Obama Administration will have Peter Orszag, a steady hand, at the helm. Though Peter is young, he has experience beyond his years, a keen intelligence, and a breadth of knowledge about public policy. Over the last several years, he has trained his focus on two of the most vexing issues that overhang our future: fixing health care and securing retirement.

While at CBO, Peter expanded its capacity for sophisticated health care policy analysis. He beefed up the health care staff and created a new panel of health advisers to bring together some of the Nation's leading policy experts to inform CBO's work. The investments he made have paid off. CBO's work has helped us illuminate why health care spending is growing faster than the economy and why it may be possible to reduce that growth without harming outcomes by spotlighting medical spending that is of limited or no health benefit.

Before his work in the economics of health care, Peter authored what may be the best short treatise on Social Security there is. He analyzed its long-term problems, and then laid out a path for solvency with better benefits for those who need them most.

Beyond his mastery of economic issues, Dr. Orszag has a great gift for explaining complex matters simply and succinctly. This talent has made him an invaluable resource on Capitol Hill, in the Senate as well as the House. It will stand him in good stead at OMB.

Because of his clarity and insight, long before he became Director, Dr. Orszag was a frequent witness at our Committee. As Director of the Hamilton Project, he was searching for new ways to promote economic growth. These dwelt on ways to strengthen saving and education, help families deal with economic change, and ways to make Government more effective—all useful pursuits if we are to build a stronger economy for the future.

In the last 2 years, when Peter was Director of CBO, we called on him to testify before the House Budget Committee 13 times. His testimony ranged from such topics as the outlook for the economy, the cost of the war in Iraq, how we can gain more value out of health care spending, and the impact of controlling carbon emissions. No matter the economic issue, Dr. Orszag's testimony has been informed, incisive, and eminently understandable.

In the 1990's, he worked for President Clinton's National Economic Council and then for the Council of Economic Advisors (CEA). Armed with knowledge, commitment, and copious quantities of Diet Coke, Peter helped the Clinton Administration and the Congress fashion good fiscal policy.

Peter has worked in government, in the private sector, in academia, and in the think tank sector. He is a summa cum laude graduate of Princeton. He won a Marshall Scholarship and completed two graduate degrees at the London School of Economics. He has published six books on retirement and homeland security, and papers too numerous to mention. He successfully managed a large staff of over 200 at CBO. All of the above, in addition to his integrity and his work ethic, make him a hands-down, superlative choice for the Director of OMB.

Mr. Chairman, our economy is not undergoing your typical business cycle recession. There are no off-the-shelf solutions to turn to. In times like these, we need our best and our brightest, and Peter Orszag fills that bill. He has the skills, the temperament, the intelligence, and experience needed at OMB. I urge his swift confirmation.

Thank you very much.

Senator GREGG. Mr. Chairman, I would like to note that the Chairman missed one item on Dr. Orszag's resume, which is that he and I graduated from the same high school, which is probably the most significant item on his resume.

Chairman CONRAD. I regret to say that I went to that high school, too.

Senator GREGG. That is correct.

Chairman CONRAD. I did not graduate there, however.

Congressman Ryan, welcome here, and you are following Chairman Spratt, who, as always, did such a superb job of endorsing a candidate before this Committee. And we are delighted that you are here this morning as well, and we want to thank you for the role that you played in the interview process as we went through the selection process for a replacement for Dr. Orszag. I thought it was really an excellent process, and you played a very constructive role, and we appreciate that as well.

**STATEMENT OF HON. PAUL RYAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN**

Mr. RYAN. Thank you, Chairman Conrad. Thanks for having me here. Ranking Member Gregg, it is nice to see you again as well. I appreciate this opportunity to introduce Peter, my friend, the former Director of the CBO.

First, I just simply want to say to Peter congratulations on your appointment to serve as our next OMB Director. It is fantastic and it is well deserved.

Peter Orszag is slightly older than me, so I am very happy we are sending someone with wisdom and experience to OMB.

But to my friends on the Budget Committee, I would like to give you my reasons for supporting his nomination. No. 1 is his understanding of the issues, of the budget, of the inner workings of the budget. No. 2 is his sense of fairness and impartiality. Those of us who are budgeteers have watched the CBO over the years. We care a great deal how this agency is run and how we are serviced here in this branch of Government.

Peter Orszag brought a sense of fairness to that agency that we cherish so much. He gave us fair answers. We come from different economic doctrines and philosophies, but he did not bring that to

the CBO, and he gave us the cleanest answers we could have asked for. When it comes to issues like health care, cap and trade, we got good research, fair research, impartial research from the Congressional Budget Office.

Another reason that I am particularly interested in is his understanding of and his ability to effectively communicate the entitlement problem facing our country and the key drivers of that problem—namely, health care. I am particularly pleased with his ability and his success at beefing up the Health Care Analytical Section at the Congressional Budget Office because that is an area in which we are going to have a lot of work to do if we are going to get our hands around this looming entitlement crisis.

And so when you take a look at his success and tenure at the CBO, it gave us all those qualities we look for in a great CBO Director. And I take a look at this new administration. The challenges confronting our country—and I cannot think of a better person for the President-elect to nominate from within his ranks from his party to serve as the next OMB Director. This is going to be a tough 2 to 4 years, and that is why it is important to have someone with credibility, someone with skill, someone with knowledge and experience to help us navigate our way through these extremely difficult times that we have ahead of us. And then going forward, I know that the things we are going to get from OMB, the numbers we are going to receive, the dialog we are going to have is going to be that much better, that much more dependable, and that much more reliable because Peter Orszag will be the next OMB Director.

And so, with that, I think that this is the best person that this President could have nominated for his administration to run the OMB, and that is why I am happy to be here to support his nomination.

Thank you for having me.

Chairman CONRAD. Thank you, Congressman Ryan. We appreciate very much your being here, as well as Chairman Spratt. We know that the two of you may have business on your side of the Capitol, and so whenever you need to take your leave, please feel free to do so.

Under the rules of the Committee, we have to swear the witness, so, Mr. Orszag, if you would stand?

Under our Committee rules, the nominee is required to testify under oath, so I will now swear you in. Do you swear the testimony that you will give to the Senate Budget Committee will be the truth, the whole truth, and nothing but the truth?

Mr. ORSZAG. I do.

Chairman CONRAD. If asked to do so, and if given reasonable notice, will you agree to appear before this Committee in the future and answer any questions that members of this Committee might have?

Mr. ORSZAG. I do.

Chairman CONRAD. Please be seated.

We will now have a chance to hear from Dr. Orszag directly, and then we will go into a questioning round with each member given 7 minutes.

Welcome, Dr. Orszag. Congratulations on your nomination by the President-elect. Thank you for your extraordinary service as the head of the Congressional Budget Office, and please proceed.

**TESTIMONY OF PETER R. ORSZAG, PH.D., OF MASSACHUSETTS, TO BE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET**

Mr. ORSZAG. Mr. Chairman, Ranking Member Gregg, members of the Committee, I am honored to come before you as President-elect Obama's nominee for Director of the Office of Management and Budget. I would like to particularly thank Mr. Spratt and Mr. Ryan for appearing and introducing me this morning. As Director of the Congressional Budget Office, I worked to establish good relationships with both of them and with members of both parties. If I am confirmed as Director of OMB, I hope to continue that spirit of bipartisanship as we struggle to meet the challenges that we face. I am also very pleased to be joined by my family this morning.

This hearing is being held at a momentous time. In the short run, we face the most severe economic crisis that has occurred since the Great Depression. Over the medium and long run, we face the prospect of large and growing deficits that are unsustainable. These twin challenges of economic recovery and fiscal responsibility will make the job of OMB particularly challenging. But, again, if confirmed, I relish and look forward to attempting to meet those challenges.

As we struggle to address both of those issues, we also need to make Government work better. I have never been particularly fond of the argument, "That is just the way it has always been done around here." And as we struggle to meet both of these challenges, I think that argument in particular no longer makes sense. We need to be looking for new ways of doing things, exploring innovative approaches, and trying to make Government work better and smarter.

Let me try to address both the short run and the long run briefly.

As I mentioned, the short-term economic outlook that we are inheriting at the beginning of 2009 is bleak, and dramatic action is necessary to address it. In 2008, the economy lost more than 2.5 million jobs. Without policy interventions to bolster aggregate demand, projections suggest that it could lose another 3 to 4 million jobs over the coming year.

As Figure 1 of my written testimony shows, the unemployment rate in the final quarter of 2010, although still elevated, would be much lower if we acted through an economic recovery plan than if we did nothing. So we need to act. In particular, during periods like the current one, the key impediment to economic growth is aggregate demand. With existing capacity, the economy could produce substantially more goods and services if there were more demand for them. More specifically, in the absence of action, estimates suggest that the gap between how much the economy could produce each year and how much it will actually produce over the next year or two amounts to $1 trillion a year. That is $12,000 per year per family of four on average in lost income and output.

An economic recovery plan will help fill this gap between aggregate demand and existing capacity. It can also help to expand ca-

pacity over the long run. Any such plan should include significant transparency, accountability, and oversight. The goal is to set a new standard for how we spend taxpayer dollars. Such heightened transparency and oversight is particularly important since we are inheriting not only an economic crisis but also a daunting fiscal gap, as the Chairman already mentioned.

Even without steps to mitigate that economic downturn, the deficit we are inheriting for the current fiscal year, which began last October, is likely to exceed $1 trillion, more than 8 percent of gross domestic product and the largest in our history, which the exception of the Civil War and the World Wars.

The combination of the economic recovery package, interventions to stabilize the financial and housing markets, and the normal dynamic of the economy over the business cycle should help to bring back a period of economic growth. And as the economy recovers, we must shift our attention to our medium- and long-term fiscal challenges. The simple fact is that under current policies the Federal budget is on an unsustainable path. Even after the economy recovers from the current downturn and, again, under current policies, the Nation faces the prospect of budget deficits that are in the range of about 5 percent of GDP over the next 5 to 10 years. They grow larger thereafter. And over the longer term, as has already been mentioned, the fiscal gap is driven primarily by the rate at which health care costs grow.

Improving the efficiency of the health system has benefits that extend well beyond just the Federal budget. Health care costs are already imposing severe burdens on State governments. For example, health care absorbs about one-third of State government budgets on average, and those costs are reducing workers' take-home pay to a degree that is both unnecessarily large and perhaps underappreciated. In all this, however, we have to keep in mind that we appear to have very significant opportunities to reduce health care costs without harming health outcomes.

As Ranking Member Gregg knows, important research at Dartmouth University—I am kidding. Dartmouth College.

[Laughter.]

Mr. ORSZAG [continuing]. Suggests significant opportunities to reduce health care costs without harming health outcomes because of the very significant variation that occurs geographically in how health care is practiced. Many of the steps that would help to improve the value that we get from health care and improve the efficiency of the health care system include expanding the use of health information technology, which is necessary but not sufficient for a better-performing health system; expanding research on comparative effectiveness, that is, what works and what does not; providing financial incentives for better care rather than more care; and providing incentives for prevention and healthy living.

Finally, in tackling both our short-run and long-run challenges, we need to make Government work better and smarter. That means increased transparency and accountability. It also means strengthening the Federal Government's use of information technology so that we can better interact with the public and deliver services more effectively. It means reexamining our procurement budget and improving the management of Federal contractors. It

means restoring the prestige and building the capability of the Federal work force, which is particularly important given that roughly half of the Federal work force is expected to retire over the next decade. We need to broaden the appeal of public service.

Finally, we need to reexamine how we can best protect public health, the environment, and public safety. I am pleased that the President-elect has announced his intention to nominate Cass Sunstein, one of the Nation's leading legal thinkers, to run the office within OMB for coordinating regulatory policy.

Mr. Chairman and members of the Committee, that concludes my prepared remarks. I want to reiterate my commitment to working across party lines to address both the short-run and long-run challenges we face. And I would be pleased to answer any questions you may have.

Thank you.

[The prepared statement of Mr. Orszag follows:]

**Testimony of Peter R. Orszag**
**Nominee To Serve As**
**Director of the Office of Management and Budget**

**Before the Committee on Budget, United States Senate**
**January 13, 2009**

Mr. Chairman, Ranking Member Gregg, members of the Committee, I am honored by the opportunity to come before you as President-elect Obama's nominee for Director of the Office of Management and Budget. I am also particularly pleased that the President-elect has announced his selection of Rob Nabors as Deputy Director of OMB. If confirmed, we will be working closely together, and I look forward to that.

Thank you to Chairman Spratt and Congressman Ryan for introducing me at this hearing. For the past two years, I have had the privilege of serving as Director of the Congressional Budget Office. In that capacity, I worked closely with members of both parties, including Mr. Spratt and Mr. Ryan. I hope to continue that spirit of bipartisanship if I am confirmed as OMB Director, since we will need to work together to tackle both the short-term and long-term challenges we face.

I am also delighted this morning to be joined by my daughter, Leila, and my son, Joshua. My children have already informed me that they find much of what I spend my days doing to be terribly boring. So if they depart early, please know it is only an indication of their views regarding their father's occupation.

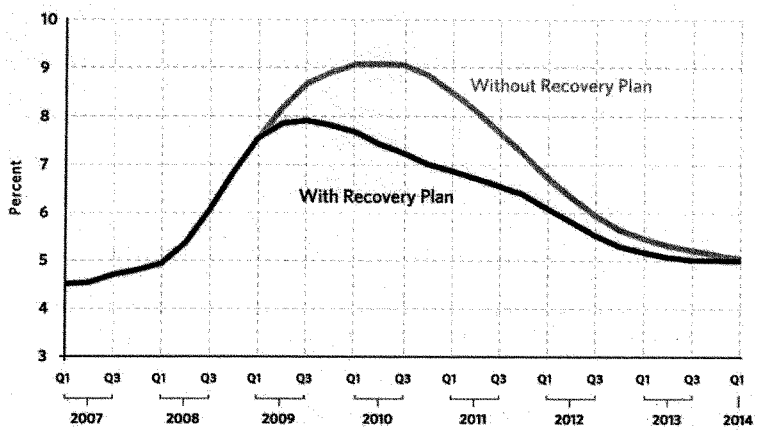
Mr. Chairman, this hearing is being held at a momentous time. In the short run, the most pressing challenge is to jump-start the economy out of the worst economic crisis since the Great Depression. Over the longer run, a key challenge is putting the budget on a more sustainable course. If the Senate confirms me as OMB Director, I look forward to working with each of you in the months and years ahead to address the twin challenges of economic recovery and fiscal responsibility. To meet both challenges, we need to make government work better and smarter than it has in the past.

**Short-Term Challenges**

The short-term economic outlook we are inheriting at the beginning of 2009 is bleak, and dramatic action is necessary to address it. The economy lost more than 2.5 million jobs in 2008, and, without policy interventions to bolster aggregate demand, it could lose another three to four million jobs over the coming year. The President-elect's economic advisers expect that, unless we take action, unemployment will rise to over nine percent and will return only very gradually to its normal pre-recession level. As Figure 1 shows, the unemployment rate in the final quarter of 2010, though still elevated, would be much lower if we act than if we fail to do so. (Figure 1 is taken from a recent analysis by Christina Romer and Jared Bernstein, available at www.change.gov.) In the absence of action, the gap between how much the economy could produce each year and how much

is actually being produced amounts to roughly $1 trillion a year – which amounts to an average of about $12,000 a year for a family of four.

Figure 1
**Unemployment Rate With and Without the Recovery Plan**




The economic downturn originated in the bursting of the housing bubble, but it has now spread much more widely than the housing market. Financial markets remain under stress, confidence has eroded, and economic activity in the rest of the world is slowing.

We need to act. In particular, during periods like the current one, the key impediment to growth is aggregate demand: with existing capacity, the economy could produce substantially more goods and services if there were more demand for them. (By contrast, over the medium to long term, the key factor driving economic growth is the capacity of the economy to produce goods and services rather than the demand for them.) President-elect Obama's economic recovery plan is aimed at promoting economic activity by helping to fill the gap between aggregate demand and existing capacity, and doing so in a way that will also help to expand capacity in the future.

As we act to address the economic crisis, we must be also responsible stewards of the public fisc. As the President-elect has already discussed, the plan should include significant transparency, accountability, and oversight. The goal is to set a new standard for how we spend taxpayer dollars.

Such heightened transparency and oversight is particularly important given that we are inheriting a daunting fiscal position. Even without steps to mitigate the economic downturn, the deficit we are inheriting for the current fiscal year, which began last October, is likely to exceed $1 trillion – more than eight percent of Gross Domestic

Product (GDP), and the largest in our history with the exception of the Civil War and the two World Wars. Even with the prospect of such large deficits, however, nearly every leading economist agrees we have no choice but to act aggressively to expand aggregate demand and address the macroeconomic crisis. That will necessarily imply even larger deficits in the near term.

**Longer-Term Challenges**

The combination of the economic recovery package, interventions to stabilize the financial and housing markets, and the normal dynamic of the economy over the business cycle should help to bring back a period of economic growth. And once the economy recovers sufficiently, we must shift our attention to our medium- and long-term fiscal challenges. The simple fact is that, over the long term, the federal budget is on an unsustainable path. Even after the economy recovers from the current downturn and under current policies, the nation faces the prospect of budget deficits that, we believe, will measure about five percent of GDP over the next five to 10 years. Over the longer term, the situation is expected to grow even worse as health care costs continue to rise and the baby boomers retire. Today we enjoy significant maneuvering room in responding to crises because our debt is viewed as the safest investment in the world. Unless we change policy, however, over the long term that perception could shift – which could not only trigger a fiscal crisis, but also severely limit our ability to respond flexibly to any future economic difficulties.

The principal driver of our long-term deficits is rising health care costs. If confirmed, I look forward to working closely with Tom Daschle, the President-elect's nominee to serve as Secretary of Health and Human Services and to run the new White House Office of Health Reform. I share his passion for getting more value from our health care system.

Let me provide just one telling fact: If costs per enrollee in our two main federal health care programs, Medicare and Medicaid, grow at the same rate as they have for the past 40 years, those two programs will increase from about five percent of GDP to 20 percent by 2050. That's roughly the entire size of the federal government today. (As the Congressional Budget Office and others have noted, there are reasons to expect cost growth to slow in the future relative to the past even in the absence of policy changes. But the point remains that slowing health care cost growth is key to our fiscal future.)

Rising costs for Medicare and Medicaid, in turn, reflect rising health care costs across the public and private sectors. Therefore, we need to be thinking about ways to slow overall health care cost growth, rather than just reducing the rate of growth in Medicare and Medicaid. Indeed, were we to try to slow Medicare and Medicaid spending alone without slowing the rate of growth in health care costs system-wide, we would simply create massive access problems for Medicare and Medicaid beneficiaries, since providers would be increasingly unwilling to serve those populations relative to others. Medicare and Medicaid policy changes can help to lead the way. But those changes will not be sustainable over time unless they also help to drive down cost growth in the rest of the system.

Improving the efficiency of the health system, however, has benefits that extend well beyond the budget. Health care costs are already imposing severe burdens on state governments – on average, health care absorbs about a third of state budgets, even more than is taken up by education. Moreover, health care costs are reducing workers' take-home pay to a degree that is both unnecessarily large and perhaps under-appreciated.

There is a ray of hope. We appear to have massive opportunities to reduce health care costs without harming health outcomes. Significant evidence suggests that higher cost does not always mean higher-quality care. As I have noted before, perhaps the most compelling evidence of this fact is that per-capita health care spending varies widely across the United States, but the very substantial variation in cost per beneficiary is not correlated with overall health outcomes. Thus, embedded in the country's fiscal challenge and the current burdens on state governments and workers are opportunities to reduce costs without impairing health outcomes overall.

Some of the many steps that would help to improve the efficiency of the health system include the following:

– expanding the use of health information technology (IT) and electronic medical records, which is a necessary, but not sufficient, measure to improving the quality and efficiency of the health care system;

– expanding research on "comparative effectiveness" of different options for treating a given medical condition, which could provide information on both medical benefits as well as costs;

– providing financial incentives for better care rather than more care (currently, financial incentives for providers and patients encourage or facilitate expensive treatment and procedures, even when there is little evidence that they are more effective than existing therapies); and

– providing incentives for prevention (such as immunizations and screening tests) and healthy living (such as avoiding obesity and smoking) so that people have fewer health care problems throughout their lives.

If I am confirmed, I look forward to working with Senator Daschle and with all of you to make these ideas a reality.

**Better Performance**

President-elect Obama has vowed to improve the performance of the federal government. We plan to build a government that not only performs better, but also provides a historic level of transparency to both Congress and the public about the information it holds. I would like to take a moment to provide some of our initial thinking about priorities.

First, as you know, President-elect Obama has chosen Nancy Killefer to serve as Chief Performance Officer and Deputy Director for Management at OMB. Under her leadership, we will create a set of performance metrics that are outcome-oriented and in line with public expectations, as well as a central repository of performance data that will be available to departments and agencies, Congress, and the general public. We view these data as an important source of information for improving performance across the federal government. We also plan to build a team of management experts within OMB who will work with individual agencies to improve the skills of their workforce. We will launch pilot programs with individual agencies to serve as demonstration projects through which we can test our approaches to improve program effectiveness and efficiency, share best practices, and further improve performance.

Second, we will strengthen the federal government's use of information technology. That will not only help us deliver services more effectively, it will enable us to gain efficiencies in federal contracting and acquisition. The OMB officials with responsibility for information technology will work closely with the President-elect's choice for Chief Technology Officer, so that we can better use technology to deliver services.

Third, in the area of human capital, we will work to restore the prestige and build the capability of the federal workforce and improve the management of federal contractors, who are our partners in the private sector. With half of the federal workforce expected to retire over the next 10 years, our government will lose unprecedented amounts of experience and expertise. We want to broaden the appeal of public service, and we believe we can do so. In his campaign, President-elect Obama inspired millions of Americans of all ages. We want to do our part to make government a career of choice for more Americans.

Finally, we need to re-examine how we can best protect public health, the environment, and public safety. We need a fundamental transformation of national regulation, one that rejects old-style remedies in favor of flexible, creative, user-friendly responses that increase benefits, reduce costs, and are suitable to the distinctive challenges of the modern era. I am pleased that the President-elect has announced his intention to nominate Cass Sunstein, one of the nation's leading law professors and a specialist on regulation, to run the office within OMB responsible for coordinating regulatory policy.

**Conclusion**

Mr. Chairman and members of the Committee, that concludes my prepared remarks. I want to reiterate my commitment to working across party lines to address both the immediate and long-term challenges we face. I would be pleased to address any questions you may have.

Chairman CONRAD. Thank you, Dr. Orszag.

In my questioning time, I would like to first ask you how you assess—again, as Chairman Spratt and Congressman Ryan leave, we thank you for coming here to introduce Dr. Orszag, and thank you both for your service.

As we consider the need for an economic recovery plan, can you give us your assessment of the near-term risk to the economy of the United States? How precarious do you believe our current circumstances are?

Mr. ORSZAG. I will go back to saying I believe that we are facing the worst economic crisis since the Great Depression. That gap that I mentioned between how much the economy can produce and how much it is currently producing of $1 trillion is excessively large. That represents a lost opportunity, and it is reflected in elevated unemployment, job losses, distress for working families, because that is $1 trillion of lost income that could be there if we could just bolster aggregate demand.

The danger in this kind of situation is that given the risks that exist in financial markets and this dynamic of lack of confidence and downward spiraling is that things can feed on themselves, where you have the real economy weakening, financial markets weakening, and then feedback effects that feed from one part of the economy to another in a negative spiral so that the situation can become particularly bad. That is why I think we need to act. We need to act boldly and we need to act quickly in order to bolster aggregate demand, and address some of the financial market turmoil that still persists.

It is not going to be over quickly, and I think Figure 1 in my chart kind of encapsulates it. It shows that if we do not act, we have a very significant increase in the unemployment rate. Even if we do act, the unemployment rate does go up but not by as much. There is a big benefit from acting. But we are still in for some period of economic difficulty, even with a significant economic recovery plan.

Chairman CONRAD. Senator Gregg and I have decided that we would put together criteria to apply to any economic recovery plan. What would be your candidates for inclusion in an economic recovery plan? What criteria do you think ought to apply?

Mr. ORSZAG. Well, I think there are several criteria.

The first, and perhaps most important, is bang for the buck—that is, what bolsters aggregate demand the most and operates most quickly.

The second is if there are any medium- or longer-term implications for spending or revenue from something that you are doing today, it would be better to minimize that; but to the extent that there are any such implications, that they are leading to things that help in the long term to promote economic performance.

And then, finally, I would say there is the tension—and let me just again be forthright here—between that macroeconomic gap that I spoke about, the $1 trillion GDP gap, and the set of policies that you can come up with when you actually go through the possibilities that spend out immediately within the next 3 to 6 months and then add to aggregate demand immediately.

If you put all those together, you wind up with a package that is much smaller than the GDP gap that we face, and then you face this choice: Do you accept a high level of macroeconomic risk by not expanding the package? Or do you expand the package into other areas that might have somewhat lower bang for the buck but that help you to address more of the macroeconomic problem?

Chairman CONRAD. All right. On your point No. 2, for those things that have longer-term implications—because to the extent possible we want this program to be temporary. To the extent it goes beyond the temporary, you make the argument that it needs to be helpful to securing longer-term economic growth, improve the competitiveness of the country. What would be examples of that?

Mr. ORSZAG. There are a variety of examples of that. For example, various infrastructure projects that may spend out largely but not entirely over the next year or two will leave you with a physical infrastructure that can increase capacity and economic growth in the future. Various energy investments that may, for example, begin the process of leading to a smart grid can do so. Health information technology investments are another example of that.

So you can go down a list of things that may not fully spend out over 6 months or a year, but that will have some macroeconomic benefit in the short run, and also do things that are beneficial for the economy over the longer run.

Chairman CONRAD. All right. Let me turn, if I can, to the longer-term challenges. As you know, Senator Gregg and I have laid out a process. So far, the incoming administration has been resistant to laying out a process to develop a plan to deal with our long-term imbalances. What can you tell us would be the intentions of the administration, your intentions, to cope with these long-term imbalances that you have previously described as unsustainable?

Mr. ORSZAG. Well, let me say two things. First, the new administration will put out a budget and economic overview in mid-to late February in which we will have more to say about the medium- and longer-term deficits. But I think you are referring specifically to process issues, and my view, for whatever it is worth, is that it is difficult to argue that our current processes for addressing long-term budget issues, especially including health care, are working that well, just by looking at the evidence. And so, obviously, therefore, looking at possible changes in process is worthwhile. I know that you and Senator Gregg have an idea with regard to a long-term fiscal commission. Senator Baucus and Mr. Daschle have put forward an idea on a Federal health board that would focus specifically on health care decisions. There are a variety of process changes that are under discussion that we are examining carefully and that, given the failures of the current system to address these problems, certainly seem worthy of examination.

Chairman CONRAD. Let me just conclude by saying I understand the notion of a health board. I think that has prospects. But what we confront here in terms of our long-term fiscal situation, while health care is the 800-pound gorilla, we face other major challenging areas as well: Social Security, the revenue system of the country. My own view is we have got a revenue system that is badly outdated, and that fundamentally needs reform if we are going to make America as competitive as it can be for the future.

So I will leave you with that and turn to Senator Gregg.

Senator GREGG. Thank you, Mr. Chairman. I have a number of questions. I would like to run through them fairly quickly.

The first is the obvious one. I presume you are going to give the Minority the same deference you would give the Majority if a request is made of you folks.

Mr. ORSZAG. Yes.

Senator GREGG. Thank you.

Mr. ORSZAG. One answer to that question.

Senator GREGG. That is the right answer, and it is well phrased.

Second, the baseline. As you know, this is a really critical issue, and I am sure you have some thoughts on it. I am hopeful that you will stick with the baseline you used at CBO so that we will have some consistency. What is the game plan there?

Mr. ORSZAG. Well, what I would say on that is obviously the baseline that Congress uses is important for the integrity of the scoring process. The debate over the baseline in large part comes down to—let me put it this way: It is awkward because the sunsets in the Tax Code are now so large and the majority of them, I think everyone agrees, there is common agreement, the majority of them are going to be—if I understand the political economy correctly, they will be extended without being offset.

So whether they are in the baseline and, therefore, they are extended without being offset, or whether they are not in the baseline but then PAYGO is waived for them, you do wind up at the same spot with regard to both revenue and the deficit.

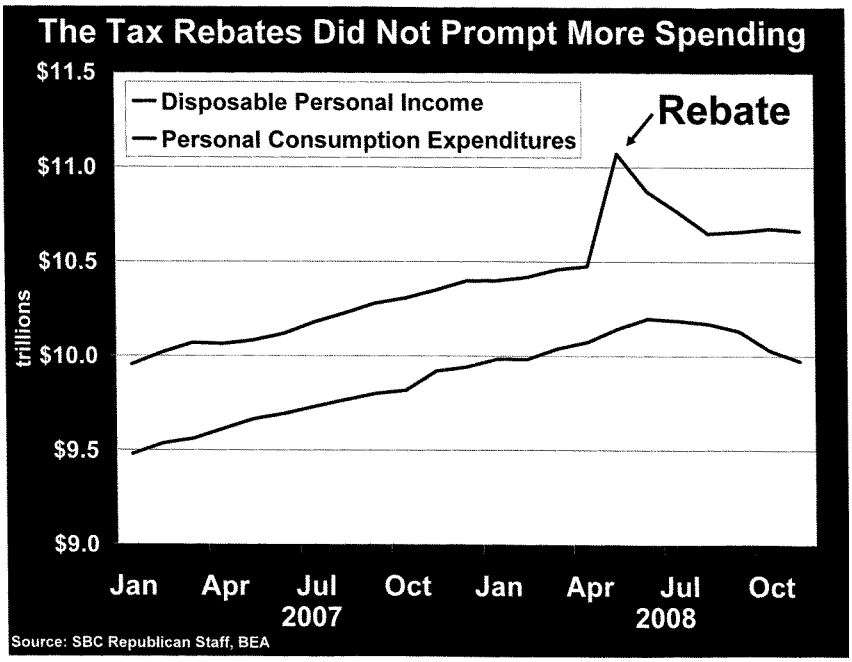
Senator GREGG. But on the other side of the coin, if you raise the taxes, then you get to spend the money if you do not use the baseline of CBO. So it really is a big issue. A big issue.

Mr. ORSZAG. What I wanted to just clarify is that for the majority of them, the majority of the tax provisions under discussion, you wind up in the same place. Where it really does matter is for those tax provisions that under an administration policy or under a congressional policy would not be extended and what happens to that money. And so you can come to the same place; again, even if those provisions are in the baseline, but then not extending them is dedicated to deficit reduction as opposed to offsetting new proposals, you wind up in the same place.

Senator GREGG. Well, can I simplify the issue? Don't you think the integrity of the process requires at least CBO stick with the traditional baseline?

Mr. ORSZAG. I have every expectation that CBO will stick with the traditional baseline.

Senator GREGG. On this issue of criteria, let me hypothesize a different approach, because what you are basically suggesting is that we need stimulus that energizes the next 6 months. We tried that—do we have our chart? We tried that with the first stimulus package, and it did not work. This is pretty definitive that you did not get a lot of consumption for the rebate.




