

NOMINATION OF BRIAN C. DEESE

HEARING

BEFORE THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

NOMINATION OF BRIAN C. DEESE, TO BE DEPUTY DIRECTOR OF THE
OFFICE OF MANAGEMENT AND BUDGET

MAY 13, 2013

Available via the World Wide Web: <http://www.fdsys.gov/>

Printed for the use of the
Committee on Homeland Security and Governmental Affairs



U.S. GOVERNMENT PRINTING OFFICE

81–295 PDF

WASHINGTON : 2013

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
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NOMINATION OF BRIAN C. DEESE

MONDAY, MAY 13, 2013

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

The Committee met, pursuant to notice, at 3:07 p.m., in room SD-342, Dirksen Senate Office Building, Hon. Thomas R. Carper, Chairman of the Committee, presiding.

Present: Senators Carper and Levin.

OPENING STATEMENT OF CHAIRMAN CARPER

Chairman CARPER. The hearing will come to order, although this is a hearing that is already in order, even with a 5½ month old baby girl, remarkably. I wish my boys were that well-behaved, Senator Levin, when they were 5½ months old.

Senator LEVIN. Almost as pretty as mine.

Chairman CARPER. Almost as pretty as his, huh? Maybe so.

I am going to start off with a statement and introduce our witness, and we are going to ask him to take an oath in a few minutes. Then we will get into your statement and then we will just ask some questions.

Today we are pleased to consider the nomination of Brian Deese, President Obama's choice to serve as our Deputy Director of the Office of Management and Budget (OMB), and we are pleased to note at the outset of this hearing, that the nomination process in this case is preceding, we believe as it should. The position for which Mr. Deese is nominated, became vacant in February of this year when OMB Deputy Director Heather Higginbottom took a new assignment at the Department of State with our incoming Secretary of State John Kerry, our former colleague. By early April, the President submitted the nomination of Mr. Deese, and Dr. Coburn and I have worked to review and bring the nomination before the full Committee expeditiously.

In terms of process, I think this nomination has worked well at both ends of Pennsylvania Avenue. I hope it is a model that the White House and the Senate will continue to follow often in the weeks and months ahead. And in recent decades through both Democratic and Republican Administrations, the nomination and confirmation process have become unacceptably slow. At any given time, there are far too many vacant senior positions throughout our Federal Government. This lack of critical leadership undermines the effectiveness of our government, and a slow partisan process

discourages talented people from wanting to serve in our government.

This problem has become so prevalent, I started referring to it as Executive Branch Swiss Cheese. That is I believe it is so important for our Committee to move forward promptly on nominations that fall within our jurisdiction. We have an obligation to vet them, to do our proper oversight, but once we are convinced that the President has made a good choice, we have, I think, an obligation to try to move it promptly.

Nominations for the senior positions at the Office of Management and Budget are among the most important that our Committee will consider this year, or any year.

As most of the folks in this room know, on April 24, by a vote of 96 to 0, the Senate confirmed the nomination of Sylvia Mathews Burwell to be Director of the Office of Management and Budget. She will be a strong and capable leader. Now the President and Senate share the job of surrounding her with a terrific team.

Following today's consideration of Mr. Deese's nomination, we will soon consider the nomination of Howard Shelanski to be the Administrator of the Office of Information and Regulatory Affairs (OIRA). I hope that in short order, the President will submit a nomination for the position of Deputy Director for Management, which was recently vacated by Jeff Zients. I am not sure if Jeff Zients is off the payroll and has returned to private life, but if he is anywhere within the sound of my voice, I just want to express, on behalf of all of us, our heartfelt thanks for his hard work and leadership in very difficult times. Good man.

Having strong leadership at OMB is important at any time, but particularly at this moment when our Nation is desperately in need of a long-term budget plan to rein in our Federal deficit and our debt. I have said it a time or two before, but it is just something here that bears repeating often.

The grand budget compromise that I believe we need in order to address this fiscal crisis must have three essential elements to it. It must address both spending and revenues in a balanced approach; it must rein in the costs of our entitlement programs in a way that does not savage the poor or the elderly, but in a way to preserve those programs for the long haul; and it must, through better management of government programs, deliver better service to the American people at a lower cost.

This Committee is an important partner with the Office of Management and Budget in all of these areas, but especially in ensuring that our government achieves better results for less money or better results for the same amount of money. We have a full agenda then, and Dr. Coburn and I are working in full partnership, along with many of our colleagues, including with Senator Levin.

For example, we save billions of dollars by shedding Federal property that is no longer used, or at least we can and we should be. We can save tens of billions of dollars every year by reducing the amount of improper payments that the government makes. We can bring in billions of dollars of revenue by doing a better job of collecting taxes that are owed but not paid, and that is something, seriously, that Senator Levin, along with Dr. Coburn, has led the way on.

We can save billions of dollars in Federal contracting every year through efforts such as so-called strategic sourcing initiatives which include buying more in bulk when that makes sense. We can save billions of dollars through better management of the information technology (IT) that our government buys. And we can improve the transparency of government spending so that the American people have a better understanding of how their tax dollars are used.

These are just a few examples of the ways this Committee and the Office of Management and Budget, in concert, are striving to make our government work better, and, I might add, in concert with the Government Accountability Office (GAO), in concert with our Inspectors General (IGs) across the government, and in concert with private non-profit organizations.

I am pleased that we have before us today a nominee who has a firm grasp of the role of both the “M” and the “B” in OMB. And with respect to the “M,” the management, Mr. Deese understands the importance of driving innovations and efficiencies across the government so that agencies not only save money, but deliver better services to the American people. And with respect to the “B,” he is someone who is committed to achieving a comprehensive deficit reduction plan that will help our economy grow even as we reduce the budget deficits.

Mr. Deese comes well-prepared for these challenges from his two positions at the National Economic Council, first, as a Special Assistant to the President for Economic Policy, and then as the Deputy Assistant to the President and Deputy Director of the National Economic Council.

Mr. Deese has earned a well-justified reputation as someone who can absorb a tremendous amount of economic data, synthesize it, and translate it into viable options for the President and his economic team and also translate it into terms that even mere mortals like I can understand.

On issues ranging from the auto bailout to housing issues to tax policy, Mr. Deese has helped our country recover from the recession, helped our economy before President Obama took office. He is someone who understands that our fiscal policies are intrinsically linked to the prosperity of the American people.

Brian’s father, who is sitting right over his left shoulder, is a college professor, and his mom is an engineer. He clearly has inherited their smarts. He has an undergraduate degree from Middlebury College and a law degree from Yale Law School. Before going to law school, he spent time doing policy analysis for the Carnegie Endowment for International Peace, the Center for Global Development, and the Center for American Progress.

I think anyone who meets Brian quickly realizes that he has the brainpower to pursue whatever profession he chooses, but he has a passion for public policy, and we are fortunate, specifically a passion for finding ways for our government to make smart choices so that individuals and businesses can prosper.

In short, he is someone who quickly impresses his colleagues in the Administration. I believe he will quickly impress my colleagues in the Senate.

Normally I would turn to Dr. Coburn for any comments he would like to make, but in his absence, I am going to ask Senator Levin if there is anything you would like to say before I swear this man in and let him give his statement.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. No, just to thank you, Mr. Chairman, for your usual speed and thoroughness in moving a nomination. I share your hopes that this nomination can be acted upon quickly. I do have a number of questions for Mr. Deese, but I just want to thank him for his willingness to continue serving, and to thank you for the way in which you handle this Committee, along with Dr. Coburn.

Chairman CARPER. Thank you. Well, I learned from the best.

A little introduction, if I can, and then I will ask you to stand and raise your right hand. But Brian Deese has filed responses to a biographical and financial questionnaire, answered pre-hearing questions submitted by the Committee. He has had financial statements reviewed by the Office of Government Ethics. Without objection, this information will be made part of the hearing record, with the exception of the financial data, which are on file and available for public inspection in the Committee's offices.

Our Committee rules require that all witnesses at nomination hearings give their testimony under oath, and, Mr. Deese, I am going to ask you to stand and raise your right hand. I am going to ask a couple of questions.

Do you swear that the testimony you are about to give to the Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. DEESE. I do.

Chairman CARPER. Please be seated. At this point, you may proceed with your statement. I am going to ask you to introduce your mom, dad, and your bride, and I do not know if your daughter is still around here, but she may have taken an exit. But please introduce your family. We are just delighted that you are all here. I think it is a matter of family pride and I know you are proud of him and I am sure he is proud of all of you. Please.

TESTIMONY OF BRIAN C. DEESE,¹ NOMINATED TO BE DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. DEESE. Thank you, Chairman Carper.

Thank you, Senator Levin. And thank you for welcoming me here today. It is a real honor to be considered as the President's nominee to be Deputy Director of the Office of Management and Budget. As you have mentioned, I am joined by my family, my father David, my mother Patricia, my wife Kara, and my baby girl Adeline who promised me that she would behave and that is a promise I am not going to hold her to. And my sister Heather.

Chairman CARPER. Tell us a little bit about your mom and dad, your wife, and your sister. This will not count on your time. We will stop the clock. Just tell us a little bit, a thumbnail sketch about each of them.

¹ The prepared statement of Mr. Deese appears in the Appendix on page 32.

Mr. DEESE. I have been really privileged to have an incredible family, a mother and father who have supported me over the years and who have instilled in me both a real passion for ideas and education and also a commitment that for those of us who are fortunate enough to have opportunities in education and life, we should look for opportunities to give back, commit to public service.

In particular, my sister who I am very close with. She is 2 years older than I am and she has been a rock in my life for the last 35 years, and I thank her for that.

Chairman CARPER. She is the one whose lips are moving while you speak?

Mr. DEESE. She is very nervous on my behalf. But most of all, I would like to thank my wife Kara. Serving in these types of jobs is truly a team effort. I could not do it alone and she has been unbelievably supportive, particularly when we have been through harder times, and I know that the challenges of this job will be significant. And so, I am very grateful to her for all of her support.

Chairman CARPER. For you, Kara, no purgatory, straight to heaven. Thank you.

Mr. DEESE. I second that. I would also like to thank President Obama for nominating me to this position, and also Director Burwell, who you referenced, for her support and her confidence in me. And I hope that if confirmed, I can meet their high standards for performance on behalf of the American people.

And finally, I do want to thank Members of this Committee and their staffs for taking the time to meet with me over the last couple of weeks, and if confirmed, I look forward to continuing the conversations that we have had and investing in the strong relationship between OMB and this Committee going forward.

Over the past several years, I have had an opportunity to work with many officials at OMB, as well as across Executive Branch agencies, to develop and implement Administration policies, and this experience has given me a deep respect for OMB as an institution and the vital role that it plays. And perhaps more importantly, a real respect for the skills and the commitment of the professionals who work at OMB.

That is just one of the reasons why I am very humbled to be considered for this position, and particularly at this time in our economy when we face very substantial fiscal challenges and economic challenges that we will need to address together. We have made important progress in the economy. Our economy is growing. We are seeing some important signs of strength in sectors from housing to our manufacturing industry. Most importantly, our businesses are creating jobs on a consistent basis. And I think together, Congress and the President have begun to make progress on the important work of bringing down our deficits and strengthening our Nation's long-term fiscal position.

But there is a lot more work that we need to do together to reach what I believe is the ultimate goal of an economy that is providing opportunity and real stability for working families.

Much of my professional work has focused on the role that fiscal policy can play in that effort in promoting a stronger and more durable economy. And if confirmed, I will work closely with Director Burwell to build on the progress that we have made to try to reach

the type of comprehensive deficit reduction agreement you referenced that can support a stronger economy in both the short and the long run.

Another key area of focus, particularly in this moment of fiscal challenges, has to be making our government more efficient and more effective and showing the American people how we can do more effectively with less. This is an area where this Committee has shown great leadership, and if confirmed, I look forward to working with you to make progress on many of our shared priorities.

And finally, I do believe that the budget is fundamentally a vision for how we in public service can deliver better outcomes for the economy and for American families. It is a reflection of our values and our priorities, and if confirmed, I will work every day to uphold those values and priorities to the best of my ability.

I want to thank the Committee for your time today and for considering my nomination and I look forward to answering all of your questions.

Chairman CARPER. All right. Thanks very much. As you probably know, we begin the questioning of our witnesses in a confirmation hearing by asking the same three questions we have asked for as long as I have been here. I have been here for about 12 years, each year these hearings are the same. I am just going to ask you. Each of these questions is easy to answer.

The first one, is there anything you are aware of in your background that might present a conflict of interest with the duties of the office to which you have been nominated?

Mr. DEESE. No.

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

Mr. DEESE. No.

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

Mr. DEESE. I do.

Chairman CARPER. All right. Senator Levin and I are big baseball fans, in fact, of the same team, the Detroit Tigers. I would say he is three for three. It is still early.

Senator LEVIN. They have the same problem with their current closer, too. Losing too much sleep over it.

Chairman CARPER. I know. Oh, well, our team lost today two out of three.

Senator LEVIN. That is on the record.

Chairman CARPER. In any event, we will turn to that problem tomorrow.

I am going to start off by saying, if confirmed, why do you not just lead off by telling us what your, maybe, top three priorities would be.

Mr. DEESE. Sure. This is something that I have had a chance to talk to Director Burwell about and I think that in terms of priorities in the Deputy Director role, first would be to work with Director Burwell in setting out a budget framework for the government.

And I think in the current context, that means in particular trying to work to encourage the movement that we have seen toward a more regular order budget process and also to try, however challenging, to work toward the kind of comprehensive deficit reduction agreement that I think could benefit the economy.

A second priority is to work to set priorities to make the government more efficient and effective, and I think that the Deputy Director plays an important role in setting those inside priorities and then also making sure that we as a team at OMB would be well-positioned to execute on those.

And I think in particular, from my perspective, the relationship between the Deputy Director and the Deputy Director for Management is vital in that context. And so, if I am confirmed, that would be something that I would invest in, in particular.

And third, a priority would be OMB as an institution. And OMB has a strong reputation for strong analysis and excellent professional staff. It is also facing a lot of challenges today, and so I think that investing and making sure that the institution is able to continue to attract and recruit top flight talent, continue to do the analyses and play the vital role that it needs to play in our system would be another priority.

Chairman CARPER. Have you had the opportunity to discuss at all with our new Director, Sylvia Burwell, how your role—her role as Director and the role of the Deputy for Management, what that would intertwine?

Mr. DEESE. I have.

Chairman CARPER. Maybe give us some practical examples of how that would be.

Mr. DEESE. Sure. I have and I think that Director Burwell has talked about building a great team, and I think that is the way that both of us would approach this, is having a great team in place to make sure that we are achieving all of the objectives that we need to achieve.

I think that one particular priority for the Deputy Director, my role if confirmed, would be to work on setting out that budget framework and making sure that we are working across agencies to incorporate their points of view into the budget process and the budget framework and making sure that we are implementing key budget priorities.

But as I mentioned earlier, I think that the other important role of the Deputy Director is to make sure that the “M” side and the “B” side are working seamlessly together. And so, I think that means, one, being a part of setting the priorities for the management side of OMB; and then having a close relationship with the Deputy Director of Management and making sure that where there are priority areas for providing sufficient guidance and sufficient attention to make sure we are executing on our goals.

Chairman CARPER. Would you share with us your overall philosophy on addressing the Federal deficit and our long-term debt, please?

Mr. DEESE. Sure. I think that we are at a moment, an economic moment, right now where the need for deficit reduction also presents an economic opportunity where we have a set of long-term fiscal challenges and we have a set of short-term economic chal-

allenges, and that if we could come together around a comprehensive deficit reduction agreement that provided more confidence about our long-term path, we would also be able to provide more support to the economy in the short run.

And so, when I think about what are the most important priorities in that space, I think that the areas we need to focus on are entitlement reform and tax reform. And I think as you mentioned in your opening statement, entitlement reform that is designed to strengthen the core programs that our seniors and vulnerable Americans rely on, but then look for ways to address, in particular, the rising cost of health care and look for ways to increase efficiencies and actually drive systematic change to drive down the rate of growth of health care across our system.

And I think on tax reform, we have an opportunity to reform in a way that reduces complexity, encourages greater economic growth, and also contributes to reducing the deficit as well. And I think that there are real opportunities in that space, economic opportunities to bring those things together as part of an overall approach.

Chairman CARPER. How does your work leading up to this point help to prepare you for the responsibilities that you have been nominated to undertake?

Mr. DEESE. Well, when I think about the Deputy Director role and the responsibilities that we were just talking about, I think there are three sets of skills that I could bring to bear. The first is a sound understanding of the Federal budget. I think that is important and it is something that I have developed over the last several years, worked closely on the development of the last several budgets, and also in implementing it, working with the staff at OMB and other agencies.

The second is an understanding of how fiscal policy fits into an overall economic strategy to try to help grow the economy and create jobs. And that has been the focus of much of my professional work, and I think it is particularly important now because we are at an economic moment where we have these interrelated fiscal and economic challenges.

And the third is a more pragmatic understanding of how to get things done in government, and I think that the work most recently as Deputy Director of the National Economic Council that I have done has prepared me to know how to work across agencies, identify teams, bring together senior management across the Federal Government, set a priority, and try to drive for results. And I think those are the kind of skills that I think I could bring to this job.

Chairman CARPER. OK. Not long ago Ben Bernanke, the Chairman of the Federal Reserve, came to meet with the Senate Finance Committee, Democrats and Republicans, not an open meeting, but a very informative meeting. He was going to talk to us largely about budget deficits, how to reduce the deficit, and how to do it at the same time that we strengthen our economic recovery.

And I asked him, I said, as we rein in the growth of spending broadly across the government, are there any particular places where we should invest more? And he picked out three. One he said the workforce, world class workforce; No. 2, he mentioned we

should focus on infrastructure broadly defined; No. 3, research and development that could create technologies and products, goods and services that we could commercialize and sell all over the world.

Would you just react to what he told us that day?

Mr. DEESE. Sure. I think that, when you think about those three areas, I think the thing that all three of them share is that they are linked to long-term productivity growth in our economy. And so, when we think about where are the places where we need to make targeted investments, even in the context of a difficult fiscal environment, I think that using that as a metric of where can we identify the strongest linkages to future productivity growth and future competitiveness is important.

And so, I think that infrastructure, for example, is a good example of that where smart, well-designed targeted investments in improving our infrastructure has been shown to increase productivity because it makes it easier for businesses to come and invest and create jobs. And I think identifying those kinds of opportunities is very important as part of this overall fiscal strategy.

Chairman CARPER. All right. Thanks very much. I have used up my time and we will come back for a second round. Senator Levin, please.

Senator LEVIN. Thank you, Mr. Chairman. First, let me thank you, Mr. Deese, for your accessibility in the past. You have been helpful in the area of the auto issue that you were very actively involved in. You were always available to me and my staff and we were grateful for that. You have been hard-working, and I think there is no doubt about your qualifications for this office.

