AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

S. HRG. 113–667

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

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

June 11, 2014—NOMINATION OF THE HON. SHAUN L. S. DONOVAN, OF NEW YORK, TO BE DIRECTOR OF OFFICE OF MANAGEMENT AND BUDGET

printed for the use of the budget committee

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

S. HRG. 113–667

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

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

June 11, 2014—NOMINATION OF THE HONORABLE SHAUN L. S. DONOVAN, OF NEW YORK, TO BE DIRECTOR OF OFFICE OF MANAGEMENT AND BUDGET

Printed for the use of the Committee on the Budget

U.S. GOVERNMENT PUBLISHING OFFICE

95–185pdf WASHINGTON : 2014

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON THE BUDGET

PATTY MURRAY, Washington, *Chairman*

RON WYDEN, Oregon
DEBBIE STABENOW, Michigan
BERNARD SANDERS, Vermont
SHELDON WHITEHOUSE, Rhode Island
MARK R. WARNER, Virginia
JEFF MERKLEY, Oregon
CHRISTOPHER A. COONS, Delaware
TAMMY BALDWIN, Wisconsin
TIM KAINE, Virginia
ANGUS S. KING, Jr., Maine

JEFF SESSIONS, Alabama
CHARLES E. GRASSLEY, Iowa
MICHAEL ENZI, Wyoming
MIKE CRAPO, Idaho
LINDSEY O. GRAHAM, South Carolina
ROB PORTMAN, Ohio
PAT TOOMEY, Pennslyvanna
RON JOHNSON, Wisconsin
KELLY AYOTTE, New Hampshire
ROGER F. WICKER, Mississippi

EVAN T. SCHATZ, *Majority Staff Director*
ERIC EULAND, *Minority Staff Director*

CONTENTS

HEARING

Page

June 11, 2014—Nomination of the Honorable Shaun L. S. Donovan, of New York, to be Director of Office of Management and Budget 1

STATEMENTS BY COMMITTEE MEMBERS

Chairman Patty Murray 1
Ranking Member Jeff Sessions 4

WITNESSES

Donovan, Shaun, of New York, Nominee to be Deputy Director of the Office of Management and Budget 7

REDACTED

Statement of Biographical and Financial Information Requested of Presidential Nominee Shaun L. S. Donovan to be Director of the Office of Management and Budget 38

ANSWERS TO QUESTIONS PRESENTED TO SHAUN L. S. DONOVAN BEFORE NOMINATION

ANSWERS TO QUESTIONS PRESENTED TO SHAUN L. S. DONOVAN AFTER NOMINATION

THE NOMINATION OF THE HONORABLE SHAUN L.S. DONOVAN, Of NEW YORK, TO BE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

WEDNESDAY, JUNE 11, 2014

UNITED STATES SENATE,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The Committee met, pursuant to notice, at 2:02 p.m., in Room SD–608, Dirksen Senate Office Building, Hon. Patty Murray, Chairman of the Committee, presiding.

Present: Senators Murray, Wyden, Nelson, Whitehouse, Coons, Kaine, King, Sessions, Johnson, and Wicker.

Staff Present: Evan T. Schatz, Majority Staff Director; and Eric Ueland, Minority Staff Director.

OPENING STATEMENT OF CHAIRMAN MURRAY

Chairman MURRAY. Good afternoon. This hearing will come to order. I want to welcome everybody and thank my Ranking Member, Senator Sessions, and all of our colleagues who are joining us and will be joining us today.

We are here this afternoon to consider President Obama's nomination of Housing and Urban Development Secretary Shaun Donovan to the position of Director of the Office of Management and Budget.

Thank you so much, Mr. Secretary, for joining us here today. I also do want to acknowledge the tremendous contributions of your family—your wife, Liza; your sons Lucas and Milo, who I know have been an incredible source of support for you today. And I understand they sat through the hearing this morning for you. That double duty requiring them to sit here behind you today would be more than a dad should ask if you want Father's Day to be good for you. So tell them thank you for all of us. I know that all of us could not do our public service jobs without the support of our families, so tell them thank you on behalf of all of us.

I also want to take a moment to recognize the work of former OMB Director and now Secretary of Health and Human Services Sylvia Burwell. She was a fantastic partner and leader of the OMB during a very demanding year. President Obama made a great choice in nominating Sylvia for her new role and bringing her leadership and skill to the Department of Health and Human Services. And he made an equally strong choice in nominating Secretary Donovan to take over at OMB.

Secretary Donovan, I am really glad to have the opportunity to speak with you now about how your experience has prepared you for new role. And I look forward to hearing your thoughts on some of the budget challenges we are going to need to address in the future.

I know Secretary Donovan very well. We have worked together very closely over the last 5 years. And throughout that time, it has been very clear to me that he is focused first and foremost on strengthening our middle class by expanding opportunity for families and communities.

Secretary Donovan was sworn in at the Department of Housing and Urban Development in January of 2009—as the fallout from the financial crisis caused millions of families across our country to lose their homes and their financial security.

Faced with almost unprecedented circumstances, Secretary Donovan led HUD through the complex process of stabilizing the housing market.

Secretary Donovan took steps to keep responsible families in their homes and has reinforced the agency's role in providing access to affordable housing and building strong, sustainable neighborhoods. And he worked in a bipartisan manner—including with members of our Committee such as Senators Warner and Crapo—to rethink how the Nation continues to have a strong, durable, and affordable housing market going forward.

So while more work remains, the Nation has come a long way under his leadership.

Secretary Donovan has been a highly effective and responsive partner to those of us in Congress when it comes to disaster relief—an area that transcends party lines.

Over his tenure, he fought to make sure that every community hit hard by a natural disaster has the resources to get back on its feet and come back stronger than before.

Nowhere was this more apparent than in the wake of Hurricane Sandy, when President Obama created the Hurricane Sandy Rebuilding Task Force and appointed Secretary Donovan as Chair.

Working together on these challenges, I know firsthand that Secretary Donovan confronted each one with a cool head, a deep commitment to service, and—as he has said himself—a lot of spreadsheets.

I am confident he will bring each of those strengths—and many more—to the Office of Management and Budget. He is taking on this new role at a critical time, because although we have made progress—which I will discuss—there is a lot more to do.