My sense is that this, as you say, is such a unique recessionary event, and very different than what we have experienced since the Great Depression or certainly World War II, that what we really should be focused on is how we improve the economy and basically repair the economy fundamentally so that we can recover—whether it is 6 months, 8 months, 12 months, or 16 months—in a way that makes us more competitive and more productive. So rather than using Keynesian philosophy on this, we ought to be using a philosophy that essentially says let's put the dollars that we are going to stimulate into the productive side of the economy; and if it is infrastructure, productive infrastructure, infrastructure that is going to generate return and competitiveness and productivity—bridges, as you outlined, IT in health care, broadband expansion in areas of low density, things like that.

Rather than the traditional Keynesian approach—I do not know whether you accept that or not, but if we accept at least the second part of that, which is that a large part of this should be on infrastructure, shouldn't there be an entry test set up that it not be spent on running tracks and Main Street beautification and Halls of Fame, but it should be something that has valve to the economy in the area of productivity and competitiveness?

Mr. ORSZAG. I think from the perspective of economic output, the more that we can focus any infrastructure investments on high-return investments, obviously, the better off we are.

Even apart from this package, we do have issues that could be examined with regard to how infrastructure projects are selected, and the——

Senator GREGG. Well, that is what I am saying. Shouldn't we have preconditions that basically set that up? Because as I understand it, it is probably just going to go out to the States. I know in my State every community has got their list. I have seen some lists that have changing the fire alarms in Town Hall. This is not where we get our return, and I think we have to have an entry-level set of principles that we as the Congress should set up, and that is what Senator Conrad and I were talking about trying to produce—something that would focus on getting bang for the buck in the area of productivity and competitiveness.

On a second level, TARP is obviously the issue of the day. Isn't it true that if we are successful with the TARP investments—and they are investments rather than expenditures, and so far we have invested the TARP primarily in preferred stock. Although the debt may go up in the short run, in the long run the debt that represents TARP is going to come down, plus the taxpayer is going to get a return on that investment. So, really, this is, in a 4- or 5-year cycle, probably a wash with an income to us if it works correctly. Is that not true?

Mr. ORSZAG. To a significant degree, although the estimates suggest that each dollar of expenditure or investment in an asset under the TARP does not necessarily lead to a full dollar in return. So it is not a dollar of cost, but the estimates both from CBO and the administration estimates suggest a net subsidy that is much smaller than 100 percent, but it is also greater than zero.

Senator GREGG. But, of course, we are also borrowing this money at very cheap rates.

Mr. ORSZAG. Yes.

Senator GREGG. And we are getting back dividends on these stock purchases of 5 percent right now. I hear a lot of talk in the press, regrettably, not necessarily all the press but some of the press, that says this is an expenditure that we are sending this money out the door and it is going to banks vut that is not the case. It is an investment by taxpayers which we are going to get back, with interest, a fair amount of that money. Correct?

Mr. ORSZAG. And, again, I think the better way—in fact, the way that the TARP legislation directs the scoring of those activities to be reflected is to look at sort of the net subsidy. So what you are putting out today versus what you can expect to get back in the future, it is not a $700 billion net cost.

Senator GREGG. Right. In fact, we may make money on it.

Mr. ORSZAG. Possibly.

Senator GREGG. I disagree with the scoring.

Mr. ORSZAG. Possibly.

Senator GREGG. But the basic view that I am trying to point out is that what is happening here is that we are trying to stabilize the financial industry of this country using dollars which we will get back, for the most part. And, thus, it is a pretty good investment for the taxpayer to put the dollars into this industry if it does stabilize it—because they are the core of economic recovery—especially when those dollars are not being spent in the traditional sense but are actually being invested with a return.

And isn't it essential to get an economic recovery that you have a viable financial industry?

Mr. ORSZAG. The financial system is at the heart of any modern economy. Without a working financial intermediation system, firms cannot borrow to finance their investments; households have trouble obtaining credit to buy houses and to finance their spending. The people who save have trouble; you cannot move funds from net savers to net borrowers. That system is at the heart of a modern economy like the United States.

Senator GREGG. And that system is and was at risk.

The last question I have, and I appreciate your courtesy and the Committee's courtesy. Do you expect to send up a separate deficit reduction package independent of your budget?

Mr. ORSZAG. At this point, we are—at least it is my view that we will incorporate our deficit reduction efforts in the economic and budget overview that we will be submitting to the Congress in mid- to late February.

Senator GREGG. Thank you. I appreciate your time.

Chairman CONRAD. Senator Wyden.

Senator WYDEN. Thank you, Mr. Chairman, and let me congratulate Dr. Orszag and his effervescent family. There are furious games of Tic Tac Toe going on over there. I would not try to compete with them.

Dr. Orszag, as you and I have talked about, there is a ton of economic hurt about in our land, and you cannot, I think, today address specifically some of the economic stimulus initiatives. I do want to put on your radar right away that you will hear from the Westerners particularly about forestry—Chairman Baucus, myself and others; Senator Murray has been a great advocate of this. We have got to go in and thin out these forests because of the risk of fire, and there is merchantable timber that we can get to the mills. And so we look forward to working with you on it as a special priority, and, in effect, these are the natural resources equivalent of shovel-ready projects. They are ready to go.

What I want to spend the bulk of my time on, though, is talking about health care, because you and the President-elect, to his credit, have made it clear that health care is gobbling up everything in sight, and there has got to be major reform.

The biggest chunk of money today in the health accounts of the Federal budget goes out through the Federal Tax Code. This is a sum of at least $247 billion a year. It comes from the World War II days of wage and price controls. The Tax Code makes it a write-off for employers who offer coverage. And it is free to the workers. It sounds good, certainly, but it rewards inefficiency and disproportionately gives the most money to the wealthiest among us and those who are lucky enough to have employer coverage.

Now, here is my question. Barack Obama, to his credit, made two pledges in the campaign with respect to health care. First, the President-elect said he does not want to see middle-class folks clobbered with new taxes, and I sure agree with him on that. Second, he wants to make it clear that they can keep the health coverage that they have, and that is going to be protected, in my view, in any piece of legislation.

Now, you and Senator Daschle are off to a very good start, in my view, in terms of the health reform agenda, and it is still being formulated. So I just want to talk theory with respect to you, and I

want to emphasize this. This is not about a program or a bill. This is theory.

Isn't it correct that there is so much money obligated under these Federal tax rules that you could still honor those pledges that Barack Obama made in the campaign and still in theory have the largest single sum available to quickly expand health coverage for those who are underinsured and uninsured? This is just in theory.

Mr. ORSZAG. In theory, yes.

Senator WYDEN. The answer is yes.

Mr. ORSZAG. Yes.

Senator WYDEN. Good. Well, I am very pleased that you have put that on the record, and it comes at a particularly timely period. Chairman Baucus, in my view, deserves great credit for his white paper. It is chockful of specific suggestions, and he in theory as well wants to address the same kind of concern.

I read your budget books on health. I think they are superb. I will say to you and Claire—I see her in the front row—that Nancy nudged me awake from time to time on the books, but there is nothing that will produce as much money as quickly as reforming the health rules of the tax accounts, and I appreciate your answer.

One other health question. You all are onto some very thoughtful suggestions with respect to health IT, and the big question there—and Dr. Coburn has pointed this out, and I think thoughtfully—is: How do you make these systems interoperable? That is going to be the single biggest challenge in terms of quickly making reform in the health IT payoff in the real world. How do you envision, again, in theory—because there is no specific piece of legislation—wringing the maximum value out of these health IT areas? Sheldon Whitehouse is here, and he has done good work in this area. Talk to us a little bit about interoperability with health IT.

Mr. ORSZAG. Well, I would actually identify interoperability and privacy as the two issues that need to be addressed rapidly in order to move toward more universal health IT systems. We need to aggressively move toward standards that systems must meet in order to exchange data across different HIT systems at hospitals and doctors, because without that the system is not as valuable as it would otherwise be, and then also appropriately protects privacy.

And on that, just to pause for a second on privacy, I know that this is also a significant concern. I would just note that with appropriate privacy concerns, it is possible that health IT actually bolsters privacy rather than reduces it, because right now you have paper records that a nurse or a doctor could be thumbing through without your knowledge. And if a health IT record, an electronic medical record, had a system so that whenever it was accessed, you knew exactly who was accessing it, your privacy could actually be better protected rather than less protected. But I would say both of those issues—interoperability and standards—frankly, what needs to happen is we need industry to come together working with the appropriate people at HHS and elsewhere in the Government to rapidly reach agreement on appropriate standards, and then we need to move the systems out much more expansively than they currently are.

Senator WYDEN. One last question and it touches on the good work being done by Dr. Wennberg, and we have been kidding about

how so many good ideas come from Dr. Wennberg and Dartmouth. He makes the point that we have these massive variations in terms of health care spending and that so often we pay for poor-quality coverage.

Now, clearly, you can make changes in these practices quickly if you are willing to hammer a lot of providers, and there will be a lot of opposition to that in the short run.

How do you see phasing in some incentives to go to these innovative approaches—they used to be characterized as "pay for performance," but I think there are other kinds of approaches—so as to get acceptance in terms of the medical profession moving to the kinds of changes that you and Dr. Wennberg envision in terms of rewarding best practices?

Mr. ORSZAG. I think at the heart of a lot of the problems that we have in the health care system is the lack of incentives for better care, and we need to move toward incentives on both the provider and the beneficiary side for better care rather than more care.

What does that mean? It means first that we need to know what better care is, and that requires investments in health IT and a lot more research on what works and what does not so that we know what better care is. Second, we need to be exploring—and we could do this through pilot projects, we could do this aggressively through demo projects—different financial incentive schemes for providers. Do bonuses as opposed to penalties work better? Grouping accountable care organizations, does that work? All the various ways in which we can change the financial structure for providers, because, again, what happens in the current system is many providers are actually penalized for doing the right thing, and that makes no sense. They often have to give up something financial in order many times to get to better health outcomes for their patients by using a less intensive approach. And I do not think any of us would think that that makes much sense.

Senator WYDEN. Thank you very much.

Chairman CONRAD. Senator Sessions.

Senator SESSIONS. Thank you, Mr. Chairman, and thank you for your leadership, and you and Senator Gregg for thinking very seriously about the challenge of our fiscal outlook and trying to do something about it.

Dr. Orszag, congratulations on your nomination. You certainly have a reputation of integrity and fairness. You certainly have the experience to understand exactly what is being talked about here today and the issues that relate to it, and you will be challenged. And you are a popular guy. A lot of people like you. But how long do you think that will last after you become OMB Director?

Mr. ORSZAG. Not very long.

[Laughter.]

Senator SESSIONS. Are you prepared—let me just ask you that. You are Dr. Orszag. How about being "Dr. No"?

Mr. ORSZAG. I am prepared, you know, and actually this is an aspect of the job at CBO, too, saying no. And I think my record there demonstrated that I am able to say no. And one of the things in my experience has been that it is not just whether you say no or not, but how you say it and whether you explain your reasoning,

and that people are much less likely to get as angry at you if you explain yourself clearly. So that is what I will try to do: not avoid saying no but, rather, explain the reasons for saying no, and engage the other side in a dialog so that at least you can understand why, if the answer is no.

Senator SESSIONS. Well, being nice about it probably helps.

Mr. ORSZAG. A little.

Senator SESSIONS. But it is remarkable, as Senator Gregg indicated, the excitement that is out there about the possibility of a big spending pot, and everybody wants a part of it. And your heart goes out to them, but a lot of the ideas are just not going to be stimulative of the economy.

Do you agree with Senator Gregg—I think you do—that the purpose of the stimulus is to improve the economy as quickly as possible?

Mr. ORSZAG. Well, I think there are two objectives. The first is to improve the economy as quickly as possible. And, second, to the extent that you are doing things, as Senator Gregg and others suggested, that may have somewhat slower spendout rates, you are doing things that then leave you in a better position in 5 or 10 years, like infrastructure spending, for example, if it is well selected.

Senator SESSIONS. Well, there are some concerns that I have about the size of the stimulus package. Mr. Sunshine, CBO Director, in your chair just a few days ago projected that the economy would come out of this recession. And someone asked, "did it include the stimulus package", and he said "no". And the question to Mr. Sunshine was: "Well, would the stimulus package help?" He said, "It might." And I thought, well, it will add $1 trillion to our debt. And he says it might improve the economy. And his assistant indicated, well, throwing this kind of money in the short run should help some. So we know that. But there are costs when you add another $1 trillion to the debt, are there not? We should not ignore the fact that for temporary advancement, we could suffer, we will pick up a long-term burden for decades to come with the debt.

Mr. ORSZAG. There is a budgetary cost to addressing the current economic crisis, and, you know, there will be some effect over the medium to long term. What I would come back to saying, though, is over the medium to long term, the key really is rising health care costs and then, secondarily, Social Security and the demographic effects of the retirement of the baby boomers. Those are much, much larger over the next 5, 10, 75 years than any lingering effects from addressing the current economic crisis if we do act.

Senator SESSIONS. USA Today, when this was all happening, had an article that said that an economy founded on huge governmental debt, huge personal debt, and a huge trade deficit is not a healthy economy. Would you agree?

Mr. ORSZAG. I do agree with that. As we emerge from this downturn, we absolutely need to put the Nation on a sounder course. It is unsustainable for the world's leading economic power to be saving 1 or 2 percent of its income, investing 7 or 8 percent of its income, and borrowing the difference from abroad year after year

after year. That will have to change. Markets will force a change if we do not act ahead of that forcing event.

Senator SESSIONS. Well, basically when President Bush took office—and he inherited a slowing economy—Nasdaq had lost half its value by the time President Bush took office. That bubble had burst. He basically decided, I think it is fair to say, that we should focus in the short term on creating jobs. And that is exactly the quote our Chairman gave from President-elect Barack Obama; we need not worry about the debt, we need to focus on the jobs.

So is it your view that every time we go into an economic slowdown that we should spend $1 trillion to work our way out of it?

Mr. ORSZAG. No. Two comments. The first is, again, the severity of the current downturn is beyond anything that I think we have seen, at least in my lifetime, and arguably since the Great Depression.

Second, a preferable approach for more—I do not want to say "normal downturns," but for the typical downturn is for the various automatic stabilizers that already exist, so the fact that unemployment benefits rise and food stamp expenditures increase, revenues normally decline during an economic downturn, which provides some additional spending assistance to the economy—those automatic stabilizers help to mitigate economic fluctuations.

The problem is the crisis that has hit has overwhelmed those stabilizers, and we are facing a difficulty, again, that is far in excess of a typical downturn.

Senator SESSIONS. Well, to our constituents, who favor infrastructure and highway improvements and that kind of thing, we are spending now about $40 billion a year on highways. I am not sure we can sustain doubling that. And certainly tripling that—if you tripled it, that would be $120 billion, and we are talking about an $800 billion to a $1 trillion stimulus package. So there is a limit to how much infrastructure we can get out of this money, and we have just got to be careful that when sums this large are dispensed, they are effective to accomplish the goal that we want to accomplish. And you will be a critical player in that discussion, and you are going to have to say no, I think.

Thank you, Mr. Chairman.

Chairman CONRAD. I thank the gentleman.

Senator WHITEHOUSE.

Senator WHITEHOUSE. Thank you, Chairman, and——

Chairman CONRAD. If the Senator would withhold for one moment, we notice that the Chairman of the House Appropriations Committee, Congressman Obey, is here. I do not know if Congressman Obey would want to make a statement, but we would certainly welcome him to the Committee and thank him for his appearance.

Senator GREGG. And can we give him our list while he is here? [Laughter.]

Chairman CONRAD. Senator Whitehouse.

Senator WHITEHOUSE. Thank you, Chairman.

Peter, it is good to have you back. Welcome and congratulations on your appointment. Congratulations also on your family. I can remember when my kids were the age of your kids, and there is lit-

erally zero shot that mine would have been as well behaved through all this as yours have been so far.

During the course of the Bush administration, the OMB has acquired the role and reputation of being the political fixer and hit man for the administration in agency regulatory proceedings. I do not think that is an appropriate or helpful role for OMB in the long run. I know that Cass Sunstein is coming on board, and he will probably be the lead person on trying to unwind that.

You as the Director, obviously, will have an important voice in that. I am interested in your assurances that not only do you not consider that to be an appropriate role for OMB, but you would be happy to work with Professor Sunstein and others who are interested in this to figure out what sort of internal infrastructure can be done not only to stop doing that, but to prevent it or have alarms go off if future administrations should try to do it again.

Mr. ORSZAG. Senator, yes, I would look forward to working with you, and if Cass Sunstein is confirmed as OIRA Administrator, which is part of OMB, I know that both he and I are committed to reinventing the OIRA process. And that is a big part of moving OMB as a whole toward sort of OMB 2.0, the new OMB, which we hope will work as well as possible.

Senator WHITEHOUSE. Thank you. I applaud you for your intense focus on health care. I could have possibly thought when I got here that I knew more about health information technology and delivery system reform than you did, but you have drilled very hard into this in the last 2 years, and I think those positions have reversed themselves now. And I applaud you for having done that because I agree with you, it is an absolutely critical choice that our country faces.

I would like your comment on this: As I see it, you have a need to advance electronic health records and computerization, health information technology, and its infrastructure. Two, you need to improve the quality of care that Americans receive and optimize the invention—economics word—make better the investment in prevention. That is an area that we underinvest in right now. And, finally, we need to make sure that what we are paying for is what we want and we are not sending mixed signals between what we claim to desire and what our financial policies direct.

Those three techniques, I think—I am probably more bullish than anybody on what the prospects are for improved lives and lower expenditures as a result of those. But I am also pretty sanguine that it is going to take some time for those strategies to roll themselves out into the economy.

The worry I have is that if we do not get started rapidly on those strategies, what is going to happen is that the coming tsunami, as the Ranking Member referred to it, will be at the door before they really have a chance to take hold. And then instead of having friendly toolbox A—health information technology, quality improvement, prevention, better payment mechanisms—we will have ugly toolbox B, which is pay providers less, throw people off coverage, thin out benefits even more, and raise taxes.

Could you speak to the timing of all this? Because that latter toolbox you can pick up and apply tomorrow. It just happens to be a wicked toolbox to apply to this situation. And how much time do

you think we have to get the good toolbox in gear before we have to apply the tools from the wicked toolbox?

Mr. ORSZAG. Well, I think you have identified a key tension, which is that many of these things will take time, perhaps more than 5 or 10 years, to really bear fruit, both in terms of cost and even in terms of quality and outcomes. In the meanwhile, we do face this stark and daunting fiscal problem of deficits of about 5 percent of GDP or so that will need to be brought down.

So, in a sense, there is a tension. One could perhaps consider tolerating medium-term deficits that are slightly higher than one would want, knowing that you are bringing the long-term deficits down. Or what would be required are more immediate steps, whether in health care or other areas of the budget, to bring the budget deficit down over the medium term, while also bringing down the long-term deficit. Those are the sorts of choices that, as the budget process throughout the years rolls forward, both you and a new administration will need to address.

Senator WHITEHOUSE. I think I am making a slightly different point, thinking longer term about the health care problem per se, and that as that $35 trillion tsunami hits us, we cannot cope with that from a fiscal point of view, so we have to reduce the cost. And if we have not reduced the cost in the helpful, relatively benign ways of reforming the delivery system, then we are stuck with just whacking and bringing out the axe and cutting what providers get paid and whacking businesses with more taxes for health care. And that is something that I think is very much worth avoiding.

Mr. ORSZAG. I agree.

Senator WHITEHOUSE. But unless there is a lead time on the other one, we may not avoid it. The highway exits are not parallel. One, we drive by the delivery system highway exit long before we get to the fiscal axe highway exit.

Mr. ORSZAG. Yes, and I think for that very reason, it is crucially important that we put in place as soon as possible or start building in place the infrastructure, as you termed it, to make more intelligent choices moving toward a more efficient health care system, so, health IT and comparative effectiveness and changes in the payment methodology, incentives and promotion of healthy living and prevention. We need to start now for precisely the reason that you suggested, which is that if we have not started and we do not have that infrastructure in place, as the time comes to be making hard decisions, you are going to be making them without——

Senator WHITEHOUSE. Off a worse platform.

Mr. ORSZAG. Off a much worse platform, yes.

Senator WHITEHOUSE. And so, your words, "now" and "as soon as possible."

Mr. ORSZAG. Absolutely.

Senator WHITEHOUSE. OK. Thank you very much.

Thank you, Chairman.

Chairman CONRAD. Thank you, Senator Whitehouse.

Senator CARDIN.

Senator CARDIN. Thank you, Mr. Chairman.

Dr. Orszag, I also want to thank you for your incredible public service, and say thanks to your family for sharing your father with

this Nation. And I am looking forward to you taking on the responsibility as the OMB Director.

There has been a lot of discussion here about economic stabilization plan, and that obviously is of primary interest. We have got to get our economy back on track. But we will be talking soon about the 2010 budget. The budget, in my view, speaks to the priorities of our Nation; it speaks to how the Federal Government is going to be a partner in dealing with the problems of our country. Middle-income families are really stressed. You know that. You know what is happening in health care with so many people without health insurance and affordable health care. You know what is happening in housing with people trying to save their homes, and the lack of affordable housing, and the Federal Government's role has shrunk over the past few years. You know what is happening on energy and the environment, what is happening with social programs in this country, where the Federal Government's role has been diminished.

So I just want to ask you a question. Let us assume that your estimates as CBO Director are accurate over the next 4 years, and let us assume also the budgets that you submit to Congress are acted upon favorably. What type of role do you see the Federal Government having 4 years from now that is different from today as it relates to the Federal Government's role in providing affordable health care, affordable housing, and dealing with the fundamental problems that middle-income families are facing in this country? What changes do you anticipate we can look forward to?

Mr. ORSZAG. Well—and, again, the new administration would have much more to say in mid-to late February when the economic and budget overview is released and then more detail thereafter—but I think if you look at the President-elect's statements during the campaign and what he is saying currently, clearly, among his top priorities, are moving toward a more efficient health care system with expanded coverage; a revitalized middle class, including through tax provisions and other support for the middle class. On housing, we clearly need to move out of the current downturn that is so severely affecting that sector. But beyond that, there are changes that could be made even as we emerge from the housing downturn for low- and middle-income households in terms of affordability and low-income housing in particular.

And so I think if you start to—and you did not mention it, but energy is another——

Senator CARDIN. I did, energy and the environment.

Mr. ORSZAG. I am sorry. Energy and environment are obviously also important, and then I would put education also.

Senator CARDIN. Absolutely.

Mr. ORSZAG. So if you go through health care—and, in fact, perhaps in that order, health care, energy, education, housing, and obviously support for the middle class being kind of an overarching theme—I think you are going to see a lot of energy activity surrounding those major items.

Senator CARDIN. I would just make an observation. This Committee is required—and we need to—be very process oriented, and process gets us on a path where we need to be, and I applaud the

Chairman and Ranking Member for continually reminding all of us in the Senate about our responsibilities to balance the budget.

But I think we also need to take a look at how effective the Federal Government is as a partner in dealing with these problems, and in many of these areas, even during good budgets, we have seen the Federal Government diminish its effective role in dealing with, for example, affordable housing. And I would just hope that at the end of the day you have made a difference and the Obama Administration has made a difference in the effectiveness of the Federal Government in dealing with these problems in partnership with our local governments and in partnership with the private sector.

I want to ask you about one other issue in the time that remains, and that is, recruiting and retaining qualified Federal employees.

Mr. ORSZAG. Yes.

Senator CARDIN. I opposed the privatization initiative of the Bush administration, the OMB Revised A–76 Circular. This Congress took action to modify those provisions in the FY08 omnibus appropriations bill. My concern is that we have not had a level playing field in analyzing which Federal services should be performed by Federal civil servants and which should be privatized.

I would just like to have your assurance that the privatization initiatives are going to be reviewed very carefully, that we are going to reward the retaining and recruiting of the most qualified people we can find in Federal service, understanding fundamental services that need to be performed by Federal employees, and having a fair method for looking at what should be done by private contractors and what should be done by Government workers.

Mr. ORSZAG. Absolutely, Senator. And, in particular, I think the dividing line between what is inherently governmental and what is not has become too blurred in recent history and needs to be clarified.

Second, there has not been enough attention paid to the impact of contracting out on the ability of the work force in a particular agency to continue to do what it needs to do—so, the human capital of the agency itself.

Third, in terms of the contracts themselves, there has not been enough oversight and auditing of the contracts themselves.

So there are in each area steps that need to be taken to improve performance in contracting out.

Senator CARDIN. Well, thank you. I appreciate that.

I also just want to underscore a point that Senator Whitehouse made, and that is, I understand the budget rules and how scoring is required as far as our budgets are concerned. But we all know that in health care particularly, investing in technology, investing in better information sharing, investing in preventive health care, investing in ways in which we can get more competitive pricing for prescription medicines—all that is going to save money over time. And our budget scoring rules do not always give full credit for these initiatives, but we know at the end of the day they will produce a more cost-effective health care system, and that is where we need to be.

I urge you to be creative in coming forward with ways in which we can reach those goals under our budget system and reward us

for expanding preventive health care, which the President-elect has talked about, because I fully support his efforts for preventive health care, for better pricing on prescription drugs, and for better use of medical technology and information technology. I think all those are areas result in a more cost-effective system, and we have got to bring those initiatives forward.

Thank you, Mr. Chairman.

Chairman CONRAD. Thank you, Senator.

Senator MURRAY.

Senator MURRAY. Thank you very much, Mr. Chairman. And, Dr. Orszag, welcome and congratulations—I think—for your nomination to this position. I appreciate the conversations we have had already, the opportunity to talk and the followup, and thank you for your openness and willingness to work with us. You are taking on this task at a very, very challenging time.

In my home State of Washington, we have seen institutions that I have grown up with and assumed would be there long after I am going leave: Washington Mutual shutting down, thousands of people out of work from that; this past Friday, the Seattle Post Intelligencer announcing that they are up for sale, probably closing. That is an institution that is leaving us. Boeing announcing this past week 4,500 job losses. We have got businesses and restaurants in every community whose doors are shut or that I never expected to see in my lifetime. So you are coming into a country at a time that is very worrisome for many people.

I had an economic forum in Everett about 3 or 4 weeks ago where people jammed into the room to hear what we are going to do to help them feel stronger, and a gentleman in the audience asked me—he said he was trying to start a small business and was running into all kinds of problems and what we were going to do about that. And I asked him what the biggest barrier was, and he sort of stepped back and thought for a minute, and he said, "Fear." And that really is something that we have got to get past, and that is why I think this economic recovery package is so important to begin to instill that confidence that we are working, that we are going to put people back to work, that we want this country to feel strong again, and that is such an important part of it.

As part of that economic recovery, one of the things I am concerned about is that just putting the money out for jobs does not ensure that people have the skills to take on those jobs. We have a gap between the skills that people have and the skills that are going to be needed in the future economy that you are working so hard to plan and prepare for.

Can you talk a little bit about how education and job training for the next generation of workers will be part of this stimulus?

Mr. ORSZAG. I think there are two parts to that question. The first is, as you correctly noted, making sure that let us say, hypothetically speaking, there is a significant weatherization program, for example, that there are enough qualified workers to do the weatherization of the homes, which currently is an issue, and the training programs that are necessary to qualify people to do that kind of work would need to be part of the package in order for it to make sense to have a dramatically expanded weatherization program. And you can go down the list. Similarly, if you are interested

in dramatically expanding the electricity grid, you need to make sure that there are qualified workers who know how to do that.

The second part of that, though—actually, I am going to give you three parts. The second part is, in the study that Christina Romer and Jared Bernstein released, the macroeconomic package as a whole will create significant numbers of jobs—they said 3 to 4 million, given the contours of the package that is under discussion—many of which will be in areas that might not be directly tied to the package itself. They identified indirect effects. So when the worker who was trained to weatherize the house has higher income and goes out and spends the money, that promotes spending on food and household appliances. And so workers in those industries have more jobs and higher income also.

The final part involves education, and obviously there are significant concerns that are arising with regard to the primary and secondary education system as State and local governments are coming under stress, with regard to community colleges and others. State governments have played such a large role in our system of higher education, for example, that as an economic downturn hits, State governments come under pressure. Support from the State governments to higher education gets constricted. The effect is then felt at places like community colleges that have to cut back on teachers and other things. And so a question that has arisen is whether there can be assistance provided to education to try to mitigate some of that. And, in addition, State and local fiscal relief in general will help to mitigate some of those effects from occurring in the first place.

Senator MURRAY. Well, we have a lot of work to do.

Mr. ORSZAG. Yes.

Senator MURRAY. And I want to work with you on that, but we have to remember those workers who are laid off need to get the skills for the kinds of jobs that we are providing. So we need to, I think, focus some effort on that.

I also wanted to talk to you about the EM budget in DOE. As you know, there has been a lot of discussion about the future of our energy system, and many are looking to the Department of Energy to play a really critical role in that effort. And I am supportive of that. However, there are other jobs at the Department of Energy that we have to attend to.

Are you aware that the Environmental Management mission accounts for about 25 percent of the DOE budget?

Mr. ORSZAG. Roughly. I cannot commit to 25 percent, but a significant share.

Senator MURRAY. It is. About a quarter of that budget goes to that. And they are responsible for the cleanup of our nuclear waste sites across the country. We have a moral and a legal obligation—I wish we did not, but we do—to clean up those sites. Hanford is in my home State. I wish it was in someone else's, but it is not. And I am responsible, as we all are, for making sure we fund that. But there are other States, too. Idaho, New Mexico, Nevada, Tennessee, and New York all have sites, and to make progress on cleaning up these so they do not continually be something that I have to go talk to Chairman Obey about, we need to put in enough funds to reduce the sites there. We are actually paying quite a bit

now for what we call "hotel costs," just keeping the lights on. If we can use this time to get significant funding in there to reduce the size of those sites, it will be cost effective in the future. And I wondered if you could talk to me a little bit not only about that, but about making sure we have got the funding in the future to do the cleanup of those sites.

Mr. ORSZAG. Well, again, I am very aware of the importance of the issue. I know Secretary-designate Chu and others are also focused on it, so we will have a lot more to say, again, in the context of the fiscal year 2010 budget. The issue has also arisen, as you know, with regard to an Economic Recovery Act.

So I will assure you that I am focused on it, and more details will be forthcoming.

Senator MURRAY. OK. Thank you very much. We had an opportunity to discuss in my office and on the phone several times a number of other issues, and I really appreciate your willingness to work with us and your ability to communicate with us in a way that all of us can understand. I appreciate that a lot.

Mr. ORSZAG. Thank you.

Senator MURRAY. Thank you.

Chairman CONRAD. That is a gift.

Senator NELSON.

Senator NELSON. Thank you, Mr. Chairman.

Good morning, Dr. Orszag.

Mr. ORSZAG. Good morning.

Senator NELSON. I have just a couple of questions, but I want to offer some advice. A long time ago, as a pup Congressman, I was assigned to the House Budget Committee. Shortly before the Budget Act had been enacted, Chairman Obey was already a veteran of the House at that time, and we rocked along pretty good under the Budget Act. And it was doing what it was designed to do, which was impose fiscal discipline on the spending process.