I do have a couple questions, however, as to where Gene Sperling has been and where you have been on the question of revenues to address our deficit. I take it from your answer to the Chairman's question that you believe that tax reform, as you talk about it generically, needs to contribute to the deficit reduction effort.

Mr. DEESE. I do. I think that is important.

Senator LEVIN. And so, what I want to focus on is one part of tax reform. I have spoken to Mr. Sperling, and I think I have probably spoken to you, on a number of occasions, but at least I have to him, about how is it that some of these egregious tax loopholes that corporations utilize to avoid paying taxes, when they are closed, if they are closed, why the revenues from those closures of those unfair, unjustified tax loopholes—and I am going to go through a few of them with you—should not be used for deficit reduction to also fight for programs which are being cut through sequestration such as education and health care and the environment and food safety, and you name it.

Why should those revenues that would come from closing those corporate tax loopholes not be used for any number of extremely important goals from deficit reduction to ending sequestration to, again, trying to fund the programs that are important to our people that are now being cut? So first generally, should those revenues be available for those purposes?

Mr. DEESE. Well, I think just to go at the question of tax reform for a second—

Senator LEVIN. But talk about the corporate tax that I have identified.

Mr. DEESE. Sure.

Senator LEVIN. I will get more specific, but I think you have read enough of the stuff I have sent to your office to know where I am going to go in the next few minutes.

Mr. DEESE. Absolutely. Look, I think the most important issue on corporate tax reform, as we undertake it, is to judge any reform by the metric of, is it going to improve economic growth and, in particular, are you going to improve incentives to invest in the United States? And I think that is the real opportunity with respect to corporate tax reform.

I think you are correct that when you look at the corporate tax code today, it represents an opportunity because we have this somewhat perverse situation where we have the highest statutory rate in the industrialized world, and yet we are not collecting revenues. We are sort of in the middle of the pack at best, and that is a function of the fact that there are a lot of tax expenditures that are either inefficient or they are not serving their intended purpose.

And that creates an opportunity to reform the system, broaden the base, and also——

Senator LEVIN. Why do you not focus also on the effective tax rate, which is not one of the highest in the world?

Mr. DEESE. That is right. And so, it is exactly that dynamic that creates an effective tax rate sort of in the middle or to the lower of the industrialized countries. So I think the question is, can we reform that tax code in a way that actually is for growth and improves domestic incentives to invest? I think the answer to that is yes.

So, I think there is an opportunity here and I think that with respect to specific corporate tax expenditures, I think the President has put forward a whole set of them in the budget that he put out and those are ones that I think we could afford to close efficiently without doing harm to the economy.

Senator LEVIN. Well, a bunch of these loopholes that are being used to drain our Treasury, to ship money offshore, serve no economic purpose. They are not pro-growth. They do not promote people to invest in the United States; quite the opposite. You have Apple that has what, \$120 billion now in cash, most of it offshore. They are not going to bring it back unless they get a lower tax rate. So there it sits.

We have companies that transfer their intellectual property to themselves in tax havens and shell corporations and then pay themselves to use their own property. There is no economic purpose served in that. It is nothing more than tax avoidance. The President says he wants to close them. The President, when he was a Senator, co-sponsored much of the legislation that would have closed at least some of those egregious tax avoidance tactics, which costs our Treasury God knows how many tens of billions a year and maybe \$100 billion a year.

We could end sequestration, at least for this year and next, if we closed some of those schemes which drain our Treasury and ship revenue offshore. Why should we not do that?

Mr. DEESE. Well, I think the framework the President has put forward——

Senator LEVIN. Why should we not do what I am saying? I am not talking about the President's framework which just talks about cutting corporate rates, which, by the way, are already low as an effective tax rate. By the way, corporate tax revenues to this Treasury are at an all-time low. There are something like 9 percent of our revenues come for corporations.

We have 30 corporations, the biggest corporations in the world that have not paid taxes for the 3-year period studied. Paid zero in taxes. Why not close those egregious, unjustifiable loopholes, that are costing our Treasury so much money, and use that revenue to end sequestration this year and next year? Why not?

Mr. DEESE. Well, I think that what the President has said is we should close——

Senator LEVIN. No, for that purpose, why not close them and use the revenue for that purpose? That is my question.

Mr. DEESE. Well, again, the reason why I raised the framework is because if you look at the budget, it has a set of specific corporate tax expenditures and corporate tax loopholes that it would close. That is revenue that could be used to reduce the deficit or invest in other priorities.

Senator LEVIN. Why is it in the budget said to be used only for rate reductions?

Mr. DEESE. Well, I think what the President has said is twofold, which is if we can move to close those loopholes, let us do so. Let us try to work together to do so. But if there is a good faith commitment to try to do comprehensive corporate tax reform and if that can be done in a way that actually is pro-growth and actually would increase incentives to invest in the United States, then he is willing to consider doing that in a revenue-neutral manner.

Senator LEVIN. But if that cannot be done or is not done this year, why not take the revenues from these loopholes which have no economic purpose, other than tax avoidance, and take that revenue to end sequestration? If we cannot do the individual tax increases or revenue increases from the Buffet Rule or whatever, if we cannot succeed in getting that revenue, if the President does not succeed, why not take the revenue which should come to the Treasury, frankly, if there were no deficit from these tax avoidance schemes? Why not?

Mr. DEESE. So again, I think the budget lays out those parameters and if we cannot move on corporate tax reform, we should move to close those types of loopholes.

Senator LEVIN. Mr. Chairman, my time is up, but I do have a few more questions. But thank you. Sorry I went over.

Chairman CARPER. No. I would have let you use more.

Let me go back and just revisit something I said earlier and just try to draw out some further discussion. I mentioned the conversation we had with the Federal Reserve Chairman, talking about investments that we should make even as we rein in the spending, the important investments to make to grow the size of the economic pie in our country.

We had a previous Vice Chairman of the Federal Reserve come and testify in a hearing last year on deficit reduction, Alan Blinder, who is back now teaching economics, I think, at Princeton. And he

was one of, I think, a four-or five-member panel discussing with us a year or so ago how we could go about reducing our deficits.

I will never forget what Dr. Blinder said. He said the 800-pound gorilla in the room on deficit reduction for the Federal Government is health care costs. And he did not say this, but as we know, we spend roughly 16, 17, 18 percent of GDP for health care in this country. In Japan, they spend about 8 percent. They cover everybody and they get better results in many respects. I would like to say they cannot be that smart; we cannot be that dumb.

But Dr. Blinder went to say, the 800-pound gorilla in the room on deficit reduction is health care costs. If we do not get our heads around it, get our arms around it, we are, in so many words, doomed.

When it came time to ask questions, a question I asked of him, referring to his statement about the 800-pound gorilla in the room, and said, What would be your advice to us? If we are serious about deficit reduction, we know a big piece has to be health care costs. What should we do? And he thought for a moment and he said, I am not an expert on this matter. He said, I am not a health economist, but this would be my advice to you. Find out what works, do more of that. That is all he said. Find out what works, do more of that.

My response to that was, I said, find out what does not work and do less of that, and he said, yes. But I think there is great wisdom in that, not just for spending money in health care more wisely, but for education, housing, transportation, all kinds of issues.

One of my guiding principles, and I owe it to him, knowing how important reining in the growth of health care costs is, talk to us about how we might do that, some ways that we might do that, particularly with respect to Medicaid and Medicare, in ways where we do our best not to savage old people, poor people, but at the same time, we get a better result for less money or better result for the same amount of money because we need to. Please.

Mr. DEESE. Well, I think there is a lot of wisdom in that statement and, in particular, that in the health system, we really do need to identify those things that are going to drive innovation across the system and then make sure that they are spread broadly.

I think the good news is that there is a lot of very exciting activity going on in our health care system right now, a lot of anecdotal, and in some cases, more than anecdotal evidence of what Dr. Blinder was referring to, places where we are seeing things that work, things like accountable care organizations where you are actually starting to structure payments and incentives around providing certain quality of care outcomes, rather than just paying for inputs independent of outcomes.

Those are the kinds of potential measures that if we can identify them, we can measure them. We can actually verify that those work. And then we can spread them across the system. That is going to be the way that we help to really drive systematic change in the health care system. I think that we have a number of tools out there to help on that front to try to identify these game-changers, as some people refer to them, and I think that we need to look for additional ways to do that as well.

You mentioned outside of the health care space, and I think that is an important component as well, and one of the things that I know that OMB has been working on and that if confirmed I would want to learn more about. I think the focus should be on evidence-based investment and evidence-based grant-making because there are a number of places where we can do better and, in fact, we can be more effective with the same or fewer dollars if we actually have better systems to measure and test results and then scale programs when we actually see positive effects.

So I think that it is an important principle. It is applicable beyond the health care space, but I agree that the health care area is the place of both the greatest need and the greatest opportunity.

Chairman CARPER. Just before I caught the train to come down here today, we met with representatives from a large health insurance company back in the part of the world where I live and my family lives. We talked about some of these issues, delivering health care, better results for less money. What we talked about—you mentioned the accountable care organizations. We talked about patient-centered medical homes.

What I think they do is represent a way to encourage collaboration, encourage a sense of teamwork in terms of delivering health care, to move away from fee-for-service, to just a lot of stovepipes that operate almost independently of each other without a lot of collaboration. Quite a different approach.

If you look at Medicare, Medicare is pretty much a fee-for-service animal, and we have some elements in Medicare where we actually do something like coordinate the delivery of health care better than we do in a straight fee-for-service.

They had a problem in the past with Medicare Advantage being over-priced and we tried to address that to provide a smaller reimbursement so that the pricing is more reasonable, but at the same time, to encourage people to take advantage of a health care delivery system that moves away from fee-for-service.

We could just talk about this. How do we move away from fee-for-service? How do you do it in a way that actually saves some money? What role does Medicare Advantage play here?

Mr. DEESE. Well, I think that has to be the goal and we have to figure out ways to do it that, as you say, end up strengthening the program, while also making the program more efficient. I think that the recent changes to Medicare Advantage which you referenced, I think, are being effectively implemented. We have seen premiums come down, enrollment go up, and we are saving money at the same time.

I think that the most effective way that we can do this is by continuing the process of experimentation, identifying what works, and then scaling it. And I think that is, in a health care system, not just Medicare, but also across the health care system that is as complex as the one that we have in our economy, we have to make sure that we are testing results and then scaling them so that we know what works.

And I think the linkage between Medicare and the rest of the health care system is important because I think ultimately, what our goal here is to do is to drive down the rate of growth of health care costs systemwide, because if the savings only accrue in Medi-

care and costs are increasing outside, we are not going to address the overall economic challenge that you referenced earlier of a larger and larger share of our gross domestic product (GDP) being eaten up by health care.

So I think that it is about looking for ways to make programs like Medicare Advantage more efficient. I think we have seen some progress on that front, and I think it is about identifying successful interventions and scaling them over time.

Chairman CARPER. All right. I will probably come back and revisit this in our next round, but let me yield now to Senator Levin. Thank you.

Senator LEVIN. Thank you, Mr. Chairman. How important is it that we reverse sequestration?

Mr. DEESE. I come at this issue from an economic point of view, and when I look at the data and the independent analyses that have been done, I think that there are two problems. The first is that the sequester is a relatively blunt tool and it is forcing indiscriminate cuts, about which I think there is wide agreement, are not sensible.

But second, the magnitude of the cuts imposed over such a short period of time, it is hard to do that without having a really material negative impact, and the Congressional Budget Office and others who have looked at the issue, have concluded that you are going to have a material negative economic impact.

And so, I think that it is very important from an economic perspective that we look for a way to replace what is a blunt instrument that is going to do damage to our economy now with an approach that actually achieves greater deficit reduction, has more long-term reforms that actually will get at some of the issues that we were talking about, but that has a more sensible approach economically in the short term as well.

Senator LEVIN. And is it important that the deficit reduction that you are talking about be balanced?

Mr. DEESE. I think—

Senator LEVIN. In other words, that it have revenue and entitlement reform and it have more prioritized or targeted discretionary spending cuts? Should all three of those be part of a balanced deficit reduction?

Mr. DEESE. I think the short answer is yes, when you look at the deficit reduction as part of an overall economic strategy. We have to ask the question of, what is going to make sense for the economy in the short and the long term, and I think that in order to maintain the kinds of productivity-enhancing investments, like infrastructure and basic research that we were talking about earlier, while also hitting our long-term deficit reduction goals, that the best way to do that is to try to bring revenues from tax reform and entitlement reform together done in a way that actually strengthens our entitlement programs in the future.

Senator LEVIN. Donald Regan, who was the Secretary of the Treasury under President Reagan, wrote a book and this is a conversation that he recounted from the Oval Office. He said that President Reagan liked to start off every meeting with a story or a joke. So Don Regan decided he wanted to introduce a very serious subject, so he asked the President this question.

He said, What do these 60 big corporations have in common? He rattled off the biggest corporations in America. And President Reagan's interest, he said, was immediately aroused. He said, I do not know, what do they have in common? And so, the Treasury Secretary said, Let me tell you, Mr. President. What these outfits have in common is that not one of them pays a penny in taxes to the U.S. Government.

What the President said? His shock was genuine. A dumbfounded silence settled over his economic advisors. What unconventional idea was I trying to plant in the President's mind now? Believe it or not, Mr. President, your secretary paid more Federal taxes last year than all those giant companies put together. The President flushed, a sure sign of surprise and discomfort.

I just cannot believe that, he said. His Treasury Secretary says, I do not blame you for doubting it, but it is the truth. I checked it out. It is perfectly legal, but it is wrong, Mr. President, when a hard-working secretary pays more to support her government than 60 of the richest corporations in the land. He said, I agree, Don. I just did not realize that things had gotten that far out of line.

Well, things are that far out of line and it seems to me that what we need is some of that getting disturbed, bothered, troubled when we have some of the largest corporations in the country either paying no tax or using these gimmicks to shift revenue offshore to avoid paying taxes.

I would love to see someone in the White House, the economic advisors, or you now as the Deputy Director of OMB to get mighty mad at this situation. We are facing sequestration. It is incredibly bad. It is the wrong way to budget. Everybody knows that, I think. Just about everybody knows it.

And to say that we are not going to do the right thing in terms of closing these loopholes unless we can get corporate rates reduced, it seems to me, is ignoring a very troubled reality, and that is something else which Donald Regan, a conservative Republican, said in his book.

The accumulated weight of the inefficiency and selfishness that they had created had become a burden on the economy and an affront to economic and social justice. Donald Regan is talking about economic and social justice. If he can do it, I would hope the Administration can do it. I would hope the OMB can do it.

The American people, by survey after survey, say they want these tax loopholes closed when they are informed particularly of the loopholes which allow corporations to shift revenue to a tax haven. And they are asked, No. 1, what do you want to do about it? End it.

No. 2, what do you want to do with the revenue? They specifically say, in about a five-to-one margin, reduce the deficit, and fight to avoid cuts in education or in health care or in the infrastructure. That is what they want to do with it.

You are going to be in a position where I would hope that there would be some serious thinking in the White House about whether or not we can, No. 1, continue a sequestration and if the way to avoid it is to get a balanced approach with revenues coming from a source that nobody can justify. I have not heard anybody justify these kind of loopholes.

You can justify an oil and gas deduction. I do not favor it, but you can justify it. At least it is an incentive to produce oil and gas. You can justify accelerated depreciation, which I do favor, because it will give an incentive to buy equipment and new machinery, increase productivity, and create jobs.

But these are at least arguably useful deductions. The ones I am talking about, which have been sent consistently, regularly to your office, have no economic justification. They ought to be closed if we had no deficit, but surely with a deficit and sequestration, I would hope that you will take another look at these and not link their closing to reducing corporate tax rates. There is no logic to that.

If these are unfair, unjustified tax loopholes, we need the revenue and we ought to get it, surely, as part of a balanced approach to deficit reduction. So you have already commented on that and I just would leave that thought in your mind as you are hopefully confirmed to be the Deputy at OMB. There are lots of other issues, obviously, that you have to face. It is a huge job. We wish you well.

Mr. DEESE. Senator, thank you, and I will say that I am happy to look further into that and to work with you and your office on that issue if confirmed.

Senator LEVIN. Thank you, Mr. Chairman.

Chairman CARPER. Thank you, Senator Levin. There has been no shortage of initiatives that have focused on Medicare led by people like Alice Rivlin, people that include like Tom Daschle, and folks that are practitioners, very smart people, Jonathan Gruber from the Massachusetts Institute of Technology (MIT), that have actually looked at Medicare and said, These are some ways where we can save some money, save these programs in the long haul, and do so in a way that does not savage older people or poor people.

What do you think are some of the most promising ideas? Not the ones we absolutely have to do, but what do you think are some more promising ideas that you have heard?

Mr. DEESE. Well, I think all of the most promising ideas share a similar character which is they go at incentives. And so, the accountable care organizations that we were talking about earlier try to address the incentives for teams of doctors to try to focus on outcomes rather than inputs.

Another specific example is how to get at the issue of bad debt payments. If a hospital cannot collect bad debt payments, then Medicare reimburses. And what that creates is a system where there is no accountability, there is limited incentive to actually go out and seek reimbursement.

I think that is a place where if we were to change some of the rules in Medicare we could try to put more of an incentive for hospitals to take on that kind of activity on their own. That is another way, again, where I think what you do is you are driving efficiency by changing incentives.

And I think that we also have to be willing to look at whether there are things that we should do with respect to, on the beneficiary side, that are smart and that meet the principle of strengthening the program and strengthening the core commitment of the program.

And so, I think it is appropriate to look at means testing Medicare. I think the President has put a proposal out that I think

makes some sense, because as part of these overall reforms, I think we have to ask the questions about whether those who are the most fortunate should be paying a little bit more. It is still going to be a good deal for them as part of the system.

So I think that if you can package together a set of these types of reforms that go after incentives that make sure that we are putting a program into the future that is actually going to be able to be viable, then that is the way we are going to start making progress.

Chairman CARPER. Dr. Coburn could not join us today. I do not think he is going to be able to arrive before our hearing concludes. But among the many issues that he has been focused on and has done a lot of work, with the help of his staff, is on the area of duplication. With an enterprise as large as the Federal Government we should not be surprised that there is duplication.

There is in any large corporation and we have it in spades in the Federal Government, as you know. The GAO has given both Congress and the Administration a number of recommendations to reduce duplication and there is a whole lot of work to be done.

How will you work in your new post, if confirmed, to go after some of that duplication?

Mr. DEESE. Well, the issue is one that I know Dr. Coburn has taken a leadership role on and others in the Committee as well, and I think that GAO is playing a constructive role in the process by doing a set of reports that actually help to identify and flesh out because it helps focus attention and identify areas for progress.

I think in the role, if confirmed, I would approach the issue from two ways. One is, where are there places within the Executive Branch's authority today that we can help make progress in addressing inefficient duplication? I know there is a whole range of proposals that have been put on the table and I think the Administration has already started to make progress on a number of counts.