Our fiscal outlook has improved significantly in the near term. Since 2010, we have passed legislation now reducing our deficit by $3.3 trillion—most of the way toward the bipartisan goal of $4 trillion that was laid out by Simpson-Bowles. We have stabilized the deficit as a share of the economy over the next few years. And the deficit for this fiscal year is expected to be less than a third of what the Congressional Budget Office projected it would be 5 years ago.

But we still face serious debt challenges in the coming decades that we will need to address. The 2-year budget agreement that Chairman Ryan and I reached was a step in the right direction. It moved us away from the dysfunction that has defined Congress

over the past few years. It prevented another unnecessary Government shutdown. It sent a strong signal that there is bipartisan support for replacing the automatic cuts from sequestration, which are scheduled to kick in again in 2016. And it laid out a blueprint for future negotiations over budget levels.

But, all that said, our deal was only a step. And as we look toward fiscal year 2016, it is critical that we come together to build on it. I am confident that Secretary Donovan will be an invaluable partner in this effort, because I know that, just like his predecessor at OMB, when Secretary Donovan sees a problem, the question he asks is: "How can we fix this in a way that does the most to help families and communities get ahead?"

This question is absolutely central to the challenges we face when it comes to the budget. It is true that the long-term debt is a threat to our economy, but a poorly educated workforce, inadequate infrastructure, and dampened innovation are just as much of a threat, both to our economy and to our workers and families seeking more opportunity.

So we need to make sure we are investing appropriately in those areas. And that means for fiscal year 2016, we are going to need to find a way, again, to roll back sequestration and replace it with responsible, balanced deficit reduction.

I am confident we can get this done, because the Bipartisan Budget Act proved that neither side is willing to accept sequestration as the status quo.

I believe we can reach an agreement that ensures we are making smart choices and investing in priorities that we know will pay off in a more economically competitive workforce and country.

But as we all know, the work does not stop at solving the next fiscal year. Far from it.

To ensure the programs and services we currently benefit from are there for future generations, we absolutely need to reach a larger agreement that addresses the true drivers of our debt and sets us on a fiscally responsible path—not just for a few years but for the long haul.

We all know Democrats and Republicans have fundamental differences about how to get that done. But I strongly believe that if each side comes to the table ready to make a few tough choices to reach a compromise; if, like Chairman Ryan and I did during the budget negotiations last year, we take the time to build trust and focus on reaching a deal rather than winning the news cycle, we can deliver that kind of deal for the American people.

Confronting the two challenges that I have just laid out—making critical investments in jobs and opportunity and tackling our long-term budget challenges—would do an enormous amount for families and workers across the country, right now and for decades to come.

And because these goals are so important, I am very hopeful that Secretary Donovan's confirmation process will be a smooth and efficient one.

We saw last year how critical it is to have a strong leader in place at the Office of Management and Budget. With Secretary Burwell already settling in now at HHS, there is every reason to move quickly and ensure the new OMB Director can get to work.

So, Secretary Donovan, I want to thank you again for being here, for joining us today, and being willing to take on this new challenge. And I also again just personally want to thank you for all the work you have done already on the part of our families and communities across the country.

With that, I will turn to Senator Sessions for his opening remarks.

OPENING STATEMENT OF SENATOR SESSIONS

Senator SESSIONS. Thank you, Madam Chairman, and I am a little disappointed to hear you say that you are going to come back again next year and break the Budget Control Act limits that we agreed to just in January. But that is the danger we have here, Mr. Secretary. There is so much pressure to spend, to spend, to spend, and simply the Nation has got to rise up to that and be responsible in the actions that we take.

So we thank you for being with us. We miss your family, but we understand, and look forward to questions today. But I would note that your appointment is somewhat unexpected since Director Burwell has only been there about 13 months. And so we really need some stability and strength in that office.

You will get a fair hearing. I will carefully consider your record and your testimony today in reaching my decision about whether to support your confirmation.

The Director of the Office of Management and Budget is one of the most critical positions in our Government, entrusted with overseeing our massive Federal budget during a time of great financial danger. The President is the Chief Executive, and the OMB Director is the chief executive for management for the President, and he must show integrity, efficiency, and productivity in all that you do.

Only weeks ago, the Director of the Congressional Budget Office reaffirmed in testimony that we are on an unsustainable path financially and face the risk of a fiscal crisis as a result of our debt. So whoever holds this job must be one of the toughest, strongest, most disciplined managers we have in America. So that is the question before us today: Is Mr. Donovan that man?

The fact is that OMB has consistently failed to meet many of its most basic obligations. Time and again, OMB has missed deadlines, ignored legal requirements, violated congressional spending caps, and misrepresented, really, financial data submitted to Congress. So that is why I feel that we must carefully examine Mr. Donovan's qualifications.

All of us have a deep responsibility to the American people for every dollar, every expenditure, every program that we fund. I must, therefore, express some concerns about Mr. Donovan's time at the Department of Housing and Urban Development.

First, HUD has never been known as the best-run agency in Washington. During his time at HUD—Mr. Donovan's only real management experience has been at HUD during that time. But there is nothing in his track record there or anywhere else demonstrating a strong commitment to the financial discipline, a particular skill in managing taxpayers' dollars, or a passion for saving money. To my knowledge, Mr. Donovan has nothing in his background that would suggest he has either a desire or a plan to con-

front our fast-rising entitlement programs that are so near insolvency.

Indeed, Mr. Donovan's time at HUD was marred by a series of Inspector General reports raising questions about his management of even this small Department. One would want to see a sterling record, I think, of saving taxpayers' dollars, finding new efficiencies, streamlining Government.

But the record shows some concerning failures in regards to the American Recently and Reinforcement Act. The Inspector General of HUD, your own Inspector General, found, "HUD did not enforce the reporting requirements of this Section 3 program for ARRA public housing capital fund recipients. Specifically, HUD failed to collect Section 3 summary reports from all housing authorities by the required deadline and verify their accuracy and did not sanction housing authorities that failed to submit the required reporting information. As a result, 1,650 housing authorities did not provide HUD and the general public with the adequate employment and contracting information."

The Inspector General provided this summary of HUD's record with the Homeless Prevention and Rapid Rehousing Program. They said this in another report: "Community advocates did not properly administer its Supportive Housing Program and ARRA grant funds. Specifically, it did not: one, ensure that Supportive Housing Program funds were used for eligible activities; two, maintain documentation to support required match contributions. It also failed to maintain a financial management system that separately tracked the source and application of ARRA funds and lacked sufficient documentation to support the allocation of operating costs."