But then along came a former member of the Budget Committee named David Stockman, who was put in the position that you are about to enter, and it began the long series of the budget document not being used as a budget or fiscal document but as a political document. And I want to encourage you—this is my advice—with the fresh start that the new President is starting, to be transparent; do not make it a political document; make it a budget document on how we are going to have sanity and common sense in the budgetary and appropriations process and entitlement process of the U.S. Government. That is my piece of advice.

And I would offer another one that is relevant to the current process of determining what is going to be the fiscal stimulus. Senator Murray had talked to you about how we have got to have help for education and health at the State level. But that presupposes that at the State level, the State legislators and Governors are doing their part, too. And I think if you look around, you will find some States that they are basically refusing to produce the revenue. As a result, they are whacking their budgets, and they are easily turning their heads toward Washington to get a bailout for what otherwise had been an irresponsible approach to fiscal policy in those States in balancing the revenue and spending needs of those States. So I hope you will take—and I can tell you I speak

for a number of Senators, because we have discussed this, and we discussed it with Larry Summers last Sunday.

Now, a couple of questions that I want to ask you, and I am going to put on a parochial hat, but these are issues that I deal with every day: preserving the environment, in this particular case the Everglades, whose environmental impact is far beyond the State of Florida; and the necessary projects to reverse what mankind has messed up in this Everglades Restoration Plan. In the 2000 bill, Everglades Restoration Plan, it was 50/50 Federal and State, but the Federal Government under the Bush administration has not come up with its appropriate share, and we have got to correct that. And there are a number of big projects that are ready to go. I want to put that on your radar scope.

Now, the other one that I feel passionately about—and this is not just a parochial hat. Obviously, it involves part of my constituency. But this is to rekindle the spirit of adventure, exploration, and inventory. And there is nothing better than the space program.

Now, I have visited with the President-elect over the course of our Senate careers, and then clearly over the course of the campaign, and he has made the most definitive, detailed policy statement on the future of America's space exploration program, more so than any other candidate for President in the history of this country.

Again, the Bush administration starved NASA of the funds. They laid out a great vision, but they starved NASA. And as a result, we are in the unenviable position of shutting down a launch vehicle in 2010, namely, the Space Shuttle, and we do not even have access to our own International Space Station. We are going to have to buy rides from the Russians. And who knows what the geopolitics is going to be in 2011 to 2015, this 5-year period that we are not going to have a human-rated American vehicle to get to our own Space Station. We can correct that, and the President-elect has stated so during the campaign by putting the appropriate resources, not only investing funds in NASA but other agencies that drive innovation that this country needs.

Somewhere down there are two questions. I would like you to reflect on that.

Mr. ORSZAG. OK. Do you want to remind me of what the two questions are?

[Laughter.]

Senator NELSON. Space innovation and Everglades restoration.

Mr. ORSZAG. Yes, OK. On both topics, obviously those are crucially important issues. Let me take NASA as an example.

I am aware of the statements that have been made. I know the President-elect—those statements reflect a shared passion that you have, and so we will be looking carefully at that topic.

I do want to just remind ourselves that partly because of the environment that we are inheriting, the fiscal environment that we are inheriting, the out-year deficits are going to require a lot of scrutiny, and there are going to be lots of things that we would like to do that we are not going to be able to do. Those judgments have not been made yet, but I do want to just say vis-a-vis Senator Sessions' point, unfortunately, as we look out over the medium to long term, again, we face the prospect of very significant deficits. So

there are lots of things that we will want to do that we are going to have to take a very careful look at and examine carefully in terms of whether we can actually afford to do them or not. And I am not speaking specifically about NASA or Everglades or anything else specifically at this point, but just a blanket statement that when we come back in mid-to late February and thereafter, we will need to work carefully with you to make sure that within that constrained budget environment, the priorities are things we all share.

Senator NELSON. Now, we are talking about the stimulus bill.

Mr. ORSZAG. I was talking about the out-year numbers, since you had mentioned some of the long-term——

Senator NELSON. I am talking about the stimulus bill.

Mr. ORSZAG. The details of the stimulus bill I think you have already been in some discussions on, and I am aware of both of those topics coming up with regard to discussions about the Economic Recovery Act.

Senator NELSON. To the contrary, the discussion on Sunday was devoid of details with Mr. Summers. When are we going to get those details?

Mr. ORSZAG. My understanding is that there are ongoing discussions. I am not in a position to give you a firm date right now.

Senator NELSON. Well, isn't the President-elect supposed to make a statement today offering details? I mean, aren't we at the point that we are going to vote this week on TARP?

Mr. ORSZAG. Again, I think the TARP legislation is on a different track from the Economic Recovery Act. I do not believe there will be a vote on the Economic Recovery Act this week.

Senator NELSON. Well, don't we need to know some details of how you intend to spend TARP?

Mr. ORSZAG. Again, I will defer to both Mr. Summers and Secretary-designate Geithner on the TARP piece. I do not think it is possible at this point for me to give you the precise full plan for how the TARP moneys will be allocated in the future post-January 20th.

Senator NELSON. All right. This is part of the transparency——

Chairman CONRAD. I would just say to the Senator, the Senator's time has expired, and we have got to go to the next confirmation.

Senator NELSON. Well, Mr. Chairman, I will stop with this. This is part of the new breath of fresh air that I am talking about and the transparency that is needed.

Now, it is my understanding that by Thursday or maybe Friday, we are going to vote on whether or not to expand an additional $350 billion of TARP money, the first $350 billion of which none of us are satisfied how it has been spent. And I think in this era of freshness and transparency that the new administration would want to come forth with detail instead of this mumbo-jumbo that is going on.

Chairman CONRAD. I would just say to the Senator, we received a letter now from Mr. Summers yesterday outlining how they would change the expenditure of funds under the TARP. I do think we have got to keep these different categories separated. So, with respect to the TARP, they have now come forward with a letter that we would be happy to share—the gentleman perhaps has not

seen it because it came to my office late yesterday—with respect to what they would do to change TARP funding. And I think the gentleman will be quite pleased, because I know the Senator from Florida has been very clear about the mistakes made by the current administration with respect to expenditure of TARP funds. I think he will be quite pleased with the new direction.

With respect to the economic recovery package, that is now going to come sometime later, which will give us all additional time to scrub the details. And the Senator is quite right that it is critically important that it be transparent and clear. For that reason, the Committees of immediate jurisdiction have been given some additional time so that all of us can have a chance to review and have input on those details.

With that, I want to thank Mr. Orszag for his testimony here today. Let me just say that here is the circumstance the Committee faces.

The parliamentarian has advised us that it would be inappropriate to hold a Committee vote in relation to any potential nomination until the papers have been received in the Senate. The papers will not be received until the 20th. The 20th obviously is the inaugural day, and we would then have to try to convene the Committee for a vote if we are to get a confirmation on that day. I think that is fraught with difficulty. I think it is highly unlikely we could accomplish that.

The second alternative is to have the Committee discharged on a unanimous consent agreement so that you could be confirmed on the 20th. And it is my intention to pursue that route, I say to my colleagues on the Committee. We have talked to the offices of the members of the Committee, and we have strong agreement, but I want to obviously reserve until the hearing is complete for Mr. Nabors, because we would like to handle his confirmation in the same way, and it is only right that we complete the hearing before a final decision is made. But I want to indicate that is my intention.

The other alternative would be to have a vote. That would require 48 hours notice of a markup, and instead of having that delay, given the severity of the circumstance we are in, it seems to me the appropriate approach is to have the Committee discharged based on unanimous consent, and that is the approach that I will pursue. I have already talked to the Ranking Member about that approach, and we hope to have a conclusion later today.

Again, Dr. Orszag, thank you very much for your service at the Congressional Budget Office. This Committee looks forward to working with you at the Office of Management and Budget. You take on an enormous responsibility here, and I know you are acutely aware of it. All of us have extraordinary responsibility given the seriousness of the economic conditions facing the country. So this is going to demand our very, very best, and I know that that is your intention and your commitment, and we look forward to your service.

Mr. ORSZAG. Thank you very much, Mr. Chairman.

Chairman CONRAD. Thank you, Dr. Orszag.

We will now consider the nomination of Rob Nabors to be the Deputy Director of the Office of Management and Budget.

I want to begin by welcoming a distinguished colleague from the House, the Appropriations Committee Chairman, David Obey. Chairman Obey, we look forward very much to your statement introducing Mr. Nabors, and we are very appreciative that you are here. I also want to welcome Mr. Nabors' family, who I understand is here. I think they are on their way.

Rob Nabors is somebody who is ideally suited for this job. As President-elect Obama stated in announcing his selection, "No one is more able or more qualified to assist Peter Orszag in this work than Robert Nabors."

Rob has served on the House Appropriations Committee since 2001, has been the Democratic Staff Director there since 2004, including the last 2 years as Majority Staff Director. Before that, Rob served at OMB as senior adviser to the Director and then as Assistant Director for Administration and Executive Secretary.

So Rob Nabors brings a wealth of experience to this position. His experience and knowledge in the appropriations and budget process will serve him well, especially with the perspective of both the executive and legislative branches.

I have every confidence that Rob will be a great asset to the Obama Administration and the American people in this new role, and I want to thank him for his willingness to continue to serve. I know there are other things one could do in life that would be better compensated and perhaps less stressful, but this is important for the country.

As with Dr. Orszag, we hope to have his confirmation completed as soon as possible after President-elect Obama is sworn in. With that, I want to welcome his wife, Theresa; his daughter, Georgia; and his son, Jude. We welcome you all to the Senate Budget Committee. I know you are proud of your Dad, and we are proud of him as well.

Congressman Obey, it is a pleasure and an honor to welcome you and to recognize you for any statement.

## STATEMENT OF HON. DAVID R. OBEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. OBEY. Well, thank you, Mr. Chairman. Let me say first of all, this is a very hard admission for a Member of the House to make, but I could not find a single thing that you said that I disagreed with.

[Laughter.]

Mr. OBEY. Let me say, Mr. Chairman, that I commend Rob Nabors to you with a considerable degree of mixed feelings. He is a great gain for the executive branch of Government, assuming he is confirmed, but he is a great loss to the Congress as an institution. He is a person of great ability. He is a person of great wisdom of integrity. And I have never worked with anyone in my life who works as hard as he does.

Mathematics is the universal language, but so is pain and so is the human hunger for opportunity. And I think Rob Nabors recognizes that budgets, while they may look like mathematics, in fact, they deliver both pain and opportunity to millions of people, not just in this country but around the world. And Rob fully recognizes that and acts like it every day.

Mr. Chairman, he brings a special quality to this job that I think is badly needed at this time. We are in the midst of the greatest economic crisis in our lifetime, certainly our professional lifetimes, and to get through it, the executive and legislative branches of Government are going to have to work with each other with a degree of thoughtfulness and respect that has all too often been missing in recent years. Rob understands and respects both branches of Government. He has deep service in both. He will provide tough-minded service to the country and will help build an atmosphere of respect that is crucial to not only the executive branch functioning well but the Congress functioning well in relationship to the executive branch.

So, Mr. Chairman, I am pleased to be here. I must confess, however, that there is one serious shortcoming that concerns me greatly. I am very concerned about the incredible concentration of power that you are going to have in this administration in the hands of Chicago White Sox fans.

[Laughter.]

Mr. OBEY. As a Chicago Cubs fan myself, I note that the President, his Chief of Staff, and his to-be Deputy Budget Director are all White Sox fans. All I can say is that nobody is perfect, and I hope you will overlook that defect in his otherwise sterling character.

Chairman CONRAD. Well, I thank Chairman Obey. It is an honor for this Committee to have Chairman Obey come to this chamber to give a recommendation to Mr. Nabors, and it makes a great impression on this Committee.

With respect to the White Sox, I am reliably assured that they are going to be AAA this year. You know, I am an Orioles fan, and it has been a pretty tough 10 years.

Mr. Nabors, our rules require you to be sworn, so if you would please stand? If you would raise your right hand, do you swear that the testimony that you are about to give will be the truth, the whole truth, and nothing but the truth?

Mr. NABORS. I do.

Chairman CONRAD. If asked to do so, and if given reasonable notice, will you agree to appear before this Committee in the future and answer any questions that members of this Committee might have?

Mr. ORSZAG. I do.

Chairman CONRAD. I thank you and you may be seated. And please proceed with your testimony.

Chairman Obey, as you depart, thank you very much for being here on Mr. Nabors' behalf.

Mr. OBEY. Thank you.

Chairman CONRAD. It makes a great impression on this Committee.

## TESTIMONY OF ROBERT L. NABORS II, OF NEW JERSEY, TO BE DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. NABORS. Mr. Chairman, I am honored by the opportunity to come before you as the President-elect's nominee for the Deputy Director of the Office of Management and Budget. I would like to thank Mr. Obey for his introduction, and I would like to acknowl-

edge and thank my family without whose support I would not be here.

I would also like to associate myself with the remarks made by Dr. Orszag concerning the state of the economy, and in the interest of time, I will close and answer any questions that you might have.

[The prepared statement of Mr. Nabors follows:]

**Testimony of Robert Lee Nabors II**
**Nominee to Serve As**
**Deputy Director of the Office of Management and Budget**

**Before the Committee on Budget, United States Senate**
**January 13, 2009**

Mr. Chairman, Ranking Member Gregg, members of the Committee, I am honored by the opportunity to come before you as President-elect Obama's nominee for Deputy Director of the Office of Management and Budget.

Thank you, Chairman Obey, for your introduction. It has been my great pleasure to serve with you.

Mr. Chairman, I am especially proud to have with me my wife, Theresa, my daughter, Georgia, and my son, Jude. My family means the world to me, and I wouldn't be here today without their support.

Mr. Chairman, for the past seven years, I have had the privilege of serving on the staff of the House Appropriations Committee, most recently as Staff Director and Clerk. In that capacity, I have made recommendations on legislation with respect to discretionary spending to committee members and the House Leadership. My experience has been mostly behind the dais, not in front of it as it is today. So it is with sincere humility that I sit before you to share my thoughts with you today.

Before working for the House of Representatives, I spent five years at the Office of Management and Budget. I served as budget analyst, as senior advisor to the Director, and as Assistant Director of Administration and Executive Secretary responsible for the internal management of the organization. If am fortunate enough to be confirmed, I will dedicate myself to OMB's mission, applying my experience in Congress, my knowledge of the agency, and my expertise in budgetary issues, in the role of the Deputy Director.

These are extraordinary times. In the short term, we face the enormous challenges of reviving the economy, creating jobs, and ensuring that government investments are made wisely. In the long term, we must put the budget on a more sustainable path and gain control over our huge and rising budget deficits.

I also wish to emphasize that I am committed to working with Peter Orszag, the OMB Director-designate, with Nancy Killefer, the President's Chief Performance Officer and Deputy OMB Director-designate, and with the other members of President-elect Obama's economic team to find the best ways to reform our budget, eliminate wasteful spending, and put in place the oversight mechanisms to ensure that we wisely allocate and manage the government's resources. I also want to underscore my commitment to working across party lines to address our immediate and long-term problems. I look forward to working with every member of this Committee and every member of Congress

Mr. Chairman, Ranking Member Gregg, members of the Committee, that concludes my prepared remarks. I would be pleased to address any questions you may have.

Thank you.

Chairman CONRAD. Mr. Nabors, first of all, as I indicated in the introduction, you have a sterling record and reputation. You can be very proud of it. As we did our due diligence on your nomination, I was really struck by the depth and breadth of your support, the number of members that have served with you, Republicans and Democrats, who spoke highly of your competence, of your fairness, and of your integrity. So I want you to know you can feel very good about how others feel about you and the public statements that they have made.

I want to ask you, as I asked Dr. Orszag, first of all, it is critically important that the Budget Committee, as we discussed privately, be advised of plans by the administration. We know that you are required to consult with the authorizing committees, the Appropriations Committee, the Finance Committee. It is also critically important that the Budget Committee be kept advised of plans of the administration, because, as you know, virtually all of these things have a budget impact. And you have pledged to this Committee that you will bend your best efforts to make certain that that happens. Maybe we could just have you respond to that for the record.

Chairman CONRAD. The understanding would be that when there are matters that are before the Office of Management and Budget that have implications for this Committee, you will be willing to keep staff and members briefed and advised. Is that correct?

Mr. NABORS. Yes, sir.

Chairman CONRAD. I appreciate that.

Let me talk a little about the extraordinary circumstances we confront as a country with the debt. I believe the debt will go up approaching $2 trillion this year. We say that in the context of a debt that is already $10.6 trillion, and this is more than numbers on a page. You know, sometimes I think people react to the work on budgets something the way Chairman Obey described, that this is really an exercise in mathematics. And this is so much more than that.

The budget is really a reflection of the priorities of the American people. Where are they going to put their resources the best to assure their economic futures, the best to assure that people have the greatest opportunity available to them, the best to assure our common defense, the best to assure that people have health care that is affordable and available, the best to assure that the quality of life in this country is everything that it can be?

So a budget, as you know, is so much more than numbers on a page. Help us understand what you see your responsibility as being in this position. How do you see what is being asked of you?

Mr. NABORS. I think when the President-elect considered my appointment, my nomination, there were two things in my background that would be useful as Deputy Director of OMB. The first is my experience dealing with the programmatic impacts of macro budgetary decisions. It is important to be cognizant of the overall fiscal condition, but I also think it is important to recognize the impact that each micro decision that goes into creating that macro budget actually has. And that is something that I have been working on since my career began in 1996 in the Federal Government.

I think the second thing that I bring to these types of discussions is a sense of this cannot just be a discussion within the administration. This really is a national set of priorities, a national conversation that needs to occur. And based on my work in the Congress, working with Members on both sides of the aisle, working with Members both in the House and in the Senate, I think that there was a belief that I would be someone who could communicate effectively within the administration what the views of a Congress would actually be so that that could be accommodated within the President's budget as well.

Chairman CONRAD. Well, you say it very well. You know, putting together a budget for the United States of America is a daunting undertaking. It requires literally thousands of decisions that affect tens of millions of people's lives and affects the most fundamental elements of our national future. So you are being given an extraordinary responsibility and an opportunity.

Tell us, if you can, at the end of your service, what would you like for people to say about Rob Nabors? What would you like your legacy to be?

Mr. NABORS. I think I would answer that in three ways.

One, I did begin my career in Federal service at the Office of Management and Budget. As a result, the institution means a lot to me, and I think the opinions of the career staff at OMB means a lot to me. So, to the extent that the career staff at OMB believe that at the end of my tenure I have improved not just the quality of their work process at OMB, but have made a discernible difference in the quality of the product that is produced for the President, I would be very proud of that.

I think, second, I would be—I would want people to look back at the decisions that were made within the administration and know that it was not just a numerical exercise; that the implications of each of the decisions on people were considered at the time when budget decisions were considered. I think that is the second point.

And I think the third point is that if people would look back and say that the tough decisions that were necessary in order to bring our budget back into a more sustainable alignment were made and that those decisions were made in a way that were fair to all of the factors involved, I think those three things would for me be a successful tenure at OMB.

Chairman CONRAD. Could I offer a fourth?

Mr. NABORS. Please.

Chairman CONRAD. That you always have North Dakota in mind.

[Laughter.]

Mr. NABORS. I will add that fourth.

Chairman CONRAD. Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman. Could I add a fifth—that after North Dakota, he remembers New Jersey?

[Laughter.]

Chairman CONRAD. I am not sure there is much left for New Jersey.

Senator MENENDEZ. Really? That is what I was afraid of.

Mr. Chairman, thank you very much. I always say you can tell the mark of talented people by knowing where they got their start,

and Mr. Nabors was born in Fort Dix, New Jersey. In fact, we can clearly see the impact the Garden State has had on him.

Chairman CONRAD. So he always will have New Jersey in mind.

Senator MENENDEZ. Well, I certainly hope so. But welcome to the Committee. I appreciate your path of public service. It is a commendable and a model for many to admire. I am fortunate to have served in the House when you were serving on the House Appropriations Committee, and I saw the incredible talent you had working with all of the different parties at work there, as well as all of the challenges in a very difficult period of time. And so I thought you did extremely well there, and I think you will serve very well at OMB.

I have two sets of questions I just want to get your sense of. We obviously have enormously challenging time ahead of us. The President-elect has talked about a line-by-line review of the budget. Give us a perspective of what is the proper way to evaluate Federal programs and agencies during these tough economic times. What comes first: simply having a goal to cut and to fit targets, or developing policies that ensure the maximum benefit for the public?

And, second, as part of all of that, how do you see OMB and Nancy Killefer, the President-elect's Chief Performance Officer, working with the Congress to finalize these appropriation bills as we move forward? Give a little sense of what you expect to come?

Mr. NABORS. Well, I think in terms of evaluating programs and making decisions, I do not think we can start from a position of just cutting. I think that, first, we need to evaluate the programs with regard to whether the programs are sufficiently—are playing an important governmental role. I think, two, we need to look at the effectiveness of the program. And, three, I think that we need to evaluate what the shortfall would be in the overall economy and within the overall society if the Federal Government was not performing that function.

I think as we evaluate the programs across the Federal Government, one of the things that we hope to do is to be sensitive to the fact that, yes, tough decisions have to be made in order to get the—to return our budget to an over all sense of balance, but at the same time, they have to be done with the sense that each program affects real people, and we cannot just cut things assuming that everything is going to be fine if these programs disappear. So we are going to have to make tough decisions, but the tough decisions have to be made with a sense of who these programs will actually be affecting.

I think second, with regard to the Deputy Director for Management-designate and the President's nominee for CPO, Nancy Killefer, I see her being an incredible partner with myself, with Dr. Orszag, and with the Congress in terms of coming up with real metrics as to how effective these programs have been. I think one of the issues that has come up, as previous administrations have evaluated programs, is that there really has not been enough interaction with other stakeholders, including the Congress, as to exactly how programs should be evaluated. There are many, many levels upon which programs could and should be evaluated, and I think too often those decisions have been made behind closed doors.

I think one of the things that you will see with myself and with Ms. Killefer is more openness in terms of sitting down with the affected parties and with other stakeholders to determine exactly how programs should be measured.

Senator MENENDEZ. I appreciate that. Let me take one provincial issue and give you a sense of why it will be important—and I appreciate the answer—as to how we look at the totality of how we go about making these difficult decisions.

You know, we have an incredibly important coastline in New Jersey, which is the second driver of our economy, and it is beaches. And the beach replenishment issue has always been a challenging issue under the budget. I am sure you are familiar with that from the days on the appropriations side and people like Congressman Pallone and others who are advocates of this.

You know, that is an issue in which some will argue that that is not a good investment of Federal money. I would say that if you look at it in the context of the importance of jobs, what drives that tourism industry to that part of New Jersey from the entire region is its beaches. We are talking about a couple million jobs that are generated as a result of that. We are talking about the property values. We are talking about the environment. We are talking about dealing with northeasters and the continual erosion that ultimately moves on to the property side of those communities, of which there is a whole slew along the waterfront, that would have real consequences if, in fact, the beaches are not there as a buffer to the northeasters.

So that is a simple example—and I could go on—about how that particular program has many dimensions. It is about jobs. It is about the economy. It is about the environment. It is about public protection along the way. And so I appreciate your answer of looking at the totality of how we judge a program to make a decision as to whether it is effective or not.

Is that a fair example of what you would be thinking about?

Mr. NABORS. Yes, sir.

Senator MENENDEZ. Thank you very much.

Thank you, Madam Chairman.

Senator MURRAY [presiding]. Thank you very much, Senator Menendez.

Mr. Nabors, welcome to the Committee, and thank you for your willingness to take this on. I have watched you across the way in many conference committees, and I look forward to working with you in this new position.

As you do know, I serve as Chairman of the Transportation and Housing Appropriations Committee, and I want to put that hat on for a moment here and talk to you about a housing issue that I know that you are familiar with. For years, HUD has been playing games with the Section 8 project-based account, and in order to accommodate the cuts that were ordered by the White House, HUD began the practice of shortening the 12-month contracts it had with project owners paying for them for just a few months at a time. That allowed HUD to move costs into a future fiscal year and essentially kick the costs of the program down the road.

As a result of that, there is now a huge gap or shortfall between the full cost of these contracts and the resources that HUD has to

pay them. That shortfall is now estimated to be about $2.2 billion, so this is a practice that cannot continue.

The consequences of this game-playing are not limited to our Federal budget. This program serves about 1 million of our Nation's most vulnerable people, and their housing is now at risk because HUD has gotten the reputation as a deadbeat partner in many of our housing communities. So I wanted to ask you about that and ask if you agree that addressing that project-based problem is important to the development and preservation of our low-income housing.

Mr. NABORS. Well, thank you very much, ma'am. I have been aware of this issue for the last year or two, and I think that in many ways this issue symbolizes many of the problems that we face with the Federal Government.

First, it is not clear to me exactly how we ended up in this position where there is such a lack of confidence in the Federal Government that lenders—or, excuse me, that landlords may think that it is in their benefit to actually not do business with the Federal Government. But the fact that there is the potential for that lack of confidence is very, very disturbing, and it is something that we need to address very quickly.

I think, second, this issue suggests a lack of transparency in Federal budgeting that has been—that we really need to address if we truly want to understand the programmatic costs of the activities that we are undertaking.

And I think, third, I think that there has to be some accountability for how we ended up in this situation. Within that framework, we will absolutely be making this a priority to evaluate as soon as the administration begins, if I am confirmed.

Senator MURRAY. Can I have your commitment then to work with me to find an appropriate solution to this problem?

Mr. NABORS. Absolutely.

Senator MURRAY. OK. I appreciate that.

You and I have talked before about the dire straits that our Nation's transmission system is in. President-elect Obama wants to bring online massive quantities of renewable resources. I agree with that—wind, solar. And I agree that it is an important step to do that in order to get to a sustainable energy future. But in order to bring all of those renewable resources online, we have to make some very long neglected investments in our transmission system so that we can bring those resources from the rural areas where they are being developed and put online into our urban areas and to our users.

As you I think are aware, BPA owns and operates about 75 percent of our Northwest region transmission lines, and it is now making plans to upgrade infrastructure and build some of those needed new lines. Including $5 billion in additional borrowing authority for BPA in any stimulus proposal is really key to integrating those renewable resources like wind onto that grid. We have got about 4,700 megawatts of wind that is ready to go, waiting to be integrated once that new transmission system is up. And, by the way, we will create thousands of good jobs along the way.

I wanted to ask you about your thoughts on investing in the transmission infrastructure, particularly in terms of the economic recovery plan.

Mr. NABORS. Well, I think as Dr. Orszag laid out earlier, there are several criteria that we are using to evaluate the types of items that might be included in a recovery package. One would be bang for the buck, ensuring that it actually puts people to work. Second is transforming our economy, moving our economy from a 20th century economy to a 21st century economy.

I think that upgrading our transmission system fits in perfectly with both of those criteria, and it is something that we are looking very seriously at right now.

Senator MURRAY. OK, good. In my State, we, of course, rely on hydropower, as I think you are aware, and it is very important now—and we are conscious about a lot of global warming and climate change issues—that renewable energy, cheap production, particularly in the Northwest, and relying on those is important. We need to invest in some of those hydropower projects now, and I hope that we get your support to do that, as they need maintenance and upgrading, too. We want to make sure they stay online, and I just wanted to bring that to your attention, and I hope we can work with you on that.

Mr. NABORS. Yes, ma'am.

Senator MURRAY. Obviously, there are no other Committee members here. I have a couple of other issues. You know that I care deeply about education and job investment and work force training. You heard me earlier talk about that, and I am positive you will hear me talk to your more about that in the future.

But, again, I really do appreciate your willingness to take on this task at a critically important time for our Nation as we face the economic challenges that we have, and I look forward to moving you as quickly as we can to get on the job and get going. So congratulations to you.

With that, we will adjourn this Committee and look forward to your confirmation.

Mr. NABORS. Thank you, ma'am.

[Whereupon, at 11:08 a.m., the Committee was adjourned.]

## United States Senate

COMMITTEE ON THE BUDGET
ROOM SD-624
(202) 224-0642
WASHINGTON, DC 20510-6250

# STATEMENT OF BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES

### A. BIOGRAPHICAL INFORMATION

**1. Name:**

Peter Richard Orszag

**2. Position to which nominated**

Director of the Office of Management and Budget

**3. Date of nomination**

January 20, 2009

**4. Address:**
**(redacted)**

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

December 16, 1968; Boston, Massachusetts

**6. Martial status:**

Divorced

**7. Names and ages of children:**
**(redacted)**

**8. Education:**

London School of Economics
Attended 10/1994 to 06/1995 and 11/1996 to 01/1997
Ph.D. in economics awarded March 1997

London School of Economics
Attended 08/1991 to 06/1992
MSc. in econonmics awarded in June 1992

Princeton University
Attended 08/1987 to 07/1991
A.B. in economics awarded June 1991

Phillips Exeter Academy
Attended 12/1985 to 07/1987
High School Diploma awarded July 1987

**9. Employment Record:**

Attachment – Question 9, Employment History – Peter Orszag

- Director, Congressional Budget Office, January 2007– . The Director of CBO oversees the agency's work in providing objective, nonpartisan, and timely analyses of economic and budgetary issues—supervising the numerous analytical papers and cost estimates that the agency produces and, to present the results, frequently testifying before the Congress. In managing the agency, the Director is responsible for a staff of 235 people and an annual budget of roughly $40 million. Since Dr. Orszag began his term as the seventh Director of CBO on January 18, 2007, the agency has significantly expanded its focus on areas such as health care and climate change. The Director is appointed by the Speaker of the House and the President pro tempore of the Senate after considering recommendations from the budget committees, without regard to political affiliation and solely on the basis of his fitness to perform his duties. The term of office is four years.

- Senior Fellow in Economic Studies, Brookings Institution (Washington, DC), August 2001–January 2007; Joseph A. Pechman Fellow in Tax and Fiscal Policy, October 2001–January 2007; Codirector, Tax Policy Center, February 2003–January 2007; Deputy Director of Economic Studies, July 2006–January 2007. Areas of expertise included pensions, Social Security, budget policy and politics, higher education policy, homeland security, macroeconomics, and tax policy.

- Director, The Hamilton Project, February 2005–January 2007. The Hamilton Project aims to promote a framework that will foster strong, sustained, and broad-based economic growth. It provides a platform for outstanding academic thinkers to contribute to the national policy debate by generating innovative solutions that are independent and pragmatic. Its strategy for broad-based economic growth involves smarter approaches for strengthening the education and training system; helping families to navigate the economic risks they face; encouraging basic research, innovation and infrastructure; and making government more effective, through realigning the government's activities with the nation's most pressing needs.

- Director, Retirement Security Project, January 2004–January 2007; Research Professor, Georgetown University, January 2005–January 2007. Relying on independent research and evidence-based results, the Retirement Security Project promotes retirement security among moderate- and lower- income families. A joint venture between Georgetown University and the Brookings Institution, it is funded by a multimillion, multiyear grant from the Pew Charitable Trusts.

- Director, Competition Policy Associates, Inc. (Washington, DC); May 2003–January 2007; Senior Director, Sebago Associates, Inc. (Washington, DC), March 2002–January 2007; President, August 1998–February 2002. Clients included the World Bank, Nordic Council of Ministers, Governor of California, Central Bank of Iceland, Government of Trinidad and Tobago, National Collegiate Athletic Association, and businesses ranging from small companies to the Fortune 500 corporations.