But if confirmed, I want to ask a set of questions about where are we and can we accelerate some of that, some of that progress. And in places where we have not moved, why is it? And are we sure that we cannot make some progress there as well.

And then the second is in trying to work with Members of this Committee to identify where are the highest value places where legislation may be needed, but where we think there is a pragmatic opportunity to actually make progress.

So the President's budget puts forward a couple specific proposals on duplication, one in the area of science, technology, engineering, and math (STEM) where we have a myriad of programs across the government, all well-meaning, but a real opportunity to deliver better results if we consolidate programs.

And likewise in the area of job training. But what I would like to do if confirmed is understand and learn from Members of this Committee where you think and where we think we could actually make some tangible progress in the legislative front and then try to build some momentum there.

Chairman CARPER. One of the things I would keep in mind, if you have, we will say, 100 programs across the government that are focused on raising student achievement in the science, tech-

nology, engineering, math fields, one of the logical steps would be, in my judgment, is to be able to measure which of these programs are getting the kind of result that we are looking for and which ones are not, and being able to push more money toward the ones that are working and less money toward those that are not. That means we have to be able to measure progress and then be able to convince folks like Senator Levin, Dr. Coburn, and myself of that.

I want to just focus a little bit on one of the areas that Dr. Coburn and I and others on this Committee have focused on which is improper payments. People looked pretty amazed to find out about 10 years ago, that the amount of improper payments that our Federal Government was paying were largely mistakes, counting errors, duplicate payments, or erroneous refunds.

But in there we found that it added up to about, I want to say about \$40 billion when we first passed legislation, I think, in 2002, that said Federal agencies have to start reporting your improper payments.

Not everybody did right away, but over time, more and more did. We finally passed legislation about 2010—Dr. Coburn and I co-authored it—on improper payments that said basically four things. Not only, Federal agencies, do we want you to report improper payments, we want you to stop making them.

And we also want you to go out and recover improper payments when you report all this, and we want to start rewarding or incentivizing managers. Part of their performance evaluation is to be evaluated on how well they and their agencies reduce improper payments, and recover over-payments.

We saw, I think in 2010, improper payments peak out at about \$121 billion. It is a lot of money. And we have seen the numbers drop over the last 2 years now down to about \$108 billion. I think a reduction, if my number is right, about \$13 billion over 2 years. Pretty encouraging. We still have a lot out there.

And at the same time, I think we have seen recoveries of improper payments where we have gone out and recovered, I think, between \$4 billion and \$5 billion maybe in the last year or so. But there is plenty of work still to do.

I am going to ask you just to take a moment and think out loud for us, if you will, what more we can do to go after that \$108 billion number of improper payments.

Mr. DEESE. Yes.

Chairman CARPER. That is not all fraud. I mean, a lot of it is not even fraud. It is just mistakes.

Mr. DEESE. I think that it is a very important issue and I think that you are right that while we have seen some real tangible progress and some that is stemming from the important legislation that you and others have worked on and passed, the current level is unacceptably high, and so we have to be committed to moving to do more.

I guess when I think about how to do that, I think about two issues. One is technology and data, and the other is evidence. And so, on the technology and data side, I think that as I understand it, a lot of the issues associated with improper payments are a function of not having effective data sharing between agencies to

actually identify whether and when payments should and should not be made.

And so, I think there are opportunities to try to improve the way that we are sharing data through better use of technology. And we have to be careful about protecting privacy in that process, but I think that is an opportunity.

The other place, and this goes back to some of the conversations we were having about Medicare, that I think that the program integrity efforts that we have identified that we know are based in evidence and can return several dollars, eight-to-one, nine-to-one returns include things like in Medicare and Social Security with respect to continuing disability reviews, and also at the Internal Revenue Service (IRS).

Those are places where I think we know there is an opportunity and that we have evidence to back that up. And so, we should think about how we can do more in those spaces.

Chairman CARPER. One of the initiatives that Dr. Coburn and I worked on in the last Congress, something called the Medicare and Medicaid Fighting Fraud and Abuse to Save Taxpayers' Dollars Act (FAST Act), and the focus there is how do we save money, particularly in Medicare and Medicaid. We have had a situation for a number of years where dead doctors have provided medical services to folks who may be alive, but they may not be. They may not be eligible for services.

And we see situations where we are paying enormous amounts of money, in some cases, for medical equipment. We are not using competition. We are finding out if we do, we could actually save some money.

But Dr. Coburn and I are reintroducing an updated version of the FAST Act, probably in the next week or two, and certainly in the next month. And let me just ask, is this something that you have ever heard of? And if you have any thoughts about how we might work together on this? I would welcome those thoughts.

Mr. DEESE. I have heard of it. I am not that familiar with the legislation, and so I would want to hold off and actually take a look at the legislation before giving you a full response. But I think generally speaking, it is an area where I am very interested and I understand that there is real potential. And so, I would look forward to taking a look at that and working on the issue, if confirmed.

Chairman CARPER. All right. Thank you. I want to delve into an area called Government Performance and Results Act (GPRA), and I do not know if you are at all familiar with that, but Congress, in 2010, updated the Act, thanks to the work of one of our former colleagues here, Danny Akaka from Hawaii. I think former Governor, now Senator, Mark Warner was involved in this. I worked on this, my staff and I, but it is a bipartisan kind of issue that our Republican colleagues, especially on this Committee, are very much interested in.

But it requires, as you know, data-driven performance reviews. And I wonder if you could just tell us if you see this particular approach as a useful tool in measuring performance. And if you will, what should be the role of OMB in implementing this law?

Mr. DEESE. I think it is an incredibly valuable tool because one of the things that I think is very important when we think about

performance in the government is setting priorities. And as Director Burwell has said on numerous occasions, if we try to do everything we will not do everything well.

And I think that having a framework to actually set goals and set priorities, but then also use that as a way to actually drive real accountability and culture change within the agencies, that has got to be our objective. And I think, as you said, the GPRA framework allows us to do that.

And I think one of the things that is important about that is the link between goal-setting and accountability. And so, I think, for example, when I go on the Web site and I can actually pull up a goal and I see the picture of the person at the agency, this is the senior level manager, this is the senior person who is accountable for executing on that goal. I think that is the kind of positive development that this framework allows, because ultimately, it is moving from a compliance mentality to more of an accountability mentality that I think is actually going to help get results.

I think the role that OMB can play, my understanding is that OMB plays an important role in coordinating the goal-setting process across the agencies and then helping to make sure that agencies have the tools that they need to hit these accountability metrics. And so, that is certainly a role that I think is going to become even more important over time and something that I would want to prioritize myself if I were confirmed.

Chairman CARPER. It is not everybody who runs for office, who says I want to be a Senator, a Representative, President, or Vice President because I want to make sure that we do our dead-level best to use this GPRA law to get things done and to do more in a more cost-effective way.

Not everybody wants to say, well, we have to figure out how many data centers that we are going to have and how much of our information we are going to put up on the cloud. You do not find many people who come here with the idea of doing those kinds of things.

But everybody is intent on hammering down and getting rid of improper payments. We have been chasing down the fraud. But a lot of people on this Committee are. It is a Committee that draws and attracts those kind of people, in some cases, because we are former Governors or mayors or maybe attorneys general.

I spoke earlier about the three things that I think are three components I hear over and over again, if we are serious about deficit reduction progress. One, we need some additional revenues closer to the level that persisted when balanced budgets were in the Clinton Administration or revenues as a percentage of GDP range between 19.5 and maybe 20.5 percent, or right around 20 percent. Spending was also right around 20 percent.

And as Dr. Coburn suggested, it does not have to be based on rates. If we are smart about it, we will find other ways just to get the effective tax rate up by going after provisions in the Tax Code that, frankly, do not make a lot of sense, or maybe are unfair, and do not enhance economic development.

The other thing that we need to do, and I keep coming back to this one, and we as Democrats especially need to keep this in mind is the third piece, how do we get better results for less money in

everything we do. It almost is like a culture change where we look in every nook and cranny of the Federal Government and ask that question and try to move from a culture of spendthrift to a culture of thrift.

It is hard for one Committee to do that. It is impossible. It is hard for one Committee, even if you have a lot of people who are interested in this stuff and folks on our staff, it is hard even if you work with OMB. It is hard to get that done. Even if you are working with the House, it is hard to get it done. It is hard if you are working with the Government Accountability Office or with all the IGs, all the inspector generals across the Federal Government.

What we try to do is to leverage the effectiveness of our Committee in going after ineffective spending by partnering with all the above. And we need to—this is again, as I said, is a shared responsibility, all hands on deck.

Would you just talk a little bit about how you think, in your position at OMB, how OMB can be maybe a better partner in that leveraging activities?

Mr. DEESE. Sure. I think there is a couple things that OMB is particularly well-positioned to do. I think the first is to invest in a relationship based on transparency and trust with both this Committee and some of the other actors that have a vital role to play in this overall process.

And I think that having a sense that we are working together to set those priorities that I was just referring to, that we are looking for opportunities to incorporate different points of view. I think that is important in building a relationship that actually will be effective at getting things done, as you say, when it is an effort that is going to require everybody together.

I think the other thing that OMB is very well-positioned and it plays to OMB's strengths is to provide best practices and information across the agencies. And so, whether it is on the IT side and doing things like, in a portfolio stat, you go into an agency and you really look top to bottom, what kind of technology improvements can be made, but then OMB is in a position to actually cross-fertilize and make sure that the lessons learned from that particular intervention are actually available to the other agencies.

And so, I think, in a very pragmatic way, we at OMB need to make sure that we are using that resource as effectively as possible and need input on how we can do that better.

And then I think the third area really is in helping to set the priorities for the Federal Government because the policy process that OMB can oversee and the fact that we have responsibility for the budget framework as well means that is the opportunity to make sure they are full integrated and that when you are trying to identify these areas to make government more efficient and effective, that they are reflected in the budget that is out there as well.

So I think there are several opportunities where OMB can and should play a vital role. But I agree with your basic premise that at the end of the day, to make real progress, we all have to be working constructively and pragmatically together. That is, again, if confirmed, something that I appreciate and I want to learn more about from you and others.

Chairman CARPER. As it turns out, GAO can be enormously helpful in this area. Every other year actually, GAO puts out something they call their High Risk List, and someone asked me once, what is the High Risk List. It is a compilation of high risk ways to waste taxpayer money.

They have a lot of ideas and they involve the way we manage our data, they have the way we procure our weapon systems where they contract for all kinds of things, the way we handle our Federal property and dispose of Federal property or do not. I call the GAO High Risk List this Committee's to-do list.

And I would just suggest that for OMB, it is not a bad to-do list for the Administration. And again, it is so hard to get anything done around here, even if we agree on things, but if you have a particular set of policy initiatives that really could, arguably, save a fair amount of money and the Administration is not only just talking about it but putting it in their budget.

And you have GAO in their High Risk List saying these are things we need to do, we have the Committees in the Senate and in the House that are doing proper oversight that includes matching up behavior of Federal agencies and so forth, their policies, measuring those against the high risks from GAO, and then finding folks within the IGs ranks, inspector general ranks, and then outside of government groups like Citizens Against Government Waste and other kinds of organizations.

If you can put them all together you can get actually a synergy going here. And I think we are going to need that in a huge way if we are serious about deficit reduction. That is the third piece.

I have people all the time who say to me, I do not mind paying more taxes, but I do not want you to waste my money. You would be amazed how often I hear that. I do not mind paying more taxes. I do not want you to waste my money. And if we realize that more revenue is part of the solution, not necessarily higher rates, if we realize that more revenue is part of the solution. We realize that they are not anxious to pay more in revenue or taxes, but if you do, we do not want you to waste that money.

If we can convince clearly people that are determined to work on that front as well, I think we help ourselves and our country in the end.

Among the items on GAO's High Risk List many deal with building space. We own hundreds of thousands of pieces of property around the country and some of them are well-utilized, others are not.

One of the things that troubles me—and Dr. Coburn focused on this almost as soon as he came to the Committee in 2005—was the way we lease space for Federal agencies to use when actually it would be more cost-effective to buy it. But if you buy it, you have to pay for it. You cannot, because we do not have a capital budget, you cannot basically write it off over time. You have to take it up right up front. A billion-dollar complex, its first year, you would have to offset it. That is a hard thing to do.

Would you talk with us a little bit about that idea, a long-term lease versus actually paying something outright and how we deal with the scoring? Because the incentives are all wrong. It may be, in a lot of cases, more cost-effective to buy and to own than it is

to lease long term. Can you talk to us about the incentives there and how, if anything, we can and do need to do?

Mr. DEESE. Sure. I mean, I think there is a real opportunity in better managing the Federal footprint, and I think there is an opportunity to actually generate savings, deficit reduction, but also to just operate our Federal facilities more efficiently and effectively.

I think that the way to go about it is to think about how to create more tools to effectively manage this large footprint that we have. The issue that you mentioned is one of those tools. I think there are other tools that we should look at, and are there ways that agencies can swap facilities when that would be, an economic improvement for both agencies.

I know that there is an initiative that has been undertaken to basically have PAYGO within an agency that says, you cannot expand in a new facility if you have not actually already looked at whether there are places where you need to consolidate. I think that is an effective forcing mechanism as well.

I think if you put together these pieces and you look at what other pieces are out there, it is going to be those types of pieces together that are going to get us to a more efficient outcome, a more efficient management of the Federal footprint.

It is a real opportunity and I think it is one that, if confirmed, I would want to work with you and your staff, as well as Dr. Coburn and his staff and others, to make sure that I fully understand exactly what type of tools are going to be the most effective, but I agree completely that we need more tools in the toolkit to try to go at this problem, and there is a real opportunity there.

Chairman CARPER. Maybe one last question. One of the things I like to do at a hearing, usually I do it at a hearing when there are a number of witnesses and where we are trying to develop consensus around a particular issue. We were doing that last week on, among other things, improper payments and how to reduce them.

I am going to ask you to give a closing statement, not a long one, but just some things you would like to mention, maybe reemphasize, or some thoughts that have come to mind that you did not have a chance to put in your original statement, so think about that, if you will.

The job of government with respect to job creation is, people think sometimes their Senators think that they create jobs, or Governors create jobs, or Presidents create jobs, and I always say, No, we do not create jobs. What we do is help create the nurturing environment for job creation, which is workforce, infrastructure, access to capital, common-sense regulation.

There are about 7 or 8 million jobs in the country that depend on a vibrant and cost-effective Postal Service and we have been wrestling for a couple years now to try to get it right in a day and age where you have people change very dramatically the way they communicate.

As you know, first-class mail volume is way down. And that we still need a Postal Service. But I do not know if you have any thoughts about how to move us toward a vibrant, sustainable system where we can maybe maintain a unique distribution system that we have, but find ways to use that to generate more revenues, just to be more innovative.

But we need thoughts you have on the postal reform, which I think is going to be seriously addressed this spring and this summer. My hope is that we will be able to find common ground not only here in the Senate, but also in the House and with the Administration.

Mr. DEESE. Well, I think it is an important area to find common ground because this is, as you say, a service that provides a vital service to Americans, but also, as currently structured, is unsustainable and if left unaddressed, is going to end up being a harder problem to solve and one that could potentially be a larger liability for taxpayers down the road.

So I think this is the moment to try to take a very serious look at reform. And I know that the President's budget has put forward an approach to reform. I know that others have thought very deeply about what the right approach to do that is.

I do not have a particular magic formula in that respect, but I do think that the right way to go at this issue is to look for the areas of common ground and try to build a consensus, that if addressed now and in a sensible way, this will be easier.

It is never going to be easy, but it is going to be easier now if we address this in a sensible way than if we leave it and wait and have to address a bigger problem down the road.

Chairman CARPER. Good. Well, if you are confirmed, it is one of the first things that we are going to try to hammer out, we will certainly need your involvement and guidance and support in doing that.

If you have a just brief closing statement you would like to offer, we are all ears. We would like to hear it.

Mr. DEESE. Sure. Well, first of all, thank you for this hearing and again the opportunity to speak with you and with Senator Levin. I look forward to speaking with other Members of the Committee. And I guess in addition to what I have said, I guess I would just say this, that I understand that we face very serious challenges as a country, economic challenges and fiscal challenges, but I am also very energized by the opportunity ahead and the potential opportunity if confirmed for this role at OMB.

And I think that in addition to the opportunity to work with a second-to-none professional staff at OMB, the opportunity to be part of a pragmatic group, as you said, this Committee and other stakeholders that you have identified, that are trying to actually just identify where can we find good ideas and how can we move forward to show the American people that we can be effective stewards of taxpayer dollars.

We can do more with less, we can operate their government more efficiently. It is something that is extremely exciting for me and, again, I am very humbled and honored to be here and thank you for your time.

Chairman CARPER. Well, we thank you for your time. We thank you for your willingness to take this on. I want to thank your mom and dad, David and Patricia, for raising you and your sister Heather to be so smart and to have good values and a good work ethic and good judgment in spouses.

Kara, we are grateful for your willingness to share your husband with us. It is a sacrifice to do these kinds of things. We are mindful

it is not just a sacrifice on his part, but on yours as well. I am deeply grateful. And I look forward to working with you if confirmed, look forward to working with you closely going forward.

I will close with the words I used earlier. A big part of what we need to do is find out what works and do more of that, find out what works and do more of that. And it is not any one person's responsibility. It is not mine, it is not yours, it is not the responsibility of Sylvia Mathews Burwell, it is not the OMB Deputy for Management. It is everybody's responsibility.

And we look forward to finding those ideas that work and doing more of that and seeing if we cannot continue the progress we are making in getting this country moving in the right direction in terms of our economy, but also keeping our deficit moving in the right direction and that is down. We are anxious to get you on the job and at work so we can continue that progress.

I understand, according to our crack staff back here, that the hearing record will remain open until close of business tomorrow. That is May 14 at 5 p.m. for the submission of statements and questions for the record. Have you had a chance to meet with most of the Members of our Committee?

Mr. DEESE. I have had a chance to meet with some of them, yes.

Chairman CARPER. Yes. You want to meet with as many of us as you can. Not everybody can. Some people serve on five Committees and they are—we are all busy. But I would urge you to make yourself as available as you can. That will help you, and in the end, it will help us to move your nomination along promptly.

I think that is a wrap. Thank you so much. And with that, this hearing is adjourned. Thanks so much.

[Whereupon, at 4:32 p.m., the hearing was adjourned.]

A P P E N D I X

**Opening Statement of Chairman Thomas R. Carper
Nomination of Brian C. Deese to be
Deputy Director, Office of Management and Budget
May 13, 2013**

As prepared for delivery:

Today we meet to consider the nomination of Brian Deese, President Obama's choice to serve as Deputy Director of the Office of Management and Budget. I am pleased to note at the outset of this hearing that the nomination process in this case is proceeding as it should. The position for which Mr. Deese is nominated became vacant in February of this year, when OMB Deputy Director Heather Higginbottom took a new assignment at the Department of State with incoming Secretary John Kerry. By early April the President submitted the nomination of Mr. Deese, and Dr. Coburn and I have worked to review and bring the nomination before the full Committee expeditiously.