The Inspector General further questioned the quality of the data provided about the $800 billion stimulus package. "Our limited review of the jobs data and calculations of the five selected HUD recipients disclosed inconsistencies in the methodology of counting the quarterly hours worked and various discrepancies between the hours recorded on time and payroll records and the hours included in Section 1512 reporting. We question the accuracy of the job calculations and in some instances the accuracy of the data used in these calculations." Another criticism.

The Inspector General also conducted a review of HUD's toll-free phone lines. These are lines you are supposed to be able to call to get information about HUD programs that citizens can use. The summary of that report explains, "We conducted an evaluation of HUD's toll-free lines. Our review disclosed that HUD could not determine, one, whether the toll-free phone lines were functioning at an optimal level; and, two, the level of service provided to its customers. We also identified numbers that were either disconnected and not HUD numbers that were advertised on HUD's website."

In its report on the multifamily project refinances, the Inspector General, your Inspector General, found, "HUD did not have adequate controls to ensure that all Section 202 refinancing resulted in economical and efficient outcomes. Specifically, one, HUD did not ensure that at least half the debt service savings that resulted from refinancing were used to benefit tenants or reduce housing assistance payments; two, consistent accountability for the debt service savings was not always maintained; three, some refinancings

were processed for projects that had negative debt service ratings which resulted in higher debt service costs than before the refinancing. These deficiencies were due to HUD's lack of adequate oversight and inconsistent nationwide policy implementation regarding debt service savings realized from Section 202 financing activities. As a result, millions of dollars in debt service savings were not properly accounted for and available. The savings may not have been used to benefit tenants or for the reduction of housing assistance payments. And some refinanced projects ended up costing HUD additional housing assistance payments because of the additional cost of debt service." Pretty significant criticism.

So this apparent record of failure to manage is ironic given Mr. Donovan's faith in Government. Now, I know you believe in Government. You said once, "I would never believe that the private sector, left to its own devices, is the best possible solution. I am in Government because of the role of Government in setting rules and working in partnership with the private sector."

Well, we want to work with the private sector, but we know that Government must be efficient and productive and well run, or it will fail to meet the minimum requirements.

So, Madam Chairman, I thank you for the opportunity of doing this, having this hearing. We need to go through it. You are seeking an exceedingly important job, Mr. Donovan. There have been problems in HUD, have been for a number of years. You have been there quite a number of years. I do not know that we have seen yet the commitment, the dedication, the drive, the real imperative to get this Government under control, whether we see it at the Veterans Administration, whether we see it at HUD, as we talked about, whether we see it at HHS with regard to the surge of illegal immigrants into the country, all in large part due to ineffective management.

Thank you, Madam Chairman.

Chairman MURRAY. Under the rules of the Committee, nominees are required to testify under oath. So, Secretary Donovan, would you please rise with me so I can administer the oath? Do you swear the testimony that you will give to the Senate Budget Committee will be the truth, the whole truth, and nothing but the truth?

Secretary Donovan. I do.

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

Secretary Donovan. Yes.

Chairman MURRAY. Please be seated.

Secretary Donovan. Thank you.

Chairman MURRAY. Okay. We will now have a chance to hear from Secretary Donovan, and then members will have the opportunity to ask him questions. And, again, Mr. Secretary, thank you so much for the job you have done and for your willingness to take on this critically important task for all of us. Go ahead.

TESTIMONY OF THE HONORABLE SHAUN L.S. DONOVAN, OF NEW YORK, TO BE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Secretary Donovan. Thank you, Chairman Murray, Ranking Member Sessions, and members of the Committee for welcoming me today. It is a privilege to be considered by this Committee as the President's nominee to be Director of the Office of Management and Budget.

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

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

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

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

During my time as the Secretary of the Department of Housing and Urban Development, I worked closely with you, Madam Chairman, and I want to thank you for all your leadership in so many areas. I worked tirelessly with you to ensure that the Federal Government is doing its part to help the American people secure safe and affordable housing. Homes are the center of every person's life. They play a key role in shaping safe neighborhoods, good schools, solid businesses, and ultimately a strong economy.

For the past 5–1/2 years, HUD has been creative in helping families obtain this key part of the American Dream and, during these tough fiscal times, has done so in a fiscally responsible fashion. Working with colleagues from across the administration, we have helped millions of families fight off foreclosure, reduced the number of veterans experiencing homelessness by 24 percent in the last 3 years—and I want to thank you in particular, Chairman, for your leadership in that area—revitalized distressed neighborhoods, and helped communities hit by natural disaster rebuild stronger than before. Through all this work, I have seen firsthand how critical the Federal budget process is and how it makes an impact on the people we serve. The Federal budget is not just numbers on a page. It is a reflection of our values, and it is important to our future.

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

and addressing the primary drivers of long-term debt and deficits, health care cost growth, and inadequate revenues to meet the needs of our aging population.

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

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

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

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

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

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

To give just one example, in my role as Chair of the Hurricane Sandy Rebuilding Task Force, I saw the tireless efforts made by OMB staff, many of them long-serving career employees, as they worked literally night and day for weeks and even months to en-

sure that disaster relief was delivered swiftly, fairly, and responsibly. It was OMB employees who had the expertise, knowledge, and governmentwide perspective to help coordinate the effort and make sure it was done right.

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

[The prepared statement of Secretary Donovan follows:]

Chairman MURRAY. Thank you very much, Mrs.

As head of a major Department over the last 5 years, you got a fair amount of experience with OMB, and I would guess not all of it has been pleasant given the tough budget environment that we have all been working in. But more than most, I think you understand OMB and the role it plays within the budget process. And as I mentioned in my opening statement, you have also had to grapple with a number of tough fiscal issues over the last several years, including taking office in the midst of that very devastating housing and financial crisis and, again, as you just mentioned, overseeing the Federal response and recovery efforts following Hurricane Sandy.

So I wanted to start off by asking how you see the experiences of your last few years as having helped you prepare now for what will be your next major challenge as head of the OMB and the President's point person on the budget.

Secretary Donovan. Madam Chair, first of all, the most significant crisis that we faced in this country when we took office was in our housing market, and as you know, FHA was at the center of that storm. Not only were we faced with helping keep families in their homes and helping recover from that crisis, but we were also facing the potential for a significant loss to the taxpayers at FHA as well.