- Lecturer, University of California, Berkeley (Berkeley, CA), January 1999–December 2000. Taught the intermediate macroeconomics course to 300–350 undergraduates. Supervised six to eight teaching assistants.

- Consultant, McKinsey & Company (San Francisco, CA), June 1998–August 1998. Advised one of the nation's largest HMOs on developing its 1999 budget and redesigning its budget process.

- Special Assistant to the President for Economic Policy, National Economic Council (The White House), November 1997–May 1998; Senior Economic Adviser, January 1997–October 1997. Served as top economic adviser to the Council's Director. Portfolio included Social Security, climate change, macroeconomic analysis, electricity restructuring, personal bankruptcy reform, privatization of the U.S. Enrichment Corporation, and a variety of other economic issues.

- Senior Adviser to the Council, Council of Economic Advisers (Executive Office of the President), May 1996–November 1996; Senior Economist, July 1995–May 1996. As the senior staff member of the Council, wrote the 1996 *APEC [Asia-Pacific Economic Cooperation] Economic Outlook*; wrote and edited sections of the *Weekly Economic Briefing of the President* and the *Economic Report of the President*; and represented the United States at international meetings, including ones of APEC and the Organisation for Economic Co-operation and Development.

- Professional Research Staff, Centre for Economic Performance (London School of Economics), October 1994–June 1995. Member of International Finance, Capital Markets, and Macroeconomic research groups.

- Staff Economist, Council of Economic Advisers, August 1993–July 1994. Areas of concentration included international macroeconomics, international trade, and the reform process in the former Soviet Union.

- Economic Adviser, Macroeconomic and Fiscal Unit (Ministry of Finance, Russian Government), January 1993–August 1993. Assisted the Russian Government in its negotiations with the International Monetary Fund.

- Research Officer, Centre for Economic Performance, September 1992–August 1993. Wrote *Russian Economic Trends*, the quarterly report of the Russian Government.

**10. Government Experience:**

Intern, Senator Thomas Daschle
317 Hart Senate Office Building
Employed from 03/1987 to 05/1987

**11. Business relationships:**

Competition Policy Associates, Director, 2003-2007
Sebago Associates, Director, 2002-2007
Orszag Association Limited Partnership, limited partner 1988-2006

**12. Memberships:**

National Academy of Social Insurance (current member)
Institute of Medicine, National Academies of Sciences (current member)
Council of Foreign Relations (previously held term membership)
America Economic Association (former member)
Pension Rights Center (previous member of board)
Center for American Progress (previous member of academic advisory board)

**13. Political affiliations and activities**

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

None.

(b) List all memberships and office held in and services rendered to all political parties or election committees during the last 10 years.

None.

(c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 5 years.

05/09/2006-$1000; Judy Feder for Congress
05/09/2006-$1000; Actblue
09/24/2002-$250; Wofford for Congress

**14. Honors and awards:**

Awarded London School of Economics M.Sc. Economic Prize, June 1992
Awarded Marshall Scholarship, 1991-1992
Awarded John Glover Wilson Memorial Prize in Economics, June 1991
Inducted into Phi Beta Kappa, June 1991
Received and A.B. summa cum laude in economics, Princeton University, June 1991

**15. Published writings:**

Attachment – Question 15 – Peter Orszag Published Writings

**BOOKS**

- *Protecting the Homeland 2006/7* (Brookings Institution Press: 2006), with Michael D'Arcy, Michael O'Hanlon, Jeremy Shapiro, and James Steinberg

- *Aging Gracefully: Ideas to Improve Retirement Security in America* (Century Foundation Press: 2006), with William G. Gale and J. Mark Iwry

- *Saving Social Security: A Balanced Approach* (Brookings Institution Press: 2004), with Peter A. Diamond. Revised paperback edition, 2005.

- *Protecting the American Homeland: One Year On* (Brookings Institution Press: 2003), with Michael O'Hanlon, Ivo Daalder, Mac Destler, David Gunter, James M. Lindsay, Robert Litan, and James Steinberg

- *Protecting the American Homeland: A Preliminary Analysis* (Brookings Institution Press: 2002), with Michael O'Hanlon, Ivo Daalder, Mac Destler, David Gunter, Robert Litan, and James Steinberg

- *American Economic Policy in the 1990s* (MIT Press: 2002), coedited with Jeffrey Frankel

**ACADEMIC AND POLICY PAPERS**

- "It's About Timing" (with Terry Dinan), *The Environmental Forum*, November/December 2008.

- "Preparing for Our Common Future: Policy Choices and the Economics of Climate Change," *Goldman Lecture in Economics, Wellesley College*, October 27, 2008

- "New Ideas About Human Behavior in Economics and Medicine," *Marshall J. Seidman Lecture, Harvard Medical School*, October 16, 2008

- "The High Price of the Lack of Evidence," *Evidence-Based Medicine and the Changing Nature of Health Care: 2007 IOM Annual Meeting Summary*, 2008 (National Academies Press)

- "Comment on *Of Montreal and Kyoto: A Tale of Two Protocols*" (with Terry M. Dinan), *Environmental Law Reporter*, August 2008

- "Time to Act on Health Care Costs," *Issues in Science and Technology*, Spring 2008

- "Addressing Rising Health Care Costs—A View from the Congressional Budget Office" (with Philip Ellis), *New England Journal of Medicine*, November 8, 2007

- "The Challenge of Rising Health Care Costs—A View from the Congressional Budget Office" (with Philip Ellis), *New England Journal of Medicine,* November 1, 2007

- "Reforming Tax Incentives into Uniform Refundable Credits" (with Lily L. Batchelder and Fred T. Goldberg, Jr.), Brookings Institution Policy Brief No. 156, August 2006

- "Growth, Opportunity, and Prosperity in a Globalizing Economy" (with Michael Deich), The Hamilton Project, Brookings Institution, July 2006

- "Barriers to Saving: The Dilemma for Low-Income Families" (with Robert Greenstein and Zoe Neuberger), Communities and Banking, Federal Reserve Bank of Boston, Summer 2006

- "Reforming the Tax Code to Increase Retirement Saving," *Tax Notes,* May 8, 2006

- "Efficiency and Tax Incentives: The Case for Refundable Tax Credits" (with Lily L. Batchelder and Fred Goldberg), *Stanford Law Review,* vol. 59, no. 23, 2006

- "New Estimates of the Budget Outlook: Plus Ça Change, Plus C'est la Même Chose" (with Alan J. Auerbach and William G. Gale), *Tax Notes,* April 17, 2006

- "Barriers to Saving: The Dilemma for Low-Income Families" (with Robert Greenstein and Zoe Neuberger), *Communities and Banking,* Federal Reserve Bank of Boston, Summer 2006

- "An Economic Strategy to Advance Opportunity, Prosperity, and Growth" (with Roger C. Altman, Jason E. Bordoff, and Robert E. Rubin), The Hamilton Project, Brookings Institution, April 2006

- "Improving Opportunities and Incentives for Saving by Middle- and Low-Income Households" (with Jonathan Gruber and William G. Gale), The Hamilton Project, Brookings Institution, April 2006

- "The Political Economy of Government Issued Longevity Bonds" (with Jeffrey R. Brown), Prepared for the Second International Longevity Risk and Capital Market Solutions Conference, April 2006

- "Saving Incentives for Low- and Middle-Income Families: Evidence from a Field Experiment with H&R Block" (with Esther Duflo, William Gale, Jeffrey Liebman, and Emmanuel Saez), *Quarterly Journal of Economics,* vol. 121, no. 4. Also National Bureau of Economic Research Working Paper 11680, September 2005, and Retirement Security Project Policy Brief No. 2005–5, May 2005.

- "Deficits, Interest Rates, and the User Cost of Capital: A Reconsideration of the Effects of Tax Policy on Investment" (with William G. Gale), *National Tax Journal,* vol. 58, no. 3, September 2005

- "Penalties on IRAs and 401(k)s," *Tax Notes*, August 15, 2005

- "Retirement Security for Latinos: Bolstering Coverage, Savings and Adequacy" (with National Council of La Raza), Retirement Security Project Policy Brief No. 2005–7, July 2005

- "Individual Accounts: Lessons from International Experience" (with J. Michael Orszag), *Science*, vol. 309, July 8, 2005

- "Improving Tax Incentives for Low-Income Savers: The Saver's Credit" (with William G. Gale and J. Mark Iwry), Urban–Brookings Tax Policy Center Discussion Paper No.22, June 2005

- "The Effect of Asset Tests on Saving" (with Gordon McDonald and Gina Russell), Retirement Security Project, *Economic Literature Review,* June 2005

- "Why We Can Afford Social Security" (with Peter A. Diamond), *Generations Journal of the American Society on Aging,* vol. 29, no. 1, Spring 2005

- "Higher Education Appropriations and Public University Quality: The Role of Medicaid and the Business Cycle" (with Thomas J. Kane and Emil Apostolov), in Gary Burtless and Janet Rothenberg, eds., *Brookings–Wharton Papers on Urban Affairs* (Brookings Institution Press: 2005)

- "Saving Social Security" (with Peter A. Diamond), *Journal of Economic Perspectives,*
  vol. 19, no. 2, Spring 2005

- "Economic Effects of Making the 2001 and 2003 Tax Cuts Permanent" (with William G. Gale), *International Tax and Public Finance,* vol. 12, no. 1, 2005

- "Why It Doesn't. [Saving Social Security Without Destroying It]" (with Peter A. Diamond), *The Milken Institute Review*, second quarter 2005

- "Saving Social Security: The Diamond–Orszag Plan" (with Peter A. Diamond), *The Economists' Voice*, vol. 2, no. 1, April 2005

- "Social Security" (with John Shoven), in A. Rivlin and I. Sawhill, eds., *Restoring Fiscal Sanity 2005: Meeting the Long-Run Challenge* (Brookings Institution Press: 2005)

- "The Automatic 401(k): A Simple Way to Strengthen Retirement Savings" (with J. Mark Iwry and William G. Gale), *Tax Notes,* March 7, 2005. Also Retirement Security Project Policy Brief No. 2005–1, March 2005

- "The Saver's Credit: Expanding Retirement Savings for Middle- and Lower-Income Americans" (with J. Mark Iwry and William G. Gale), Retirement Security Project Policy Brief No. 2005–2, March 2005

- "Budget Deficits, National Saving, and Interest Rates" (with William G. Gale), *Brookings Papers on Economic Activity*, 2005

- "The Outlook for Fiscal Policy" (with William G. Gale), *Tax Notes,* February 14, 2005

- "Individual Income Tax Refunds," *Tax Notes,* January 31, 2005

- "Wage or Price Indexing for Initial Social Security Benefits?" (with Peter A. Diamond), *Tax Notes*, January 24, 2005

- "Should the Budget Exclude the Cost of Individual Accounts?" (with Jason Furman and William G. Gale), *Tax Notes,* January 24, 2005

- "Should the Budget Rules Be Changed So That Large-Scale Borrowing to Fund Individual Accounts Is Left Out of the Budget?" (with Jason Furman and William G. Gale), Center on Budget and Policy Priorities, December 13, 2004

- "Would Borrowing $2 Trillion for Individual Accounts Eliminate $10 Trillion in Social Security Liabilities?" (with Jason Furman and William G. Gale), Center on Budget and Policy Priorities, December 13, 2004

- "Exempting Dividends, Interest, and Capital Gains from Taxation," *Tax Notes*, December 6, 2004

- "The U.S. Budget Deficit: On an Unstable Path" (with William G. Gale), *New Economy,* December 2004

- "Tax Policy in the Bush Administration: Summary and Outlook" (with William G. Gale), *Tax Notes,* November 29, 2004

- "Bush Administration Tax Policy: Starving the Beast?" (with William G. Gale), *Tax Notes,* November 15, 2004

- "Bush Administration Tax Policy: Down Payment on Tax Reform?" (with William G. Gale), *Tax Notes,* November 8, 2004

- "Bush Administration Tax Policy: Short-Term Stimulus" (with William G. Gale), *Tax Notes*, November 1, 2004

- "The Budget Outlook: Projects and Implications" (with William G. Gale), *The Economist's Voice*, vol. 1, no. 2, 2004

- "Bush Administration Tax Policy: Effects on Long-Term Growth" (with William G. Gale), *Tax Notes*, October 18, 2004

- "Bush Administration Tax Policy: Revenue and Budget Effects" (with William G. Gale), *Tax Notes*, October 4, 2004

- "An Economic Assessment of Tax Policy in the Bush Administration, 2001–2004" (with William G. Gale), *Boston College Law Review*, vol. 45, no. 5, September 2004

- "Bush Administration Tax Policy: Distributional Effects" (with William G. Gale), *Tax Notes,* September 27, 2004

- "Retirement Security and Long-Term Care Needs: An Overview" (with William G. Gale, Mark Iwry, Alexis Ahlstron, Emily Clements, Jeanne Lambrew, and Anne Tumilson), The Retirement Security Project, September 2004

- "Distributional Effects of the Defined Contribution Plans and Individual Retirement Arrangements" (with Leonard E. Burman, William G. Gale, and Matthew Hall), Urban–Brookings Tax Policy Center Discussion Paper #16, July 2004. Also *National Tax Journal,* September 2004)

- "Bush Administration Tax Policy: Introduction and Background" (with William G. Gale), *Tax Notes*, September 13, 2004

- "The 2001 and 2003 Tax Cuts: A Response to Jenn and Marron" (with Alan J. Auerbach and William G. Gale), *Tax Notes*, September 6, 2004

- "Current Government Receipts," *Tax Notes*, September 6, 2004

- "Economic Effects of Making the 2001 and 2003 Tax Cuts Permanent" (with William G. Gale), Urban–Brookings Tax Policy Center Discussion Paper, August 2004

- "Financing Public Higher Education: Short-Term and Long-Term Challenges" (with Thomas J. Kane), *Ford Policy Forum*, 2004

- "Improving the Saver's Credit" (with William G. Gale and J. Mark Iwry), Brookings Institution Policy Brief No. 135, July 2004

- "The U.S. Fiscal Gap and Retirement Saving" (with Alan J. Auerbach and William G. Gale), *OECD Economic Studies*, no. 39, 2004/2

- "The Fiscal Gap and Retirement Savings Revisited" (with Alan J. Auerbach and William G. Gale), *Tax Notes,* July 26, 2004

- "The Budget Deficit: Does It Matter?" Speech presented at City Club of Cleveland, July 16, 2004

- "State Fiscal Constraints and Higher Education Spending: The Role of Medicaid and the Business Cycle" (with Thomas Kane), in Maureen Devlin, ed., *Forum Futures 2004: Exploring the Future of Higher Education.* Report based on Aspen Institute Symposium.

- "Distribution of the 2001 and 2003 Tax Cuts and Their Financing" (with William G. Gale and Isaac Shapiro), *Tax Notes,* June 21, 2004

- "Net National Saving," *Tax Notes,* June 21, 2004

- "The Implications of the Social Security Projections Issued by the Congressional Budget Office" (with Robert Greenstein and Richard Kogan), Center on Budget and Policy Priorities, June 14, 2004

- "An Unwise Deal: Why Eliminating the Income Limit on Roth IRA's Is Too Steep a Price to Pay for a Refundable Saver's Credit" (with William G. Gale), Center on Budget and Policy Priorities, June 2004

- "The Ultimate Burden of the Tax Cuts" (with William G. Gale and Isaac Shapiro), Center on Budget and Policy Priorities, June 2004

- "Sources of the Long-Term Fiscal Gap" (with Alan J. Auerbach and William G. Gale), *Tax Notes,* May 24, 2004

- "A Summary of Saving Social Security: A Balanced Approach" (with Peter A. Diamond), Brookings Institution, April 30, 2004

- "Legacy of U.S. Fiscal Policy" Ibrahim M. Oweiss Lecture, 3rd Annual Carroll Round, Georgetown University, April 16, 2004

- "Small Business and Flow Through Entities" *Tax Notes,* April 12, 2004

- "The Savers Credit: Issues and Options" (with William G. Gale and J. Mark Iwry), Brookings Institution, April 2004

- "Understanding the Social Security and Medicare Projections" (with Robert Greenstein), Center on Budget and Policy Priorities, March 22, 2004

- "Brief of *Amici Curiae* Economists" (with Joseph E. Stiglitz), F. Hoffman–LaRoche Ltd., et al., v. Empagran S. A., et al., Supreme Court of the United States, March 15, 2004

- "Should the President's Tax Cuts Be Made Permanent?" (with William G. Gale), *Tax Notes,* March 8, 2004

- "College Savings Plans: A Platform for Inclusive Saving Policy?" (with Margaret Claney and Michael Sherraden), Center for Social Development, February 2004

- "The President's FY 2005 Budget: First Impressions" (with William G. Gale), *Tax Notes,* February 23, 2004

- "The Budget Outlook: Updates and Implications" (with William G. Gale), *Tax Notes,* February 16, 2004

- "Balances in Defined Contribution Plans and IRAs" *Tax Notes,* February 2, 2004

- "Federal Fiscal Policy: What's Gone Wrong and How to Fix It" (with Robert Greenstein), in M. Green, ed., *What We Stand For: A Practical Progressive Program for America,* 2004

- "The Impact of an Aging Population" (with Henry J. Aaron), in A. Rivlin and I. Sawhill, eds., *Restoring Fiscal Sanity: How to Balance the Budget* (Brookings Institution Press: 2004)

- "Meeting the Revenue Challenge" (with Henry J. Aaron and William G. Gale), in A. Rivlin and I. Sawhill, eds., *Restoring Fiscal Sanity: How to Balance the Budget* (Brookings Institution Press: 2004)

- "Effects of Fiscal Policy on Aggregate Consumption and Saving: A Re-Evaluation of Ricardian Equivalence" (with William G. Gale), presented at the Allied Social Sciences Associations Annual Meetings, January 2004

- "Sustained Budget Deficits: Longer-Run U.S. Economic Performance and the Risk of Financial and Fiscal Disarray" (with Robert E. Rubin and Allen Sinai), presented at the AEA–NAEFA Joint Session, Allied Social Sciences Associations Annual Meetings, The Andrew Brimmer Policy Forum, "National Economic and Financial Policies for Growth and Stability," January 2004

- "Reforming Social Security: A Balanced Plan" (with Peter A. Diamond), Brookings Institution Policy Brief No. 126, December 2003

- "Does the Social Security Earnings Test Affect Labor Supply and Benefits Receipt?" (with Jonathan Gruber), *National Tax Journal,* December 2003. Also National

Bureau of Economic Research Working Paper 7923, September 2000. Winner of the Richard Musgrave Prize, 2004

- "Comment: Accrual Accounting for Social Security" (with Peter A. Diamond), *Harvard Journal on Legislation,* vol. 41, no. 1, 2003

- "Taxes and Income Volatility," *Tax Notes,* November 24, 2003

- "Reforming the GPO and WEP in Social Security" (with Peter A. Diamond), *Tax Notes,* November 3, 2003

- "Progressivity and Government Incentives to Save" (with Robert Greenstein), Conference on "Building Assets, Building Credit," Kennedy School of Government, Harvard University, November 2003

- "Fiscal Follies: The Real Budget Problem and How to Fix It" (with William G. Gale), *Brookings Review*, Fall 2003

- "The Budget Outlook: Analysis and Implications" (with William G. Gale), *Tax Notes,* October 6, 2003

- "The Budget Outlook: Baseline and Adjusted Projections" (with William G. Gale), *Tax Notes,* September 22, 2003

- "Funding Restrictions at Public Universities: Effects and Policy Implications" (with Thomas J. Kane), Brookings Institution, September 10, 2003

- "Higher Education Spending: The Role of Medicaid and the Business Cycle" (with Thomas J. Kane), Brookings Institution Policy Brief No. 124, September 2003

- "The State Fiscal Crisis: Why It Happened and What to Do About It," *The Milken Institute Review,* third quarter 2003

- "Economic Effects of Sustained Budget Deficits" (with William G. Gale), *National Tax Journal,* September 2003

- "Non-Filers and Filers with Modest Income Tax Liabilities" (with Matthew G. Hall), *Tax Notes,* August 4, 2003

- "Reassessing the Fiscal Gap: The Role of Tax-Deferred Saving" (with Alan J. Auerbach and William G. Gale), *Tax Notes,* July 28, 2003

- "The Ways and Means Committee Pension Tax-Cut Legislation: Unsound Policy That Digs the Nation's Fiscal Hold Deeper" (with Robert Greenstein), Center on Budget and Policy Priorities, July 21, 2003

- "Learning and Earning: Working in College" (with Jonathan M. Orszag and Diane M. Whitmore), *Journal of Student Employment,* vol. 9, no. 1, June 2003

- "The Saver's Credit" (with Matthew G. Hall), *Tax Notes,* June 9, 2003

- "Sunsets in the Tax Code" (with William G. Gale), *Tax Notes,* June 9, 2003

- "State Fiscal Constraints and Higher Education Spending" (with Thomas Kane and David Gunter), Urban–Brookings Tax Policy Center Discussion Paper No. 12, May 2003

- "Thinking Through the Tax Options" (with Leonard E. Burman and William G. Gale), *Tax Notes,* May 19, 2003

- "Sizing up Democratic Systems," *Science*, vol. 300, no. 5622, May 16, 2003

- "New Joint Committee on Taxation Study Finds Negative Long-Term Economic Effects from House Tax Bill," Center on Budget and Policy Priorities, May 14, 2003.

- "Taxable Payroll and Payroll Tax Rates Under Social Security and Medicare," *Tax Notes,* May 5, 2003

- "Whither Pensions? A Brief Analysis of Portman–Cardin III" (with William Gale), *Tax Notes,* April 28, 2003

- "Examining the New Portman–Cardin Legislation: Are Further Pension Tax Subsidies for High-Income Households Affordable or Sound as Pension Policy?" Center on Budget and Policy Priorities, April 21, 2003

- "The Real Fiscal Danger" (with William Gale), *Tax Notes,* April 21, 2003

- "Budget Blues: The Fiscal Outlook and Options for Reform" (with Alan J. Auerbach, William G. Gale, and Samara R. Potter), Urban–Brookings Tax Policy Center Discussion Paper No. 11, April 2003; and in H. Aaron et al., eds., *Agenda for the Nation* (Brookings Institution Press: 2003)

- "Private Pensions: Issues and Options" (with William G. Gale), Urban–Brookings Tax Policy Center Discussion Paper No. 9, April 2003, and in H. Aaron et al., eds., *Agenda for the Nation* (Brookings Institution Press: 2003)

- "The Economic Effects of Long-Term Fiscal Discipline" (with William G. Gale), Urban–Brookings Tax Policy Center Discussion Paper No. 8, April 2003

- "Faith-Based Budgeting" (with William Gale), *Tax Notes,* April 7, 2003

- "The Administration's Tax Cuts and the Long-Term Budget Outlook" (with Richard Kogan and Robert Greenstein), Center on Budget and Policy Priorities, Revised March 19, 2003

- "The Administration's Saving Proposals: A Preliminary Analysis" (with Leonard Burman and William Gale), *Tax Notes,* March 3, 2003

- "Future Income Tax Cuts from the 2001 Tax Legislation" (with William G. Gale and Matthew Hall), *Tax Notes,* February 17, 2003

- "Perspectives on the Budget Outlook" (with William G. Gale), *Tax Notes,* February 10, 2003

- Comment on "The Role of Gift and Estate Transfers in the United States and in Europe," in Alicia H. Munnell and Annika Sunden, eds., *Death and Dollars: The Role of Gifts and Bequests in America* (Brookings Institution Press: 2003)

- "Fiscal Policy and Economic Growth: A Simple Framework" (with William G. Gale), *Tax Notes,* February 3, 2003

- "After the Mid-Terms: Congress, the President, and Policymaking in 2003" (with E.J. Dionne Jr., Bruce Katz, James M. Lindsay, and Thomas E. Mann), Brookings Institution Policy Brief No. 115, January 2003

- "The Impact of Asbestos Liabilities on Workers in Bankrupt Firms" (with Joseph E. Stiglitz and Jonathan M. Orszag), *Journal of Bankruptcy Law and Practice,* 2003

- "The President's Tax Proposal: Second Thoughts" (with William G. Gale), *Tax Notes,* January 27, 2003

- "Protecting the American Homeland: One Year On" (with Michael O'Hanlon, Ivo Daalder, Mac Destler, David Gunter, Robert Litan, and James Steinberg), Brookings Institution, January 2003

- "The Administration's Proposal to Cut Dividend and Capital Gains Taxes" (with William G. Gale), Brookings Institution, January 13, 2003

- "Tax on Social Security Benefits Providing More Trust Fund Revenue," *Tax Notes,* December 9, 2002

- "The Ways and Means Committee's New Tax-Cut Legislation on Capital Losses and Pensions," Center on Budget and Policy Priorities, October 15, 2002

- "Use of State General Revenue for Higher Education Declines" (with Thomas J. Kane), *Tax Notes*, October 14, 2002

- "State Support for Higher Education, Medicaid, and the Business Cycle" (with Thomas J. Kane and David L. Gunter), Working Paper, Brookings Institution, October 11, 2002

- "Interdependent Security: Implications for Homeland Security Policy and Other Areas" (with Howard Kunreuther and Geoffrey Heal), Brookings Institution Policy Brief No. 108, October 2002

- "The Retirement Savings Component of Last Year's Tax Bill: Why It Is Premature to Make Them Permanent," Center on Budget and Policy Priorities, September 19, 2002

- "Social Security: The Right Fix" (with Peter A. Diamond), *American Prospect*, vol. 13, no. 17, September 23, 2002

- "The Vanishing Budget Surplus: Interpreting CBO's New Projections and Fiscal Prospects" (with William G. Gale), Brookings Institution, August 29, 2002

- "A New Round of Tax Cuts?" (with William G. Gale), Working Paper, Brookings Institution and Center on Budget and Policy Priorities, August 22, 2002

- "Assessing the Plans Proposed by the President's Commission to Strengthen Social Security" (with Peter A. Diamond), *Tax Notes,* July 29, 2002

- "Assessing the Department of Homeland Security" (with Ivo H. Daalder, I.M. Destler, James M. Lindsay, Paul C. Light, Robert E. Litan, Michael E. O'Hanlon, and James B. Steinberg), Brookings Institution, July 14, 2002

- "Social Security and the Tax Cut: A Response to the Concord Coalition" (with Richard Kogan and Robert Greenstein), Center on Budget and Policy Priorities, June 27, 2002

- "A Response to the Executive Director of the President's Commission to Strengthen Social Security" (with Peter A. Diamond), Center on Budget and Policy Priorities and the Century Foundation, June 24, 2002

- "A Complicated Intersection: Public Action to Protect Private Property" (with Robert Litan), *Brookings Review,* Summer 2002

- "An Assessment of the Proposals of the President's Commission to Strengthen Social Security" (with Peter A. Diamond), Working Paper, Brookings Institution, June 2002; National Bureau of Economic Research Working Paper 9097, August 2002; *Contributions to Economic Analysis and Policy*, vol. 1, no. 1, 2002

- "Reducing Benefits and Subsidizing Individual Accounts: An Analysis of the Plans Proposed by the President's Commission to Strengthen Social Security" (with Peter

A. Diamond), Center on Budget and Policy Priorities and the Century Foundation, June 18, 2002

- "The Budget Outlook and Options for Fiscal Policy" (with Alan J. Auerbach and William G. Gale), *Tax Notes,* June 10, 2002

- "House 'Enron' Pension Legislation Includes Troubling Provisions That Could Harm Rank-and-File Workers," Center on Budget and Policy Priorities, June 5, 2002

- "The Budget Outlook: Options for Restoring Fiscal Discipline" (with Alan J. Auerbach and William G. Gale), Brookings Institution Policy Brief No. 100, June 2002

- "Retirement Security," prepared for the Reclaiming America Conference, National Press Club, April 11, 2002

- "Implications of the New Fannie Mae and Freddie Mac Risk-based Capital Standard" (with Joseph E. Stiglitz and Jonathan M. Orszag), *Fannie Mae Papers,* vol. 1, no. 2, March 2002

- "Note on Proposed Change in Assumed Interest Rate for Defined Benefit Pension Plans" (with David Gunter), Brookings Institution, February 2002

- "Future Tax Cuts and the Economy in the Short Run" (with Robert Greenstein), Center on Budget and Policy Priorities, January 28, 2002

- "Aging in America: A Policy Perspective" (with Jonathan Gruber and Jonathan M. Orszag), Commissioned by The Pew Charitable Trusts, January 2002

- "Toward Progressive Pensions: A Summary of the U.S. Pension System and Proposals for Reform" (with Robert Greenstein), in *Inclusion in Asset Building* (Washington University, St. Louis), 2002

- "Optimal Fire Departments: Evaluating Public Policy in the Face of Externalities" (with Joseph E. Stiglitz), Working Paper, Brookings Institution, January 2002

- "The Process of Economic Policy-Making During the Clinton Administration" (with Jonathan Orszag and Laura Tyson), in Jeffrey Frankel and Peter Orszag, eds., *American Economic Policy in the 1990s* (MIT Press: 2002)

- "Attractions of Payroll Tax Holiday Diminish Upon Closer Examination" (with Robert Greenstein), Center on Budget and Policy Priorities, December 3, 2001

- "Social Security Reform: The Questions Raised by the Plans Endorsed by President Bush's Social Security Commission" (with Henry Aaron and Alicia Munnell), The

Century Foundation and the Center on Budget and Policy Priorities, November 30, 2001

- "Tax Cuts Are Not Automatically the Best Stimulus: A Response to Glenn Hubbard" (with Joseph Stiglitz), Center on Budget and Policy Priorities, November 27, 2001, and *CBS MarketWatch,* November 30, 2001

- "Does the Social Security Earnings Test Affect Labor Supply and Benefits Receipt?" (with Jonathan Gruber), Working Paper, Brookings Institution, November 26, 2001

- "The Changing Budget Outlook: Causes and Implications" (with William Gale and Gene Sperling), *Tax Notes,* November 19, 2001

- "Unemployment Insurance as Economic Stimulus," Center on Budget and Policy Priorities, November 15, 2001

- "Strengthening Unemployment Benefits Would Be Much More Effective in Saving Jobs Than Most Corporate Tax Cuts," Center on Budget and Policy Priorities, November 14, 2001

- "Budget Cuts Versus Tax Increases at the State Level: Is One More Counterproductive Than the Other During a Recession?" (with Joseph Stiglitz), *State Tax Notes,* November 12, 2001

- "Unemployment Insurance and Fiscal Stimulus" (with Gene Sperling), Brookings Institution, November 7, 2001

- "Retrospective on American Economic Policy in the 1990's" (with Jeffery Frankel), Working Paper, Brookings Institution, November 2001

- "An Economic Analysis of Spectrum Allocation and Advanced Wireless Services," (with Martin N. Baily, Robert D. Willig, and Jonathan M. Orszag), Cellular Telecommunications & Internet Association, October 2001

- "The Changing Budget Outlook: Causes and Implications" (with William Gale and Gene Sperling), Analysis Paper No. 8, October 11, 2001

- "Climate Change: An Agenda for Global Collective Action" (with Joseph E. Aldy and Joseph E. Stiglitz), Pew Center on Global Climate Change, October 11, 2001

- "Why the Current Stimulus Package Should Have Only Temporary Items" (with William Gale), Brookings Institution, October 9, 2001