In terms of process, I think this nomination has worked well at both ends of Pennsylvania Avenue. And I hope it is a model that the White House and the Senate will continue to follow often. In recent decades, through both Democratic and Republican Administrations, the nomination and confirmation processes have become unacceptably slow. At any given time, there are far too many vacant senior positions throughout the federal government. This lack of critical leadership undermines the effectiveness of the government. And a slow, partisan process discourages talented people from wanting to serve in our government.

This problem has become so prevalent that I have started referring to it as Executive Branch 'Swiss Cheese.' And that is why I believe it is so important for our Committee to move forward promptly on nominations that fall within our jurisdiction. Nominations for the senior positions at the Office of Management and Budget are among the most important that our Committee will consider this year.

As most of you know, on April 24, by a vote of 96 to 0, the Senate confirmed the nomination of Sylvia Mathews Burwell to be Director of the Office of Management and Budget. She will be a strong leader, and now the President and the Senate share the job of surrounding her with a great team.

Following today's consideration of Mr. Deese's nomination, we will soon consider the nomination of Howard Shelanski to be Administrator of the Office of Information and Regulatory Affairs. And I hope that in short order the President will submit a nomination for the position of Deputy Director for Management, which was recently vacated by Jeff Zients. Having strong leadership at the Office of Management and Budget is important at any time, but particularly at this moment, when our nation is so desperately in need of a long-term budget plan to rein in our federal deficit and debt.

I've said it before, but something this important bears repeating often. The grand budget compromise that we need in order to address this fiscal crisis must have three essential elements.

It must address both spending and revenues in a balanced approach. It must rein in the costs of our entitlement programs in a way that doesn't savage the poor or the elderly. And it must ensure that, through better management of government programs, we deliver better services to the American people at a lower cost.

This Committee is an important partner with the Office of Management and Budget in all of these areas, but especially in ensuring that our government achieves better results for less money. We have a full agenda, then, and Dr. Coburn and I are working in full partnership. For example:

- We can save billions of dollars by shedding federal property that is no longer used.
- We can save billions of dollars every year by reducing the amount of improper payments that the government makes.
- We can bring in billions of dollars of revenues by doing a better job of collecting taxes that are owed but not paid.
- We can save billions of dollars in federal contracting every year through efforts such as the so-called strategic sourcing initiative, which involves buying more in bulk.
- We can save billions of dollars through better management of the information technology that the government buys.
- We can improve the transparency of government spending so that the American people have a better understanding of how their tax dollars are used.

These are just a few examples of the ways this Committee and the Office of Management and Budget, in concert, are striving to make our government work better.

"I am that we have before us today a nominee who has a firm grasp of the role of both the "M" and the "B" in OMB. With respect to the "M" – the management – Mr. Deese understands the importance of driving innovations and efficiencies across the government so that agencies not only save money, but deliver better services to the American people. And with respect to the "B," he is someone who is committed to achieving a comprehensive deficit reduction plan that will help our economy grow.

Mr. Deese comes well-prepared for these challenges from his two positions at the National Economic Council – first as a Special Assistant to the President for Economic Policy and then as Deputy Assistant to the President and Deputy Director of the National Economic Council. Mr. Deese has earned a well-justified reputation as someone who can absorb a tremendous amount of economic data, synthesize it, and translate it into viable options for the President and his economic team. On issues ranging from the auto bailout to housing issues to tax policy, Mr. Deese has helped our country recover from the recession that hit our economy before President Obama took office. He is someone who understands that our fiscal policies are intrinsically linked to the prosperity of the American people.

Brian's father is a college professor and his mother is an engineer. He clearly has inherited their smarts. He has an undergraduate degree from Middlebury College and a law degree from Yale Law School. Before going to law school, he spent time doing policy analysis for the Carnegie Endowment for International Peace, the Center for Global Development, and the Center for American Progress.

I think anyone who meets Brian quickly realizes that he has the brainpower to pursue whatever profession he chooses. But he has a passion for public policy – specifically, a passion for finding ways for our government to make smart choices so that individuals and businesses can prosper.

In short, he is someone who quickly impressed his colleagues in the Administration, and I believe he will quickly impress my colleagues in the Senate.

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**Opening Statement of Senator Tom Coburn
Nomination of Brian C. Deese to be
Deputy Director, Office of Management and Budget
May 13, 2013**

We are here today to consider the President's nominee for Deputy Director of the Office of Management and Budget ("OMB"), Mr. Brian Deese.

Mr. Deese, if confirmed, will assume the role of second-in-command at the OMB. Strong leadership at the nation's chief budget office is needed now more than ever, as we face a lagging economy, record levels of a spending and borrowing, and a \$16.8 trillion debt.

Washington is nearing a fiscal crossroads and many crucial decisions will be made in the coming months. If confirmed, Mr. Deese will be part of these discussions, as Congress and the administration work together to address various budget and economic issues, including sequestration, the national debt limit, entitlement and tax reform, and many others. It is my hope, if given this opportunity, Mr. Deese will commit to working diligently to find serious and bipartisan solutions to the pressing budgetary and management challenges that lay ahead.

Mr. Deese began working for the President as a member of his campaign. Since that time, he has handled number of economic, budget, and domestic policy initiatives for this administration. If confirmed for this role at the OMB, it will be imperative Mr. Deese take a pragmatic approach to resolving the nation's fiscal challenges, working with me and other members of Congress to find areas of common ground for savings and reform. We can no longer afford for Washington insiders to engage in partisan bickering while retreating from making tough fiscal choices.

A number of areas within the OMB's management portfolio are ripe for reform. The agency is uniquely positioned to work across the government to achieve significant savings from every corner of the federal bureaucracy through management and operational improvements. The OMB should take the lead for the executive branch in implementing many of these reforms, governmentwide, while also working with Congress to assure the permanency of these changes. In many cases, these reforms, such as reducing improper payments, improving grant management and the procurement process, or even simply eliminating excessive travel and conference attendance, will not only modernize government and increase efficiency, but also produce budgetary savings needed to mend our country's fiscal situation.

For example, just last month the Government Accountability Office (GAO) released its third annual duplication report. This one review identified \$95 billion in potential savings to taxpayers over 17 areas of the government and 14 areas of potential cost savings. Both Congress and the administration have fallen short in implementing GAO's recommendations, which could bring about significant savings and reduce federal spending. If he assumes the role of Deputy Director, I expect Mr. Deese to work with us on this initiative and other commonsense, bipartisan areas of government reform.

While I disagree with many of this administration's policies, I will continue to look for every possible opportunity to find common ground. The Senate recently confirmed Mrs. Sylvia Burwell to be Director of the OMB. I committed to working with Director Burwell to find commonsense solutions to streamline government and reduce our nation's deficit. If confirmed, I ask Mr. Deese to join in that commitment and make it his top priority.

STATEMENT OF BRIAN C. DEESE

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

**UNITED STATES SENATE COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
May 13, 2013**

Thank you Chairman Carper, Ranking Member Coburn, and Members of the Committee for welcoming me today. It is an honor to be considered by this committee as the President's nominee to be Deputy Director of the Office of Management and Budget (OMB).

I am pleased that members of my family could join me today, including my mother and father who instilled in me a deep respect for, and commitment to, public service. I particularly want to recognize my wife, Kara, and our daughter Adeline, who are here as well.

I would also like to thank President Obama for nominating me to this position and to Director Burwell for her support and confidence in me. If confirmed, I will work hard to meet their high standards of performance on behalf of the American people.

Finally, I want to thank Members of the Committee and their staff for taking the time to meet with me over the last few weeks. If I am confirmed, I look forward to continuing our conversations and strengthening the vital relationship between OMB and this Committee.

Over the past several years, I have had the opportunity to work with many officials at OMB and across executive branch agencies to develop and implement Administration policies. This experience has given me a deep respect for the role that OMB plays in setting budget priorities and improving government performance, and for the skill and commitment of the professionals who work there.

I am humbled to be considered for this position at a moment when we as a Nation face the critical work of strengthening our economy and improving our fiscal position. We have made important progress over the last several years. Our economy is growing, our housing market is recovering, and our manufacturing sector is showing signs of strength. Our businesses are creating jobs on a consistent basis and together, Congress and the President have begun the hard work of bringing down our deficits and strengthening our Nation's long-term financial position.

But there is much more that we need to do together to deliver on what I believe must be our ultimate goal—an economy that provides opportunity and stability for working families.

Much of my professional work has focused on the role that fiscal policy can play in promoting stronger and more durable economic growth. If confirmed, my focus will be to work closely with Director Burwell and Congress to build on the progress we have made and further reduce our deficit in a balanced way that supports a stronger economy over the short- and long-term.

A second key area of focus in this period of ongoing fiscal and economic challenges must be to make our Government more effective and efficient. Over the last several years, most recently as Deputy Director of the National Economic Council, I have developed a deep appreciation for the importance of applying sound management practices across the Federal Government. This is an area where this Committee has shown great leadership, and if confirmed, I look forward to working with you to make progress on our many shared priorities.

Finally, I believe the Budget is fundamentally a vision for how Government and those of us in public service can deliver better outcomes for our economy and middle class families. It is, in essence, a reflection of our values and priorities as a country. If confirmed, I will work every day to uphold those values and priorities.

I want to thank the Committee for its time today and for considering my nomination. I look forward to answering your questions.

REDACTED

COMMON QUESTIONS FOR EXECUTIVE NOMINEES

1. Basic Biographical Information

Please provide the following information.

<i>Position to Which You Have Been Nominated</i>	
Name of Position	Date of Nomination
Deputy Director, Office of Management and Budget	April 8, 2013

<i>Current Legal Name</i>			
First Name	Middle Name	Last Name	Suffix
Brian	Christopher	Deese	

<i>Addresses</i>					
<u>Residential Address</u> (do not include street address)			<u>Office Address</u> (include street address)		
			Street: 1600 Pennsylvania Ave, NW		
City: Washington	State: DC	Zip: 20009	City: Washington	State: DC	Zip: 20009

<i>Other Names Used</i>						
First Name	Middle Name	Last Name	Suffix	Check if Maiden Name	Name Used From (Month/Year) (Check box if estimate)	Name Used To (Month/Year) (Check box if estimate)
N/A					Est <input type="checkbox"/>	Est <input type="checkbox"/>

<i>Birth Year and Place</i>	
Year of Birth (Do not include month and day.)	Place of Birth
1978	Boston, MA

<i>Marital Status</i>					
Check All That Describe Your Current Situation:					
Never Married <input type="checkbox"/>	Married <input checked="" type="checkbox"/>	Separated <input type="checkbox"/>	Annulled <input type="checkbox"/>	Divorced <input type="checkbox"/>	Widowed <input type="checkbox"/>

<i>Spouse's Name (current spouse only)</i>			
Spouse's First Name	Spouse's Middle Name	Spouse's Last Name	Spouse's Suffix
Kara	Arsenault	Deese	

<i>Spouse's Other Names Used (current spouse only)</i>						
First Name	Middle Name	Last Name	Suffix	Check if Married Name	Name Used From (Month/Year) (Check box if estimate)	Name Used To (Month/Year) (Check box if estimate)
Kara	Kathleen	Arsenault		X	04/1980 Est <input type="checkbox"/>	01/2009 Est <input checked="" type="checkbox"/>

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

2. Education

List all post-secondary schools attended.

<u>Name of School</u>	<u>Type of School</u> (vocational/technical/trade school, college/university/military college, correspondence/distance/extension/online school)	<u>Date Began School</u> (month/year) (check box if estimate)	<u>Date Ended School</u> (month/year) (check box if estimate) (check "present" box if still in school)	<u>Degree</u>	<u>Date Awarded</u>
Middlebury College	College	09/1996 <input type="checkbox"/> Est <input type="checkbox"/>	05/2000 <input type="checkbox"/> Est <input type="checkbox"/> Present <input type="checkbox"/>	B.A.	05/2000
Yale Law School	Law School	09/2005 <input type="checkbox"/> Est <input type="checkbox"/>	05/2008 <input type="checkbox"/> Est <input type="checkbox"/> Present <input type="checkbox"/>	J.D.	09/2009

3. Employment

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

<u>Type of Employment</u> (Active Military Duty Station, National Guard/Reserve, USPHS Commissioned Corps, Other Federal employment, State Government (Non- Federal Employment), Self- employment, Unemployment, Federal Contractor, Non- Government Employment (excluding self-employment), Other	<u>Name of Your Employer/ Assigned Duty Station</u>	<u>Most Recent Position Title/Rank</u>	<u>Location (City and State only)</u>	<u>Date Employment Began</u> (month/year) (check box if estimate)	<u>Date Employment Ended</u> (month/year) (check box if estimate) (check "present" box if still employed)
Other federal employment	Office of Management and Budget	Counselor to the Acting Director	Washingt on, DC	03/2013	Present
Other federal employment	National Economic Council	Deputy Assistant to the President and Deputy Director	Washingt on, DC	01/2011 Est <input type="checkbox"/>	03/2013 Est <input type="checkbox"/>
Other federal employment	National Economic Council	Special Assistant to the President for Economic Policy	Washingt on, DC	01/2009 Est <input type="checkbox"/>	01/2011 Est <input type="checkbox"/>
Other federal employment	Presidential Transition Team	Economic Policy Staffer	Washingt on, DC	11/2008 Est <input type="checkbox"/>	01/2009 Est <input type="checkbox"/>
Non-Government Employment	Obama Presidential Campaign	Deputy Economic Policy Director	Chicago, IL	06/2008 Est <input type="checkbox"/>	11/2008 Est <input type="checkbox"/>
Non-Government Employment	Hillary Clinton Presidential Campaign	Economic Policy Director	Washingt on, DC	06/2007 Est <input type="checkbox"/>	06/2008 Est <input type="checkbox"/>
Non-Government Employment	Center for American Progress	Senior Economic Policy Analyst	Washingt on, DC	05/2002	03/2005
Non-Government Employment	Center for Global Development	Research Associate	Washingt on, DC	10/2001	09/2002
Non-Government Employment	Carnegie Endowment for International Peace	Junior Fellow	Washingt on, DC	06/2000	10/2001

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

None

4. Potential Conflict of Interest

(A) Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

In connection with the nomination process, I consulted with the Office of Government Ethics and the Office of Management and Budget's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I entered into with OMB's designated agency ethics official and that has been provided to this Committee.

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

I have not engaged in any such activity; however, I previously worked for organizations that took advocacy positions with respect to legislation and public policy, including the Center for American Progress, Center for Global Development and Carnegie Endowment for International Peace.

5. Honors and Awards

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

- Fortune Magazine, "40 under 40", 2011, 2012.
- Young Leader Award, American-Swiss Foundation, 2002.
- Junior Fellow, Carnegie Endowment for International Peace, 2000-2001.
- Middlebury International Studies Senior Thesis Award, 2000.

6. Memberships

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

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

<u>Name of Organization</u>	<u>Dates of Your Membership</u> (You may approximate.)	<u>Position(s) Held</u>
Yale Law and Policy Review	2005-2008	Member, Articles Editor 2006

7. Political Activity

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

No

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

None

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

None

8. Publications and Speeches

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

I did my best to identify all books, articles, reports, speeches, and other materials including a thorough review of my personal files and searches of publicly available electronic databases. In addition to the speeches and publications listed below, in my role at the National Economic

Council I authored blog posts detailing Administration's positions on economic issues. Those posts are available at: <http://www.whitehouse.gov/blog/author/Brian%20Deese>. Also, in my role at the National Economic Council, I also occasionally taped videos on the Administration's positions on economic policy. Those videos are available at: <http://www.whitehouse.gov/whiteboard>.

<u>Title</u>	<u>Publisher</u>	<u>Date(s) of Publication</u>
"Can a School District Promote Racial Integration In Its Public Schools by Taking Race In Student Assignment?"	American Bar Association Preview Magazine	2006-2007
"Leaving Integration Behind,"	TomPaine.org (with Anurima Bhargava)	11/29/2006
"New England's Wholesale Residual Electricity Market."	Atlantic Economic Journal (with Paul Sommers and Eric Schacht)	2005
"Sacrifice and Recovery."	The American Prospect	9/14/2005
"Beyond HIPC: Secure Sustainable Debt Relief for Poor Countries."	Center for Global Development Working Paper (with Nancy Birdsall)	2004
"That Rosy Unemployment Rate."	Center for American Progress	9/13/2004
"Has the Consumer Train Reached The Station?"	Center for American Progress	7/30/2004
"Saving Debt Relief From Itself."	Center for American Progress	4/23/2004
"Hard Currency."	Washington Monthly (with Nancy Birdsall)	3/1/2004
"How Significant Are the Administration's Proposed Increases in Foreign Development Aid?"	Center for Global Development/Center on Budget and Policy Priorities (with Isaac Shapiro and Nancy Birdsall)	2003
Delivering on Debt Relief	Center for Global Development/Institute for International Economics (with Nancy Birdsall and John Williamson)	2002
"More Debt Reduction Starts a New Global Deal."	Center for Global Development Working Paper (with Nancy Birdsall)	2002
"Now Is the Time for the G-8 to Pay Up."	Calgary Herald (with Nancy Birdsall)	7/8/2002

"Whatever Happened to Debt Relief for Africa?"	International Herald Tribune (with Nancy Birdsall)	6/27/2002
"Multilateral Development Banks in a Changing Global Economy."	Economic Perspectives (with Nancy Birdsall)	2001

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

In my role at the National Economic Council, I occasionally taped videos on the Administration's positions on economic policy. Those videos are available at: <http://www.whitehouse.gov/whiteboard>.

Also, over the past five years, I gave informal remarks on the Administration's economic policies to stakeholder groups and public audiences. I did not prepare remarks for these appearances and am not aware that transcripts of them exist. To the best of my recollection, below is a listing of those informal remarks:

- *Participant in Post- State of the Union White House panel, 2/12/13*
- *Participant in Discussion on Atlantic Magazine Forum on Energy Innovation, 1/24/13*
- *Remarks on Budget to 2013 Legacy Conference Obama Campaign Legacy Conference, 1/20/13*
- *Participant in panel at White House Housing Policy Forum, 9/13/12*
- *Remarks at Senate Staff Briefing on Small Business Jobs and Tax Relief Act, 6/21/12*
- *Remarks on NEC policy agenda at White House briefing for State Treasurers, 3/19/12*
- *Remarks on NEC policy agenda to White House Business, 3/16/12*
- *Remarks on Administration Housing policy to House Financial Services staff, 2/9/12*
- *Remarks on Administration Housing policy to Senate staff, 2/8/12*
- *Participant in Post- State of the Union White House panel, 1/24/12*
- *Remarks on NEC policy agenda at Green Government Symposium, 11/1/11*
- *Participant in panel following the President's Joint Session Address on the America Jobs Act, 9/8/11*
- *Remarks on Administration housing policy at National Association of Real Estate Investment Trusts (NAREIT) Board of Governors meeting, 3/1/11*
- *Remarks on NEC policy agenda to Brookings Institution Budget Luncheon, 2/18/11*

- *Remarks on NEC policy agenda at Atlantic Magazine Digital Town Hall on Economy & Jobs, 2/8/11*
- *Participant in Post- State of the Union White House panel, 1/25/11*
- *Remarks on NEC policy agenda to panel on How the White House Works, 03/04/10*
- *Participant in Post- State of the Union White House panel, 1/27/10*

9. Criminal History

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

- Have you been issued a summons, citation, or ticket to appear in court in a criminal proceeding against you? (Exclude citations involving traffic infractions where the fine was less than \$300 and did not include alcohol or drugs.)