And so I worked very, very closely with agencies across the Federal Government, particularly with the Treasury Department and with the National Economic Council as well as others, many independent agencies, and one of the things I am proudest of is that we were able not only to help the housing market recover—independent economists who said the housing collapse would have been 25 percent worse had it not been for FHA—but today FHA is not only making the highest-quality loans in its history, but is actually returning billions of dollars to taxpayers each year with the new loans that it makes, as you well know from your leadership of our Appropriations Committee.

Much of that has been done in partnership with GAO and other agencies that have made recommendations that we followed to improve the way that we manage FHA with a $1 trillion portfolio. It is a significant, significant challenge.

Beyond that, what I would say is my management experience not only here but for 5 previous years under Mayor Bloomberg leading the housing agency in New York, working closely with OMB in New York City, but also my work in the private sector leading companies that were involved in housing and real estate, it is, I believe, an important set of experiences that help me understand, particularly in tough fiscal times, how we work with the private sector to leverage critical private capital and investments in things

that we may not be able to afford with direct Government spending. And that is a partnership that I intend to leverage at OMB, should I be confirmed.

Chairman MURRAY. Okay. I know from many of our discussions that you share my belief that lurching from crisis to crisis over the past few years and the lack of budget certainty has really hurt our economy and families and communities, and that was really why it was so important to me that Chairman Ryan and I do sit down together and reach an agreement on a 2-year Bipartisan Budget Act.

As an administrator, you have some firsthand experience with the harmful impacts that are caused by political brinksmanship and dysfunction from within one agency or trying to fulfill its responsibilities. Can you comment on the importance today of having a 2-year budget agreement over the last year instead of having uncertainty and crisis management?

Secretary Donovan. Well, Senator, let me just say thank you on behalf of all of us in the administration, but thank you as a citizen of the country as well. It was an absolutely critical step to help us begin to restore regular order in our budgeting process. And as you well know from your direct experience of our budget, not only did sequestration mean that more than 100,000 families lost vouchers across the country and that families who had finally gotten off our streets were turned back out to the streets because of those cuts; but, ironically, we actually ended up spending more money in certain programs as a result of sequestration because of the lack of ability to plan and execute efficiently.

In some cases, we had to cut back on oversight or other key functions because of the dramatic cuts in sequestration that led to the potential for higher costs in the long run, not to mention the highest costs, for example, as you know, when a homeless person is turned back out on the streets, they are going to end up in shelters, emergency rooms that are actually more expensive to the experience than permanent housing.

And so there are many ways that restoring regular order not only is better for the people in communities we serve, but actually helps us to plan and find smart ways to reduce the cost of Government rather than lurching from crisis to crisis.

Chairman MURRAY. Thank you very much, and I do want to mention one parochial issue that is extremely important to me within the budget, and that is the Environmental Management Program. We talked about it when you came to my office. That is the program that funds defense environmental cleanup at the Hanford site in my home State of Washington and other sites across the country. It is really important to me and my constituents and to our country.

I have been very clear with the administration that we have to provide the necessary funding. We have legal and moral obligations to clean that waste up. It is a legacy waste from the Manhattan Project and Cold War efforts, and I am deeply concerned about the fiscal year 2015 budget request which cut EM by $135 million, kind of foreshadowing what we might be seeing coming.

This is really unacceptable. We have to make sure that annual budgets for the EM program will allow the Federal Government to

keep the commitments that have been made to thee communities, like the Tri-Cities in my home States. We keep doing these short-sighted budgets year to year, and it is not sustainable. We have to clean up these environmental disasters and waste sites from past wars, and I would just like your commitment to work with me, the Department of Energy, to develop a long-term, comprehensive plan to deal with this, because we keep losing sight of it in the short-term budget crises.

Secretary Donovan. Senator, should I be confirmed, I look forward to working with you on this to make sure we have a long-term perspective on this issue.

Chairman MURRAY. Thank you very much.

Senator Sessions?

Senator SESSIONS. Thank you.

Well, Mr. Secretary, you were talking about the largest debt reduction in history. Perhaps that is so in real numbers. But I have got to tell you, the highest deficit in the 8 years prior to President Obama taking office was $476 billion. The first year in office, he was over $1 trillion, over one thousand billion dollars. And for four consecutive years, we had deficits of over $1 trillion a year, a thousand billion.

And so we are back on the path, or soon, showing growing deficits, according to CBO, and they say we are not on a sustainable path. So I just want to tell you, you have taken a tough job. This is not all fixed. This deficit financial situation in America is nowhere close to being fixed. We have not dealt with entitlements. We have not dealt with growth in spending and a whole lot of programs. And we are going to see the largest surge in interest we have ever seen from $220 billion last year to over $800 billion 10 years from today—$650 billion or so a year in extra interest we have got to find money to pay before we fund anything else in Government.

So I have got a chart that I just want to put up for you. I do not know if you can see that, but it shows in 2013, we had a total gross debt of $16.7 trillion. Can you read what the gross debt will be in 2024, projected gross debt?

Secretary Donovan. Very small numbers, Senator. It looks like about $25 trillion?

Senator SESSIONS. Yes, 24.9. So that indicates that we will be expected to add to the debt of the United States in the next 10-year budget window $8 trillion. So this was the table submitted by OMB, your predecessor, President Obama's administration. So, in your view, is increasing the debt by $8 trillion over the next 10 years, an average of $800 billion a year in added debt, is that a sustainable path?

Secretary Donovan. Senator, first of all, I believe these are the gross debt numbers. I think the more important figure we should be looking at is the debt held by the public, and particularly, you know, most budget experts look at it relative to the size of GDP. And I think the important thing, whether it is CBO or in the President's own calculations, OMB's, we agree that the President's budget would reduce the deficit by more than $1 trillion over that 10-year window compared to current law. And—

Senator SESSIONS. Well, we just have—

Secretary Donovan. —so I would agree with you—

Senator SESSIONS. —a couple of minutes left in my question time. I understand the difference in gross and public debt. This is gross, but the proportion is basically the same. I have checked those numbers too. They increase at the same rate. CBO says we are not on a sustainable path. Do you content that this is? Or do you believe if you take this office you need to look for ways to improve our financial situation and not average $800 billion a year in debt?

Secretary Donovan. Senator, I agree with your statement that we are not done by any means, that we still need to take critical steps. We have over the last few years, on a bipartisan basis, reached more than $3 trillion of deficit reduction. The President's budget would take that over $5 trillion. But ultimately the critical drivers of that debt and deficit, I hope we would agree, are long-term increases in health care costs and also the demographic changes that we have coming in this country that mean that we will have more seniors retiring and that we need to keep our promises to seniors.