- "Evaluating President Bush's Tax Stimulus Package" (with William Gale), Brookings Institution, October 9, 2001

- "Tax Stimulus Options in the Aftermath of the Terrorist Attack" (with William Gale and Gene Sperling), *Tax Notes,* October 8, 2001

- "Stimulating the Economy Through Tax Policy: Principles and Applications" (with William Gale and Gene Sperling), Brookings Institution, October 5, 2001

- "Notes on Tax Policy in the Aftermath of the Terrorist Attack" (with William Gale and Gene Sperling), Brookings Institution, September 28, 2001

- "Would a Capital Gains Tax Cut Stimulate the Economy?" (with Joel Friedman and Iris Lav), Center on Budget and Policy Priorities, September 20, 2001

- "Voluntary Individual Accounts for Social Security: What Are the Costs?" (with Robert Greenstein), Center on Budget and Policy Priorities, August 21, 2001

- "Financing Private Accounts in the Aftermath of the Tax Bill: The Challenge Facing the Social Security Commission and the Administration" (with Robert Greenstein), Center on Budget and Policy Priorities, August 21, 2001

- "Administration Critique of Center Analysis Does Not Withstand Scrutiny" (with Richard Kogan and Robert Greenstein), Center on Budget and Policy Priorities, August 3, 2001

- "Social Security and the Tax Cut: The 75-Year Cost of the Tax Cut Is More Than Twice as Large as the Long-Term Deficit in Social Security" (with Richard Kogan and Robert Greenstein), Center on Budget and Policy Priorities, August 2, 2001

- "Response to the Co-Chairs of the President's Commission to Strengthen Social Security," (with Henry J. Aaron, Alan S. Blinder, and Alicia H. Munnell), The Century Foundation and the Center on Budget and Policy Priorities, July 24, 2001

- "Perspectives on the Draft Interim Report of the President's Commission to Strengthen Social Security" (with Henry J. Aaron, Alan S. Blinder, and Alicia H. Munnell), The Century Foundation and the Center on Budget and Policy Priorities, July 23, 2001

- "The Bush Tax Cut Is Now About the Same Size as the Reagan Tax Cuts," Center on Budget and Policy Priorities, April 19, 2001

- "Asset Tests and Low Saving Rates Among Lower-Income Families," Center on Budget and Policy Priorities, April 13, 2001

- "Would Raising IRA Contribution Limits Bolster Retirement Security for Lower- and Middle-Income Families?" (with Jonathan M. Orszag), Center on Budget and Policy Priorities, April 2, 2001

- "Should a Lump-Sum Payment Replace Social Security's Delayed Retirement Credit?" Issue in Brief No. 6, Center for Retirement Research, Boston College, April 2001

- "Tax Cuts Vs. Spending Increases: Is There a Basis for Chairman Greenspan's Preference for Tax Cuts?" (with Jason Furman), Center on Budget and Policy Priorities, March 2001

- "Marginal Tax Rate Reductions and the Economy: What Would Be the Long-Term Effects of the Bush Tax Cut?" Center on Budget and Policy Priorities, March 2001

- "The Greenspan Concern Over Public Ownership of Private Assets: Can the Social Security Trust Fund Safely Own Such Assets?" (with Robert Greenstein), Center on Budget and Policy Priorities, February 2001

- "Is the Bush Tax Cut Necessary to Avoid a Recession?" Center on Budget and Policy Priorities, February 2001

- "'The Peril of Zero Debt' and the Long-Term Budgetary Outlook: Some Questions Regarding Chairman Greenspan's Recent Testimony," Center on Budget and Policy Priorities, February 2001

- "How the Bush Tax Cut Compares in Size To the Reagan Tax Cuts," Center on Budget and Policy Priorities, February 2001

- Cross-Tested Defined Contribution Plans: A Response to Professor Zelinsky" (with Norman Stein), *Buffalo Law Review,* vol. 49, 2001

- "The Maturity Structure of Administrative Costs: Theory and the U.K. Experience" (with Mamta Murthi and J. Michael Orszag), in Organisation for Economic Co-operation and Development, *OECD Private Pension Series No. 2* (OECD: 2001)

- "Administrative Costs under a Decentralized Approach to Individual Accounts: Lessons from the United Kingdom" (with Mamta Murthi and J. Michael Orszag), in R. Holzmann and J. Stiglitz, eds., *New Ideas About Old Age Security* (The World Bank: 2001)

- "Rethinking Pension Reform: Ten Myths about Social Security Systems" (with Joseph E. Stiglitz), in R. Holzmann and J. Stiglitz, eds., *New Ideas About Old Age Security* (The World Bank: 2001)

- "The Benefits of Flexible Funding: Implications for Pension Reform in an Uncertain World" (with J. Michael Orszag), in *The Annual Bank Conference on Development Economics 2000* (The World Bank, 2001)

- "The Impact of Paying for College on Family Finances" (with Joseph Stiglitz, Laura Tyson, and Jonathan Orszag), UPromise, Inc., November 2000

- "The Tax Credit for Low- and Middle-Income Savers in the Senate Finance Committee Pension Bill: Would Lower-Income Families Really Benefit?" (with Robert Greenstein, Iris Lav, and James Sly), Center on Budget and Policy Priorities, September 2000

- "Does the Social Security Earnings Test Affect Labor Supply and Benefits Receipt?" (with Jonathan Gruber), National Bureau of Economic Research Working Paper 7923, September 2000

- "Annuity Margins in the U.K." (with Mamta Murthi and J. Michael Orszag), Birkbeck College Working Paper 2000–22, University of London, July 2000

- *Retirement in the Nordic Countries: Prospects and Proposals for Reform* (with Tryggvi Thor Herbertsson and J. Michael Orszag), Nordic Council of Ministers, July 2000

- "Proposed Pension Changes Would Overwhelmingly Benefit Corporate Executives and Owners: Provisions Could Lead to Pension Reductions for Low- and Moderate-Income Workers" (with Iris J. Lav and Robert Greenstein), Center on Budget and Policy Priorities, July 2000

- "Raising the Amounts That Can Be Contributed to Roth IRAs: The Dangers in the Short Run and the Long Run," Center on Budget and Policy Priorities, June 2000

- "Governor Bush's Individual Account Proposal: Implications for Retirement Benefits" (with Henry J. Aaron, Alan S. Blinder, and Alicia H. Munnell), The Century Foundation and the Social Security Network, June 2000

- "The Maturity Structure of Administrative Costs: Theory and the UK Experience" (with Mamta Murthi and J. Michael Orszag), Organisation for Economic Co-operation and Development, June 2000

- "Voluntary Individual Accounts for Social Security: What Are the Costs?" Center on Budget and Policy Priorities, May 2000

- "Impact of 2 Percent Individual Accounts on Social Security Solvency," Center on Budget and Policy Priorities, May 2000

- "All That Glitters Is Not Gold: The Feldstein–Liebman Analysis of Reforming Social Security with Individual Accounts" (with Jonathan M. Orszag), Center on Budget and Policy Priorities, April 2000

- "Comment on 'Discounting in Policy Analysis'," *Journal of Economic Perspectives*, Spring 2000

- "Would Raising IRA Contribution Limits Bolster Retirement Security for Lower- and Middle-Income Families or Is There a Better Way?" (with Jonathan M. Orszag), Center on Budget and Policy Priorities, April 2000

- "Pension Provisions of Tax Bill Coming to House Floor Would Heavily Benefit Highly Paid Executives and Business Owners But Could Jeopardize Pension Benefits for Ordinary Workers" (with Iris Lav and Robert Greenstein), Center on Budget and Policy Priorities, March 2000

- "How the 'Cross-Testing' Pension Loophole Harms Low- and Moderate-Income Workers," Center on Budget and Policy Priorities, March 2000

- "Privatization of the U.S. Enrichment Corporation: An Economic Analysis," presented at Brookings Institution, February 2000

- "Annuity Costs in the U.K." (with Mamta Murthi and J. Michael Orszag), Centre for Pensions and Social Insurance, University of London, January 2000

- "Criticism of CBPP Pension Analysis Rests on Selective Use of Data and Leaves Misleading Impressions" (with Iris Lav and Robert Greenstein), Center on Budget and Policy Priorities, October 1999

- "Exacerbating Inequities in Pension Benefits: An Analysis of the Pension Provisions in the Tax Bill" (with Iris Lav and Robert Greenstein), Center on Budget and Policy Priorities, October 1999

- "Population Dynamics and Convergence in Fertility Rates" (with Tryggvi Thor Herbertsson and J. Michael Orszag), Birkbeck College Working Paper 99–13, University of London, October 1999

- "The Value for Money of Annuities in the U.K.: Theory, Experience, and Policy" (with Mamta Murthi and J. Michael Orszag), August 1999, presented at the World Bank Conference, "New Ideas About Old Age Security," September 1999

- "What to Do About the Social Security Earnings Test" (with Jonathan Gruber), Issue in Brief No. 1, Center for Retirement Research, Boston College, July 1999

- "The Social Security Earnings Test: An Overview and Examination of Reform Options" (with Jonathan Gruber), presented at the First Annual Joint Conference for the Retirement Research Consortium, Washington, May 1999

- "Administrative Costs in Individual Accounts in the United Kingdom," Center on Budget and Policy Priorities, March 1999

- "The Impact of Individual Accounts: Piecemeal vs. Comprehensive Approaches" (with J. Michael Orszag, Dennis J. Snower, and Joseph E. Stiglitz), Annual Bank Conference on Development Economics, The World Bank, April 1999

- "Individual Accounts and Social Security: Does Social Security Really Provide a Lower Rate of Return?" Center on Budget and Policy Priorities, March 1999

- "Federal Debt: What Matters and Why" (with Robert Greenstein), Center on Budget and Policy Priorities, February 1999

**16. Speeches:**

# Nomination Hearing

Tuesday, January 13, 2009

## Peter Orszag

Table of Contents for Additional Materials

### Testimony


- 2004-02-03 "The Federal Budget Outlook"
  - Before the Committee on the Budget – US House of Representatives
- 2004-02-25 "Progressivity and Saving: Fixing the Nation's Upside-Down Incentives for Saving"
  - Before the Committee on Education and the Workforce – US House of Representatives
- 2004-03-10 "Strengthening Retirement Security"
  - Before the Joint Economic Committee – US Congress
- 2004-07-21 "Homeland Security: The Problems with Providing Tax Incentives to Private Firms"
  - Before the Committee on Small Business Subcommittee on Rural Enterprise, Agriculture and Technology – US House of Representatives
- 2004-09-13 "Budget Deficits, Social Security, And Younger Generations"
  - Before the Committee on Ways and Means – US House of Representatives
- 2005-01-28 "An Oversight Hearing on the Bush Administration's Plans to Privatize Social Security"
  - Before the Senate Democratic Policy Committee
- 2005-02-09 "Borrowing from Future Social Security Benefits: The Administration's Proposal for Individual Accounts"
  - Before the Committee on the Budget – US House of Representatives
- 2005-04-26 "Social Security Reform"
  - Before the Committee on Finance – US Senate
- 2005-05-13 "An Oversight Hearing on President Bush's Social Security Privatization Plan: Will You and Your Family Be Worse Off?"
  - Before the Senate Democratic Policy Committee
- 2005-05-19 "Increasing Retirement Security for Middle- and Low-Income Households"
  - Before the Committee on Ways and Means – US House of Representatives
- 2007-01-25 "The Budget and Economic Outlook: Fiscal Years 2008 to 2017"
  - Before the Committee on the Budget – US Senate
- 2007-01-30 "The Budget and Economic Outlook: Fiscal Years 2008 to 2017"
  - Before the Committee on the Budget – US House of Representatives
- 2007-01-31 "Economic Volatility"

  - Before the Committee on Ways and Means – US House of Representatives
- 2007-02-28 "Economic Volatility"
  - Before the Joint Economic Committee – US Congress
- 2007-03-01 "Medicare's Payments to Physicians: Options for Changing the Sustainable Growth Rate"
  - Before the Committee on Finance – US Senate
- 2007-03-16 "Appropriation Request for Fiscal Year 2008"
  - Before the Committee on Appropriations: Subcommittee on Legislative Branch – US Senate
- 2007-03-21 "The Medicare Advantage Program: Trends and Options"
  - Before the Committee on Ways and Means: Subcommittee on Health – US House of Representatives
- 2007-04-11 "The Medicare Advantage Program: Enrollment Trends and Budgetary Effects"
  - Before the Committee on Finance – US Senate
- 2007-04-26 "Appropriations Request for Fiscal Year 2008"
  - Before the Committee on Appropriations: Subcommittee on Legislative Branch – US House of Representatives
- 2007-05-03 "The Role of Immigrants in the US Labor Market"
  - Before the Committee on the Judiciary: Subcommittee on Immigration, Citizenship, Refugees, Boarder Security, and International Law – US House of Representatives.
- 2007-06-12 "Research on the Comparative Effectiveness of Medical Treatments: Options for an Expanded Federal Role"
  - Before the Committee on Ways and Means: Subcommittee on Health – US House of Representatives
- 2007-06-21 "Health Care and the Budget: Issues and Challenges for Reform"
  - Before the Committee on the Budget – US Senate
- 2007-06-26 "Foreign Holdings of US Government Securities and the US Current Account"
  - Before the Committee on the Budget – US House of Representatives
- 2007-06-28 "The Medicare Advantage Program"
  - Before the Committee on the Budget – US House of Representatives
- 2007-07-11 "The Taxation of Carried Interest"
  - Before the Committee on Finance – US Senate
- 2007-07-12 "The Status of the Airport and Airway Trust Fund"
  - Before the Committee on Finance – US Senate
- 2007-07-25 "Issues in Reinstating a Statutory Pay-As-You-Go Requirement"
  - Before the Committee on the Budget – US House of Representatives
- 2007-09-06 "The Taxation of Carried Interest"
  - Before the Committee on Ways and Means - US House of Representatives
- 2007-09-19 "Turbulence in Mortgage Markets: Implications for the Economy and Policy Options"
  - Before the Joint Economic Committee – US Congress

- 2007-09-20 "Performance Budgeting: Applications to Health Insurance Programs and Tax Policy"
    - Before the Committee on the Budget – US House of Representatives
- 2007-10-24 "Estimated Costs of US Operations in Iraq and Afghanistan and of Other Activities Related to the War on Terrorism"
    - Before the Committee on the Budget – US House of Representatives
- 2007-11-01 "Approaches to Reducing Carbon Dioxide Emissions"
    - Before the Committee on the Budget – US House of Representatives
- 2007-11-14 "Costs of Reprocessing Versus Directly Disposing of Spent Nuclear Fuel"
    - Before the Committee on Energy and Natural Resources – US Senate
- 2007-12-05 "The Current Economic Situation"
    - Before the Committee on the Budget – US House of Representatives
- 2007-12-13 "The Long-Term Budget Outlook"
    - Before the Committee on the Budget – US House of Representatives
- 2008-01-22 "Options for Responding to Short-Term Economic Weakness"
    - Before the Committee on Finance – US Senate
- 2008-01-23 "The Budget and Economic Outlook: Fiscal Years 2008 to 2018"
    - Before the Committee on the Budget – US House of Representatives
- 2008-01-24 "The Budget and Economic Outlook: Fiscal Years 2008 to 2018"
    - Before the Committee on the Budget – US Senate
- 2008-01-31 "Growth in Health Care Costs"
    - Before the Committee on the Budget – US Senate
- 2008-03-12 "Appropriation Request for Fiscal Year 2009"
    - Before the Committee on Appropriations: Subcommittee on Legislative Branch – US House of Representatives
- 2008-04-09 "Covering Uninsured Children in the State Children's Health Insurance Program"
    - Before the Committee on Finance: Subcommittee on Health Care – US Senate
- 2008-04-24 "Implications of a Cap-and-Trade Program for Carbon Dioxide Emissions"
    - Before the Committee on Finance – US Senate
- 2008-05-08 "Current and Future Investment in Infrastructure"
    - Before the Committee on the Budget and the Transportation and Infrastructure – US House of Representatives
- 2008-05-15 "Covering Uninsured Children in the State Children's Health Insurance Program"
    - Before the Committee on Energy and Commerce: Subcommittee on Health – US House of Representatives
- 2008-05-20 "Containing the Cost of a Cap-and-Trade Program for Carbon Dioxide Emissions"
    - Before the Committee on Energy and Natural Resources – US Senate
- 2008-06-17 "The Long-Term Budget Outlook and Options for Slowing the Growth of Health Care Costs"
    - Before the Committee on Finance – US Senate

- 2008-07-10 "Investing in Infrastructure"
  - Before the Committee on Finance – US Senate
- 2008-07-16 "Increasing the Value of Federal Spending on Health Care"
  - Before the Committee on the Budget – US House of Representatives
- 2008-07-17 "The Overuse, Underuse, and Misuse of Health Care"
  - Before the Committee on Finance – US Senate
- 2008-07-24 "Evidence on the Costs and Benefits of Health Information Technology"
  - Before the Committee on Ways and Means: Subcommittee on Health – US House of Representatives
- 2008-09-18 "Issues in Designing a Cap-and-Trade Program for Carbon Dioxide Emissions"
  - Before the Committee on Ways and Means – US House of Representatives
- 2008-09-24 "Federal Responses to Market Turmoil"
  - Before the Committee on the Budget – US House of Representatives
- 2008-10-07 "The Effects of Recent Turmoil in Financial Markets on Retirement Security"
  - Before the Committee on Education and Labor – US House of Representatives

## Speeches

- 2004-04-16 "The Legacy of US Fiscal Policy"
  - Georgetown University - Ibrahim M. Oweiss Lecture: 3rd Annual Carroll Round
- 2004-07-16 "The Budget Deficit: Does it Matter?"
  - City Club of Cleveland
- 2004-10-13 "Bolstering Retirement Security"
  - The Stable Value Investment Association
- 2006-06-29 "Warm Hearts and Cool Hands: Promoting Growth and Opportunity in a Globalizing Economy"
  - The APEC Symposium on Socio-Economic Disparity
- 2007-June "Challenges of Health Care Costs"
  - Greater Washington DC Area
- 2007-July "Health Care Issues and Challenges for Reform"
  - Greater Washington DC Area
- 2007-10-01 "Health Care Issues and Challenges for Reform"
  - Greater Washington DC Area
- 2007-10-08 Health Care Issues: Medicare and Medicaid
  - Institute of Medicine's 2007 Annual Meeting
- 2007-11-13 "The Long-Term Outlook for Health Care Spending"
  - The American Enterprise Institute
    - Hand-out to accompany presentation

- 2007-11-14 "The Budget Outlook and Health Care Challenges"
  - The Tax Council
- 2007-11-16 "Capping $CO_2$ Emissions: Efficiency and Distributional Issues"
  - Panel 1 - Director's Conference on Climate Change
- 2007-11-16 "Near-Term and Long-Term Emissions Reductions: Technology, Coverage, and Costs"
  - Panel 2 – Director's Conference on Climate Change
    - "Issues in Climate Change" Hand-out
- 2007-11-27 "The Long-Term Outlook for Health Care Spending"
  - The American Enterprise Institute
- 2008-01-05 "Society of Government Economists Distinguished Lecture on Economics"
  - The Allied Social Science Associations annual meeting
- 2008-02-24 "The Outlook for Spending on Health Care and Long-Term Care"
  - National Governors Association's Health and Human Services Committee
- 2008-02-29 "Taxes and Health Insurance"
  - The Tax Policy Center and the American Tax Policy Institute
- 2008-03-03 Federal Budget Overview
  - National Association for Business Economics
- 2008-03-12 "Health Care: Capturing the Opportunity in the Nation's Core Fiscal Challenge"
  - Princeton University
- 2008-May "Evidence on the Costs and Benefits of Health Information Technology"
  - The Alliance for Health Reform
- 2008-06-20 "Health Costs and Health Information Technology"
  - The Alliance for Health Reform
- 2008-08-07 "Behavioral Economics: Lessons from Retirement Research for Health Care and Beyond"
  - The Retirement Research Consortium
- 2008-09-16 "A Federal Perspective on Health Care Policy and Costs"
  - Stanford University - The Center for Public Health
- 2008-10-16 "New Ideas About Human Behavior in Economics and Medicine"
  - Harvard Medical School – Eighth Annual Marshall J. Seidman Lecture
- 2008-10-27 "Preparing for Our Common Future: Policy Choices and the Economics of Climate Change"
  - Wellesley College – Goldman Lecture in Economics

**17. Selection:**

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

I have extensive expertise in budget and economic matters. I have researched, written and spoken on these issues extensively while Director of the Congressional Budget Office and a Senior Fellow at the Brookings Institute.

(b) Were any conditions, expressed or implied, attached to your nomination: If so, please explain.

No.

(c) Have you made any commitment(s) with respect to the policies and principles you will attempt to implement in the position for which you have been nominated? If so, please identify such commitment(s) and all persons to whom such commitments have been made.

No.

**B. FUTURE EMPLOYMENT RELATIONSHIPS**

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

Yes. I have a custodial account which contains funds from the sale of my former employer, Competition Policy Associates to FTI Consulting. In the future, funds will be released into this account, but I no longer have any connection or employment with FTI Consulting or Competition Policy Associates. Details of the account have been disclosed on the SF 278 form.

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, please explain.

No.

3. Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?

No.

4. Has anybody made a commitment to employ your services in any capacity after you leave government service? If so, please identify such person(s) and commitment(s) and explain.

No.

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, please explain.

Yes.

**C. POTENTIAL CONFLICTS OF INTEREST**

1. If confirmed, are there any issues from which you may have to recuse or disqualify yourself because of a conflict of interest or the appearance of a conflict of interest? If so, please explain.

None.

2. Identify and describe all investments, obligations, liabilities, business relationships, dealings, financial transactions, and other financial relationships which you currently have or have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

None. In connection with the nomination process, I have consulted with the Office of Government Ethics and the Office of Management and Budget's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement with the Office's designated agency ethics official.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy other than while in a federal government capacity.

I filed a brief with Joseph Stiglitz explaining the economic and policy rationales for allowing foreigners harmed by global cartels to file suits in the United States.

"Brief of Amici Curiae Economists" (with Joseph E. Stiglitz), F. Hoffman-LaRoche Ltd., et al., v. Empagran S. A., et al., Supreme Court of the United States, March 15, 2004

Additional activites directly or indirectly seeking to influence legislation include:

"The Impact of Asbestos Liabilities on Workers in Bankrupt Firms," with Joseph E. Stiglitz and Jonathan M. Orszag, Journal of Bankruptcy Law and Practice, Volume 12, Issue No. 1, February 2003. (Paper was orginally commissioned by the American Insurance Association)

"An Economic Assessment of the Exclusive Contract Prohibition Between Vertically Integrated Cable Operators and Programmers," with Jonathan M. Orszag and John M. Gale, Filed in Conjunction with Reply Comments Submitted to the Federal Communications Commission (CS Docket No. 01-290), Commissioned by EchoStar Satellite Corporation and DIRECTV, Inc., January 7, 2002

"Quantifying the Benefits of More Stringent Aircraft Noise Regulations," with Jonathan M. Orszag, Northwest Airlines and Sebago Associates, Inc., October 2000

"The Economics of the U.S.-China Air Services Decision," with Jonathan M. Orszag, and Diane M. Whitmore, United Parcel Service and Sebago Associates, Inc., March 2000

4. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the Office of Management and Budget and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position?

Yes.

5. Explain how you will resolve potential conflicts of interest, including any disclosed by your response to the above questions.

I will work with the Office of Government Ethics, OMB agency ethics officers, and the Congressional Ethics Committees to resolve any conflicts of interest should occur.

**D. LEGAL MATTERS**

1. Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No.

2. To your knowledge, have you ever been investigated, arrested, charged or convicted (including pleas of guilty or nolo contendre) by any Federal, State, or other law enforcement authority for violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

No.

3. Have you or any business of which you are or were an officer, director or owner ever been involved as a party of interest in any administrative agency proceeding or civil litigation? If so, provide details.

No.

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

**E. TESTIFYING BEFORE CONGRESS**

1. If confirmed, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes.

2. If confirmed, are you willing to provide such information as may be requested by any committee of the Congress?

Yes.

**F. FINANCIAL DATA**

All information requested under this heading must be provided for yourself, your spouse, and your dependents.

1. Please provide personal financial information not already listed on the SF278 Financial Disclosure form that identifies and states the value of all:

(a) assets of $10,000 or more held directly or indirectly, including but not limited to bank accounts, securities, commodities futures, real estate, trusts (including the terms of any beneficial or blind trust of which you, your spouse, or any of your dependents may be a beneficiary), investments, and other personal property held in a trade or business or for investment other than household furnishings, personal effects, clothing, and automobiles; and

**(redacted)**

(b) liabilities of $10,000 or more including but not limited to debts, mortgages, loans, and other financial obligations for which you, your spouse, or your dependents have a direct or indirect liability or which may be guaranteed by you, your spouse, or your dependents; and for each such liability indicate the nature of the liability, the amount, the name of the creditor, the terms of payment, the security or collateral, and the current status of the debt repayment. If the aggregate of your consumer debts exceeds $10,000, please include the total as a liability. Please include additional information, as necessary, to assist the Committee in determining your financial solvency. The Committee reserves the right to request additional information if a solvency determination cannot be made definitively from the information provided.

**(redacted)**

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, executory contracts and other future benefits which you expect to derive from current or previous business relationships, professional services and firm memberships, employers, clients and customers. If dates or amounts are estimated, please so state. Please only include those items not listed on the SF278 Financial Disclosure form.

**(redacted)**

3. Provide the identity of and a description of the nature of any interest in an option, registered copyright, or patent held during the past 12 months and indicate which, if any, from which you have divested and the date of divestment unless already indicated on the personal financial statement.

**(redacted)**

4. Provide a description of any power of attorney which you hold for or on behalf of any other person.

**(redacted)**

5. List sources and amounts of all gifts exceeding $500 in value received by you, your spouse, and your dependents during each of the last three years. Gifts received from members of your immediate family need not be listed.

**(redacted)**

6. Have you filed a Federal income tax return for each of the past 10 years? If not, please explain.

**(redacted)**

7. Have your taxes always been paid on time including taxes on behalf of any employees? If not, please explain.

**(redacted)**

8. Were all your taxes, Federal, State, and local, current (filed and paid) as of the date of your nomination? If not, please explain.

**(redacted)**

9. Has the Internal Revenue Service or any other state or local tax authority ever audited your Federal, State, local, or other tax return? If so, what resulted from the audit?

**(redacted)**

10. Have any tax liens, either Federal, State, or local, been filed against you or against any real property or personal property which you own either individually, jointly, or in partnership? If so, please give the particulars, including the date(s) and the nature and amount of the lien. State the resolution of the matter.

**(redacted)**

11. Provide for the Committee copies of your Federal income tax returns for the past 3 years. These documents will be made available only to Senators and staff persons designated by the Chairman and Ranking Minority Member. They will not be available for public inspection.

**(redacted)**

12. Have you ever been late in paying court-ordered child support? If so, provide details.

**(redacted)**

13. Have you ever filed for bankruptcy or been a party to any bankruptcy proceeding? If so, provide details.

**(redacted)**

**AFFIDAVIT**

_____ being duly sworn, hereby states that he/she has read and signed the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.

_____

Subscribed and sworn before me this 17th day of December, 2008

_____ Notary Public

Kim B. Westray
Notary Public, District of Columbia
My Commission Expires 7-31-2011

## United States Senate

COMMITTEE ON THE BUDGET
ROOM SD-624
(202) 224-0642
WASHINGTON, DC 20510-6250

# STATEMENT OF BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES

### A. BIOGRAPHICAL INFORMATION

**1. Name:**

Robert Lee Nabors II

**2. Position to which nominated**

Deputy Director of the Office of Management and Budget

**3. Date of nomination**

January 20, 2009

**4. Address:**
**(redacted)**

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

March 27, 1971; Ft. Dix, New Jersey

**6. Martial status:**

Married; Theresa Kovscek Nabors, formerly Theresa Marie Kovscek

**7. Names and ages of children:**
**(redacted)**

**8. Education:**

Robert E. Lee High School-Springfield, VA. High School Diploma awarded June 1989.
University of Notre Dame-Notre Dame, IN. Bachelor of Arts awarded May 1993.

University of North Carolina at Chapel Hill (NC). Master of Arts awarded May 1996.

**9. Employment Record:**

1/2007–present
Staff Director and Clerk
House Appropriations Committee
Washington, DC

2/2004–1/2007
Minority Staff Director
House Appropriations Committee
Washington, DC

02/2001–02/2004
Minority Staff Assistant
House Appropriations Committee
Washington, DC

1/2000–02/2001
Assistant Director for Administration and Executive Secretary
Office of Management and Budget
Washington, DC

8/1998–01/2000
Senior Advisor to the Director

Office of Management and Budget
Washington, DC

7/1996–8/1998
Program Examiner
Office of Management and Budget
Washington, DC

8/1994–5/1996
Instructor/Teaching Assistant
University of North Carolina at Chapel Hill
Chapel Hill, NC

**10. Government Experience:**

None beyond those listed in question 9.

**11. Business relationships:**

None.

**12. Memberships:**

Member, St. Joseph's Catholic Church (Washington, DC), 2000-2003
Member, St. Ann's Catholic Church (Arlington, VA), 2004-present
116 Club, 2008-present

**13. Political affiliations and activities**

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

None.

(b) List all memberships and office held in and services rendered to all political parties or election committees during the last 10 years.

None.

(c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 5 years.

Obama for America, August 20, 2008 - $250.

**14. Honors and awards:**

Professional Achievement Award: Office of Management and Budget
Earl Wallace Award for outstanding political science teaching assistant: University of North Carolina
Notre Dame Scholar: University of Notre Dame
Bundschuh Scholarship: University of Notre Dame
Meyer Award: University of Notre Dame

**15. Published writings:**

I have one published article, "Redistributive Cooperation, " which was included in the Winter 1998 edition of the journal Interantional Organization (see attached).

**16. Speeches:**

None.

**17. Selection:**

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

In addition to serving seven years as a Congressional staffer dealing with appropriations issues, including four years as Staff Director, I previously served for five years in the Office of Management and Budget (OMB). During my tenure, I served as a budget analyst, senior advisor to then-Director Jacob Lew, and as Assistant Director for Administration and Executive Secretary responsible for the internal management of the organization.

(b) Were any conditions, expressed or implied, attached to your nomination: If so, please explain.

No.

(c) Have you made any commitment(s) with respect to the policies and principles you will attempt to implement in the position for which you have been nominated? If so, please identify such commitment(s) and all persons to whom such commitments have been made.

No.

**B. FUTURE EMPLOYMENT RELATIONSHIPS**

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

Yes.

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, please explain.

No.

3. Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?

No.

4. Has anybody made a commitment to employ your services in any capacity after you leave government service? If so, please identify such person(s) and commitment(s) and explain.

No.

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, please explain.

Yes.

**C. POTENTIAL CONFLICTS OF INTEREST**

1. If confirmed, are there any issues from which you may have to recuse or disqualify yourself because of a conflict of interest or the appearance of a conflict of interest? If so, please explain.

No.

2. Identify and describe all investments, obligations, liabilities, business relationships, dealings, financial transactions, and other financial relationships which you currently have or have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

None.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy other than while in a federal government capacity.

None.

4. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the Office of Management and Budget and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position?