No.

- Have you been arrested by any police officer, sheriff, marshal or any other type of law enforcement official?

No.

- Have you been charged, convicted, or sentenced of a crime in any court?

No.

- Have you been or are you currently on probation or parole?

No.

- Are you currently on trial or awaiting a trial on criminal charges?

No.

- To your knowledge, have you ever been the subject or target of a federal, state or local criminal investigation?

No.

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

A) Date of offense:

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

B) Description of the specific nature of the offense:

C) Did the offense involve any of the following?

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

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

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

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

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

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

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

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

3) If no, provide explanation:

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

H) Provide a description of the sentence:

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

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

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

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

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

N) Provide explanation:

10. Civil Litigation and Administrative or Legislative Proceedings

(A) Since (and including) your 18th birthday, have you been a party to any public record civil court action or administrative or legislative proceeding of any kind that resulted in (1) a finding of wrongdoing against you, or (2) a settlement agreement for you, or some other person or entity, to make a payment to settle allegations against you, or for you to take, or refrain from taking, some action. Do NOT include small claims proceedings.

I have not.

(B) In addition to those listed above, have you or any business of which you were an officer, director or owner ever been involved as a party of interest in any administrative agency proceeding or civil litigation? Please identify and provide details for any proceedings or civil litigation that involve actions taken or omitted by you, or alleged to have been taken or omitted by you, while serving in your official capacity.

I have not.

(C) For responses to the previous question, please identify and provide details for any proceedings or civil litigation that involve actions taken or omitted by you, or alleged to have been taken or omitted by you, while serving in your official capacity.

None

11. Breach of Professional Ethics

(A) Have you ever been disciplined or cited for a breach of ethics or unprofessional conduct by, or been the subject of a complaint to, any court, administrative agency, professional association, disciplinary committee, or other professional group? Exclude cases and proceedings already listed.

No

(B) Have you ever been fired from a job, quit a job after being told you would be fired, left a job by mutual agreement following charges or allegations of misconduct, left a job by mutual agreement following notice of unsatisfactory performance, or received a written warning, been officially reprimanded, suspended, or disciplined for misconduct in the workplace, such as violation of a security policy?

No

12. Tax Compliance - REDACTED

(This information will not be published in the record of the hearing on your nomination, but it will be retained in the Committee's files and will be available for public inspection.)

13. Lobbying

In the past ten years, have you registered as a lobbyist? If so, please indicate the state, federal, or local bodies with which you have registered (e.g., House, Senate, California Secretary of State).

No

14. Outside Positions

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

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

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

15. Agreements or Arrangements

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

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

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

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

16. Additional Financial Data - REDACTED

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

17. Assets

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

For you, your spouse, and dependent children, report each asset held for investment or the production of income which had a fair market value exceeding \$1,000 on a date you choose within 31 days of filing your OGE 278.

Assets include, but are not limited to, stocks, bonds, pension interests and annuities, futures contracts, mutual funds, IRA assets, tax shelters, beneficial interests in trusts, personal savings or other bank accounts, real estate, commercial crops, livestock, accounts or other funds receivable, and collectible items held for resale or investment. **Exceptions:** Exclude your personal residence (unless rented out) and any personal liability owed to you, your spouse or dependent child by a spouse or dependent child, or by a parent, brother, sister or child of you, your spouse, or dependent child. Exclude any retirement benefits (including the Thrift Savings Plan) from Federal Government employment and any social security benefits. Exclude also any deposits aggregating \$5,000 or less in personal savings accounts in a single financial institution.

Please indicate the dollar range for the value of the asset below. If the asset/income is solely that of the filer's spouse or dependent children and the value is \$1,000,000 or above, please select \$1,000,000 or above. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

Asset	Investment Fund?	Excepted?	Qualified Trust?	Type of Income (Dividends, Rent and Royalties, Interest, Capital Gains, Other Income) If "Other Income," specify type and actual amount.	Value of the Asset									
					\$1,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000	\$500,001 - \$1,000,000	\$1,000,001 - \$5,000,000	\$5,000,001 - \$25,000,000	\$25,000,001 - \$50,000,000	Over \$50,000,000

[illegible]

18. Liabilities

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

For the preceding calendar year and the current calendar year up to a date you choose that is within 31 days of the date of filing, report liabilities over \$10,000 owed to any one creditor at any time during the reporting period by you, your spouse, or dependent children. Check the highest amount owed during the reporting period.

Exclude:

1. a personal liability owed to a spouse or dependent child, or to a parent, brother, sister, or child of you, your spouse or dependent child;
2. a mortgage or home equity loan secured by real property which is the personal residence (or a second residence not used for producing income) of you or your spouse;
3. a loan secured by a personal motor vehicle, household furniture, or appliances, where the loan does not exceed the purchase price of the item;
4. a revolving charge account where the outstanding liability did not exceed \$10,000 as of the close of the reporting period; and
5. any liability of your spouse or dependent child which represents the sole financial interest or responsibility of the spouse or child, and about which you have no knowledge, and which is not derived from your income, assets, or activities, and concerning which you neither derive nor expect to derive any financial or economic benefit.

You are required to report any liability of any nonpublic company, investment pool, or other entity, in which you, your spouse or dependent child have an interest, unless (1) the liability is incidental to the primary trade or business of the entity as indicated by you on Schedule A, or (2) the entity is an excepted investment fund. An excepted investment fund is a mutual fund, common trust fund of a bank, pension or deferred compensation plan, or any other investment fund, which is widely held; publicly traded (or available) or widely diversified; and under circumstances where you neither exercise control over nor have the ability to exercise control over the financial interests held by the fund. A fund is widely diversified when it holds no more than 5% of the

value of its portfolio in the securities of any one issuer (other than the U.S. Government) and no more than 20% in any particular economic or geographic sector.

Creditor's name	Type of Liability	Date Incurred	Interest Rate	Term (if applicable)	Value of the Liability
				\$1,001-\$100,000	
				\$15,001-\$80,000	
				\$50,001-\$100,000	
				\$100,001-\$500,000	
				\$500,001-\$1,000,000	
				\$1,000,001-\$5,000,000	
				\$5,000,001-\$25,000,000	
				\$25,000,001-\$50,000,000	
				\$50,000,001-\$75,000,000	
				\$75,000,001-\$500,000,000	
				Over \$500,000,000	

19. Income

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

(A) For the preceding calendar year and the current calendar year up to a date you choose that is within 31 days of the date of filing, for yourself, report the source and actual amount of earned income exceeding \$200 (other than from the U.S. Government). For your spouse, report the source but not the amount of earned income of more than \$1,000 (except report the actual amount of any honoraria over \$200 of your spouse).

Source of Income	Actual amount of Income	Date (Month, Day, Year) (ONLY PROVIDE FOR HONORARIA)

(B) Report sources of more than \$5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than \$5,000. You need not report the U.S. Government as a source.

Source of Compensation	Brief Description of Duties

SIGNATURE AND DATE

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



This 15th day of April, 2013

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

I. Nomination Process and Conflicts of Interest

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

I believe the President nominated me to this position because of my experience working at the National Economic Council over the past several years, most recently as Deputy Director.

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

No.

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

I have over ten years of experience working on economic and budget policy issues. Most recently, as Deputy Director of the National Economic Council, I was responsible for coordinating economic policy development across the Administration. In this role, I had the opportunity to work closely with officials at the Office of Management and Budget (OMB) and was involved in the development of each of the President's Budgets.

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

No.

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

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

II. Background of the Nominee

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

I have over ten years of experience working on economic and budget policy issues, both inside and outside of government. Most recently as Deputy Director of the National Economic Council, I have been responsible for coordinating economic policy development across the Administration. I have managed the Administration's policy development and presented options to the President across a range of areas, organizing and leading the planning of the Administration's priorities in housing, manufacturing, financial regulation, and other areas. In this role, I have had the opportunity to work closely with the leadership and career staff at OMB and have been involved in the development of each of the President's Budgets.

I have also worked to implement budget policies and measures to improve the performance and effectiveness of government programs and services. I have worked to develop more effective ways for the government to partner with the private sector to promote job creation and growth, and have also had the opportunity to work with Congress to design and implement legislation to improve economic growth and strengthen our nation's fiscal position.

These experiences have given me a strong understanding of the Federal budgeting process and an appreciation for the role of sound fiscal policy as part of a broader strategy to promote economic growth and job creation. I believe I can apply these skills and experiences effectively to the role of Deputy Director at OMB.

III. Role of the Director of OMB

7. What do you anticipate will be your greatest challenges as OMB Deputy Director, and identify, at least, your top three priorities and how you plan to address them?

The greatest challenge the Nation faces today is encouraging strong, durable economic growth that generates good jobs and greater economic security for middle class Americans. A key priority for me, if confirmed, would be supporting the President's efforts to find common ground on a comprehensive deficit reduction strategy that improves our long term fiscal position while supporting the reform and investments our economy needs to grow.

A second priority for me is ensuring that the Federal government soundly manages its finances, particularly in these tight budgetary times. That means spending money wisely, rooting out any wasteful or inefficient spending, preventing fraud or abuse before it occurs, and looking for ways to create a higher performing, more effective government.

A third priority, if confirmed, would be to work with Director Burwell to strengthen OMB as an institution. OMB plays a unique and integral role in promoting sound budgeting and improving the performance of government. Maintaining OMB's ability to execute on this role, even in a challenging fiscal environment, would be a key area of focus for me.

8. How do you envision your functions and responsibilities as Deputy Director? Have you and OMB Director Sylvia Burwell discussed what your role would be? If so, please describe how you view your role in light of those discussions. If you discussed specific programs or areas you will be working on, please identify those as well.

Director Burwell and I have had several conversations about my role, if confirmed. We have a shared understanding of the key functions of the Deputy Director. First, I would work in close partnership with Director Burwell to develop a budget that furthers the goal of comprehensive deficit reduction and economic growth. Second, I would facilitate policy coordination among Federal agencies and the Executive Office of the President, and help oversee internal management of OMB. Third, Director Burwell and I would work closely with the Deputy Director for Management (DDM) in setting goals for improving the effectiveness and efficiency of government, and executing on those goals. I believe that a close partnership between the Deputy Director and the DDM is particularly important in delivering results and improving government performance.

9. In many agencies, the Deputy is charged with internal management of the agency. Do you expect to take on this role at OMB? If so, what do you see as the major internal management challenges there, and how would you plan to address them. Please explain the system or standard you intend to use to measure success or identify problems. Also, please cite your specific experience that qualifies you to serve as Deputy Director of the largest office within the executive office of the President.

If confirmed, I envision working closely with Director Burwell on setting overall priorities and goals for OMB's internal management, and taking a lead role in implementing that vision, working closely with the other senior members of OMB's management team. If confirmed, a top priority would be to continue OMB's strong record of attracting and retaining highly qualified staff, even in an extremely difficult budget environment. In addition I would work to make sure that there is regular and effective communication between OMB's career staff and the Agency's leadership, and that we are setting clear goals as an institution and holding ourselves accountable for achieving outcomes.

As stated in Question 6, I have over ten years of experience working on economic and budget policy issues, both inside and outside of government. I have had the opportunity to work closely with both senior officials and career staff at OMB and have been involved in the development of each of the President's Budgets. I have also worked to implement budget policies and measures to improve the performance and effectiveness of government programs and services. I have worked to develop more effective ways for the government to partner with the private sector to promote job creation and growth, and have also had the opportunity to work with Congress to design and implement legislation to improve economic growth and strengthen our nation's fiscal position. I believe I can apply these skills and experiences effectively to the role of Deputy Director at OMB if confirmed.

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

Each of these statutory offices plays a critical role in the effective management and operations of government, as well as in the institution of OMB. OFFM helps guide Federal agencies on appropriate financial stewardship of taxpayer resources, from managing real estate, to reducing improper payments, to ensuring effective management of Federal grants. OFPP serves as the primary office for overseeing the government's contracting policies. As the Federal government is the nation's largest purchaser, this role is critical to ensuring that our buying practices deliver the best value for taxpayers. And OIRA oversees regulations across the government, making sure that they are necessary, appropriate, and cost-effective, while also minimizing any burden on businesses and individuals. If confirmed, I would work closely with the Director and DDM to help set overall priorities and goals for financial management, contracting, and other cross-cutting priorities of these important offices, focus on delivering results against these goals, and make sure that these priorities are coordinated with and are reflected in the annual budget process.

11. OMB is often tasked to facilitate cooperation or coordination between agencies in areas such as information technology, financial management, procurement, performance, reducing waste, increasing governmental efficiency, and human resources. Do you anticipate having a role in overseeing or assisting OMB in this undertaking if you are confirmed to be the Deputy Director? What in your experience do you believe has helped prepare you to fulfill this function?

If confirmed, I would work closely with the Deputy Director for Management to facilitate cooperation and coordination in information technology, financial management, procurement, performance, and human resources. For OMB's efforts in these areas to be effective, it is important that the OMB leadership maintain strong relationships with the agencies based on shared goals, trust, and transparency. In my role as Deputy Director at the National Economic Council, I had the opportunity to oversee development and implementation of key Administration policy priorities across agencies in the executive branch. Through this experience, I have developed strong relationships with agencies across government and an understanding of how to work with agencies to deliver results.

IV. Policy Questions

General Management

12. What do you see as the top priorities in terms of management challenges facing the federal government, and, if confirmed as OMB Deputy Director, what would you do to address those challenges?

One of our greatest challenges in these tight and uncertain budgetary times is to ensure that the Nation has a high-performing and effective government that is able to carry out its mission on behalf of the public and make the best use of limited resources. That means being innovative in our thinking in areas such as personnel practices, preventing waste, fraud, and abuse, downsizing our footprint of facilities and data centers, getting more value for our contracting dollars, and harnessing technology to increase productivity and customer service. I also think that placing greater focus on using evidence in budgeting will make sure that the Federal government is spending finite resources most effectively. OMB placed significant emphasis on this priority in last year's budget process, and I would look forward to continuing this commitment in future years, if confirmed.

13. One of OMB's goals, as stated in its strategic plan, is to improve the effectiveness and efficiency of government programs. What OMB initiatives, through its statutory and resource management offices, can make the greatest difference in governmental efficiency and effectiveness? How can those efforts be integrated with the budget process and with the work of congressional authorizing and appropriating committees? Please explain how you believe OMB should ensure agencies comply with OMB's governmentwide initiatives.

OMB is currently taking a number of steps to increase efficiency and effectiveness, which I would continue to advance and seek to strengthen, if confirmed. I believe that the work underway to increase the use of evidence and evaluation in designing and budgeting for programs has the potential to substantially improve government performance. Evidence-based decision-making helps us to maximize the return on investment in programs, ensuring that the Federal government is focusing resources on programs that work rather than those that do not. Through the budget process, OMB and Federal agencies must also continue to identify areas where duplication, overlap, or fragmentation present opportunities to cut, consolidate, or save money and also improve performance and efficiency. The President's 2014 Budget proposes over 200 such actions, which would generate \$25 billion in savings.

Additionally, I also see the use of technology as an opportunity to help government agencies do more with less. Buying smarter when it comes to commodity information technology (IT) services, and more generally, allows the Federal government to leverage its purchasing power and get the best value for the taxpayer's dollars.

The Administration will continue to work closely with congressional committees to improve efficiency and find ways to do more with less, both through legislation and oversight. OMB will also continue to provide direction to agencies on critical cross-agency goals such as improved procurement practices, better real estate management, and effective use of IT. That means setting clear goals and metrics for improvements in efficiency and effectiveness in all of these areas, and holding agency leaders accountable for meeting those goals. If confirmed, I would look forward to working closely with Congress, and particularly this Committee, on efforts to improve government effectiveness and efficiency, and ensure that all agencies are working together on this critical effort.

14. In light of the serious budgetary challenges facing the government, what are the most important steps that OMB can take to enable the federal government to perform its essential functions as well as or better and at less cost? Please explain any system or standard you intend to use to measure success or identify problems.

The first is driving agencies to improve performance by setting goals, establishing processes for tracking progress on meeting those goals, and holding agency leadership accountable for outcomes. Goal-setting, backed up by hard data, evidence, and senior-level accountability, can be instrumental in increasing productivity in any environment, including government. This Administration is putting in place a series of goals for specific programs, as well as across agencies, in order to appropriately measure success and hold ourselves accountable for achieving it. This is the framework envisioned by the GPRA Modernization Act, and it is one that I believe can be effective in driving progress on some of our most important priorities as a country.

A second way OMB can help agencies perform better is by identifying ways to help them cut costs and increase efficiency. OMB is already taking a number of actions, like pushing agencies to pool their buying power through strategic sourcing to get better value out of contracting dollars, or helping agencies identify commodity IT investments that they should get rid of through the "PortfolioStat" process. There are also more things OMB can do, such as getting agencies to work together to consolidate real estate assets that are in close proximity to each other, or identify new and innovative ways to streamline the Federal personnel system. If confirmed, I look forward to working with OMB's management offices, agency leadership, and Congress, to continue progress on these and other areas.

Management for Performance and Results

15. The Government Performance and Results Act (GPRA), as updated in 2010 by the GPRA Modernization Act (GPRAMA) (P.L. 111-352), provides a government-wide framework for managing performance. If confirmed, how would you see your role in implementing the requirements of the GPRA Modernization Act, including helping to enhance agency strategic and annual planning?

The GPRA Modernization Act establishes a framework for achieving significant performance improvements across government. This foundation uses specific goals, data, and other evidence to inform decisions to improve outcomes and increase productivity. In implementing this framework, I see OMB's role as providing clear guidance and assistance to agencies in setting ambitious goals with specific progress, and then challenging senior officials across agencies to measure progress, and continuously innovate to improve outcomes against those goals. As we continue to implement the GPRA Modernization Act, I look forward to working with Congress, as well, to achieve better outcomes for the American taxpayers.

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

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

If confirmed, I would work closely with the Director, Deputy Director for Management, and my colleagues across the Administration to determine areas where increased collaboration would improve results. OMB, in its role overseeing government-wide management practices, is uniquely qualified to not only identify areas for collaboration, but also make sure that successful cross-agency collaborations are effectively incorporated in the budget process.