Senator SESSIONS. Well, I agree. So we have made promises in Medicare, and we have made promises in Social Security. Both of those programs are on a path that cannot be sustained. We are not going to be able to honor those promises at the current rate.

Now you are taking on this August position, perhaps the most important position in the entire Government. Do you have any plans, have you expressed previous to this day any idea how to put Social Security and Medicare on a sound footing?

Secretary Donovan. Well, certainly there has been a great deal of focus on what do we do about the rising costs of—

Senator SESSIONS. Well, have you expressed—

Secretary Donovan. —Medicare.

Senator SESSIONS. First, have you expressed any? In other words, have you studied this and over any period of time have you laid out any ideas about how to fix Social Security and Medicare?

Secretary Donovan. So, first of all, I believe strongly that the reforms that we have begun to see in medical care are a very important step forward. CBO—

Senator SESSIONS. Just first, I just want to ask that simple question. Have you previous to this day laid out any plans that you have how to fix these programs? Just yes or no. Have you laid out any plan?

Secretary Donovan. I am not sure what you mean, Senator, by "laid out plans."

Senator SESSIONS. Well, have you expressed any ideas? Have you written any articles? Have you done anything in a specific way to fix those programs?

Secretary Donovan. I have worked extensively on the ways that we can make sure in housing and a range of other economic areas that we are growing our economy and dealing with long-term challenges.

Senator SESSIONS. Well, I would just take it that you have not, unless you submit something for the record. I would appreciate just a simple answer. You have not written on it. You are taking an important job, and you do not bring any previous commitment to fixing these programs, which is a lack, I think, in the nominee.

Thank you, Madam Chairman.

Chairman MURRAY. Senator King.

Senator KING. Thank you, Madam Chair.

Mr. Donovan, are you willing to be the most hated person in Washington?

[Laughter.]

Senator KING. I ask that question somewhat—

Secretary Donovan. I am not taking the job to be popular, Senator.

Senator KING. Well, that was the right answer. In looking back over the historical sweep of the last 50, 60, or 70 years, I think one of the problems that has gotten us into the mess that we are in was, historically, Presidents were the enforcers of the budget, and the Congress always wanted to spend more, and the President was the guy who said you have got to eat your spinach. In fact, I remember the term "sequester" was invented during the Nixon administration when I worked here. Somewhere—I think it was during the Reagan administration—Presidents joined the party, if you will, and that is when spending really started to go through the roof, and we have had persistent deficits, except, as you know, for a couple of years in the latter part of the Clinton administration.

You have got to be the guy that says no, and it is not—and I think that is an important—the President has to be the one that enforces budget constraint, I think, because the tendency is always to spend more. It is always more fun to spend than it is to tax, and that had led us into this very unsustainable position. So I hope you will take my question seriously, that you are not going to be—if you are doing your job, you are not going to be popular.

Second question: Interest. And Senator Sessions was talking about this. I am gravely worried about interest, and the problem is we are in a wonderland of 2 percent interest that is not going to last forever. Would you agree with that?

Secretary Donovan. I do agree.

Senator KING. So when interest rates go up, if they go up just to 5 percent, which is about where they were historically, we are talking about $850 billion a year in interest, which is larger than the defense budget. It would be one of the largest expenditures. It is dead money. It is not buying us anything. The only thing it is buying is railroads and airports and roads for China and other places that hold our debt.

And, by the way, I do not agree, the distinction between gross debt and public debt. Most people I know—as you know, the $5 trillion that is not public debt is owed to the Social Security Trust Fund. Most people I know that are getting Social Security benefits want checks, not IOUs. And interest has to be paid on that money. So I really think $17 trillion is the right number.

In any case, if we do not do something about this now when we are in the world of 2 percent interest, it is going to be too late when it is 5 or 6 percent, because all fiscal hell is going to break loose around here. Talk to me about trying to help us to find some solutions to this debt problem now rather than when it is too late.

Here is another way to put it in perspective. A 1-percent increase in interest is more than twice—is not quite twice as much as the sequester. We are all talking about how bad the sequester is. The

sequester was $91 billion last—proposed to be $91 billion. A 1-percent increase in interest is $170 billion. Help me figure out how you are going to help us get out of this hole, because we have got to start now—this is the good times compared with what it is going to be when interest rates go up.

Secretary Donovan. Yes, so as I was starting to say before, Senator, I hope we would all agree that the fundamental challenges have been around health care costs—

Senator KING. I completely agree.

Secretary Donovan. —and the long-term demographic changes that we are seeing in our country. I think the good news here, if there is good news, is that we are starting to see some real changes on the medical cost side. We have health care costs that are rising at the slowest rate now they have in more than 50 years. And, in fact, CBO just in terms of what we will spend between now and 2020, they have lowered their projections by $900 billion given the changes that we have seen over the last few years in health care costs. So I think we have got to build on those. And as you know, just like interest, those compound, right? If we have a lower rate this year and a lower rate next year, we get double benefit from that in terms of—

Senator KING. And I think you will agree with me that the way to deal with that health care cost issue is to try to deal with it globally, not just shift the Federal health care bill to seniors or to the States or somewhere else. It has got to be across the board.

Secretary Donovan. I agree, and this is the reason why in the President's budget this year there is $400 billion of additional savings in Medicare and Medicaid, but also a real focus on how do we change the system—accountable care organizations, a range of other approaches, the Innovation Center that I think can contribute to changes that are not just about shifting but actually getting better care for lower dollars.

Obviously, that is not the only thing we should talk about. There is also wasteful spending in our Tax Code that we ought to be looking at, and other areas, but I think that is the center of the long-term challenge.

Senator KING. Well, you have talked about demographic changes. The reality, I take it, that you are alluding to is that the aging of the population is going to put more demands on things like Social Security and Medicare, and it is unrealistic to think that past revenue percentages of GDP will suffice given those changes. Is that your testimony?

Secretary Donovan. That is definitely part of it. And, look, the President's has laid out principles for Social Security reform. I would certainly argue that Social Security is not as significant a driver of long-term deficits because in the later years in the decade, it actually sort of smoothes out because of the demographic changes as the effects of the baby boom start to play out later. But, clearly, that is something that we need to deal with in the longer run as well.