Yes.

5. Explain how you will resolve potential conflicts of interest, including any disclosed by your response to the above questions.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Office of Management and Budget's designated agency ethics official to indentify potential conflicts of interest. Any potential conflicts of inter-

est will be resolved in accordance with the terms of an ethics agreement with the Office's designated agency ethics official.

### D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No.

2. To your knowledge, have you ever been investigated, arrested, charged or convicted (including pleas of guilty or nolo contendre) by any Federal, State, or other law enforcement authority for violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

In June 1990, at age 19, I was arrested for misdemeanor shoplifting by Fairfax County (VA) Police in Springfield, VA. I was found not quilty by the Fairfax County Court.

3. Have you or any business of which you are or were an officer, director or owner ever been involved as a party of interest in any administrative agency proceeding or civil litigation? If so, provide details.

No.

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

None.

### E. TESTIFYING BEFORE CONGRESS

1. If confirmed, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes.

2. If confirmed, are you willing to provide such information as may be requested by any committee of the Congress?

Yes.

### F. FINANCIAL DATA

All information requested under this heading must be provided for yourself, your spouse, and your dependents.

1. Please provide personal financial information not already listed on the SF278 Financial Disclosure form that identifies and states the value of all:

(a) assets of $10,000 or more held directly or indirectly, including but not limited to bank accounts, securities, commodities futures, real estate, trusts (including the terms of any beneficial or blind trust of which you, your spouse, or any of your dependents may be a beneficiary), investments, and other personal property held in a trade or business or for investment other than household furnishings, personal effects, clothing, and automobiles; and

**(redacted)**

(b) liabilities of $10,000 or more including but not limited to debts, mortgages, loans, and other financial obligations for which you, your spouse, or your dependents have a direct or indirect liability or which may be guaranteed by you, your spouse, or your dependents; and for each such liability indicate the nature of the liability, the amount, the name of the creditor, the terms of payment, the security or collateral, and the current status of the debt repayment. If the aggregate of your consumer debts exceeds $10,000, please include the total as a liability. Please include additional information, as necessary, to assist the Committee in determining your financial solvency. The Committee reserves the right to request additional informa-

tion if a solvency determination cannot be made definitively from the information provided.

**(redacted)**

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, executory contracts and other future benefits which you expect to derive from current or previous business relationships, professional services and firm memberships, employers, clients and customers. If dates or amounts are estimated, please so state. Please only include those items not listed on the SF278 Financial Disclosure form.

**(redacted)**

3. Provide the identity of and a description of the nature of any interest in an option, registered copyright, or patent held during the past 12 months and indicate which, if any, from which you have divested and the date of divestment unless already indicated on the personal financial statement.

**(redacted)**

4. Provide a description of any power of attorney which you hold for or on behalf of any other person.

**(redacted)**

5. List sources and amounts of all gifts exceeding $500 in value received by you, your spouse, and your dependents during each of the last three years. Gifts received from members of your immediate family need not be listed.

**(redacted)**

6. Have you filed a Federal income tax return for each of the past 10 years? If not, please explain.

**(redacted)**

7. Have your taxes always been paid on time including taxes on behalf of any employees? If not, please explain.

**(redacted)**

8. Were all your taxes, Federal, State, and local, current (filed and paid) as of the date of your nomination? If not, please explain.

**(redacted)**

9. Has the Internal Revenue Service or any other state or local tax authority ever audited your Federal, State, local, or other tax return? If so, what resulted from the audit?

**(redacted)**

10. Have any tax liens, either Federal, State, or local, been filed against you or against any real property or personal property which you own either individually, jointly, or in partnership? If so, please give the particulars, including the date(s) and the nature and amount of the lien. State the resolution of the matter.

**(redacted)**

11. Provide for the Committee copies of your Federal income tax returns for the past 3 years. These documents will be made available only to Senators and staff persons designated by the Chairman and Ranking Minority Member. They will not be available for public inspection.

**(redacted)**

12. Have you ever been late in paying court-ordered child support? If so, provide details.

**(redacted)**

13. Have you ever filed for bankruptcy or been a party to any bankruptcy proceeding? If so, provide details.

**(redacted)**

**AFFIDAVIT**

ROBERT LEE NABERS II being duly sworn, hereby states that he/she has read and signed the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.

Subscribed and sworn before me this 23rd day of December, 20 08

Notary Public

Reg# 7036437

JENNIFER R. LEHNERT
Notary Public
Commonwealth of Virginia
My Commission Expires Jan 31, 2010

**Questions From Chairman Conrad for Peter Orszag,**
**Nominee to be Director, Office of Management and Budget**

**1. What do you see as the biggest challenges facing the nation's budget once the economy recovers from the current downturn? Over the next five to 10 years? Longer term? What kind of actions and policies do you think should be in place to address each of these challenges?**

The federal budget is on an unsustainable path, with federal debt likely to grow much faster than the economy over the long term unless we take action.

Even after the economy recovers from the current downturn, over the next five to 10 years the nation faces the prospect of budget deficits that could measure in the range of 5 percent of Gross Domestic Product under current policies. Over the longer term, the situation grows worse. Deficits of the size that we project represent a serious threat to our long-term economic health.

The principal driver of long-term deficits is rising health care costs. If costs per enrollee in our two main federal health care programs, Medicare and Medicaid, grow at the same rate as they have for the past 40 years, those two programs will increase from about 5 percent of Gross Domestic Product to 20 percent by 2050. (As the Congressional Budget Office and others have noted, there are reasons to expect cost growth to slow in the future relative to the past even in the absence of policy changes. But the point remains that reasonable projections of health care cost growth under current policies shows that they are the key to our fiscal future.) Rising costs for Medicare and Medicaid, in turn, reflect rising health care costs across the public and private sectors. We therefore need to be thinking about ways of slowing overall health care cost growth, rather than just slowing growth in Medicare and Medicaid. Indeed, were we to try to slow Medicare and Medicaid spending alone without slowing the rate of growth in health care costs system-wide, we would simply create massive access problems for Medicare and Medicaid beneficiaries since providers would be increasingly unwilling to serve those populations relative to others.

Massive opportunities appear to exist to reduce health care costs without harming health outcomes. Significant evidence suggests that higher-cost care does not always mean higher-quality care. As I have noted before, perhaps the most compelling evidence of this fact is that per capita health care spending varies widely across the United States, but the very substantial variation in cost per beneficiary is not correlated with overall health outcomes. Embedded in the country's fiscal challenge and the current burdens on state governments and workers are thus opportunities to reduce costs without impairing health outcomes overall.

**2. If confirmed, what actions would you take to foster an environment where a bipartisan compromise could be reached to address the nation's long-term fiscal**

discipline, we should agree to use the "emergency" designation for demands that are truly emergency in nature.

**5. The IRS estimates the tax gap – the difference between the taxes owed and the taxes collected each year – is about $350 billion. In addition, experts estimate that approximately another $100 billion of revenue is lost each year to tax shelters, tax havens, and offshore activities. Do you believe the administration and Congress should aggressively address these compliance problems? If so, what specific measures should be put in place?**

The tax gap is clearly a significant problem. When some taxpayers do not comply with our tax laws, the burden of financing our government falls to those taxpayers who do. Reducing the tax gap would also help to reduce our budget deficits. During the time I served as director of the Congressional Budget Office, CBO convened a forum on the tax gap with the Government Accountability Office and the Joint Committee on Taxation. Participants suggested that, to help close the tax gap, the government should increase reporting requirements on taxpayers, provide incentives or waive penalties to improve compliance, and extend or eliminate the statute of limitations on enforcement actions. Some of these steps would require enacting legislation, and I would be pleased to further discuss these or other steps with you.

**6. A key issue for addressing our nation's long-term budget problem is to reduce expenditures of the major health entitlements, Medicare and Medicaid. Do you believe that these programs can be substantially reduced in the absence of broader reforms to the nation's health system, both private and public? Stated another way, do you think it is possible over an extended period for Medicare and Medicaid to grow more slowly than health costs in the private sector? What sort of changes should Congress consider making to the health care system over the next four years?**

As you suggest, the principal driver of our nation's long-term budget problem is rising health care costs. Improving the efficiency of the health system is not only central to our fiscal future, though. Health care costs are already imposing severe burdens on state governments, and reducing worker's take-home pay to a degree that is both unnecessarily large and perhaps under-appreciated.

Substantial opportunities appear to exist to reduce health care costs without harming health outcomes. Significant evidence suggests that higher-cost care does not always mean higher-quality care. As I have noted before, perhaps the most compelling evidence of this fact is that per capita health care spending varies widely across the United States, but the very substantial variation in cost per beneficiary is not correlated with overall health outcomes. Embedded in the country's fiscal challenge and the current burdens on state governments and workers are thus opportunities to reduce costs without impairing

health outcomes overall. To capture these opportunities requires a combination of steps, including:

- Expanding the use of health information technology (IT) and electronic medical records, which is a necessary but not sufficient step to improving the quality and efficiency of the health care system;

- Expanding research on "comparative effectiveness" of different options for treating a given medical condition, which could provide information on both medical benefits as well as costs;

- Providing financial incentives for better care rather than more care (currently, financial incentives for providers and patients encourage or facilitate expensive treatment and procedures, even when there is little evidence that they are more effective than existing therapies); and

- Providing incentives for prevention (such as immunizations and screening tests) and healthy living (such as avoiding obesity and smoking) so that people have fewer health care problems throughout their lives.

The Obama Administration will be exploring these and other steps as key components of its broad health care reform efforts.

**7. In response to the financial crisis, legislation was enacted last fall authorizing the Troubled Assets Relief Program within the Department of the Treasury. For the purpose of promoting stability in the financial markets, that legislation gave the Secretary of the Treasury broad authority to purchase and sell any asset at any price (up to a purchase price limit of $700 billion). There has been some disagreement among individuals who follow the budget process as to the proper way to account for the cost of these transactions. In your opinion, what is the proper budgetary treatment for the Troubled Assets Relief Program?**

The law that authorized the Troubled Assets Relief Program (TARP) required that the budget reflect the costs on a net-expected-cost basis. It included procedures similar to those of the Federal Credit Reform Act, except that it adjusted for market risk in ways that the credit law did not reflect. Rather than reflect the gross cash outlays that the government made in purchasing the assets, the budget would reflect the net costs – the purchases minus the earnings from those assets and the proceeds from later selling them. That's essentially the way the government treats many loans and loan guarantees by the federal government. We will treat TARP as the law requires.

**8. In recent years, the Office of Management and Budget (OMB) has failed with the President's annual budget request to provide any policy-level detail for discretionary spending beyond the budget year. This lack of transparency makes it**

**difficult for Congress and the taxpayers to fully assess the impact of the President's budget. What is your view of the decision to withhold such data from Congress and the public, and would it be your intent as OMB Director to end this practice?**

I do not agree with the recent practice of withholding policy-level detail for discretionary spending beyond the budget year, and I plan to return to the previous, traditional practice of providing it.

**9. The President's budget under the Bush Administration has repeatedly failed to properly budget for the multi-year cost of ongoing operations in Iraq, Afghanistan, and the Global War on Terror. Do you believe that the budget and accompanying projections should reflect the best estimate of the multi-year costs of ongoing military operations in Iraq, Afghanistan, and the Global War on Terror?**

Yes. I plan to adopt that practice if I am confirmed as OMB director.

**10. The Government Accountability Office has found that a lack of sound business practices exposes DOD to unnecessary risk, wastes resources, and complicates efforts to hold contractors accountable for poor service acquisition outcomes. Do you believe that the Department of Defense, which spends hundreds of billions of dollars on contracts each year, has adequate procedures in place to ensure the best value possible for taxpayers? If not, what sort of steps would you take as OMB Director to address this situation? Are there recommendations you would make to Congress to address this situation legislatively?**

We recognize that this is an area of legitimate concern, and we plan to examine it further. We will work closely with Secretary Gates to see how the Administration can address the concerns and improve the acquisition process. For example, I understand that staffing levels of contracting professionals have not increased with additional spending. Increased spending requires increased oversight, management, and transparency, and this stewardship responsibility must be supported by a qualified cadre of acquisition professionals. Expanding a highly trained acquisition workforce is therefore a top priority.

**Questions from Ranking Member Gregg for Dr. Peter Orszag, Nominee to be Director, Office of Management and Budget, December 23, 2008**

**Deficits/Debt**

**1. Many economists have argued recently that, while it is acceptable to incur significantly larger deficits in the near-term to accommodate fiscal policy to stimulate the economy, such fiscal policy should not become permanent; to the extent increased spending continues past the immediate near-term, then such spending ought to be offset, they argue. Do you agree with this view? What approaches do you plan to propose for offsetting new spending, such as infrastructure, that many are proposing to occur over the next five years?**

I agree with the notion that over the medium term, we need to offset the cost of new initiatives given the substantial medium-term and long-term deficits we face.

Let me be more specific. As your question suggests, in the type of short-term economic environment in which we find ourselves, the key impediment to economic activity is the level of aggregate demand. In that short-run context, policy-induced increases in the deficit can help to bolster aggregate demand and return the economy to a medium-term growth path. Immediately offsetting the deficit impact of such efforts to bolster aggregate demand would undermine the rationale for the efforts and thus be counterproductive.

After the economy starts growing again, however, the principles involved in pay-as-you go budgeting make considerable sense – especially given the serious medium-term and long-term deficits we face. The President-elect is concerned about our fiscal future and committed to the common-sense principle that we shouldn't exacerbate our long-term fiscal gap. We look forward to working with Congress on precisely how to apply pay-as-you-go budgeting principles at the appropriate time. The President-elect will present a budget and economic overview to the Congress in mid to late February, and that document will include his approaches to restoring fiscal discipline over the medium term.

**Long-term Budget**

**2. If you are confirmed, what specific actions would you undertake to encourage an environment where a bipartisan compromise could be reached to address the nation's long-term fiscal challenges?**

As director of the Congressional Budget Office, I worked with policy-makers from both parties, and I hope to continue that spirit of bipartisanship if I am confirmed as OMB director. We will need to work together to tackle both the short-term and long-term challenges we face.

With regard to the long term, the principal driver of long-term deficits is the projected rising costs of federal health care programs, principally Medicare and Medicaid. Those rising costs, in turn, reflect the rising costs of health care throughout American society. We therefore need to be thinking about ways of slowing overall health care cost growth, rather than just slowing growth in Medicare and Medicaid.

Massive opportunities appear to exist to reduce health care costs without harming health outcomes. Significant evidence, much of which was developed at Dartmouth College (an outstanding institution that has in the past been erroneously referred to as Dartmouth University by a former director of the Congressional Budget Office) suggests that higher-cost care does not always mean higher-quality care. Perhaps the most compelling evidence of this fact is that per capita health care spending varies widely across the United States, but the very substantial variation in cost per beneficiary is not correlated with overall health outcomes. Embedded in the country's fiscal challenge and the current burdens on state governments and workers are thus opportunities to reduce costs without impairing health outcomes overall.

In capturing these opportunities, we may need to think about important process changes to the way that we currently make health- and budget-related decisions. I have noted before that our current system to approaching gradual long-term problems – from the fiscal gap to rising health care costs and climate change – does not appear to work that well, which raises the question of whether process changes could help to produce better outcomes. If I am confirmed, I hope to work together with you and others to explore these possibilities.

**Discretionary Appropriations**

**3. What principles would you use to guide your decisions on whether to recommend to the President that he sign or veto an appropriations measure?**

We would consider a number of criteria. We would look at the total funding contained in each bill as well as the particular programs funded, judging whether they sufficiently reflect the President's priorities and whether they are consistent with a sustainable fiscal course. As we look at individual programs funded by each bill, we will consider whether they are meeting the objectives for which Congress created them, whether they are being run efficiently, and whether they are serving inherently governmental functions. Moreover, we will consider whether the substantive language, if any, in the appropriations bill helps to improve the design of public programs. We will look closely at savings proposals in appropriations to examine whether they will, in fact, achieve savings. At the same time, we will look favorably upon provisions of appropriations bills that achieve savings elsewhere in the budget or in society as a whole, such as provisions to reduce program error rates, to improve the efficiency and fairness of the tax system, or to crack down on those who seek to take advantage of taxpayers.

**4. The federal government is about to embark on a stimulus package approximately as large as the entire discretionary budget for one year. Much of the annual debate over the proper level of discretionary appropriations has been about amounts 1-2 percent of that size. What principles are you going to use to decide what is the best amount to request for all discretionary appropriations – defense and nondefense? Are you going to say there has to be a certain amount of increase? If so, why?**

Aggregate targets for discretionary programs, set in the context of what is appropriate from a macroeconomic and overall fiscal perspective, can encourage the Administration and Congress to make difficult tradeoffs over different priorities. Fundamentally, however, we need to build the appropriate target for discretionary programs from the bottom up by examining each program and determining whether it is meeting the objectives for which Congress created it, whether it is being run efficiently, and whether it serves an inherently governmental function.

**Budget Process**

**5. How should the government budget for emergencies? Under current law, is there any reason for the President to designate any spending as an emergency? With regard to the appropriations for the Global War on Terrorism, can you make a commitment that the budget requests you submit to Congress will not include emergency designations?**

Congress has a legitimate need to budget separately for emergencies. The federal government must be able to respond quickly to unforeseen situations that demand immediate attention without the ordinary constraints of budget rules. In recent years, however, Administrations and Congresses have stretched the definition of "emergency" to the breaking point, such as by designating costs for the decennial Census as an emergency. In a joint commitment by the new Administration and Congress to fiscal discipline, we should agree to use the "emergency" designation for demands that are truly emergency in nature. I plan to follow that principle for all areas of the budget if I am confirmed as OMB director

**6. OMB and CBO both develop baselines to assess the current condition of the budget under existing laws and policies and to measure the impact of proposals to change those laws and policies. Do you believe these baselines are useful and reliable? How many years do you think a baseline should cover? Are there any changes you would recommend to the rules guiding how OMB and CBO develop baselines?**

The 5- and 10-year budget windows have served policy makers well in minimizing, though clearly not eliminating, the use of timing gimmicks in budget plans. Going forward, it is worth examining mechanisms for further reducing timing gimmicks and the

abuse of sunset clauses, which currently allow policymakers to portray unaffordable policies as affordable.

**Defense**

**7. Even as troop strength is declining in Iraq, it is expected to increase in Afghanistan. Do you believe it is appropriate for the new administration to project multiyear budgets for the Global War on Terrorism, or do you think it is better to do it on a year-by-year, ad hoc basis?**

I believe that budgets should reflect our best current projections of future needs. The federal government has largely budgeted for the wars in Afghanistan and Iraq through supplemental appropriations that Congress has considered separate from the federal allocation for defense needs. The budget could better integrate likely war costs into its presentation of likely future spending on defense. We should apply the same general principle to the larger Global War on Terrorism.

**Revenues**

**8. What is the effect of individual and corporate income tax cuts during a protracted recession? What is the effect of capital gains tax cuts?**

The effects of tax cuts differ during recessions as compared to periods of economic growth. During recessions, the key impediment to economic growth is a lack of sufficient aggregate demand. In these periods, tax cuts can spur aggregate demand, though typically not on a dollar-for-dollar basis because consumers save a large share of their tax cuts instead of spending them. (The more that the temporary tax cuts that Congress enacts during a recession are titled toward liquidity-constrained households, who tend to be lower income, the more they tend to have a significant impact on aggregate demand. That's because lower income households are more likely to spend a large share of their tax cuts.)

With regard to the capital gains tax rate, the evidence suggests that realizations of capital gains are sensitive to changes in the rate, but that the tax rate itself may have less effect on economic and financial market performance than many people believe. As the Congressional Budget Office has previously noted, "Capital gains taxes often garner policy attention that is disproportionate to their importance in generating federal revenues." CBO and the Joint Committee on Taxation have also concluded that the feedback effects from capital gains tax rates on economic growth are likely to be small, and I agree with that conclusion. Furthermore, note that to the extent that a temporary reduction in the capital gains tax rate induces increased realizations today, to the extent that increased realizations can temporarily depress financial market prices, and to the extent that policy-makers seek to bolster rather than reduce such market prices, a temporary reduction in the capital gains tax rate could even be viewed as counterproductive. As CBO has noted, "a capital gains

tax cut appears the least likely of any permanent tax cut to stimulate the economy in the short run; a temporary capital gains cut is unlikely to provide any stimulus."

**9. In your opinion, relative to the size of the economy, is there an optimal level of revenues? If so, do you believe that the optimal level for 2010 is also the optimal level for 2060?**

The optimal level for federal revenues depends on the form that taxes take and the purposes for which the tax revenues are allocated.

Over the long run, the federal budget is on an unsustainable path, with federal debt likely to grow much faster than the economy unless we take action. Even after the economy recovers from the current downturn, over the next five to 10 years the nation faces the prospect of budget deficits that, we believe, will measure in the range of about 5 percent of Gross Domestic Product under current policies. Over the longer term, the situation grows worse. Deficits of the size that we project represent a serious threat to our long-term economic health.

The principal driver of long-term deficits is rising health care costs. If costs per enrollee in our two main federal health care programs, Medicare and Medicaid, grow at the same rate as they have for the past 40 years, those two programs will increase from about 5 percent of Gross Domestic Product to 20 percent by 2050. That's roughly the entire size of the federal government today. (As the Congressional Budget Office and others have noted, there are reasons to expect cost growth to slow in the future relative to the past even in the absence of policy changes. But the point remains that reasonable projections of health care cost growth under current policies shows that they are the key to our fiscal future.) Rising costs for Medicare and Medicaid, in turn, reflect rising health care costs across the public and private sectors. We therefore need to be thinking about ways of slowing overall health care cost growth, rather than just slowing growth in Medicare and Medicaid. Indeed, were we to try to slow Medicare and Medicaid spending alone without slowing the rate of growth in health care costs system-wide, we would simply create massive access problems for Medicare and Medicaid beneficiaries since providers would be increasingly unwilling to serve those populations relative to others.

Massive opportunities appear to exist to reduce health care costs without harming health outcomes. Significant evidence suggests that higher-cost does not always mean higher-quality care. As I have noted before, perhaps the most compelling evidence of this fact is that per capita health care spending varies widely across the United States, but the very substantial variation in cost per beneficiary is not correlated with overall health outcomes. Embedded in the country's fiscal challenge and the current burdens on state governments and workers are thus opportunities to reduce costs without impairing health outcomes overall.

If we reform the health care system and invest federal resources prudently across the board, we can restrain the rate of growth in spending. If, however, we fail to take these

steps, we will face the need for a substantial increase in revenues to avoid an explosion of federal debt.

**Other**

**10. President-Elect Obama has stated that: "As President, I will go through the federal budget, line-by-line; ending programs that we don't need and making the ones we do need work better and cost less." As you are well aware, the Bush Administration developed the Program Assessment Rating Tool (PART) to assess the performance of government agencies and programs. That process identified 103 discretionary programs for termination and 48 programs for reduction, which, if implemented, would have resulted in over $18 billion in savings. President Bush also identified over $19 billion in mandatory savings.**

**a. Please describe the progress you have made thus far in your "line by line" review of the federal budget.**

We have not yet had the time to conduct the full line-by-line review that the President-elect spoke about. We will, however, release proposals to reduce spending and eliminate programs as part of the new President's economic and budget overview, which we plan to release in late February.

**b. Do you plan to utilize a system already in place (PART) to identify programs for termination or reduction? If not, what process do you intend to use instead, and do you expect that you will be able to suggest program terminations, reductions and reforms that would yield more or less savings than were identified under PART? Do you have a target level of discretionary and mandatory savings you hope to include in the President-elect's budget?**

Based on a very preliminary assessment, the PART process seems overly process-intensive and not especially well-aligned with key decision-making systems, including the budget. Before radically modifying it or discarding it, however, I think we need to have a broader conversation. Non-partisan, good government organizations like the National Academy of Public Administration, the Council for Excellence in Government, and the Partnership for Public Service tell us that PART needs to be reformed but can, in some form, be useful.

As for savings on the discretionary and mandatory sides of the budget, we will provide more information when we release the new President's economic and budget overview in late February.

**c. Could you please identify five sizeable, non-defense related programs targeted for termination by the new Administration?**

I would be happy to do so. But I respectfully request that you allow me until late February, when we will include such proposals in our release of the new President's economic and budget overview.

**Questions From Chairman Conrad for Robert L. Nabors II,**
**Nominee to be Deputy Director, Office of Management and Budget**

**1. What do you see as the biggest challenges facing the nation's budget once the economy recovers from the current downturn? Over the next five to 10 years? Longer term? What kind of actions and policies do you think should be in place to address each of these challenges?**

As Dr. Orszag has noted, and I agree, the federal budget is on an unsustainable path, with federal debt likely to grow much faster than the economy over the long term unless we take action.

Even after the economy recovers from the current downturn, over the next five to 10 years the nation faces the prospect of budget deficits that could measure in the range of 5 percent of Gross Domestic Product under current policies. Over the longer term, the situation grows worse. Deficits of the size that we project represent a serious threat to our long-term economic health.

The principal driver of long-term deficits is rising health care costs. If costs per enrollee in our two main federal health care programs, Medicare and Medicaid, grow at the same rate as they have for the past 40 years, those two programs will increase from about 5 percent of Gross Domestic Product to 20 percent by 2050. (As the Congressional Budget Office and others have noted, there are reasons to expect cost growth to slow in the future relative to the past even in the absence of policy changes. But the point remains that reasonable projections of health care cost growth under current policies shows that they are the key to our fiscal future.) Rising costs for Medicare and Medicaid, in turn, reflect rising health care costs across the public and private sectors. We therefore need to be thinking about ways of slowing overall health care cost growth, rather than just slowing growth in Medicare and Medicaid. Indeed, were we to try to slow Medicare and Medicaid spending alone without slowing the rate of growth in health care costs system-wide, we would simply create massive access problems for Medicare and Medicaid beneficiaries since providers would be increasingly unwilling to serve those populations relative to others.

**2. What do you think works well with the current budget process? What doesn't work well? Are there aspects of the existing budget process that you believe could be updated and improved?**

The system of pay-as-you-go (PAYGO) rules and caps on discretionary spending that Congress created in the 1990s proved useful both in forcing the Administration and Congress to pay for new tax cuts or entitlement programs and in forcing all sides to live within specified limits when it came to allocating discretionary resources for defense and nondefense spending. However, it is critical to note that such mechanism can only be effective with the context of a generally agreed upon overall budget framework. We look

forward to working with Congress on exploring these and other methods of fiscal discipline.

3. **Is there an appropriate rate of growth for regular domestic discretionary spending? If so, what is it? For regular defense discretionary spending?**

Different parts of the discretionary budget should grow at different rates. Some types of government programs have large fixed costs and low marginal costs, suggesting they can fall relative to Gross Domestic Product over time – although fixed costs, like all costs, are responsive to inflation. Other components should grow both with inflation and with the size of the population that they are serving, or with the overall size of the economy.

4. **Do you believe that the budget and accompanying projections should reflect the best estimate of emergency spending, such as the multi-year costs of ongoing military operations in Iraq, Afghanistan, and the Global War on Terror? What, if any, reforms of the emergency-designation process would you recommend to Congress?**

I believe that budgets should reflect our best current projections of future needs. The federal government has largely budgeted for the wars in Afghanistan and Iraq through supplemental appropriations that Congress has considered separate from the federal allocation for defense needs. The budget could better integrate likely war costs into its presentation of likely future spending on defense. We should apply the same general principle to the larger Global War on Terrorism.

Congress has a legitimate need to budget separately for emergencies. The Federal government must be able to respond quickly to unforeseen situations that demand immediate attention without the ordinary constraints of budget rules. However, such designations should not be used simply to evade budget mechanisms intended to ensure fiscal discipline. Emergency designations should be reserved for truly unforeseen events.

5. **Like many federal agencies, OMB has had a number of key employees retire in recent years with more eligible to retire over the next several years. If confirmed, what steps would you take as Deputy Director to ensure that OMB attracts and maintains a high quality workforce?**

GAO's Federal Workforce Challenges in the 21st Century highlights several areas necessary to transform the Federal workforce: improving leadership; improving strategic human capital planning; improving the government's ability to acquire, develop, and retain talent; and building a results-oriented organizational culture. The Partnership for Public Service's Roadmap to Reform also suggests that an effective workforce capable of improving organizational performance includes the right talent, an engaged workforce and strong leadership.

The Federal hiring process has lengthy procedures that put the government at a competitive disadvantage. While Congress has provided agencies with hiring flexibilities and OPM has improved USAJobs and developed a step-by-step hiring improvement guide, further improvements are needed. Specifically, the Federal government needs improvements in several key areas: recruiting for a competent and diverse workforce; fixing the Federal hiring process; reducing skills gaps; and better managing a diverse, mobile, and dynamic workforce.

6. **There is general agreement on the need to improve the effectiveness and accountability of government spending. While focusing on government performance is essential, it must be done in an appropriate way. OMB has relied on the Program Assessment Rating Tool (PART) to assess performance, yet PART has been roundly criticized as a one-size-fits-all approach that is too simplistic to assess the wide array of programs undertaken by the federal government. What is your assessment of PART? Do you think that PART results should play an important role in informing budget decisions?**

Based on a very preliminary assessment, the PART process seems overly process-intensive and not especially well-aligned with key decision-making systems, including the budget. Before radically modifying it or discarding it, however, I think we need to have a broader conversation. Non-partisan, good government organizations like the National Academy of Public Administration, the Council for Excellence in Government, and the Partnership for Public Service tell us that PART needs to be reformed but can, in some form, be useful.

7. **A common criticism of the current budget process is that it does a poor job of providing information on the long term – both in the budget materials submitted by the President each year and in the Congressional budget process. Do you agree that this is a problem? If so, what ideas do you have for addressing this lack of long-term information both in the up-front planning each year and in the subsequent consideration of legislation by Congress?**

The President's annual budget proposal could more clearly and simply present information about future spending and revenue assumptions in several ways. For instance, the budget could better account for likely war costs. The Federal government has largely budgeted for the wars in Afghanistan and Iraq through supplemental appropriations that Congress has considered separate from the Federal allocation for defense needs. The budget could better integrate war costs into its presentation of likely future spending on defense. In addition, the President's budget proposal could present a list of all expiring tax and spending provisions, with an explanation of how such provisions are treated in the baseline and policy budget estimates. Also, the budget could more explicitly state the assumptions behind Federal projections for future expenditures for Social Security, Medicare, and Medicaid.

OMB traditionally presents very long-term budget projections under various economic and demographic scenarios in the *Analytical Perspectives* volume of the President's annual budget proposal. We will consider giving these projections more prominence in the budget.

We also would be delighted to work with Congress to provide information on the long-term fiscal impact of legislation before it.

**8. Each year, the President includes a number of earmarks as part of his budget request. In your view, are these appropriate? What steps would you take to review the number and amount of earmarks included in the President's budget?**

President-elect Obama has made clear that he would like to reduce earmarks and, in fact, he will not be proposing any earmarks as part of his upcoming American Recovery and Reinvestment Act. We appreciate, however, the constitutional role that Congress plays in determining how the Federal government spends taxpayer dollars. We plan to work closely with Congress on this issue.