The GPRA Modernization Act is an important tool that helps us identify cross-cutting challenges and priorities, and if confirmed, I would support the actions that OMB is taking to identify those issues requiring the engagement of multiple agencies. For example, significant work has been done by this Administration in establishing fourteen Cross-Agency Priority Goals in areas such as exports, cyber security, and real estate savings. Success in each of these areas requires contributions from multiple Federal agencies, and they represent some of the most critical challenges and priorities for the country.

Separately, I see the inter-agency Performance Improvement Council, which is chaired by the Deputy Director for Management, as a means through which to facilitate coordination and collaboration across agencies. By serving as a central repository for performance goals and practices, the Council can help guide agencies, collectively and individually, towards improved outcomes for the public.

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

Yes, if confirmed, as part of the OMB leadership team, I would work to foster a culture of accountability for results, within and across agencies. If confirmed, I would work with the OMB Director and Deputy Director for Management and leaders across the Federal government, to find ways to boost agencies' shared responsibility to work together to achieve collaborative and interdisciplinary goals. This would include work on cross-cutting initiatives such as those described above.

17. At the beginning of each Congress, the Government Accountability Office (GAO) publishes a "High Risk" report identifying government operations that are particularly vulnerable to fraud, waste, abuse, and mismanagement or that need transformation to address particular management challenges.¹ If confirmed as Deputy Director, to what extent, if any, would you focus agencies' attention on those programs on the High Risk List, and what types of actions will you require agencies to take to address High Risk List issues? Please identify the programs on the high-risk list you feel you can be most effective in addressing.

GAO's bi-annual High Risk List helps identify and address some of the most important and complex challenges facing the Federal government, such as oversight of food safety or the management of Federal real property. I understand that OMB has in place a process to regularly convene key agency officials and GAO to discuss High Risk List items and ensure continued progress in addressing them. For example, OMB worked closely with Federal agencies to improve interagency contracting processes, which led to the removal of that item from GAO's list this year, and OMB looks forward to continuing to improve the government's contracting practices. Similarly, the President has set forth a strong commitment to addressing GAO's concerns regarding the current fragmentation in food safety oversight by establishing the Food Safety Working Group. If confirmed, I would support OMB's ongoing commitment to work collaboratively with Congress, GAO, and Federal agencies to review and troubleshoot items on the High Risk List.

18. GAO publishes annually a report describing areas where it has found evidence of duplication, overlap, or fragmentation among government programs and describing opportunities to reduce the cost of government operations or to enhance revenue collection. In your view, how can agencies, OMB, and the Congress make the most effective and appropriate use of GAO's annual report on duplication, overlap, fragmentation, cost saving, and enhancement of revenue collection?

I believe that GAO's annual report on duplication, overlap, and fragmentation is a valuable tool in helping to highlight particular areas where improvements could be made to make government more efficient and cost effective. In GAO's most recent report, they noted that the executive branch has made progress on over 75 percent of its recommendations from prior reports, including in important areas as diverse as food safety, veteran's homelessness, and financial literacy.

Looking forward, it is important that agencies, OMB, and Congress continue to use this report as a guide to identify further areas to reduce duplication or overlap. OMB has

¹ See, e.g., GAO's 2013 High Risk List, <http://www.gao.gov/highrisk>.

directed agencies to review the recommendations made by GAO, as well as other efforts, to identify areas where government services could be provided more effectively or efficiently through consolidated, streamlined, or better coordinated programs.

19. Are you familiar with the specific recommendations the Government Accountability Offices' annual report on duplication made for the Executive Branch to undertake in order to address duplication? Please list any specific recommendations regarding OMB actions to alleviate duplication you plan to pursue if confirmed as OMB Deputy Director.

Though I am not familiar with each individual recommendation made by GAO, I am familiar with their overall findings and the importance of the work itself. In particular, I was encouraged to see that GAO noted progress on over 75 percent of the recommendations made to the Executive Branch in prior reports. Moreover, when looking at the broad areas and categories of duplication identified, GAO found that, working together, the Administration and Congress have made progress on 104 out of the 131 areas previously identified.

Looking forward, I believe that it is imperative that OMB continues this progress in all areas of duplication or overlap across the Federal government. For example, the President has put forward proposals to reduce duplication in critical areas identified by GAO, such as Federal initiatives to promote science, technology, engineering, and mathematic (STEM) education, modernizing and streamlining training and employment services, and working to consolidate the various economic development programs that help businesses grow and compete that are spread across various agencies. I see the opportunity for continued progress in these and other areas, and look forward to pursuing them in partnership with Congress if confirmed.

Financial Management

20. Despite considerable effort to improve federal financial management and systems, significant deficiencies remain, including inadequacies that prevent the United States Government from receiving an opinion on its consolidated financial statements. While agencies have taken a number of steps over the years to modernize federal financial management systems, many of these modernizations efforts have been plagued by cost and schedule overruns and performance shortfalls. What additional steps do you think OMB and agencies should take to further improve federal financial management systems? What would you do, if confirmed, to foster improvement?

Agencies need effective financial management systems in order to effectively implement programs, track spending, and provide meaningful reporting to ensure accountability for the use of taxpayer dollars. OMB is working together with Treasury to address

challenges such as fragmented systems, and I understand that significant progress is underway. For example, OMB recently issued guidance calling for greater use of shared services in order to implement new and modern financial management systems and facilitate more seamless government-wide reporting. This guidance will help agencies leverage pre-existing government investments and expertise and utilize systems with proven track records. If confirmed, I would continue to support these efforts and the use of shared services as a more efficient path forward.

Improper Payments

21. Congress passed The Improper Payments Elimination and Recovery Improvement Act of 2012 (P.L. 112-248) during the end of last session. This new law follows passage of the Improper Payments Elimination and Recovery Act of 2010 (P.L. 111-204). Both laws seek to identify, prevent, and recover the more than a hundred billion dollars in improper payments made by federal agencies each year. Since not all agencies have fulfilled the requirement of improper payments law, how do you believe OMB should work with agencies to more fully implement improper payments requirements? What role do you anticipate for OMB in continuing to press agencies to identify, prevent and recover improper payments?

The Administration is committed to addressing improper payments. The Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) are important steps in furthering this commitment. In particular, these pieces of legislation arm agencies with new tools and authorities to share data, conduct audits, and measure payment errors. The President's Budget includes a number of program integrity proposals that aim to reduce improper payments and improve government efficiency. For example, there are key program integrity proposals aimed at Continuing Disability Reviews for Social Security recipients, closing a loophole in current law that allows people to collect full disability benefits and unemployment benefits that cover the same period of time, and requiring States to step up their efforts to prevent unemployment benefits from being paid to those who are not eligible.

Over the last three years, through these and similar efforts, agencies made progress in reducing improper payments, reducing the rate from 5.42 percent in 2009 to 4.35 percent in 2012. The Administration also established the "Do Not Pay" initiative to help agencies share eligibility information prior to making payments. However, improper payment rates and amounts remain at unacceptable levels, and the Federal government must continue to build on progress and address this important issue. If confirmed as Deputy Director, I would work to further build on congressional and Administration action to reduce improper payments.

22. In its FY2014 budget proposal, the Administration has described many reforms that could substantially reduce improper payments made by federal agencies, perhaps totaling in the billions of dollars in saving. Many solutions for reducing federal improper payments involve collaboration and coordination between federal agencies, inspectors general and state governments. Successful implementation of these initiatives will require leadership by OMB, as well as work with Congress to ensure proper statutory authority and adequate budgets.

- a. Which specific offices or offices do you believe should act as lead to ensure that the major, federal-wide program integrity proposals continue as a priority?

The President's Budget includes a number of program integrity proposals that aim to reduce improper payments and improve government efficiency. These are critical proposals that span a wide variety of programs, from Social Security to tax collection and fraud to Unemployment Insurance. Within OMB, I believe the Office of Federal Financial Management plays an important role in ensuring that these proposals continue to be a government-wide priority. In addition, the relevant OMB Resource Management Offices also play a key role, depending on the specific proposals and the impacted agencies.

- b. Do you believe that it is within the OMB Deputy Director's purview to reinforce agency data-sharing and collaboration in order to reduce waste and fraud? If so, what would you specifically plan to do in this area if confirmed?

Increasing data sharing amongst agencies is critically important to reducing waste and fraud. OMB plays a critical role in facilitating agency collaboration and in guiding agencies to implement data-sharing in ways that adequately safeguard privacy and comply with laws, regulations, and policies. OMB has been focusing on these types of issues for the last few years, as exemplified by the efforts to strengthen the "Do Not Pay" initiative. If confirmed, I would work closely with the OMB Deputy Director for Management to ensure a continued coordinated approach to these issues within OMB.

- c. The Department of Treasury Office of the Inspector General recently identified over \$11 billion in improper payments under the Earned Income Tax Credit (EITC).² How will you and OMB work with Treasury to remedy this problem?

² Treasury Inspector General for Tax Administration, The Internal Revenue Service was not in compliance with all requirements of the Improper Payments Elimination and Recovery Act for FY2012, 2013-40-024 (February 25, 2013), <http://www.treasury.gov/tigta/auditreports/2013reports/201340024fr.pdf>.

My understanding is that the Administration has already made significant strides in addressing improper payments across Federal programs, including in the EITC program. In FY 2009, the government-wide improper payment rate was at an all-time-high level of 5.42 percent. As a result of several actions taken by the Administration, the government-wide improper payment rate has steadily declined to 4.35 percent in FY 2012. Moreover, the error rate in EITC declined in FY 2012.

That said, there is certainly more that the Federal government can and should do to address improper payments, and address instances of fraud, abuse, or error in any program, including the EITC and the rest of the tax system. To that end, the President's 2014 Budget includes an initiative to prevent identity related refund fraud, protect taxpayers' identities, assist victims of identity theft, and enhance IRS's existing revenue protection strategy. Further, the Budget includes an initiative to build out the IRS's tax return preparer compliance activities. These efforts, as well as the President's proposal to provide additional funding for IRS program integrity efforts, are critical to improving tax compliance and preventing fraud. If confirmed, I look forward to working with Congress on these and other efforts to improve the integrity of all Federal programs.

Real Property Management

23. The federal government is the largest owner of real property in the United States, and weaknesses in the government's management of real property have been a challenge for many years. What do you believe are the principal obstacles that the federal government faces in the management of and, where appropriate, disposition of federal real property?

I agree that the management of the government's real property is a significant issue. The Administration has made notable progress in addressing these issues and reforming Federal real property asset management, leading to \$8.5 billion in savings to date. Notably, OMB recently directed agencies implement a new government-wide policy to restrict real estate growth and institute a long-term planning process. This policy, known as "Freeze the Footprint," is one that could have significant benefits in terms of constraining the size of our real estate footprint, and is an initiative I look forward to working on if confirmed. My understanding is that there are several obstacles including legal requirements that serve as a barrier to effective disposition strategies, and the lack of an overarching framework to resolve diverse stakeholder interests with respect to specific properties. If confirmed, I would work with the Committee to explore potential legislative solutions that can help overcome additional existing challenges in disposing of excess, underutilized, or vacant properties.

24. To help in the consolidation or sale of underperforming properties, the FY 2014 Budget includes a proposal, using an approach from the Defense Department's Base Realignment and Closure (BRAC) program, for the creation of an independent Civilian Property Realignment Board that would forward to the Congress bundled recommendation of properties or actions to better align the government's property inventory with its needs.

- a. What do you understand to be the reasons in support of this civilian BRAC proposal, and what do you believe would be some of the challenges in making it work as intended?

As I understand it, by recommending actions on bundles of multiple properties, a Civilian Property Realignment Board would help overcome the usual obstacles that delay transactions for one asset at a time. The Board's recommendations would become effective unless Congress disapproved of them as a package. I understand that to address the common challenge of covering upfront costs, the Board would utilize a revolving fund to assist agencies in implementing Board recommendations. This is an approach that has proven successful under the BRAC process, and one that I believe is translatable to our civilian real estate footprint.

- b. How do you believe economic impacts should be addressed by such a Board as it assesses possible candidate recommendations? What role do you believe state and local governments should have in a civilian BRAC process?

While the objective is to achieve significant cost savings for the Federal government, the Board, as I understand it, would be responsible for assessing local economic and community impact and incorporating such considerations into its recommendations. Under the proposal, the Board is required to convene hearings and take testimony to ensure they have close engagement with the community and direct properties to their highest and best use.

25. In recent years, agencies have been looking at innovative approaches, such as enhanced use leasing, to get value from underutilized federal real property. What such other approaches would you suggest be examined to address the federal government's inventory of underutilized properties?

The Administration is working hard to consolidate and dispose of underutilized properties. In fact, the Administration already implemented several initiatives to encourage the disposal and consolidation of underutilized real property, including the implementation of a government-wide policy to restrict real estate growth and institute a long-term planning process that, if confirmed, I would support.

A potential tool to help manage underutilized Federal real property is GSA's statutory exchange authority. With this authority, GSA could potentially exchange Federal buildings in its portfolio for other assets. One recent example is in GSA's exploration of such an option with the FBI Headquarters. As I understand it, such an exchange could help to improve operational efficiency and reduce costs.

Procurement Policy

26. For each of the last five fiscal years, total spending on federal contracts has exceeded half a trillion dollars. In March 2009, President Obama issued a memorandum to federal agencies stating that it is the policy of the federal government that agencies shall not engage in noncompetitive contracts except where their use is fully justified and that there shall be a preference for fixed-price contracts. Moreover, the President directed agencies to ensure that taxpayer dollars are not spent on contracts that are wasteful, inefficient, sufficient to misuse, or otherwise not designed to meet the needs of the government. The President also stated that agencies must have the capacity to manage and oversee the contracting process and ensure that functions that are inherently governmental are performed by executive agencies and are not outsourced. The President directed the Director of OMB to issue government wide guidance related to these goals. What are your plans for measuring how well agencies are meeting the goals established by the President in his March 2009 memorandum, and in complying with the series of guidance issued by OMB pursuant to that memorandum?

I understand that over the last four years, this Administration has made progress in reducing contract spending and making federal contracting more competitive. Last year, the Federal government recorded a \$20 billion decrease in contract spending last year – the largest such decrease on record – and met the President's goals of reducing the use of management support service contracts. Additionally, the Federal government experienced a historic increase in the contract dollars that were put out for competitive bid – the average level of competitive contracting in the last four years is 64 percent compared to an average level of 57 percent during the previous Administration. While these are important steps in the right direction, if confirmed, I would work with the Administrator for Federal Procurement Policy to make sure our government-wide rules for using high-risk contracts are clear, that agencies have effective acquisition management practices, and that the acquisition workforce has the tools necessary to award and manage contracts that deliver the best results.

27. What new initiatives or policies would you suggest to improve the efficiency and effectiveness of federal procurement?

The Administration is improving the efficiency and effectiveness of our contracting practices by implementing initiatives that help agencies buy smarter, develop better supplier relationships, and strengthen the acquisition workforce. These efforts are resulting in reduced contract spending, more competition, more dollars going to small businesses, and other key outcomes. If confirmed, I look forward to working with the Office of Federal Procurement Policy and Congress to ensure agencies have all of the necessary tools to further develop these core initiatives into common contracting practices government-wide.

28. Holding contractors responsible for past performance is an important tool for making sure the federal government receives good value from its contracts. However, OFPP has found in the past that contracting officers fill out past performance assessments for only a small percentage of awards, especially in civilian agencies, and the reports that were completed generally lacked sufficient information to be useful to other contracting officers. What steps will you take to help ensure that agencies complete quality past performance evaluations for their contractors?

The Federal government must hold contractors accountable for their performance in order to ensure proper stewardship of taxpayer dollars. As the world's largest buyer, the Federal government should only do business with those contractors that will act as responsible stewards of taxpayer dollars and provide the best value for the government. I understand that the Office of Federal Procurement Policy recently directed agencies to set aggressive targets for improving reporting compliance, and, if I am confirmed, I would work with the Administrator for Federal Procurement Policy to be sure that agencies are making significant progress toward their goals.

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

Leveraging the significant buying power of the Federal government can save money and reduce administrative costs. I understand that OMB recently established the Strategic Sourcing Leadership Council, made up of the largest buying agencies and the Small Business Administration, to accelerate the identification of strategic sourcing solutions for commonly purchased goods and services. I think this is a positive development that should be strengthened and expanded. If confirmed, I look forward to working with Federal agencies to ensure the Federal government is taking maximum practicable advantage of this important management initiative.

30. Through its responsibility for developing certification requirements for the civilian acquisition workforce, and through its leadership over the Federal Acquisition Service, OFPP has a key role in the training of the acquisition workforce. Approximately 83,000 personnel across the government are responsible for buying the goods and services agencies need at a reasonable cost, and for ensuring that contractors deliver what they promise. Recently, GAO issues a report showing that agencies lack data on the costs and effectiveness of their acquisition training programs. GAO recommended that OMB issue guidance on the types of costs that agencies should include in the Human Capital Plans to help determine their total training investment. Also, GAO recommended that OMB require agencies to collect and analyze participant evaluations of acquisition workforce training. What steps will you take to ensure that OMB follows up on these recommendations?

I recognize the importance of having a competent and capable acquisition workforce to ensure that agencies get the best solutions for taxpayer dollars. I understand that there are certification requirements for the acquisition workforce and that training is a large component of this certification. Ensuring that the Federal government makes smart investments in this training and evaluate its effectiveness is especially important in this budget-constrained environment. If confirmed, I would work with the Administrator for Federal Procurement Policy to ensure that appropriate guidance is issued so that agencies can make more informed decisions regarding this training.

31. In 2012, GAO found that the federal agencies who account for the largest amount of contract spending were only managing about five percent of total spending through strategic sourcing efforts, leaving billions of dollars in potential savings on the table. GAO also reported OMB had not established clear guidelines for agencies to follow to ensure savings from strategic sourcing efforts are measured consistently, and has not taken steps to focus strategic sourcing efforts on the categories of goods and services federal agencies spend the most.³ What specific steps do you think OMB needs to take to improve existing strategic sourcing efforts? How do you think OMB can better target the categories of goods and services federal agencies spend the most money on every year?

I believe that strategic sourcing presents an important opportunity to deliver increased value to agencies and taxpayers by leveraging the government's buying power to lower contracting costs. I was encouraged by OMB's December 2012 memo on this topic and the creation of the Strategic Sourcing Leadership Council (SSLC). My understanding is that this body, chaired by the Administrator for Federal Procurement Policy and consisting of representatives from the 7 largest contracting agencies along with the Small

³ "Strategic Sourcing: Improved and Expanded Use Could Save Billions in Annual Procurement Costs" GAO-12-919 (September 20, 2012), <http://www.gao.gov/products/GAO-12-919>.

Business Administration, is in the process of identifying additional areas for which new government-wide acquisition vehicles or management approaches should be developed and implemented. The SSLC is also developing the appropriate methodologies to analyze the potential savings and track progress in each category.