Senator KING. A final short question. Would you be willing to consider the idea of a biennial budget—in effect, we just had one—as a more efficient way to do our budgeting here? I am a former

Governor. Others are. We do it in our State. Most States have biennial budgets. Is that something you think we should look at?

Secretary Donovan. And, again, I would pay tribute to the Chairman here for helping to bring us back toward regular order. I think biennial budgeting is an idea worth exploring further. If I were confirmed, I would certainly want to talk to you more about it. There are a number of benefits that I could see. I think there are some real reasonable questions about whether it might require more supplementals or others. But as I said, I think it is an idea worth exploring.

Senator KING. Thank you. And I was delighted to hear you emphasize OIRA in your opening statement. Do not forget that.

Secretary Donovan. Very important.

Senator KING. Thank you, Madam Chair.

Chairman MURRAY. Senator Johnson.

Senator JOHNSON. Thank you, Madam Chair.

Secretary Donovan, welcome. I appreciate you spending some time in my office. As I indicated in the office, I want to talk during the testimony here about Social Security and Medicare. Let us first start with Medicare. I am assuming you had a chance to kind of bone up on the issues.

Secretary Donovan. I did, and I appreciated our conversation and your PowerPoint, which I have spent some real time looking through and thinking about.

Senator JOHNSON. Not everybody does.

So having studied this, are you aware of the fact that in the President's 2015 budget Medicare will run a deficit; in other words, it will pay out more in benefits than it takes in in the payroll tax to the tune of about $4.3 trillion? Does that sound about right to you?

Secretary Donovan. I do not have those numbers in front of me.

Senator JOHNSON. It is about $3 trillion in revenue, about $7.3 trillion in benefits, so it is about $4.2 trillion. Over 30 years, are you aware that, according to CBO, their alternate fiscal scenario, Medicare will pay out $35 trillion more in benefits than it takes in in the payroll tax? Is that—

Secretary Donovan. Again, I do not have those numbers in front of me, but as I was just referring to—

Senator JOHNSON. So let us stipulate that those are correct numbers, and they are. Do you believe that is a program, Medicare, that requires more than modest reforms?

Secretary Donovan. I am not sure what your definition of "modest" would be. I just talked about the fact that—

Senator JOHNSON. That is what President—

Secretary Donovan. —it requires reform.

Senator JOHNSON. That is what President Obama has repeatedly said, Medicare just require modest reforms. Don't you think that program requires far more than just modest reforms?

Secretary Donovan. Senator, as I just mentioned, with changes in medical costs, we can have huge impacts, $900 billion in savings that—

Senator JOHNSON. Again, 35—

Secretary Donovan. —CBO estimates.

Senator JOHNSON. $35 trillion, so just kind of look at the alternate fiscal scenario, and we will take a look at that.

If you would put up on the screen—I have got a couple quotes from an Office of Management and Budget report, the 2010 Analytical Perspective, page 345. I just wanted to read through this and get your reaction. They are talking about the Social Security Trust Fund that right now has $2.77 trillion of U.S. Government bonds, and OMB's own report says, "These balances are available for future benefit payments and other trust fund expenditures, but only in a bookkeeping sense. The holdings of the trust fund are not assets of the Government as a whole that can be drawn down in the future to fund benefits. Instead, they are claims on the Treasury."

Next: "The existence of large trust fund balances, therefore, does not by itself increase the Government's ability to pay benefits. Put differently, these trust fund balances are assets of the program agencies and corresponding liabilities of the Treasury"—and here is the punch line—"netting to zero."

Do you agree with what OMB in its 2010 publication stated about the trust fund, that you have an asset in the trust fund offset by a liability netting to zero for the Federal Government?

Secretary Donovan. So, Senator, first of all, I think it is very important that seniors understand that those obligations are full faith—

Senator JOHNSON. Please, just answer—

Secretary Donovan. Full faith and credit—

Senator JOHNSON. Do you agree with this statement in OMB's own publication that the trust fund is an asset offset by a liability netting to zero value to the Federal Government? By the way, CBO Director Elmendorf did, Federal—

Secretary Donovan. Senator, if I could finish, I would just say—as I said, we spent time talking about this. I looked through the materials that you got to me. I thought they were very helpful.

Senator JOHNSON. Okay. I have limited here, so—

Secretary Donovan. I understand. It is important for seniors to understand those are full faith and credit obligations of the U.S. Government, that they are real obligations, and even if—

Senator JOHNSON. What is your—

Secretary Donovan. If I could just—

Senator JOHNSON. No, because I—

Secretary Donovan. Even—even if those are—they are offsetting, I believe, based on the what I have done since we met, that the trust fund is a useful tool for the American people and seniors to understand transparently—

Senator JOHNSON. No, let—

Secretary Donovan. —the long-term costs—

Senator JOHNSON. Again, I am running out of time.

Secretary Donovan. —of Social Security.

Senator JOHNSON. The trust fund is a useful tool for showing how much the Federal Government has spent of seniors' money, about $2.77 trillion. It is gone. It has no value to the Federal Government. So how are we going to fund Social Security because it is going to run—again, do you understand these numbers? In the next decade, it will be about a $1.5 trillion deficit; a decade after that, about $4.7 trillion, according to CBO. So about $6 trillion of

deficits. How is a trust fund that has no value to the Federal Government going to fund Social Security over the next 20 years? How does that work? And, again, not from a bookkeeping convention, but how do you actually fund Social Security for the next 20 years?

Secretary Donovan. The actuaries recently published, they believe that the trust fund is solvent through 2033, and I agree, as I said earlier, that—and the President has put forward principles for Social Security reform. We need to move forward in the long run to make sure—

Senator JOHNSON. Where do we get—

Secretary Donovan. —those reforms—

Senator JOHNSON. Where do we get the money to redeem the bonds, when the Social Security Trust Fund comes to the Treasury and says, okay, redeem these bonds to fund benefits, where does the money come from?

Secretary Donovan. The money comes from contributions that—

Senator JOHNSON. No, no, no.

Secretary Donovan. —people are paying in—

Senator JOHNSON. Because—no. The only reason they redeem the bonds is because the payroll tax is not covering the benefits. So they redeem the bonds at the Treasury. Where does the Treasury get the money to redeem the bonds?