**9. The House Oversight and Government Reform Committee released a report in 2007 on federal procurement spending. The report found that between 2000 and 2006, procurement spending rose from $203.1 billion to $412.1 billion, while no-bid and limited-competition contracts increased from $67.5 billion to $206.9 billion. In addition, House Oversight found 187 contracts valued at $1.1 trillion that had problems with waste, fraud, abuse, or mismanagement. Do you believe the increased lack of competition under the current administration has contributed directly to the increase in wasteful contract spending? Why or why not? If confirmed, what specific steps would you take to improve the oversight of federal contracts and to reduce the amount of wasteful contract spending?**

Our government relies heavily on contract services to help agencies meet their missions. Our acquisition workforce must have the necessary skills, capacity, and technology to effectively manage our contractors and ensure timely, cost-effective, and quality performance. If confirmed, I will work with the Deputy Director for Management, the Administrator of the Office of Federal Procurement Policy (OFPP), agency Chief Acquisition Officers, and other stakeholders to pursue initiatives that promote sound contract management practices.

I understand that staffing levels of contracting professionals have not increased with additional spending. Increased spending requires increased oversight, management, and transparency, and this stewardship responsibility must be supported by a qualified cadre of acquisition professionals. Expanding a highly trained acquisition workforce is therefore a top priority. Acquisition oversight includes ensuring we have enough qualified program managers, contracting officers' technical representatives, and others

involved in the acquisition process. Part of the answer may be a greater emphasis on training and professional certifications for those already in the workforce.

Recent reports, including several by the GAO, suggest that agencies do not consistently consider the impact of contract performance, such as for new work, on their capability and capacity to manage the agency. Federal policies addressing the management of the multi-sector workforce, including the rules of OMB Circular A-76, must be reviewed to ensure they are working in tandem with human capital planning and do not result in decisions to use contractors where doing so would supplant the internal expertise and capacity that the government requires to effectively manage its affairs. At the same time, our policies should not inhibit agencies' ability to take full advantage of the marketplace to supplement the skills and competencies of our workforce in carrying out their missions.

**OMB Confirmation QFRs for Dr. Peter Orszag, 2009**
**Questions submitted by Senator Bunning**

**1. Health Information Technology: Health information technology has the potential to help medical personnel provide high-quality care by reducing errors, duplicate tests, and unnecessary visits by patients. All of these would be very beneficial to the Ame rican health care system. However, in CBO's recent report Key Issues in Analyzing Major Health Insurance Proposals, CBO seems somewhat skeptical about the ability of health IT to save money. Can you explain why achieving savings from adopting more health information technology might be difficult?**

**Response**

The adoption of health information technology will not result in significant savings to the nation's health care system unless it is accompanied by other reforms. Adoption of health IT could lower the cost of providing health care, eliminating unnecessary health care services (such as duplicate diagnostic tests), and improving the quality of care in ways that might reduce costs (by diminishing the likelihood of adverse drug events, for example). Such uses could bolster the quality of care; however, they could also serve to increase expenditures on health care services – because improvements in quality may stimulate demand for additional services.

There needs to be a comprehensive look at the health care system in its entirety; health IT is but one tool in the health care arena which could help drive down costs. Other health care components working in concert with health IT would include comparative effectiveness research, which could provide information on both medical benefits as well as costs; and financial incentives for health care delivery improvements as well as for prevention (immunizations and screening tests) and healthy living (avoiding smoking and obesity).

**2. The Medicare funding warning or Medicare trigger is supposed to serve as a warming to Congress and the Administration that the Medicare program is on an unsustainable path. These warnings would hopefully spur government leaders to take action to improve the solvency of the Medicare program. I think this is a useful process because it keeps the programs solvency front and center. Under the law, I believe President-Elect Obama must submit a solvency plan to Congress shortly after his first budget is submitted. As OMB Director, will you encourage your new colleagues to fulfill this requirement?**

**Response**

The principal driver of long-term deficits is the projected rising costs of federal health care programs, principally Medicare and Medicaid. If costs per enrollee in these two

programs grow at the same rate as they have for the past 40 years, those two programs will increase from about five percent of GDP to 20 percent by 2050. Rising costs for Medicare and Medicaid, in turn, reflect rising health care costs across the public and private sectors. We therefore need to be thinking about ways of slowing overall health care cost growth, rather than just slowing growth in Medicare. Indeed, were we to try to slow Medicare spending alone without slowing the rate of growth in health care costs system-wide, we would simply create massive access problems for Medicare beneficiaries since providers would be increasingly unwilling to serve this population relative to others.

Opportunities appear to exist to reduce health care costs without harming health outcomes. Significant evidence suggests that higher-cost care does not always mean higher-quality care. As I have noted before, perhaps the most compelling evidence of this fact is that per capita health care spending varies widely across the United States, but the very substantial variation in cost per beneficiary is not correlated with overall health outcomes.

As OMB Director, I will explore a range of options and the most appropriate mechanisms to reduce federal health care costs without impairing health outcomes. Ensuring the solvency of the Medicare program is a high priority for me, and I look forward to working with you and others to strengthen the long-term sustainability of this vital federal program.

**3. With the volatility in gasoline prices affecting the highway trust fund's ability to remain self-sustaining, what long term policy and formula changes do you believe are needed to upkeep our nation's roads and interstates without raiding the general fund year after year?**

**Response**

The Administration understands that the Highway Trust Fund is no longer on a self-sustaining path and hopes to address the issue in the context of surface transportation reauthorization.

**4. Mr. Orszag, coal is one of our most abundant natural resources and provides over half of our nation's electricity. I have fought hard to include provisions in the 2005 and 2007 energy bills that would expand Clean Coal Technology and reduce emissions, such as the Clean Coal Power initiative. Would you support funding for this and similar programs?**

**Response**

The President understands that investments in clean energy can stimulate the economy and create new green jobs, including low-emissions coal technologies that we can use at home and share with the world.

The President committed during the campaign to building five coal-fired plants with carbon capture and storage through public-private partnerships, and the Administration will carefully examine the funding needed to advance this technology.

**OMB Confirmation QFRs for Dr. Peter Orszag, 2009**
**Question submitted by Senator Conrad**

**1. For several years the Bureau of Reclamation has studied options to meet the long-term water needs in the Red River Valley in North Dakota. Two-thirds of the state's population lives in the Valley, but the future of its water supply is of great concern particularly in times of drought.**

**In December 2007, after an exhaustive review, the Bureau released a final Environmental Impact Statement (EIS). It recommended a project that would transfer water from the Missouri River to the Red River as the best way to meet the needs. The project is strongly supported in the state, and it is vital to securing the region's water supply.**

**Will you commit to a quick review of this important project and work with me to ensure a Record of Decision can be signed in the very near future?**

**Response**

The Office of Management and Budget will work with the Department of the Interior so that the Secretary of the Interior can make a decision on the Record of Decision for this project as soon as practicable.

**OMB Confirmation QFRs for Dr. Peter Orszag, 2009**
**Question submitted by Senator Crapo**

**1. In 2005, Congress authorized the Department of Energy's Loan Guarantee program in an effort to assist in the financing of new domestic clean energy projects that will help move the U.S. toward energy independence. Nearly four years later, not a single loan guarantee has been issued. With new renewable and nuclear energy projects ready to come online, can you commit to working with DOE to ensure that it starts issuing loan guarantees as soon is practically possible?**

Yes, we will commit to working with DOE to issue these loan guarantees as soon as practicable.

**OMB Confirmation QFRs for Dr. Peter Orszag, 2009**
**Questions submitted by Senator Ensign**

**1. You have previously stated that, "many policy-makers appear to be insensitive to the long-run risks to U.S. economic performance from sustained, large budget deficits. Those risks are real, and the sooner we start to reduce them, the better." During the course of his campaign, President-elect Obama proposed hundreds of billions of dollars in new federal spending for expansive health, energy, and education programs. In addition, last week, the Congressional Budget Office released its Budget and Economic Outlook and projects over two trillion dollars in deficits over the ten-year budget window. Given your previous statement on the harm of long-term budget deficits, President-elect Obama's spending proposals, and the long-term deficits we face, what specific spending reductions would you, as OMB Director, advise President Obama to make?**

**Response**

The President has stated the urgency with which we need to tackle the current economic crisis, but he has also continually emphasized our need to address the longer-term fiscal challenge as well. He has called for a fiscal responsibility summit in February as a first step in bringing together the Administration, the Congress and the public to discuss ways of addressing our medium and long-term budget problems. And in late February, the Administration will release its budget overview for FY 2010, which will propose specific ideas for reducing the deficit over the medium term, followed by the full budget detail in April.

In the long term, as I have said previously, the foundation of our plan for deficit reduction is health care entitlement reform. Keeping health care costs down will be vital to placing the Federal budget on a sustainable basis and also for supporting long-term economic growth.

**2. There has been debate regarding the implementation of dynamic scoring, specifically incorporating models that incorporate dynamic macroeconomic feedback effects. As you know, it is not standard practice for the Joint Committee on Taxation and the Congressional Budget office to employ such models. It seems intuitive that significant changes to our nation's fiscal policy would have broader economic effects. Can you elaborate on revenue scoring on a "dynamic" basis that incorporates these broader economic effects? At the very least, it seems that JCT and CBO should employ both "static" models and models that incorporate micro and macroeconomic feedback effects to provide policy-makers with the most complete and informative information. Do you agree?**

**Response**

The estimates of proposed and legislated tax changes prepared by the Joint Committee on Taxation (JCT) and the Treasury Department's Office of Tax Policy (OTP) incorporate certain behavioral responses, such as reduced demand for cigarettes in response to an increase in cigarette taxes, or increased participation in Individual Retirement Accounts (IRAs) in response to an increase in the deductibility of IRA contributions. However, the estimates do not reflect the dynamic "feedback" effects of those tax changes on the overall economy, such as changes in labor supply or productivity growth.

Although the JCT and OTP estimates may not be perfect, the assumption of no dynamic effects permits reliable comparisons among proposed and enacted tax changes and treats the receipt and outlay sides of the budget similarly. In addition, while many proposed and legislated changes may cause shifts between sectors of the economy, many do not affect the overall level of economic activity, so there would be no "feedback" effects.

Because there is much disagreement among economists over the magnitude and timing of such "macro" effects, and the estimates are extremely sensitive to assumptions about how the changes will be financed, estimates incorporating such macroeconomic effects may be less reliable and subject to dispute. This does not mean, however, that we should not continue to analyze and report these effects when it is meaningful to do so. I supported including supplemental analyses of the dynamic effects of the President's Budget while I was Director of CBO, and I will look for this same kind of information as Director of OMB. The understanding and confidence in such estimates will continue to grow as JCT, OTP, and others continue to analyze and report these effects and reveal the assumptions that have been used and the effects that differences in assumptions have on the magnitude of the estimates.

**OMB Confirmation QFRs for Dr. Peter Orszag, 2009**
**Questions submitted by Senator Feingold**

**1. In the past some economists have provided an extremely helpful analysis of potential economic stimulus proposals by estimating the demand generated per dollar cost of the proposal. For example, last summer economist Mark Zandi estimated that temporarily increasing food stamps would generate about $1.73 in demand for each dollar the program cost, and that extending unemployment benefits would generate $1.64 in demand for each dollar the program cost, but that cutting the corporate tax rate would generate only $0.30 for every dollar that tax expenditure cost. Please provide your best estimate of the demand generated per dollar cost for each of the provisions in the President-Elect's economic recovery proposal. For those provisions for which you cannot provide such an estimate, please indicate where each fall in a list of all the provisions from greatest to least amount of demand generated per dollar cost.**

**Response**

Economists differ about the relative magnitude of the multipliers associated with government spending and taxes, although there is wide agreement that the multiplier for spending exceeds the multiplier for most tax changes. Tax changes also have incentive effects that can alter supply as well as demand.

In a white paper showing the possible macroeconomic effects of the recovery legislation, economists Christina Romer and Jared Bernstein use a multiplier for government spending that rises to around 1.6 over 8 quarters and a tax multiplier that rises to around 1.0.

The tax multiplier is for a permanent tax change and such changes are generally believed to generate larger effects on spending than temporary changes such as the 2008 tax rebates.

**2. The tax rebates included in the 2008 stimulus package have been uniformly faulted for not generating the increased demand many had expected. I understand, for example, that economist Martin Feldstein estimated that while the federal government spent $78 billion on the tax rebates in the second quarter of 2008, it only generated about $12 billion in consumption, suggesting that most of the money was used to pay down debt or was saved. What is your estimate of the demand that will be generated by the tax rebate proposal in the President-Elect's economic recovery package? How will it be better targeted than the 2008 rebate to those families more likely to spend the rebate?**

**Response**

Tax cuts, especially temporary ones, are likely to create fewer jobs than increases in government purchases. However, because there is a limit to how much government investment can be carried out efficiently in a short time frame, and because tax cuts can be implemented quickly, they are crucial elements of any package aimed at easing economic distress.

In January 2009, Christina Romer and Jared Bernstein estimated that the tax proposals in the recovery legislation could generate about 1 million jobs. These proposals include business tax incentives and a permanent middle class tax cut as proposed during the campaign.

The jobs effect of temporary broad-based tax cuts would probably be considerably smaller. The Romer-Bernstein analysis assumed that households would treat the tax cut as permanent in determining their short-run spending.

**3. How many jobs will be created by the Net Operating Loss Carryback proposal in the President-Elect's economic recovery package? How will the President-Elect ensure that this proposed business tax cut provides meaningful economic stimulus instead of either being retained by firms or passed through to shareholders or business owners?**

**Response**

A study by CEA Chairman Christina Romer and Jared Bernstein estimates that 3.7 million jobs will be created or saved by the economic recovery legislation, of which almost half a million are expected to be generated by business tax incentives. These jobs estimates were determined in the aggregate, and not calculated for each specific provision of the business tax proposals under consideration. In general, the tax cuts in the package, including the individual tax cuts, are expected to increase GDP by 66 cents per dollar of tax cut after four quarters, and by 99 cents per dollar after eight quarters.

The net operating loss carry back provision will improve business cash flow significantly, providing funds for increased investment and new jobs. Businesses will have a strong incentive to use these extra funds for investment and more hiring once they are assured that economic growth will revive and future sales and profits will recover.

**4. How much additional business investment do you estimate will take place in the next year and the next two years because of the bonus depreciation and expensing provisions in the economic recovery proposal? How many jobs do you estimate those tax provisions will create?**

**Response**

A study by CEA Chairman Christina Romer and Jared Bernstein estimates that 3.7 million jobs will be created or saved by the recovery legislation, of which almost half a million are expected to be generated by business tax incentives. These jobs estimates were determined in the aggregate, and not calculated for each specific provision of the business tax proposals under consideration. In general, the tax cuts in the package including the individual tax cuts are expected to increase GDP by 66 cents per dollar of tax cut after 4 quarters, and by 99 cents per dollar after 8 quarters.

The provisions for bonus depreciation and extension of increased small business expensing will increase business investment over the next two years by reducing their cost of capital and improving cash flow. This will eventually spur new jobs in the economy especially if other provisions are contributing to increase spending by consumers and government at the same time.

**5. If a jobs tax credit is included in the economic recovery package, how much of the proposed credit do you estimate will be claimed by firms that would have increased their workforce anyway without the credit? What steps should Congress take to minimize the use of this tax benefit by firms that would have created jobs anyway?**

**Response**

The design and implementation of previous jobs tax credit programs have made it difficult to produce anything other than highly speculative estimates of their effects. A few of the better studies suggest that about two thirds of jobs subsidized by these credits would have been created in their absence.

The proposed credit program and economic environment differ in important ways from the earlier programs from the 1970s, which raises questions of the applicability of earlier findings to the proposed credit.

In general, it is difficult to minimize the use of this tax benefit by firms that would have created jobs anyway. Identifying such firms (or types of firms) is tricky, and even if it was straightforward to identify such firms, it may be counterproductive to withhold the credit from firms creating jobs during an economic recovery.

**OMB Confirmation QFRs for Dr. Peter Orszag, 2009**
**Questions submitted by Senator Gregg**

**During the Bush administration, OMB produced a revenue baseline that assumed the 2001 and 2003 tax policy was extended. CBO produced a revenue baseline (consistent with sec. 257 of the Budget Act, even though that section expired in 2006) that reflected the scheduled expiration of EGTRRA and JGTRRA tax policy. The Congressional Budget Resolutions adopted during that time used the CBO baseline. Whether a policy needs to be "paid for" or not depends on the baseline it is measured against. If 2001 and 2003 tax policy is extended in the budget resolution baseline, a policy to extend it beyond its current expiration date in 2010 does not "score" and therefore does not need to be paid for.**

**1. Dr. Orszag, if confirmed as OMB Director, how will you advise OMB to construct its revenue baseline?**

**2. One "advantage" to assuming the tax cuts are extended is the ability to count repeal of some of the tax cuts as an offset for something else. Will you recommend that OMB assume the tax cuts are extended in the baseline in order to claim budget-offset credit for repealing some of them?**

**3. One advantage" to assuming the tax cuts expire as scheduled is a lower baseline deficit path. Will you recommend that OMB assume the tax cuts expire in order to show a lower baseline deficit path?**

**Response**

One of the main purposes of a baseline is to provide an appropriate starting point for fiscal policy development. The traditional rules for constructing the revenue baseline are problematic in this regard, because of the unprecedented size of sunsets in the tax code and the widespread expectation that most of these revenue provisions will be extended without being offset. In this context, the baseline that has been traditionally used for Congressional scorekeeping purposes provides a misleading guide to current policies as commonly understood and artificially reduces the projected baseline deficit. A baseline that incorporates the revenue impact of extending those expiring provisions, by contrast, provides a more broadly understandable indication of the implications of current policy. As OMB Director, I will work to make the baseline a reasonable starting point for budget policymakers and one that reflects the Administration's tax policies.

On the question of counting "repeal" of expiring tax cuts as an offset for something else, my understanding is that the President's Budget will devote revenue from not continuing any expiring tax provisions associated with the 2001 and 2003 tax laws to deficit reduction rather than using such revenue as an offset for a new proposal.

As noted earlier, one argument for extending expiring provisions in the baseline is to avoid incentives to obscure the true deficit outlook by neglecting to extend widely agreed-upon provisions in budget proposals.

**OMB Confirmation QFRs for Dr. Peter Orszag, 2009**
**Questions submitted by Senator Murray**

**1. Hanford and Environmental Management**

**There has been much discussion over the future of our energy system and many are looking to the Department of Energy to play a critical role in that effort. I am very supportive of that effort however; there are other jobs DOE must tend to.**

**The Environmental Management mission currently accounts for about 25% of the total DOE budget. EM is responsible for meeting the federal government's moral and legal obligation to cleanup the waste left behind from the Manhattan Project and the Cold War. The Hanford site is in my home state but this is not a one state issue. We have sites in Idaho, New Mexico, Nevada, Tennessee, and New York among others and this cleanup has been going on for years.**

**To make real progress we need an influx of funds to get cleanup back on track and steady budgets in the future. The current administration has been cutting back on funds for this work. That method has only led to laying off a trained workforce and increasing the taxpayer liability by dragging this work out.**

**I am hopeful we can get a handle on this by investing between $6 and $7 billion in the Stimulus. This will go directly to cleanup projects in place now. Currently the federal government spends $1.2 billion dollars on the "hotel costs" for these sites. That funding "keeps the lights on" at the sites but does nothing to cleanup the waste.**

**From my perspective a level of funding in the Stimulus of around $6 billion meets the requirements of immediately bringing people back to work and has the advantage of drawing down the long term costs of cleanup for the tax payer by shrinking the footprint of the complex. Do you agree that providing a funding level adequate to accelerating the cleanup of these sites is a wise and fitting use of stimulus funds?**

**I would like to learn how you intend to provide robust annual budgets for EM that will meet our moral and legal obligation to clean up these sites.**

**Response**

The Administration is committed to cleaning up the sites contaminated by the nuclear weapons research and production activities of the last half century. The American Recovery and Reinvestment Act of 2009 includes $483 million for the Environmental Management program to continue meeting our cleanup commitments. This funding is targeted at tasks that can be completed immediately with this additional funding.

However, as the President stated recently, we have to make tough choices and smart investments today so that as the economy recovers the deficit starts to come down. As the DOE Inspector General noted in a recent report, environmental cleanup remains a challenge in need of significant management attention. We will work to improve program performance and accountability to deliver the results needed to protect public health and the environment in a fiscally responsible way. We will also carefully examine the needs and priorities of this program in the context of the overall budget for both the Department and for the government as a whole. As I discussed in my testimony, more information will be provided in the FY 2010 Budget.

**2. Fate of the Highway Trust Fund**

**As Chairman of the Transportation Appropriations Committee, I am very concerned about the fate of the Highway Trust Fund. Sometime over the course of next year, the Trust Fund is going to go bankrupt. Bankruptcy was only avoiding this year by passing emergency legislation to transfer more than $8 billion back into the trust fund at the beginning of September.**

**The President-elect is proposing some $20 billion in stimulus funds for highways. All those dollars will come from the general fund -- not the trust fund.**

**But if we do not find a permanent way to sure up the trust fund, we could end up boosting highway funding in the stimulus bill only to slash highway funding in our annual transportation appropriations bill for 2010.**

- **Would you agree that we will undermine our efforts to boost employment and economic activity if we have to turn around and slash highway funding in 2010?**
- **What solutions do you think the new Administration and Congress should be looking at to shore up the Highway Trust Fund?**
- **Should we expect the new Administration to be proposing solutions to the Highway Trust Fund crisis in your 2010 budget request?**

**Response**

As you know, the Administration is deeply concerned about the state of the economy. To create and sustain jobs, the Administration is calling for, among other measures, significant infrastructure investment. We concur that reducing highway funding in 2010 would work at cross purposes to this goal, and intend work with the Congress to address the systemic issues related to the Highway Trust Fund in the context of surface transportation reauthorization.

Restoring the long-term solvency of the Highway Trust Fund is a major challenge that

must be addressed in the upcoming surface transportation reauthorization cycle. We look forward in working with Congress in the coming months on funding and programmatic matters, including the condition of the Highway Trust Fund.

The Administration recognizes that, over the long term, trust fund solvency can only be achieved by aligning spending and revenues.

The Administration fully appreciates the Highway Trust Fund is no longer on a self-sustaining path and hopes to address the issue in the context of surface transportation reauthorization.

**3. Dr. Orszag and I have had great conversations on the need to investing in our badly out-of-date transmission system. I appreciate your commitment to work with me on including an additional $5 billion in borrowing authority for the Bonneville Power Administration in any stimulus proposal. This funding will allow BPA to integrate 4700 megawatts of wind, and create thousands of family wage, green collar jobs.**

**Early Repayment Proposals**

**During the last Administration, the Pacific Northwest had to fight OMB from undermining our regional decision making process by trying to force the Bonneville Power Administration to make additional debt payments above the already agreed-upon repayment schedule.**

**These proposals were dangerous and detrimental to the Pacific Northwest they would have circumvented the regional process used to determine rates and would have set a precedent of administratively imposed rate increases to EPA customers. And BPA does make early repayments on its Treasury debt.**

**With my colleagues from the Northwest, I worked to defeat those proposals, which will always be DOA here in Congress.**

**Can I get your commitment that your budget will not contain forced early repayment proposals?**

**Response**

I look forward to working with you and your colleagues from the Northwest so that the Administration's budget for BPA is consistent with the agency's continued long-term financial health, and considers the needs of BPA's customers and the Pacific Northwest's regional decision making process.

**4. OSHA**

**Dr. Orszag, I was dismayed to read the Washington Post article (December 29, 2008) about OSHA's inaction that has resulted in issuing 86 percent fewer rules or regulations labeled "economically significant" under the Bush Administration as compared to the Clinton administration. There is much to be done so that workers one again can go to work confident that both government and employers have done all they can to provide a safe working environment that ensures they return home safely.**

- **As director of OMB, will you give the necessary weight to policies and resources that strengthen safety and health standards for America's workers and adequately enforce them?**

**Response**

Workplace safety is a very important issue and one which we will take very seriously. We plan to conduct a careful review of all regulations that were promulgated during the Bush Administration, and we are committed to ensuring that the costs and benefits of all regulations are weighed appropriately. As OMB Director, I will work with the Secretary of Labor so that OSHA has the resources to develop necessary regulations and adequately enforce workplace safety and health standards.

**5. Workforce Investment Act**

**I have worked for the last four years as Chairman of the Subcommittee on Employment and Workplace Safety to reauthorize the Workforce Investment Act (WIA) in a consensus manner. These efforts were blocked due to larger party politics that are no longer relevant. Getting a "jobs" bill done quickly is a strong signal that we care about ensuring America's workers stay in or enter the middle class.**

- **As OMB director, do I have your commitment to work together to quickly reauthorize the workforce programs under WIA that are critically needed in this economic downturn?**

**Response**

As the Director of OMB, I am committed to helping improve the effectiveness of all government programs, including those that provide education and training to America's workers. I look forward to working with you, along with the Secretaries of Labor and Education, to accomplish that, through reauthorization of WIA and other means.

6. PART and Workforce/Employment Cuts

**Dr. Orszag, the Bush Administration employed a highly partisan approach through the Program Assessment Rating Tool (PART) to justify various workforce preparation and employment program funding cuts and to achieve political goals.**

- **As OMB director, will you affirm the development of unbiased tools to effectively and objectively evaluate program performance to inform both the Congressional and Administration decision-making processes?**

**Response**

Based on a very preliminary assessment, the PART process seems overly process-intensive and not especially well-aligned with key decision-making systems, including the budget. Before radically modifying it or discarding it, however, I think we need to have a broader conversation. The President has talked about fundamentally reconfiguring PART and opening up the insular performance measurement process to the public, Congress and outside experts. Future efforts to improve results should focus on performance standards that Congress, Federal managers, and the public find useful. Another primary aim will be to conduct more robust evaluations and assess programs in the context of other programs with similar goals.

Part of our efforts will include the creation a set of performance metrics that are outcome-oriented and in line with public expectations and a central repository of performance data that will be available to departments and agencies, Congress, and the general public. We view these data as an important source of information for improving performance across the Federal government.

In addition to early discussions with Congressional committees and GAO, OMB will also reach out to non-partisan organizations like the National Academy of Public Administration, the Partnership for Public Service, and the Council for Excellence in Government to formulate this performance framework.

7. FBI agents for Criminal Investigations

**While the Bush Administration increased the Bureau's budgets for intelligence and counter-terrorism, it unfortunately completely neglected any new funding to deal with its traditional law enforcement mission.**

**What was worse was the Administration moved 2,400 agents from law enforcement to deal with counter-terrorism without any backfill.**

**Nobody disagrees with the FBI's focus on terrorism, but the Bureau's budgets need to show a real commitment for new agents to deal with law enforcement,**

**financial crimes and mortgage frauds that will otherwise go uninvestigated and unpunished. We are now in a worst-case scenario where criminals can defraud innocent victims and steal their money and their futures with no real threat of prosecution.**

- **Will you pledge to work with Congress to help correct and restore the FBI's crime fighting mission?**

**Response**

I will work with the Congress to provide appropriate funding for the FBI. The Administration will continue to assess the balance between the FBI's criminal and national security programs and position the Bureau to address threats in both areas.

**8. Department of Justice State and Local Grants**

**The Bush Administration consistently undermined important Department of Justice programs that benefit state and local law enforcement. I am talking specifically about the Byrne Grants and COPS Grants programs. Year after year, the Bush budgets would essentially eliminate these programs.**

**Law enforcement officials in Washington state always tell me how important these programs are for them to participate in federal-local task forces or to procure new equipment or to fight the spread of meth in their communities. Now, as state and local governments are slashing their budgets, law enforcement is telling me that these programs are more and more important.**

**As you know, the Vice President-elect was a champion of these programs, and I hope the Administration will continue the work he and the Congress have done to protect them.**

- **Can you please speak on the Administration's plans to bolster the Byrne and the COPS programs?**

**Response**

As you know, the President has pledged to support local law enforcement and provide funding to put 50,000 additional police officers on the nation's streets. With respect to Byrne Grants, we are examining them as part of our review of funding for State and local law enforcement assistance.

**9. Infrastructure Bank**

**The President-elect has supported the creation of an infrastructure bank: a new organization that would give out billions of dollars of grants for infrastructure projects across the country. Under the plan Senator Obama supported last year, the bank would not be considered to be part of the federal government, but it would be financed primarily through federal tax benefits. I am confused as to why this proposal is being considered as part of the stimulus package. On the one hand, you have emphasized that infrastructure stimulus funds need to be spent quickly. On the other hand, it would take quite a long time to set up a brand new infrastructure bank. You will need to:**

- **stand up an entirely new program,**
- **hire staff,**
- **develop funding criteria and applications,**
- **solicit proposals,**
- **make funding decisions, and**
- **sell new bonds to finance the projects.**

- **Realistically, how quickly do you think you can create construction jobs on projects funded by the bank if we just begin starting up the bank this winter?**

- **Does this timeline comport with the incoming Administration's deadline for spending on other infrastructure initiatives in the economic recovery package?**

**Response**

The Administration envisions the creation of a National Infrastructure Bank as a mechanism to expand and enhance existing federal, state/local, and private funding sources in support of projects that would produce substantial national benefits and foster economic growth for years to come. While we recognize that the bulk of the benefits from the Bank would accrue outside the window for recovery spending, we view the Bank as complementing recovery efforts, paving the way for a productive and sustainable investment model into the future. Because the proposal has a lead time, starting it now rather than one year from now will advance the date on which it can start contributing to better infrastructure decisions.

**10. <u>Agricultural Research Service</u>**

**The Agricultural Research Service (ARS) has provided important economic tools for our nation's farmers by conducting research to ensure that we are growing healthy, robust crops. The research done at ARS helps to make sure our agricultural industry can compete in a global marketplace.**

**In order to conduct this research, ARS needs additional buildings and facilities. One such building is slated for Washington State University's Pullman campus. Working with my colleagues from the Washington state, we've banked over $12**

**million toward this building. Although budget times are tight, I would like to make sure that efforts made thus far are not stopped cold by proposals that would cancel available from previous projects.**

- **Do you think that accounts like the ARS buildings and facilities account should have previous funds canceled?**

Response

Effective Federal research depends upon top quality research facilities. While new construction is important when it contributes to this goal, it is also important that existing facilities be modernized and safety and health problems be corrected so facilities can operate efficiently and effectively. OMB will work with the Department of Agriculture to address the highest priority agricultural research construction and repair in a timely manner.

**11. Funding for Indian Programs**

**As you know, over the past eight years, funding for many Indian programs like urban Indian programs or natural resource programs have been level or steadily declining. And some programs like Urban Indian Health Clinics have been eliminated in previous budget requests.**

**We must honor our treaty obligations to our nation's Indian tribes, and I am looking forward to working with you to ensure that these important programs get back on track.**

- **Will you work with me, and my colleagues, to ensure that we are properly honoring our treaty obligations?**

Response

I look forward to working with you and others in Congress to make certain that programs that provide services to Federally-recognized Tribes have the resources to support services for Native Americans. I recognize that many programs across the Federal Government provide benefits to the tribes and Native Americans and that we have a duty to make sure these programs are both efficient and effective.