If confirmed, I would look forward to working with the SSLC and Federal agencies to build upon their current efforts to buy smarter, and continue to identify categories of goods and services where the government can save money through strategic sourcing efforts.

U.S. Postal Service

32. The Administration's FY2014 Budget states that the Administration recognizes the enormous value of the Postal Service and the urgent need for reform, and offers that the Administration will work with the Congress and stakeholders to gain the necessary reforms. (FY 2014 Budget of the U.S Government, Analytical Perspectives page 1302 and Appendix page 1302.) Which office or offices and, in particular, which official or officials within the Administration do you believe should take the lead in working with Congress and stakeholders to secure the necessary reforms to ensure the future viability of the Postal Service. If confirmed, what role would you expect to take in this effort?

Although the Postal Service is an independent establishment of the Federal government, the Administration, particularly through OMB, OPM, and Treasury, coordinates, develops, and analyzes legislative recommendations to assist and improve the USPS's financial condition. The President's 2014 Budget proposes a balanced set of reforms that provide temporary cash relief and structural flexibilities that together would allow USPS to reduce its costs, increase its revenues, and realign its business strategy to regain solvency and better compete in the changing marketplace.

If confirmed, I expect OMB's role in forecasting impacts on the Postal Service budget and working with the Congress and other USPS stakeholders in securing meaningful Postal reform to continue.

33. The Budget includes a proposal that the surplus amounts that Postal Service has paid into its OPM account for its share of Federal Employee Retirement System costs should be returned to the Postal Service, and that OPM should calculate these costs using factors specific to the demographics of the Postal Service workforce. Do you agree with this proposal? If so, could you explain why you believe it is appropriate that these funds, now in an OPM account, should be made available to the Postal Service? How would you propose to address problems that arise from annual swings in estimates of such surpluses? Do you believe that the deficit of the Civil Service Retirement System

(CSRS) should be taken into account before any Federal Employment Retirement System (FERS) surpluses could be transferred to the USPS?

I believe returning to the Postal Service the surplus contributions it paid into the Federal Employee Retirement System is a reasonable means of helping alleviate the near-term USPS cash crunch as part of an overall, balanced reform to mitigate USPS's estimated \$20 billion financial gap over the next few years without off-loading this burden onto American taxpayers. If confirmed, I look forward to working with Congress on a responsible reform of the Postal Service.

34. The Budget also proposes that postal reform legislation should be scored in terms of the unified budget to better reflect the impact of the legislation on overall deficits and debt. Do you agree with this proposal, and, if so, would you explain why you believe such a change in scoring rules would better reflect the impact on deficits and debt?

The unified budget perspective that includes all Federal transactions, including those in off-budget Postal Service and Social Security accounts, provides a comprehensive picture of Federal operations and their full fiscal impact. The Budget proposes to amend PAYGO rules to include the effects of currently "off-budget" Postal transactions when scoring Postal reform because current PAYGO rules would only capture one side of the proposed effects of its provisions. For example, the proposed refund of surplus USPS FERS contributions from OPM to Postal would only reflect the outlays from OPM under current PAYGO rules, and would fail to capture that the payment is received by USPS. To better inform the debate over Postal reform and reflect the reform's effect on the government as a whole, a unified deficit scoring seems more sensible in this instance.

E-Government and Information Technology

35. Since the start of this Administration, OMB's Federal Chief Information Officer has launched several significant information technology (IT) initiatives, including the 25 Point IT Reform Plan, PortfolioStats, and the Data Center Consolidation Initiative. These initiatives have the potential to save billions of dollars and improve the performance of federal agencies. While agencies and OMB have made progress in improving the management of IT projects, it is unclear whether the full potential savings and efficiencies from these reforms would be realized. What do you see as the major challenges in information policy and technology management facing the federal government? How can OMB best help the government meet those challenges?

If confirmed, I plan to help continue the strategic agenda for Federal IT. My understanding is that the TechStat, Federal Data Center, and PortfolioStat initiatives established over the past four years have all been delivering promising results. For

example, OMB identified nearly \$300 million in savings from the PortfolioStat initiative in a single quarter. I am committed to furthering this type of progress. If confirmed as Deputy Director, I would work with the Director and the Deputy Director for Management to implement these initiatives to ensure the Federal government meets targets and accounts for progress.

36. How do you plan to further OMB's Federal Data Center Consolidation Initiative? How specifically do you plan to work with individual agencies, if at all, to consistently define what constitutes a data center, how to efficiently consolidate unnecessary centers, how to consistently and repeatedly estimate savings resulting from such consolidations, and to ensure that agencies are executing what is expected of them?

The Administration closed hundreds of data centers and identified hundreds more for closure this year. Furthermore, the Administration integrated its data center consolidation initiative into the broader PortfolioStat effort, which is focused on cutting low-value technology investments and reinvesting savings in technologies with a higher return on investment. In addition to these important steps, I believe that Federal government can make further progress in areas like data storage and visualization. If confirmed, I would help drive efforts to achieve savings by identifying the most pivotal and effective data centers and closing those which are duplicative and inefficient.

Cybersecurity

37. One of OMB's responsibilities in the area of cybersecurity is working with the Department of Homeland Security (DHS) under the Federal Information Security Management Act (FISMA) to oversee Federal civilian agencies' cybersecurity programs. The President's Budget for FY2014 increased funding for DHS to support the security of other agencies. In your view, what is OMB's role in this effort? If confirmed as Deputy Director, how do you plan to work with DHS and the other federal agencies to ensure that our networks are secure and our cyber efforts are coordinated?

The President is clear that the cybersecurity is one of the Nation's most serious economic and national security challenges. Cybersecurity remains a critical priority for the Administration. If confirmed, I would make cybersecurity and the protection of our information assets a priority. The FY 2014 President's Budget devotes over \$13 billion to programs and activities related to cybersecurity – including programs to secure federal networks, protect critical infrastructure, improve incident response, and shape the future cyber environment. Because of the diverse nature of authorities and responsibilities, cybersecurity truly requires a whole of government approach. Agencies across government play important roles in promoting cybersecurity. Ongoing congressional involvement will continue to be key to any cybersecurity solutions. If confirmed, I would

look forward to working closely with other agencies and Congress to advance that holistic approach.

38. On July 16, 2010, the Director of OMB and the President's Cybersecurity Coordinator issued a memorandum outlining and clarifying the respective responsibilities and activities of OMB, the Cybersecurity Coordinator, and the Department of Homeland Security (DHS) with respect to FISMA implementation. If confirmed, how would you view your responsibilities under this memorandum? What are your thoughts on what needs to be done to improve the security of federal computers and networks?

From what I understand, the Administration is making great strides to improve the integrity and security of the government's information. A central component of this work has been to change how the government thinks about cybersecurity – by shifting from a focus on compliance to one which focuses on execution and tracks key performance metrics to ensure agencies are given the tools to protect their systems from threats as they arise. This approach, known as continuous monitoring, allows a shift across the government to use information security as an enabler, instead of a limiting factor, in harnessing technological innovation.

A key element in managing an information security program is having accurate information about security postures, activities, and threats. If confirmed, I would work with DHS and OMB's Deputy Director for Management to ensure a well-designed and well-managed information security continuous monitoring programs to effectively transform an otherwise static security control assessment and risk determination process into a dynamic process that provides essential, near real-time security status. Because the threat environment is particularly dynamic, I would also work closely with the National Security Staff and Cybersecurity Coordinator to ensure that our programs reflect and adapt to the threats we face from domestic and foreign threats to our government networks.

39. Under the 2010 memorandum, what is your understanding of DHS's responsibilities for implementing FISMA and of OMB's role in coordinating with and overseeing DHS's functions?
- a. Is there a role for OMB in ensuring DHS carries out their responsibilities under FISMA? If so, what is that role?
 - b. If concerns about DHS's work in fulfilling its FISMA come to your attention, will you bring them to the Committee in a timely manner?

From what I understand of the changes instituted in 2010, the relationship between OMB and DHS continues to evolve and improve over time. DHS has an integral role in driving

our cybersecurity efforts at the operational and technical levels. OMB takes part in developing cybersecurity policies and guidance from a management standpoint, as well as overseeing the work that DHS is doing from a budgetary standpoint. If confirmed, I would work to ensure that senior leadership at OMB and DHS continue to work together on these cybersecurity efforts and making sure they are focused, organized, and cost effective.

Moreover, I believe that every agency in the U.S. government has a role to play in cybersecurity whether in simply securing its own network or more wide ranging responsibilities. Because of the diverse nature of authorities and responsibilities, cybersecurity truly requires a whole of government approach. Ongoing Congressional involvement will continue to be key to any cybersecurity solutions. If confirmed, I would look forward to engaging with Congress on any matters in this area that may require attention.

40. To what extent do you believe DHS's FISMA activities are well-managed, suitably designed, and being implemented on time and on budget? Please explain.

In my time as a counselor at OMB, I have not yet had the chance to become familiar with how well DHS is implementing its FISMA responsibilities. If confirmed, I intend to review DHS' actions in this area to ensure they are effective, well-managed, and implemented appropriately.

41. Do you have any concerns about DHS's work in fulfilling its responsibilities under FISMA to secure federal technology?

As the President has said, the cyber threat is one of the Nation's most serious economic and national security challenges. I believe this is an area that has received and will continue to require high level attention from government leaders. If confirmed, I would ensure OMB continues to work closely with DHS to implement cybersecurity programs that are both effective and efficient.

Government Transparency

42. Since the passage of the Federal Funding Accountability and Transparency Act of 2006 (P.L. 109-282) ("Transparency Act"), the OMB has played an integral role in creating and implementing the USASpending.gov website. Despite OMB's involvement in issuing policies and guidance for agencies to follow in their data submissions, the information on USASpending.gov has been found to be inaccurate and incomplete. The President's FY2014 budget seeks to transfer responsibility of USASpending.gov to the

Department of Treasury. If this transfer occurs, what role, if any, do you anticipate you as Deputy Director of OMB would have in overseeing this transfer of responsibility from OMB to the Department of Treasury? What role, if any, should OMB have after this transfer to ensure that agencies are complying with any future guidance the Department of Treasury may issue to implement the Transparency Act?

The President's Budget capitalizes on the Treasury Department's extensive financial expertise and role as the source of government-wide financial data by having the Department assume responsibility for operating and expanding USAspending.gov. I understand that this effort to improve the quality of financial data provided to the public through USAspending.gov is consistent with the recommendations from the Government Accountability and Transparency Board (GATB), which the President created to provide strategic direction of Federal spending transparency. As with all government-wide management initiatives, OMB plays an important role in providing guidance and leadership on the President's overall agenda to provide an open and transparent government. If confirmed, I would continue to support these efforts.

Regulatory Affairs

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

The current process, including interagency review of draft regulations and careful attention to costs and benefits, began with the Reagan Administration and has now been in place for over three decades. Over that time the process evolved and improved in several key respects. Most recently, President Obama's Executive Order 13563, Improving Regulation and Regulatory Review, required agencies to initiate retrospective reviews of key regulations to streamline, modify, or repeal regulations and reduce unnecessary burdens and costs.

The regulatory process has also become more transparent and accessible to the public. For example, Regulations.gov allows the public to find regulations on a particular subject and file comments electronically on proposed rules open for comment. This improved access allows for greater public participation and provides the public with more complete information about the rulemaking.

If confirmed, I would strive to ensure that the regulatory process continues to maintain a balance between our obligation to protect the health, welfare, and safety of Americans and our commitment to promoting economic growth and job creation.

44. Review and revision of existing regulations can impose substantial demands on agency resources and can take substantial time to complete. How do you believe agency efforts should be targeted so that the review of existing rules can achieve the greatest benefit for achieving our goals of protecting health, safety, the environment, and consumers while also promoting economic growth and job creation?

Executive Orders 13563 and 13610 stress the importance of retrospective review of existing significant regulations and impose a series of requirements designed to promote public participation, priority-setting, and accountability. In particular, Executive Order 13610 emphasizes that agencies should prioritize “initiatives that will produce significant quantifiable monetary savings or significant quantifiable reductions in paperwork burdens” and “shall give priority to reforms that would make significant progress in reducing those burdens while protecting public health, welfare, safety, and our environment.” Executive Order 13610 also requires agencies to “give special consideration to initiatives that would reduce unjustified regulatory burdens or simplify or harmonize regulatory requirements imposed on small businesses.”

Robust public input is one way to help ensure that agency review efforts are well targeted. In developing retrospective review plans pursuant to Executive Order 13563, agencies solicited public comment on draft versions of their plans, which helped the agencies improve their plans and identify additional possible rules for retrospective review. As with all rulemaking generally, existing regulations should only be revised if the benefits of doing so justify the costs.

Personnel Management

45. Since 2001, GAO has identified strategic human capital management as a government-wide high-risk area, explaining that agencies must do a better job of addressing mission-critical skill gaps that threaten the government’s ability to effectively handle significant national issues. What role should OMB play in efforts to improve human capital management across government?

The issue of improving human capital management across government, including reducing critical skills gaps, is extremely important. OMB is working closely with OPM, the Chief Human Capital Officer Council, and agencies to identify areas with significant government-wide skills gaps. Identified government-wide skills gaps include economists, grants management, procurement, human resources, cybersecurity and STEM, in addition to agency-specific priority skills gap areas. If confirmed, I would work to ensure that OMB and OPM continue to make progress in this area.

46. The Administration's FY2014 Budget describes the substantial decline in the size of the federal workforce, relative to the private sector and the overall U.S. population, over the past 50-60 years. (FY 2014 Budget of the U.S. Government, Analytical Perspectives, pages 103-104.) Some have suggested that the total workforce of the federal government should be considered to include not only government employees, but also the contractor workforce that provides services to the federal government, and the workforce of grantees that receive federal funding. For what, if any, purposes do you believe it would be useful and appropriate to consider the government workforce in this broader sense?

Federal agencies rely on both their own employees and private sector contractors to deliver important services to the taxpayer. An agency has to ensure that it has the right mix of federal employees and contractors in meeting its mission. This approach to the multi-sector workforce is one that the Administration has placed significant emphasis on, taking a holistic view to ensure that contracting opportunities provide the best value for the government and that inherently governmental work is performed by the Federal government.

47. The Budget lays out a number of significant challenges for the government in improving the federal workforce. For example, the rising number of federal retirements will require preparations to enable transfer of knowledge, succession planning, and training of new hires. Also, as GAO has pointed out on its high risk list, there are significant gaps in the workforce for certain skills and occupations that agencies need to meet their missions.⁴ (Examples include IT-cybersecurity specialists, acquisition specialists, economists, human resources specialists, auditors, and various occupations in areas of science, technology, engineering, and mathematics.) Meeting these and other challenges for the federal workforce will require a strategic approach to hiring and training; yet budget constraints, and sometimes statutory limits, make it hard to hire and train strategically. What do you believe the administration can do, and what do you believe Congress should do, to improve the federal workforce while also controlling the federal budget?

The current work that OMB and OPM are doing with agencies to identify critical skills gaps is an example of where OMB and OPM can be useful in identifying common weaknesses across agencies and helping to formulate common solutions. Agencies already identified five critical occupations with skills gaps and have put together teams of people from different agencies to develop action plans for closing gaps across agencies. The Administration updates progress on these efforts each quarter on performance.gov as part of its Cross Agency Priority Goal effort. The Administration is also working to implement new phased-retirement legislative authority that will allow for a more cost-

⁴ "High-Risk Series An Update" GAO-13-283 (February 13, 2013), <http://www.gao.gov/products/GAO-13-283>.

effective way to retain critical knowledge within government. In addition, the Administration previously proposed to Congress legislation that would allow cross-agency hiring for the same occupation, a proposal that would allow more strategic, lower-cost hiring.

Budget and Economic Policy

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

I believe that fiscal discipline is an important component of a sound, pro-growth economic strategy. In the current environment, this means aiming to enact a comprehensive deficit reduction package that reduces deficits and puts debt on a declining path as a share of the economy, while supporting our economic recovery and improving our long-term competitiveness. The President's FY2014 Budget that lays out this type of approach. If enacted, it would bring deficits below 3 percent of GDP by 2016 and below 2 percent by 2023. Publicly held debt as a percentage of GDP would be put on a downward path, reaching 73 percent in 2023. If confirmed, I look forward to working with Congress on a comprehensive deficit reduction package along these lines.

49. Do you believe that revenues need to be increased in addition to spending being reduced (each as a percentage of GDP), to restore balance to our nation's finances? If so, what do you believe should be the relative amounts of spending cuts and revenue increases?

Yes, I believe that increased revenues are a necessary component of any substantial deficit reduction package. I believe that the right approach to a comprehensive deficit reduction package is to combine additional revenues from tax reform with additional spending reductions from entitlement reform. The President's Budget takes this approach, building on the more than \$2.5 trillion in already enacted deficit reduction with an additional \$1.8 trillion in deficit reduction from tax reform, entitlement reform, and additional spending cuts. In total, this approach would include more than \$2 in spending cuts for every \$1 in revenue.

50. Do you have recommendations on how the policy-making process should be reformed to more effectively address our long-term fiscal challenges? For example, do you believe that budget reforms, such as enactment of enhanced rescission authority for the President or biennial budgeting, should be considered in order to provide an important tool for the

President to cut wasteful spending and ensure that tax-payer dollars are being spent wisely and effectively?

I believe that it is possible for us to address our long-term fiscal challenges with our existing procedures if both sides are willing to compromise and work together to meet those challenges. That being said, I would be happy to discuss potential reforms with Congress should I be confirmed.

51. In several public statements, you expressed your support for what the Administration has termed "The Buffet Rule."⁵ In other instances, you advocated tax code reforms that included the elimination of certain corporate loop-holes and the extension of tax credits for energy efficient cars, house, and appliances.⁶ If confirmed, what specific tax reforms would you consider a priority?

I believe that we have a substantial opportunity to reform our tax system in a way that reduces complexity and reduces the deficit while increasing economic efficiency and growth. While there are some tax incentives that serve important purposes, our tax code has been complicated by too many special provisions and carve-outs that need to be reformed or eliminated as part of comprehensive reform.

Although the Administration has identified numerous inefficient tax loopholes and proposals to broaden the tax base, this is an area where close cooperation with Congress is essential and if confirmed I look forward to hearing your ideas for improving the system and working with Congress on this important issue.

52. Do you support the recommendations of the President's National Commission on Fiscal Responsibility and Reform, as part of the solution for our nation's current fiscal challenges? If so, please describe which policies from this proposal should be considered by Congress and the Administration, and whether and how you would plan to advocate these reforms during any upcoming budget negotiations.

I believe the Commission's framework is the right overall approach -- one that couples additional spending cuts and entitlement reforms with increased revenues through tax

⁵ White House White Board: The Buffet Rule, <http://www.youtube.com/watch?v=PLI7Of0cwnY>.