Secretary Donovan. Senator, there—

Senator JOHNSON. It is a pretty simple question. Where does the—

Secretary Donovan. If you look—

Senator JOHNSON. —Treasury get the money to redeem the bonds when payroll taxes do not cover the benefits, which is happening today? Where does the Treasury get the money to pay that—

Secretary Donovan. If you look at the way the trust fund is constructed, there are payments coming in, which—

Senator JOHNSON. No, again—no, answer the question. Where does—

Secretary Donovan. There is—there is—

Senator JOHNSON. Where does the—answer the question. Where does the Treasury get the money to redeem the bonds from the trust fund? Where does the Treasury get the money? Very simple question, particularly if you are going to be Director of OMB. Where does the Treasury get the money to redeem its liability on those bonds?

Secretary Donovan. In order to make the—you are asking how do we—

Senator JOHNSON. Correct—

Secretary Donovan. —make payments to beneficiaries of Social Security?

Senator JOHNSON. No, I am asking how the Treasury makes good on the U.S. Government bonds that the trust fund presents to it when payroll taxes do not cover the benefits, which is going to happen to the tune of about $6 trillion over the next 20 years. Where does the Treasury Department get the money to redeem the bonds?

Secretary Donovan. So the—

Senator JOHNSON. Do you really not know?

Secretary Donovan. There are—there are sources for Social Security which include the payments that are made into the system each year, the interest that is available, and any deficits beyond that would have to be financed. That is—those are the—

Senator JOHNSON. That is all—so what does the Treasury do? They float additional Government bonds or they have to increase taxes, correct?

Chairman MURRAY. Senator Johnson, we are way over time.

Senator JOHNSON. Well, it is only 2 minutes, but whatever. Thank you, Madam Chair. Thank you, Mr. Secretary.

Chairman MURRAY. Thank you very much.

Senator Whitehouse?

Senator WHITEHOUSE. Mr. Secretary, welcome. We have had some discussion on this before, but I wanted to run a couple of topics by you in the public forum. I think we have touched on the one that I am most persistent about in this Committee, and that is, lowering health care costs through delivery system reform. I agree absolutely with Senator King's principle that you have to solve the health care problem in the health care system. If you solve the health care problem just in Medicare by burden shifting, you actually probably raise the costs of the health care system rather than helping and imperil a lot of other people at the expense of making the Medicare dollars look nominally better on the books of the Federal Government.

So my first urge to you is please look at health care as a system reform, looking at the national health care system, which has appalling numbers in terms of how inefficient it is at providing health care, and creates an enormous opportunity for reform in ways that actually improve the quality of health care for Americans. It is a win-win proposition. And my great frustration with the administration is that, although it goes in the right direction in this area and it has very talented people working very hard to go in the right direction in this area, it has set no meaningful benchmarks for itself as to where it is going to be in 4 years, where it is going to be in 10 years, where the Government should be in solving this problem. And I think you and I both believe that we all work better when we are working towards an identified, accountable goal of some kind. And certainly big government bureaucracies work better when they have a real target, and it is not just, "Well, we tried hard, sir, to bend the health care cost curve."

So what can you tell me about your commitment to seeing that there are some actual metrics out there showing where is this Government's commitment to go at taking advantage of the huge health care opportunity we have and reducing the inordinate amount of waste and excess cost and, frankly, poor care for patients in our system?

Secretary Donovan. Senator, I enjoyed our conversation about this, and as I think you have heard in the prior discussion, this is obviously an area where, if I am confirmed, I would be very focused. I do think we are making progress.

As I understand more specifically your question, it seems to me it is about how do we actually potentially score these savings, and—

Senator WHITEHOUSE. More than just score, because scoring has a technical significance in this room.

Secretary Donovan. Yes.

Senator WHITEHOUSE. And it is limited by actuarial precepts that prevent you from scoring things that you can actually probably make a pretty safe bet will save money. So it is really more than just about technical scoring. It is about goal setting, and it is about setting really specific goals, not just something as mushy as bending the health care cost curve, but a dollar amount, a date by which it is going to be achieved, and some limitations to make sure that people did not cheat and take it away out of benefits and take it away in cost shifting rather than in real reform.

Secretary Donovan. Yes. Well, generally speaking, I am a big believer in setting goals and making those targets a management tool. I think there are some challenges around how do we actually score, based on my experience with health care, of how we score these. But what I would like to do is, should I be confirmed, sit down with you quickly and talk through a little bit more of exactly what you are looking for here.

Senator WHITEHOUSE. Bear in mind that, with the personnel shifts that have happened in the course of this conversation, I am on my third Groundhog Day starting on this, and my patience is wearing a bit thin because this is a problem we actually absolutely need to solve, and if this administration goes out the door in a couple years without having solved it, there are still going to be a lot of people in this building who are going to have to clean up that mess and who are going to have to fix that problem. We have to get this done, and we have to get it done now.

Secretary Donovan. I hear your impatience, Senator.

Senator WHITEHOUSE. The other thing is cyber. We are being attacked in unprecedented ways, and every day a new technique emerges to attack our businesses, to attack our infrastructure, to attack our national security. And I would like to have the chance to sit down with you and have you bring OMB into a conversation about what our cyber defenses need to look at in the out-years.

I will tell you that, from everybody I have talked to in the administration, they are so busy fighting off this battle day to day that there is not long-term planning being done. And OMB is the right place to organize all the different agency—it is spread across many, many agencies—to start thinking about what our defense should look like 4 years out, 8 years out, again, being prepared for the future.

Secretary Donovan. I look forward to that conversation.

Senator WHITEHOUSE. Very well. Thank you, sir. Good luck to you.

Secretary Donovan. Thanks.

Chairman MURRAY. Senator Kaine.

Senator KAINE. Thank you, Madam Chairwoman, and thank you, Mr. Donovan, for your service. I congratulate you on your nomination.

Just a couple of points. The return to regular budgetary order is something that I am passionate about. Maybe coming out of a local and State government background, that gives me a particular passion. And both the executive and the legislative do not have much

to brag about on that score in recent years, but I do think we are taking steps back. I think the Chairwoman's work with Chairman Ryan on trying to come out of a shutdown with a meaningful budget conference and a meaningful 2-year budget document was very salutary. Both sides had to give. That is the way these things happen.

One of the things that the administration can do that will make it better is be timely in the submission of budgets. The Obama track record has generally been pretty poor on that. Last year, I think you kind of got it passed because we were so late with the budget and so late with the appropriations bills, and we had done a 2-year budget anyway, so the 2015 budget submission was a little bit odd, that I think being late was somewhat understandable, but generally before 2014, more often than not, budgets were late, even quite late.