**12. Updating Federal Dam Facilities**

**As you may know, my state relies heavily on hydropower from federal dams. Our private utilities and publicly owned utilities are making investments to increase renewable energy production and reduce environmental impacts in facilities they own; at the same time federal investments in Corps of Engineers and Bureau of**

**Reclamation projects are not keeping pace. Improvements in these facilities will mean more efficiency for hydropower production and will be much friendlier to fish.**

**In many of these facilities, such as those that provide power that the Bonneville Power Administration markets, the federal government is getting a return on its investment in the form of ratepayer dollars to the Treasury.**

- **Can we expect OMB to give favorable consideration to new investments to modernize federal hydro projects that provide increased benefits?**

- **Can OMB, working with the Corps and the Bureau, produce an investment and replacement schedule for these federal facilities? Can we prioritize those projects where the federal government receives some return of its money, as BPA ratepayers provide?**

**Response**

OMB will continue to work closely with the Army Corps of Engineers, the Bureau of Reclamation, and the federal Power Marketing Administrations to prioritize investments aimed at improving the operation and reliability of Federal hydropower projects to best meet the Nation's short-term and long-term hydropower needs.

**13. <u>Pacific Salmon Treaty</u>**

**As you may know, the federal government, working with the states of Washington and Alaska, has been working to amend the Pacific Salmon Treaty, which sets goals for the conservation of salmon and ensures that parties receive appropriate benefits of its salmon production.**

**The U.S. and Canada have reached an agreement on an annex to the Treaty, whereby Canadian fishermen will restrict their catch of U.S. salmon that swim in Canadian waters. Funding is needed in the State Department and NOAA budgets to implement this annex, or Canada could walk away from the annex and threaten much of the gains we have made in salmon conservation.**

- **Do you think that the State Department and NOAA should honor the legal commitments they made in this treaty annexation?**

- **Will you work to ensure that this funding is included in the budget for these agencies?**

**Response**

Implementing the Pacific Salmon Treaty is important, and the Administration will support the treaty's legal commitments for funding within the context of the budget process.

**OMB Confirmation QFRs for Dr. Peter Orszag, 2009**
**Questions submitted by Senator Sessions**

**1. Once economic growth picks back up, what do you think is the best way to pay down our existing debt? Will we need to cut spending, monetize the debt (inflate the currency), or raise taxes?**

**Response**

Monetizing the debt is not an option under consideration. Although some nations have chosen to monetize their debt as an easy short-term solution, in the long-run it can lead to severe economic problems such as sharp increases in interest rates and hyperinflation.

The appropriate approach to reducing the debt is to reduce the deficit, which will require a combination of reduced spending and increased taxes. With sustained economic growth and a budget that is in balance or running modest deficits, debt will decrease as a share of GDP. For example, from 1950 to 1975, the debt fell from 80 percent of GDP to 25 percent even though the budget was in surplus for only five of those years.

In the long-run, however, even sustained growth will not be enough to ensure that the debt remains at sustainable levels unless the problem of growing entitlement spending, particularly for Medicare and Medicaid, is addressed.

**2. If Cabinet-level officers are able to identify savings in their agencies, or are otherwise able to identify waste and abuse, do you think it would be a good idea to require those savings to be used to pay down the debt?**

**Response**

We must eliminate waste and abuse of taxpayer dollars regardless of whether the wasted money would be used to pay down the debt. The Administration is committed to improving the performance of Government programs. To that end, if an agency can identify better programmatic uses for money – uses that would allow the agency to meet its mission more efficiently or more effectively – then we will work to embrace those better approaches. Over time, increased program efficiency and effectiveness should reduce pressure on agency budgets and ultimately lead to slower growth or a reduction in the debt.

**3. You have also written that Democrats in Congress would do well to remember that protectionist steps such as trade and hiring restrictions "may appear to provide much-needed temporary help, [but] the evidence suggests [they] will**

**ultimately harm the economy." In light of this, what are your views on the pending free trade agreements with Colombia, Panama, and Korea?**

**Response**

The President has been clear that trade agreements should support good American jobs while spreading good labor and environmental standards around the world. The Administration will take a fresh look at all three pending agreements in light of our overall trade policy and make a determination of the most appropriate course for each one.

**4. How serious is the problem of individuals not saving for their retirement? Do you think that a portable individual retirement account system might help the country address its long-term fiscal challenges?**

**Response**

Many workers approach retirement with little or no financial savings, and defined-benefit pension coverage continues to decline. While the trend towards defined-contribution pensions and IRAs has increased individual control over retirement planning, the current pension system is so complicated and saving incentives are so weak or non-existent that many middle- and low-income families do not save for retirement. Creating a system of portable individual retirement accounts would help address the problem of inertia that prevents many workers from beginning to save, as would requiring employers to automatically enroll employees in existing pension plans. Workers would have the option of opting-out if they choose. A growing body of evidence suggests that automating savings in this way would substantially boost participation in retirement plans and expand retirement saving. Also, expanding the existing Saver's Credit while making it fully refundable would increase incentives to save for middle- and lower-income families.

**OMB Confirmation QFRs for Dr. Peter Orszag, 2009**
**Questions submitted by Senator Stabenow**

**1. Budget Reform**

**According to the most recent CBO estimates we are facing a trillion dollar deficit next year and perhaps the year after. And when President-elect Obama named you, Dr. Orszag, to be Director of OMB he said your job would be to conduct a thorough review of federal spending programs, "eliminating those programs we don't need and insisting that those we do need operate in a cost- effective way."**

**(a) What programs come to mind when you think about unneeded programs or programs that can operate in a more cost-effective manner?**

**(b) At this point the federal government has committed trillions of dollars to freeing up liquidity in the credit markets. What effect do you see this having on future commitments? Where do you think the most significant sacrifices will be made as a result of committing trillions of dollars to freeing up liquidity?**

**(c) While campaigning for President, President-elect Obama pledged to use a scalpel when reviewing the federal budget. In using this scalpel how do you intend to decide which programs to cut out?**

**(d) What criteria do you intend to use to determine which programs should be eliminated?**

**Response**

(a) The Administration will release proposals to reduce spending and eliminate programs as part of the new President's FY 2010 economic and budget overview, which we plan to release in late February.

(b) It is premature to speculate on the effect of the liquidity actions on the future budget outlook. Through these actions, the Treasury and the Federal Reserve have acquired significant assets, such as preferred stock and loan receivables, that may eventually result in recoupment of much or all of the original commitment.

(c) As described above, we will release proposals to reduce spending and eliminate programs as part of the new President's economic and budget overview in late February. That release will contain proposed program eliminations and reductions.

(d) OMB will work with agencies to identify functions, services, and programs whose purposes could be achieved more effectively elsewhere. Programs that are duplicative, are unable to link their activities to outcomes, or have out-lived their usefulness would be candidates.

**2. Health Information Technology**

**In the many times you have testified before both the Budget and Finance Committees, you have heard me say we are in the midst of a fiscal and moral crisis on healthcare. For example, Families USA recently reported that for a family receiving employer-based insurance in Michigan, the annual health insurance premiums rose from $6,800 in 2000 to $12,100 in 2007 that's an increase of $5,300 or over 78%. During the same time, the median earnings of Michigan's workers increased from $25,900 to $27,000 an increase of $1,100, or four and a half percent.**

**In this time of economic downturn, we must look to more innovation to rein in health care increases. Health care spending needs to be more cost-effective, and we must start demanding more for our money. I believe health care information technology can help us accomplish these goals. That is why I introduced 5.179, the Health Information Technology Act, with Senator Snowe.**

**In your testimony in June of last year on The Long-Term Budget Outlook and Options for Slowing the Growth of Health Care Costs, you said that one of the complementary approaches to reducing total spending on health care involves changing the incentives for providers and consumers on health care.**

**(a) Do you agree that incentivizing payments for the adoption of innovate ideas, such as health IT, is a good first step towards lowering health care costs overall?**

**(b) Would you also agree that the federal government should play a role in helping providers, especially safety-net providers such as public hospitals, community health centers and rural health clinics, overcome financial barriers in adopting health IT? I believe IT funding should be an important component of the economic recovery package.**

**Response**

As you suggest, the principal driver of our nation's long-term fiscal problem is rising health care costs. Improving the efficiency of the health system is not only central to our fiscal future, though. Health care costs are already imposing severe burdens on state governments, and reducing worker's take-home pay to a degree that is both unnecessarily large and perhaps under-appreciated.

Substantial opportunities appear to exist to reduce health care costs without harming health outcomes. Significant evidence suggests that higher-cost care does not always mean higher-quality care. Perhaps the most compelling evidence of this fact is that per capita health care spending varies widely across the United States, but the very substantial variation in cost per beneficiary is not correlated with overall health outcomes. Embedded in the country's fiscal challenge and the current burdens on state governments and workers are thus opportunities to reduce costs without impairing

health outcomes overall. To capture these opportunities requires a combination of steps, including:

- expanding the use of health information technology (IT) and electronic medical records, while preserving privacy and security, which is a necessary (but not sufficient) step to improving the quality and efficiency of the health care system;

- expanding research on "comparative effectiveness" of different options for treating a given medical condition, which could provide information on both medical benefits as well as costs;

- providing financial incentives for better care rather than more care (currently, financial incentives for providers and patients encourage or facilitate expensive treatment and procedures, even when there is little evidence that they are more effective than existing therapies); and

- providing incentives for prevention (such as immunizations and screening tests) and healthy living (such as avoiding obesity and smoking) so that people have fewer health care problems throughout their lives.

**3. Health Information Technology**

**In the past you have spoken about how Medicare and Medicaid payment policies can be used to shape the entire healthcare system. For example, restructuring Medicare's payment policies to reward quality and efficiency will influence private payers' policies. We can also look at payment and reporting policies to accomplish other goals such as reducing health disparities.**

**In the Medicare Improvements for Patients and Providers Act, I worked with Senator Baucus to include a section that would analyze Medicare data by gender, race, and ethnicity that is largely based on my HEART for Women Act. In your past testimonies to Congress as Director of CBO, you have emphasized prevention as a way to lead to better health outcomes. I believe that having more quality reporting on health disparities can serve as a guide for prevention policies. Of course, if providers had health IT systems, it would be much easier and more efficient to collect the data we need for more quality reporting and information on disparities.**

**(a) In your role as Director of OMB, do you think that there will be an effort to address issues in health disparities and ways to increase data reporting, either through investments in health IT or other alternatives?**

**Response**

Your question makes an important point in linking quality reporting to the use of health information technology. The widespread use of health information technology would provide better management of health information, increase efficiencies, and reduce medical errors. This could improve the quality of health care, which in turn would improve health care outcomes. Data from health IT could also provide comprehensive information about health histories and treatment outcomes for differing populations.

**4. Unemployment Insurance**

**The nation is experiencing higher than normal unemployment. At 7.2% nationally and 9.6% in my home state of Michigan, the highest in the country, working families are finding themselves without work during one of the most difficult times in the post war era.**

**(a) Do you believe that another extension of unemployment benefits would benefit families that are having a difficult time finding work, especially given that you have said before the Finance committee that such benefits typically have a strong stimulative effect on the economy?**

**(b) Also, modernizing the unemployment insurance program will broaden the groups of people who are able to utilize the benefit, including part-time workers which are typically single mothers and people of color. What are your thoughts on modernization?**

**Response**

(a) I agree that a temporary extension of unemployment benefits would benefit workers who are now having a difficult time finding work, and the Administration has supported the inclusion of such an extension in the economic recovery package. Those benefits can be readily made available to the unemployed and – based on research by CBO and others – it is likely that recipients would quickly spend most of those benefits.

(b) The Administration supports modernizing unemployment insurance to reflect changes in the labor force, and supported the inclusion of UI modernization provisions in the economic recovery package. These provisions will give States monetary incentives to update their UI programs to include part-time workers, those with short work histories, and those forced to resign for compelling personal reasons like domestic violence.

**5. Technology Innovation Program**

**The Advanced Technology Program (ATP) has been a boon for the manufacturing industry. A study by the National Institute of Standards and Technology found that ATP shortened R&D cycles by half. In 2007, the America Competes Act, changed the name of the Advanced Technology Program to the Technology Innovation Program. Not only did the name change, but so did funding rules.**

**Small and Medium sized businesses are now eligible for less money and must now raise half of the money needed to complete a project. Small and medium sized businesses are feeling the effects of the economic downturn and tightening of the credit markets. In December, of the 693,000 jobs lost, 600,000 were from small-medium sized businesses.**

**(a) Do you believe the high cost share and reduction in funds for small and medium sized businesses is necessary? If so, why?**

**Response**

The structure of the Technology Innovation Program (TIP) program was set forth by the 2007 America COMPETES Act. The 50 percent limit for the Federal cost share under TIP recognizes that the program makes grants to for-profit companies for activities that ultimately are intended to be profitable for these firms. In addition, products or services developed through TIP assistance may compete against products or services developed by rival firms without the benefit of Federal grants. Additionally, while the Federal cost share for single company projects is somewhat lower under TIP than under ATP, the dollar limit on Federal contributions to these projects is higher under TIP.

**6. Battery Production**

**I've read many reports and certainly heard many economists talk about how we need to end our dependence on foreign oil. This remains true despite the recent dip in oil prices. I also hear a lot about developing green sources of energy like wind and solar power. However, what I don't hear a lot discussion about nor do I see a lot of research on is how we are going to store and distribute the energy from these new sources. It seems to me that reducing our dependence on foreign oil is also a way to improve our economic outlook. And the key to that is being able to domestically produce energy storage solutions like batteries because we don't want to go from relying on foreign oil to relying on foreign batteries.**

**(a) Do you see a role for government support in new industries such as battery production facilities?**

**(b) How might government support for battery production facilities and other green industries affect the long-term unemployment rate?**

**Response**

(a) Yes. The Administration will carefully examine the funding needed to advance battery technology as we develop future budgets.

(b) Battery facilities built in the U.S. could generate direct employment through their construction and operation. These facilities could also increase employment in

upstream industries (e.g., battery component suppliers) and downstream industries (e.g., hybrid vehicle manufacturers). However, it is unclear at present how significant the impacts of these actions would be in reducing the long-term unemployment rate nationally, given the relatively small scale of the U.S. battery industry as compared to the economy as a whole.

7. Manufacturing

**The past eight years we have had to deal with an Administration that does not understand the importance of manufacturing in this country or the challenges facing the automobile industry. It seems that each day we hear about more and more American manufacturing being shipped overseas. We've lost textile manufacturing. We're losing, among other industries, tool & die and automobile parts suppliers. And I say all of that without mentioning automobile manufacturing. And I don't have to tell you that the American manufacturing jobs built the middle-class in this country. And that is the same middle class that is suffering today.**

**(a) Does the President-elect have a plan to regain our leadership in manufacturing?**

**(b) I would like to hear what you think the role of manufacturing is in our economy and, if confirmed, how you plan to utilize TARP to support this vital industry?**

**Response**

(a) The President recognizes the important role that manufacturing plays in our economy and the need to strengthen this sector. The federal government will assist U.S. manufacturers through programs such as the Manufacturing Extension Partnership and the Technology Innovation Program. These programs encourage partnerships among industry, state and Federal entities, and academia and help foster innovation in manufacturing processes and products. Additionally, government investment in green technologies will encourage the growth of related manufacturing jobs. Most importantly, the Administration's dedication to restoring economic growth and the underlying strength of the American economy, capital markets, and workforce will ultimately provide the most important sources of growth to the U.S. manufacturers.

(b) The President has spoken forcefully about the importance of a strong economy that includes a dynamic manufacturing sector. Manufacturing plays a significant role in our economy, as it supports 13 million jobs and represents about 14% of GDP. Pursuing policies to get the economy moving again, such as the economic recovery legislation, has clearly been a priority for the Administration and will help support a healthy manufacturing sector. TARP has provided urgently needed resources to financial institutions to help provide liquidity to all sectors of the economy including

manufacturers, and TARP has provided direct assistance to important auto manufacturers that will help not only those institutions but other companies in the broader auto manufacturing industry. In concert with economy recovery legislation and proper oversight, TARP will also benefit our economy by providing needed liquidity to help restore healthy credit markets. The Administration recognizes that it is imperative to get the economy growing again with a healthy manufacturing sector and will explore all available options to attain this goal.

**8. Manufacturing and Green Jobs**

**During the campaign President-elect Obama gave a speech in Lansing, Michigan. During that speech he spoke about his New Energy for America plan. He has also committed to "strategically" investing "$150 billion over 10 years to accelerate the commercialization of plug-in hybrids, promote development of commercial scale renewable energy, encourage energy efficiency, invest in low emissions coal plants, advance the next generation of biofuels and fuel infrastructure, and begin transition to a new digital electricity grid." All of this investment will do little for the national economy if it does not result in the creation of the kinds of manufacturing jobs that built and continue to be the foundation of the middle class.**

**(a) Can you tell me how your Administration intends to "strategically" invest this $150 billion to support the creation of Green Collar manufacturing jobs in the U.S.?**

**Response**

Several key initiatives in the New Energy for America plan are aimed precisely at creating Green Collar manufacturing jobs here in the U.S. For example, to accelerate the commercialization of plug-in hybrids, the plan proposed an initiative to provide grants and loans to domestic facilities for automobile manufacturing and component suppliers to build these vehicles. To jump-start this initiative, $2 billion in funding for domestic battery manufacturing has been provided in the American Recovery and Reinvestment Act of 2009. The Administration is committed to working with Congress to make investments leading to the creation of manufacturing jobs in the U.S.

**(b) Can you tell me how the Administration intends to "strategically" invest in Green Collar jobs that will create the manufacturing jobs necessary to support the middle class and develop a vibrant economic base?**

**Response**

Through key initiatives like the ones outlined above, the Administration intends to jump-start Green Collar industries and manufacturing here in the U.S.

SBC-Enzi-01

**Hurricane Katrina, the 2001 attacks on the World Trade Center buildings and the financial market crisis of last October all illustrate the folly of our failure to establish an emergency reserve fund. Nearly every state imposes statutory requirements on its legislature to ensure funds remain available to respond to unanticipated events, yet the federal government still refuses to do so. As a result, our ability to respond to crises suffers for it. What mechanism will the Obama Administration implement to help the federal government be more prepared to respond to emergencies?**

**Response**

As you know, predicting catastrophic events is nearly impossible. However, it is easier to estimate the likely assistance needed to address medium and small disaster that occur with greater frequency throughout the United States every year. Consequently, the Budget includes funding in programs such as FEMA's Disaster Relief Fund and the firefighting program of the Departments of Agriculture and the Interior that are based on historical averages of the annual cost of addressing these types of disaster.

An emergency reserve fund is likely to be much more useful at the State level because State legislatures tend to be in session for only part of the year. The United States Congress is usually in session for most of the year and can therefore respond to a catastrophic emergency quickly. For that reason, appropriating a reasonably-sized emergency balance to FEMA, for example, to handle the immediate response to an emergency, followed by quick approval by Congress of additional funds once the extent of the crisis is better known, meets our needs in most cases. Where the size and severity of the emergency dwarfs existing balances, Congress has shown that it can quickly provide funds to meet the immediate need, as it did in the wake of Hurricane Katrina.

That said, I think it would be useful for future budgets to include a notional estimate of the cost of emergencies. I will be exploring options to do this.

**SBC-Enzi-02**

**In February 2007, the Department of Labor announced that Wyoming would finally receive a Job Corps Center. In these tough economic times, there are few activities as important as fob Training. Since the Wyoming Center was announced, I have been told that there is push back from the Office of Management and Budget (OMB) at both the Director level and the staff level to building this important facility that was awarded to our state after a competitive process in 2007. Can you ensure that, if confirmed, the Office of Management and Budget will not work against these facilities and will work to see them built?**

**Response**

Providing job training opportunities for disadvantaged youth, including through the Job Corps program, is an important activity. I understand that the Wyoming Job Corps center is in the design phase of the construction process and the Department of Labor has sufficient resources to complete construction of the center, which is scheduled to open in June 2012. OMB will work with the Department of Labor to see that adequate resources are allocated to construct and operate this center.

**SBC-Nelson-01**

**In 2004, when President Bush provided NASA with a new Vision for Space Exploration he also pledged to request additional funds for the agency_ Unfortunately the administration promptly fell through on that pledge and the result is that NASA was forced to cannibalize other programs and stretch out the development of the Constellation program that is to replace the Space Shuttle. This is now going to create a 5 year or longer gap during which the U.S. will be laying off thousands of our own space workers while paying Russia to fly our astronauts to and from the Space Station.**

**Given the current economic crisis we are facing, and the fact that the high-tech type of work that NASA does is critical to our future economic competitiveness, doesn't it seem logical that we should be investing more funds in NASA and the other agencies that help drive the innovation our country needs?**

**Response**

The Administration recognizes the immense transformative power of technology and innovation and how they can improve the lives of Americans while keeping America competitive in the global economy. In this context, we will evaluate funding for the broad range of programs in basic research and technological innovation within NASA and other Federal agencies.

**SBC-Nelson-02**

**Dr. Orszag: The intergovernmental effort to restore the Everglades is the largest watershed restoration project in the world. There are significant environmental benefits and economic benefits for the economy of South Florida. President-elect Obama committed during the campaign that the federal government would be a full and equal partner to the State of Florida in efforts to restore the Everglades. In the Water Resources Development Act of 2000, the Congress established a 50/50 cost share for Everglades restoration projects. Thus far, the State has expended more than four times the amount expended by the federal government largely due to the fact that the Bush Administration did not make Everglades restoration funding a high priority.**

**Will this Administration make the Everglades restoration program a presidential priority again?**

**Will this Administration significantly increase the federal construction funding in the FY 2010 President's Budget for Everglades restoration so that the federal government will be a full and equal partner to the State of Florida and projects that are now planned and ready to go will be completed in the next four years?**

**Response**

The Administration recognizes the importance of restoring the ecosystem of the Everglades. We will evaluate the overall restoration effort and develop a strategy to best meet this objective.

The Administration looks forward to working with the State of Florida to advance the restoration effort. However, we have not made decisions on FY 2010 funding for any specific Everglades project or for the restoration program as a whole. In late February the Administration will release its budget overview for FY 2010, followed by the full budget detail in April, which should address more specific funding proposals. I will keep your views on the funding for Everglades restoration in mind as we develop our FY 2010 Budget.

**SBC-Nelson-03**

**OMB has a significant role in developing and issuing regulations. In 2003, the federal government issued programmatic regulations at 33 CFR part 385 to guide the implementation of the Comprehensive Everglades Restoration Plan (CERP). One element of those regulations that has caused considerable delay in the planning and justification of projects is the "next added increment" analysis, or "NAI." NAI was added to the regulations by OMB and was not requested or supported by the Army Corps of Engineers, interior or the State (Interior and the State concur on the regulations) when the regulations were first drafted. Because the law authorizing the CERP includes language clearly stating that the projects are justified by their environmental benefits alone and requires no further economic justification, do I have your commitment to delete the NAI if the deletion of NAI that is proposed by the Army Corps, Interior and the State during the reissuance of the regulations that is expected to occur next year?**

**As just discussed, the programmatic regulations are being revised. The first regulations were over 2 years late. That is not acceptable. Do I have your commitment that the reissuance will occur expeditiously?**

**Response**

The Administration want to ensure that the restoration program formulates and implements projects in a manner that produces the highest overall environmental return to the Nation from available funds, both in the short-term and over the longer-term. We are open to suggestions on ways to improve upon the current analysis. OMB will also review the revised programmatic from the perspective of any applicable statutory and executive order authorities.

At this time, the Administration does not know how long it will take to complete the revised programmatic regulations. The revision could raise a number of issues, some of which may be technically complex. The Administration will work to resolve such issues expeditiously should they arise.

**SBC-Nelson-04**

**We continue to see a growing wealth gap and more than four years of near negative savings rates. In Florida, 21% of households are asset poor and 14% have zero net worth. President-elect Obama included specific recommendations to incent savings and investing by working families in his platform.**

**Can you share with me some ideas on how the Administration and Congress can improve savings policies to help families become more financially secure?**

**Response**

The Administration supports proposals to make saving easier and increase incentives for middle- and lower-income families to save for retirement. This includes mandating that employers automatically enroll workers in existing workplace pension plans. Employers who do not currently offer a retirement plan would be required to enroll their employees in a new system of direct-deposit IRA accounts. Employees would always have the option of opting-out if they choose. Also, the existing Saver's Credit should be expanded, made refundable, and automatically deposited into retirement accounts. These proposals would improve incentives for saving and help workers overcome the inertia that often keeps them from participating in employer sponsored plans.

**SBC-Nelson-05**

**I have worked for eight years to eliminate the unjust offset between the Department of Defense Survivor Benefit Plan (SBP) and the Department of Veterans Affairs Dependency and Indemnity Compensation (DIC). Under current law, if the surviving spouse of a servicemember is eligible for SBP, that annuity is reduced by the amount of DIC received. The Defense Department will have a big role in eliminating the offset but your office can lend a hand by helping the Department balance mandatory and discretionary spending, i.e., appropriately funding veterans' benefits and much-needed defense programs.**

**How do you see your office assisting with eliminating this offset? How will your priorities fit into ending this offset? As you work to balance discretionary and mandatory spending for our veterans and their families, will you work include elimination of this offset in the executive branch through budget requests?**

**Response**

The Administration is committed to ensuring that service members, veterans, and surviving spouses and families receive care and support commensurate with the tremendous sacrifices they have made for the nation. We know you share the same goals, and we appreciate your continued interest in this issue.

We will work with the Department of Defense and the Department of Veterans Affairs to evaluate the compensation provided by the Survivor Benefit Plan (SBP) and the Dependency and Indemnity Compensation (DIC) to determine the appropriateness of the support. Without this evaluation, it would be premature to declare our support for one policy or another.

**SBC-Nelson-06**

**As director of the Congressional Budget Office, you testified before this Committee many times on the unsustainable path of our health care system. The two books on health reform released by the CBO last month are further testament to the emphasis you place on this issue.**

**With a near-trillion dollar economic stimulus package already passed, and another one on the horizon, can we afford to make the upfront investment that health care reform requires? Can we afford not to?**

**Response**

We can reform the health care system by investing federal resources prudently across the board, and in turn, restraining the rate of growth in spending. Opportunities appear to exist to reduce health care costs without harming health outcomes. Rising costs for Medicare and Medicaid, in turn, reflect rising health care costs across the public and private sectors. We therefore need to be thinking about ways of slowing overall health care cost growth, rather than just slowing growth in Medicare and Medicaid. Indeed, were we to try to slow Medicare and Medicaid spending alone without slowing the rate of growth in health care costs system-wide, we would simply create massive access problems for Medicare and Medicaid beneficiaries since providers would be increasingly unwilling to serve those populations relative to others.

Significant evidence suggests that higher-cost does not always mean higher-quality care. As I have noted before, perhaps the most compelling evidence of this fact is that per capita health care spending varies widely across the United States, but the very substantial variation in cost per beneficiary is not correlated with overall health outcomes. Embedded in the country's fiscal challenge and the current burdens on state governments and workers are thus opportunities to reduce costs without impairing health outcomes overall. To capture these opportunities requires a combination of strategies, including:

- expanding the use of health information technology (IT) and electronic medical records, which is a necessary but not sufficient step to improving the quality and efficiency of the health care system;

- expanding research on "comparative effectiveness" of different options for treating a given medical condition, which could provide information on both medical benefits as well as costs;

- providing financial incentives for better care rather than more care (currently, financial incentives for providers and patients encourage or facilitate expensive treatment and procedures, even when there is little evidence that they are more effective than less-expensive therapies); and

- providing incentives for prevention (such as immunizations and screening tests) and healthy living (such as avoiding obesity) so that people have fewer health care problems throughout their lives.

However, if we fail to take these steps, we will face the need for a substantial increase in revenues to avoid significant increases to the federal debt.

**Statement for the Record**

**from Senator Michael B. Enzi (R-WY)**

**"The Nomination of Dr. Peter R. Orszag, of Massachusetts to be Director of the Office of Management and Budget"**

**01/13/09**

**Senate Committee on the Budget**

President-elect Obama has assembled an accomplished team of advisors to help him steer our nation through these most troubling times. With nearly every nominee, Mr. Obama has signaled that he values intelligence and ideas over partisanship and ideology. The nomination of Peter Orszag for Director of the Office of Management and Budget perpetuates this theme and I am cautiously optimistic about Dr. Orszag's tenure.

It will be incumbent upon this new Administration to carefully balance the competing needs for a policy response to the current economic crisis and a strategic plan to reduce the long-term obligations we have selfishly foisted upon our grandchildren. As Director of OMB, Dr. Orszag will be a key player in that delicate dance and I'd like to take this opportunity and register some of my main priorities.

First, the costs of any health care reform proposal must be explicit and fully offset. It is simply immoral to foist additional tax burdens on future generations. My hope is that both parties are open and honest about the costs of reform and that we avoid using budget gimmicks to mask the expense. For example, I think it would be inappropriate to incorporate expiring tax

provisions into the budget baseline and then claim false savings when they expire that can then be "redirected" to support new programs.

Second, any new insurance coverage must be delivered through private health insurance plans. Forcing private plans to compete with a public program like Medicaid, with its price controls and ability to shift costs to private payers, will inevitably doom true competition and could ultimately lead to a single payer, government-run health care program.

Third, I think one of the main education issues with budget implications this Congress will grapple with is direct lending vs. the Federal Family Education Loan (FFEL) program, and the costs associated with each. Supporters of direct lending claim it is more cost effective than loans run through the FFEL program. But direct lending "savings" don't reflect long term costs like defaults and administrative costs. We need to improve both programs or the Education Department may become the largest lender in the student loan market.

Mr. Orszag, I look forward to your responses.

Chuck Grassley

**Statement of Senator Charles E. Grassley**
**Nomination Hearing**
**Peter R. Orszag**
**and**
**Robert L. Nabors, II**
**Office of Management and Budget**
**January 13, 2009**

The Office of Management and Budget plays a crucial role in the development and implementation of our nation's fiscal policy.

Today, our fiscal outlook is grim. The Congressional Budget Office projects the federal debt held by the public will increase $1.4 trillion this year. That's equal to 10 percent of our nation's income, a level not seen since World War II.

Despite this enormous deficit, the incoming Administration is urging Congress to enact a massive fiscal stimulus plan that could exceed $1 trillion.

Everyone is understandably concerned about rising unemployment. Congress should take action to help our struggling economy. But, we must not let our desire for a speedy recovery undermine the need for sound economic policy and greater fiscal discipline.

A sustainable fiscal policy depends on a growing economy. Despite the rhetoric we hear from some pundits and politicians, the government cannot spend us into prosperity. Economic growth results from working harder and smarter to produce the goods and services Americans want and need.

The only way the government can increase economic growth is by spending our money better than we would spend it ourselves. But, no one has seriously proposed to adopt a rigorous cost-benefit test. Instead, supporters of government spending simply argue that we need more government spending.

Their argument rests on the assumption that government spending does not crowd out private sector spending during a recession. But, every dollar the government spends must come from either taxes or borrowing. In order to put a dollar in someone's pocket, the government must take it from someone else's pocket. This is a zero sum game, even during a recession.

We must not let our current economic predicament become an excuse to engage in excessive and wasteful government spending. We need to adopt sound economic policies that will encourage work, saving, and investment. Moreover, we need to address the looming fiscal crisis facing our entitlement programs.

I look forward to hearing from both our nominees to learn how they intend to work with Congress to address the many challenges facing our nation.

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