⁶ Open for Questions: America's Fiscal Future, Speech on Fiscal Policy with Brian Deese, National Economic Council, April 13, 2011, <http://www.youtube.com/watch?v=aYunhBczoXE>; Center for American Progress (Contributors Brian Deese and John Lyman), Offshoring and the American Economy: A Progressive Agenda (October 2004).

reform. Since the Commission's chairmen released their original recommendations, the President and Congress, working together, have enacted more than \$2.5 trillion in deficit reduction including larger cuts to domestic discretionary spending than the Commission originally recommended. Building on that progress, the President's FY2014 Budget includes a compromise deficit reduction package that incorporates a number of the Commission's proposals, including reforms to Medicare that reduce costs while preserving its basic guarantee and several proposals to reduce other mandatory spending, such as agriculture subsidies, subsidies while also raising revenues through tax reform.

53. Every year the President's budget submission to Congress includes an extensive list of government programs proposed to be terminated, consolidated, or reformed, in order to achieve significant budgetary savings. Yet, Congress continues to fund nearly all of these same programs. What steps will you take to work with Congress to eliminate or reform unneeded or underperforming programs and to achieve the President's recommendations for budgetary savings?

It is critically important that Congress and the Administration work together to ensure that we are taking action on any and all opportunities to cut unnecessary programs, consolidate those that are overlapping or fragmented, and save money wherever possible through increased efficiencies. As noted, the Administration each year puts forward a series of proposals to do just that. For example, the 2014 budget specifically proposed 215 cuts, consolidations, and savings proposals, which are projected to save more than \$25 billion in 2014.

The Administration and Congress have already done important work to get some of the prior proposals enacted. I believe that there is more that can be done to continue this progress and, if confirmed, I look forward to working with Congress to explore broad strategies that can realign Federal programs and consolidate them as necessary to make government more efficient.

54. OMB recently asked federal agencies to achieve savings through a number of reforms, including reduced spending on travel, conference attendance, purchase of promotional items, among other policy changes. Do you plan to continue to expand on this effort to make government operations more efficient and reduce government waste? If so, please describe some of the specific additional reforms you believe agencies could undertake to achieve additional savings.

As you note, the Administration has taken significant steps as part of the President's Campaign to Cut Waste to achieve savings through reduced administrative spending, including in areas such as travel, conferences, fleet, printing, IT devices, and elsewhere. My understanding is that this effort is already proving successful, with agencies

identifying \$11 billion in targeted reduced costs in these and other areas compared to what was spent in FY 2010.

If confirmed, I look forward to continuing this effort and expanding on it. In particular, I believe there are significant opportunities to reduce costs in areas such as advisory service contracts, real estate, and other administrative expenses. By leveraging strategic sourcing and other shared service efforts, as well as continuing to use technology to eliminate overhead expenses, I believe there are significant opportunities to further reduce administrative costs and re-direct funds to agencies' core missions.

55. Do you support ending sequestration? If so, then what specific deficit-reduction or other policies, if any, would you support putting in its place?

Yes, I believe that sequestration's deep indiscriminate cuts are harming our economy in the short term while failing to lock in the kind of long term deficit reduction our country needs. These cuts were never meant to take effect and they should be replaced with a comprehensive deficit reduction package that achieves the goal of putting our public debt as a share of the economy on a declining path. The compromise deficit reduction plan included in the President's FY2014 Budget, which includes mandatory and discretionary spending cuts, as well as increased revenues through tax reform, would turn off sequestration while achieving the long-term deficit reduction we need. At the same time, the President's budget replaces the poorly targeted cuts of sequestration with entitlement reforms that reduce the deficit while preserving Medicare over the long run, and investments that will strengthen our recovery in the short run.

56. Please describe your role in the Presidential Task Force on the Auto Industry, including but not limited to your role in the Administration's actions taken with regard to General Motors ("GM").

I was a member of the Administration team that reported to the National Economic Council Director and Treasury Secretary and provided the President with input on managing the crisis facing the American auto industry. At the end of 2008, amid the worst financial crisis since the Great Depression, credit markets were frozen and both GM and Chrysler faced the choice of seeking government support or being liquidated. The Administration at the time projected that such liquidations could result in the loss of more than one million American jobs. In this context, the prior Administration extended short-term bridge loans to GM and Chrysler. When President Obama took office he faced the choice of how to ultimately resolve the crisis.

After considering options, the President decided to provide additional financial assistance to GM and Chrysler on the condition that both companies develop restructuring plans that

would return them to financial viability. The President's direction was to manage the government's investments on behalf of taxpayers in a commercial manner. In that context, the team focused on ensuring that the companies developed plans that would achieve financial viability while not interfering in day-to-day management of the companies. The actions that both the prior and current Administrations took to stand behind the American auto industry helped save more than a million American jobs during a period of economic crisis and support a broader recovery in the auto industry and across our manufacturing base.

V. Relations with Congress

57. Do you agree without reservation to respond to any reasonable request or summons to appear and testify before any duly constituted committee of the Congress, if confirmed?

Yes.

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

Yes.

VI. Assistance

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

These answers are my own. I consulted with staff from OMB and other parts of the Administration.

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


(Signature)

This 7th day of May, 2013

Senate Homeland Security and Governmental Affairs Committee

30 of 30

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

**Additional Pre-hearing questionnaire from Ranking Member, Tom Coburn
for the nomination of Brian Deese to be Deputy Director,
Office of Management and Budget**

1. During his campaign, President Obama promised to conduct “an immediate and periodic public inventory of administrative offices and functions and require agency leaders to work together to root out redundancy.” Please elaborate on the administration’s current efforts to implement this plan. Also, if confirmed, please describe your role in this effort and list any areas in which you plan to focus.

My understanding is that the Administration is taking significant steps to root out redundancy and duplication in Federal programs. In its most recent report on this subject, GAO found that the Executive Branch made progress on over 75 percent of its recommendations on reducing duplication and overlap, including in areas like food safety, veterans’ homelessness, and financial literacy. To build on these efforts, the 2014 budget proposes 215 cuts, consolidations, and savings proposals, which if enacted would save more than \$25 billion.

If confirmed, I look forward to leveraging the budget process to build upon this work and continually identify areas where programs can be streamlined and become more efficient.

2. In a YouTube Video, “Open for Questions: The American Jobs Act,” you asserted the President can take certain actions without congressional approval, including accelerating contractual payments to vendors and eliminating certain requirements for homeowners to refinance.¹ Please explain the other actions you believe the President can take without congressional approval in terms of the budget, including those regarding the implementation of the sequestration reductions.

I believe that, particularly during a period of economic and fiscal challenges, it is important that we work closely with Congress and the private sector to identify pragmatic steps that could help improve government efficiency and provide greater incentives for private sector investment and job growth. For example, one area that members of Congress and businesses identified was the executive branch’s capacity, within existing executive authority, to cut permitting times for high priority infrastructure projects. This is the kind of step that, if confirmed, I would look forward to pushing forward to make sure we are doing what we can to accelerate investment and job growth.

Unfortunately, sequestration is a blunt instrument that is imposing harm to our economy that cannot be avoided without replacing sequestration with a more sensible deficit reduction package. If confirmed, I look forward to working with Congress to replace

¹ Open for Questions: The American Jobs Act (Sept. 15, 2011), <http://www.youtube.com/watch?v=WgJ6cr5Ru54>.

sequestration with such an approach that could help the economy in the short term and lock in more meaningful deficit reduction in the long term.

3. Please explain whether you support the current policy of terminating White House tours as a means to achieve the necessary savings for sequestration.

As with other agencies, the Secret Service has been forced to make hard choices as a result of sequester – my understanding is that in this case those choices were between eliminating the additional staff hours dedicated to providing security during White House tours or additional furloughs.

While neither option is good, the Secret Service determined that doing all they could to avoid furloughs for the hard-working men and women of the Secret Service was the priority.

4. Please explain whether Steven Rattner's book "Overhaul" is an accurate description of your involvement in decisions made during the bailout of the auto industry, including actions taken through the Presidential Task Force on the Auto Industry. Please also explain your involvement in the determination to keep GM's headquarters in Detroit.

I was a member of the Administration team that reported to the National Economic Council Director and Treasury Secretary and provided the President with input on managing the crisis facing the American auto industry. At the end of 2008, amid the worst financial crisis since the Great Depression, credit markets were frozen and both GM and Chrysler faced the choice of seeking government support or being liquidated. The Administration at the time projected that such liquidations could result in the loss of more than one million American jobs. In this context, the prior Administration extended short-term bridge loans to GM and Chrysler. When President Obama took office he faced the choice of how to ultimately resolve the crisis.

After considering options, the President decided to provide additional financial assistance to GM and Chrysler on the condition that both companies develop restructuring plans that would return them to financial viability. The President directed the team to manage the government's investments on behalf of taxpayers in a commercial manner. In that context, I worked—along with others—to help ensure that the companies developed plans that would achieve financial viability while not interfering in day-to-day management of their businesses.

The Administration provided support to the auto industry several years ago, and the Administration team engaged with GM on a wide variety of issues that affected the company's potential financial viability. Nonetheless, I do recall that there were discussions about the issue of the location of GM's corporate headquarters. It is my understanding that the decision, like dozens of others during that period, was ultimately left to GM and I do not recall having any communications with GM officials about the issue. While difficult, the actions of both the prior and current Administrations helped

save more than a million American jobs and helped support a broader recovery in the auto industry and across our manufacturing base.

5. In an October 2004 report you stated a goal for the United States should be the adoption of universal health care, which would lower the cost of health insurance and boost American job creation. A recent study by the Society of Actuaries found the Patient Protection and Affordable Care Act (PPACA) will cause health insurance costs to increase in some markets as much as 80 percent. A number of other studies have confirmed significant premium increases.² Further, Regal Cinemas just joined a growing group of employers cutting worker hours in order to avoid penalties built into the bill. In fact, one recent survey found requirements related to PPACA are now the biggest concern for small businesses, and 71 percent say the law makes it harder for them to hire more employees.³ Roughly a third of small businesses plan to reduce hiring as a result of the employer mandate, and a similar number say they will cut back hours to reduce the number of full time employees. Please explain how moving closer to universal healthcare as directed by PPACA will improve the U.S. business climate. Do you believe small businesses, as defined by PPACA, will be encouraged to offer health coverage to their employees because of the law, or incentivized to either drop coverage or not start offering coverage and send them to the exchange? If confirmed, how will this view affect your policy guidance and other job functions?

The Affordable Care Act (ACA) was designed to help level the playing field for small businesses, while slowing the growth of health care costs, improving health care quality, and expanding access to affordable health care to millions of Americans. Historically, small businesses have paid 18 percent more than large businesses for the same coverage and have struggled to maintain health benefits for their workers. The ACA has already improved the affordability of insurance for small businesses through the medical loss ratio that requires insurance companies to provide a rebate to consumers if it spends less than 80 percent of premiums on medical care and quality: for 2011, 3.3 million people insured through small businesses received an average rebate of \$174. And a small employer tax credit has and will continue to help small business owners purchase coverage for their employees. The law also creates Health Insurance Marketplaces (Exchanges), where, starting next year, small businesses can pool their buying power to purchase affordable coverage. These reforms have the potential to make it easier to open a small business, help small employers purchase affordable coverage for their workers, and help lower premiums in the small group market.

Since the enactment of the ACA, the Administration has sought to provide employers substantial flexibility as they prepare to implement the law. If confirmed, I will look for opportunities to continue providing appropriate flexibility to employers and will work to

² The Price of Obamacare's Broken Promises: Young Adults and Middle Class Families Set to Endure Higher Premiums and Unaffordable Coverage (March 2013), <http://energycommerce.house.gov/sites/republicans.energycommerce.house.gov/files/analysis/20130305PremiumReport.pdf>.

³ U.S. Chamber of Commerce Q1 2013 Small Business Survey, April 2013, <http://www.uschambersmallbusinessnation.com/community/q1-2013-small-business-survey>.

address any unintended consequences of the law as we move forward with its implementation.

6. In the same October 2004 report, you wrote investments should be made in research comparing “the relative value of one treatment versus another” – commonly referred to as “comparative effectiveness” research. PPACA created an institute to manage this kind of research, funded by a per-enrollee premium tax. How do you believe adding taxes to premium costs will affect the cost of health insurance for the average American? Nothing in the law limits the research findings from being applied to practice guidelines for doctors, or coverage and payments decisions for public health programs. In fact, the Secretary of HHS may use the research in making coverage determinations in Medicare and Medicaid – and the cost of treatments is not barred from being considered either.⁴ Do you believe government or private payors should refuse to pay for certain treatments if warranted by the outcome of comparative effectiveness research?

The goal of comparative effectiveness research, also known as patient-centered outcomes research, is to provide patients and their doctors with high-quality, evidence-based research on which treatments work best. This research aids providers and patients in improving health outcomes by giving them the best available information to assist them in making health care decisions. The development of comparative effectiveness information is aimed at providing the most up-to-date, comprehensive information on what treatment is most likely to work for patients. This information is made available to health care providers and patients to create a knowledge base for their decision-making and is a powerful mechanism in providing high quality and safe clinical care. The law purposefully created an independent institute for this research and includes safeguards to assure patients that its goal is improving quality, not limiting access to, health care. With respect to Medicare, the Secretary uses a wide-array of scientific research to make coverage decisions. However, if the Secretary uses the findings of the independent research Institute created by the Affordable Care Act, she would be required to take the additional step of first conducting an iterative and transparent review, including a public comment period. With respect to Medicaid, States, not the Secretary, make coverage decisions subject to federal benefit requirements.

7. The Medicare Trustees’ report warned Medicare could be insolvent as soon as 2017, the year after President Obama leaves office. By the end of the decade, Medicare spending each year will cost taxpayers more than \$1 trillion annually. How do you believe either of these facts should affect beneficiaries accessing care?

I believe that addressing the issue of rising health care costs is one of the greatest long term fiscal challenges our nation faces. As part of a comprehensive deficit reduction agreement, I believe we should seek to do more to reform Medicare in ways that will

⁴ Warning: Side Effects, A Check-up on the federal health law,
http://www.coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=98bc1143-f556-469d-91af-4213946fcf2f

improve the quality of care and reduce costs while preserving the fundamental compact this program represents for seniors and people with disabilities. The President's FY2014 Budget proposes roughly \$370 billion in specified Medicare savings over 10 years which would encourage high-quality efficient care, recoup excessive payments to drug manufacturers, improve beneficiary incentives to consider the value of services they consume, and gradually phase in changes in beneficiary premiums and cost sharing. These proposals are projected to extend the solvency of the Hospital Insurance Trust Fund by approximately four years. If confirmed, I look forward to working with Congress to strengthen Medicare in a way that avoids shifting significant risks onto individuals and preserves beneficiaries' access to care.

8. According to the Congressional Budget Office's budget and economic outlook, federal debt will increase to more than \$26 trillion by 2023. CBO also says federal outlays for the big three entitlement programs – Medicare, Medicaid, and Social Security – will account for almost half of all federal spending by 2023. Is it accurate to say that increased entitlement spending increasingly crowds out other important domestic priorities? If confirmed, how do you plan to address this issue?

It is important that we take steps now to relieve the fiscal pressures caused by rising health care costs and demographic changes. The President's Budget lays out a set of entitlement reform proposals as part of a comprehensive approach to deficit reduction. These include over \$400 billion in savings from government health programs, \$200 billion in cuts in other mandatory programs, and a switch to the chained-CPI for inflation indexing. Many of these reforms will result in even larger savings outside the ten-year budget window; for example, the health savings proposals alone will generate more than \$1 trillion in deficit reduction in the second decade.

9. For Medicare 402 demonstrations, OMB has an application requiring budget neutrality, but it is not required by statute. If confirmed, please explain how you plan to implement future demonstrations.

Section 402 demonstration authority under the Social Security Act allows the Secretary to test whether methods of payment will increase the efficiency and economy of programs without adversely affecting quality. If confirmed, I will work with the Secretary to ensure demonstrations under this authority are consistent with statutory requirements.

10. If confirmed, please explain the process you would use to enforce or not enforce budget neutrality in Medicaid 1115 waivers, as well as what data you would require from and verify for states.

Section 1115 of the Social Security Act gives the Secretary of Health and Human Services authority to approve demonstration projects that promote the objectives of the Medicaid and CHIP programs. States have been able to use Section 1115 authority to

expand eligibility, provide additional services, and create new service delivery and payment models that improve care, increase efficiency, and reduce costs.

The budgetary impacts of demonstration requests must be carefully evaluated. To help States seeking approval for an 1115 demonstration request, HHS released a template for states to use in order to simplify the demonstration application processes and make it easier for states to design and gain approval for demonstrations, including required financial data elements to determine budget neutrality. If confirmed, I look forward to working with HHS to continue the work they've undertaken to ensure that the budgetary impacts of state requests are carefully evaluated.

11. CBO has stated that increasing health care spending is a challenge for our country. What provisions of PPACA do you think hold the most promise for restraining costs and why? What else needs to be done?

The Affordable Care Act (ACA) included a number of provisions that have the potential to fundamentally transform our health system into one that delivers better care at lower cost. Using authorities in the ACA, CMS is taking steps to address targeted areas in which payments exceed the cost of high-quality and efficient care, which include expansion of competitive bidding for durable medical equipment. The ACA included provisions that link payment to performance on quality and efficiency metrics and encourage providers to coordinate services, such as the Medicare Hospital Value-Based Purchasing Program, the Hospital Readmissions Reduction Program, and the Medicare Shared Savings Program for Accountable Care Organizations. These provisions encourage providers to seek out and use new technology and health care delivery best practices that can help them improve the quality and efficiency of care, such as electronic medical records.

In addition, the ACA created the Innovation Center, which enables CMS to develop and test new payment and delivery system models in both Medicare and Medicaid that will help determine the best ways to improve care and lower costs. The Administration has identified additional opportunities further reduce costs as identified in the President's Budget, and if confirmed, I look forward to working with Congress on both ACA implementation and future legislation to strengthen health care delivery.



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

APR 18 2013

The Honorable Thomas R. Carper
Chairman
Committee on Homeland Security
And Governmental Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

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

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

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

Sincerely,

A handwritten signature in dark ink, appearing to read "Don W. Fox".

Don W. Fox
Principal Deputy Director

Enclosures - REDACTED

March 22, 2013

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

Re: Ethics Agreement

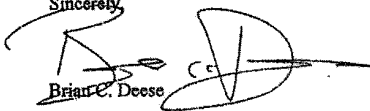
Dear Mr. Rackoff:

The purpose of this letter is to describe the steps that I will take to avoid any actual or apparent conflict of interest in the event that I am confirmed for the position of Deputy Director, Office of Management and Budget.

As required by 18 U.S.C. § 208(a), I will not participate personally and substantially in any particular matter that has a direct and predictable effect on my financial interests or those of any person whose interests are imputed to me, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2). I understand that the interests of the following persons are imputed to me: any spouse or minor child of mine; any general partner of a partnership in which I am a limited or general partner; any organization in which I serve as officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

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

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

Sincerely,

Brian C. Deese