And I think that it was not a competence issue because OMB has been directed by extremely competent people. My read of it is it is kind of a little bit of an indifference, like, "Eh, it is not that important; we can be a little bit late. Why does it matter?"

We are in a time where returning to order is important, I think. I think it sends a message about seriousness of purpose. I think it sends a message about you can rely on us and you ought to be able to rely on the Executive and Congress on these matters.

And so the first thing I would just like to ask you is your philosophy about regular budgetary order, not just in terms of what we need to do, and we have got some cleaning up we need to do, but the administration's philosophy on trying to follow the basic rules set out in the 1974 Budget Act and why it is important to follow those rules.

Secretary Donovan. Well, I think you heard earlier, Senator, the very direct impact that the sort of manufactured crises, sequestration, all that we have been through the last few years has had on real people in communities that we have served at HUD, but also, ironically, in making it harder for us to plan and making it more expensive to execute in many of our programs.

So I would applaud the work that has been done on the Bipartisan Budget Act, and anything that we can do to get back to regular order I think is a very important step. You have my commitment that I will do whatever I can on that front.

I will tell you, from where I have sat, the tension—we put together a budget, you were talking about this past year, in 71 days, and the tension has been between doing a budget that reflects the very latest reality of what has happened in Congress versus getting it done more quickly. And so that has been the tension that we felt on our side, is, you know, taking the time to actually reflect the latest agreements that have been made in the most current budget year to get a budget that is accurate versus, you know, trying to meet deadlines when the processes run late.

So I really do hope that we can work together effectively on that, and I do hope—

Senator KAINE. Can you see any reason, sitting here today, June 11, 2014, why the administration's budget should not be filed timely in the February date that is specified in the Budget Act?

Secretary Donovan. I guess just to expand on my comment a moment ago, the concern, I guess, would be do we get budget bills done in regular order this year. If we end up with a CR that runs into January, let us say, the choice that we would be faced with is putting together a budget that is based on assumptions about what 2015 looks like versus waiting to get actual numbers for 2015. That is the tension that I am talking about.

And so obviously you have my commitment to communicate fully and openly with the Committee to try to be as helpful as we can, but ultimately the difficulty for the Executive is if we do not have a clear blueprint of what 2015 looks like, if we are living with appropriations bills that are, you know, CRs, that just makes it harder to meet the February deadline, obviously.

You have my commitment that I will do whatever I can on my side. This is a real—a plea that we continue the progress that you have been making towards getting back to regular order.

Senator KAINE. Yes. The only thing I would say about it is if you look at the structure of the act, the structure of the act starts with the executive submission, and, you know, the idea of blaming, well, we could not do the executive submission because of something that happened in the previous year, the whole process starts with the executive submission. And then there is a set of time deadlines and, you know, we are supposed to act in Committee by March, and then they are supposed to, by April—you know, and I recognize that we have slipped on our side. I would just point out that if the executive starts off slipping, it kind of sends the message—and we kind of absorb it, too—that it is okay to slip, and we end up with all of our planners internally and, probably more importantly, the private sector, you know, getting less and less confidence in the enterprise. This regular order stuff is pretty important.

Secretary Donovan. Very important.

Senator KAINE. And I trust your commitment to it.

Let me ask a second question. The "M" in OMB is often underdone, in my view. You have been a Cabinet Secretary. What are some management innovation initiatives during your time at HUD that you are proud of to give us an idea about how you might approach the management side of the OMB job?

Secretary Donovan. I appreciate you asking that, Senator, and I would say not only do I believe the "M" side is incredibly important, but I think connecting the "M" side to the "B" side, because, frankly, one of the most important ways that we can make Government more effective and save money is by doing better on the management side. So a few things I would mention.

One is I believe very deeply that—I often say to my team, too often we do not know what success looks like in Government, and so it is really defining success and making it measurable by metrics, and then tracking the heck out of it. And so I created something called "HUDStat" at HUD, which, you know, the CompStat model from New York, I did this when I was in New York as well. But I personally led every one of those meetings across 5 years where we picked a few critical goals, we actually set them across agencies, so veterans' homelessness is a good example where we shared it with VA. We set the same target, put our data systems together. We have been able to reduce veterans' homeless-

ness by 24 percent over the last 3 years, and I give a lot of—a lot of the reason, I think, is because we really focused on evidence and metrics.

Second, I think there is a lot that we can do to do a better job to move toward what we call shared services. HUD is actually pursuing the largest shared services effort across the whole Federal Government. We are moving our entire financial systems over to a system at Treasury, which will mean that we will save money, we will get better financial systems, and we will have the project done faster than we would if we had pursued what was underway when I arrived. That is a very, very important area as well.

I am also a big believer—

Chairman MURRAY. Mr. Secretary, he is way over his—

Secretary Donovan. Sorry. You can tell I am passionate about this. I could have kept going. But thank you.

Chairman MURRAY. Thank you.

Senator Wyden?

Senator WYDEN. Thank you, Madam Chair.

Mr. Secretary, I very much share Chair Murray's views about your qualifications. I am looking forward to supporting you.

Secretary Donovan. Thank you.

Senator WYDEN. A few questions, if I might. A couple of weeks ago, I was at Gowen Field in Idaho where Oregon's National Guard members have been training for some very dangerous missions in Afghanistan. And as I visited with them—we had lunch—some helicopters flew over the air base, and several of the soldiers said, "Ron, do not let them take those helicopters away from us. We very much need that for us to carry out the mission of the Guard."

As I think you are aware—we talked about it in the office—the Army has a proposal to transfer 192 helicopters from the Guard to active duty, in effect taking those helicopters away that the soldiers were so concerned about.

There is an effort to make sure that, before that is done, there would be an independent panel of experts to look at the aviation restructuring proposal before the Army moves ahead.

Can you let me know whether you will support that? Because that is extremely important to the Guard in the Pacific Northwest. Senator Murray has many members of the Guard as well. Can you get back to me and let me know your position on that?

Secretary Donovan. Senator, I cannot give you a commitment today.

Senator WYDEN. Right.

Secretary Donovan. I need, obviously, if I am confirmed, to get up to speed on it. But you have my commitment that I will work with the team at OMB as quickly as possible to get back to you.

Senator WYDEN. Very good. Just get back to me and let me know whether you can support that.

Second is the fire situation. As you know, the fires came earlier this year. They are getting hotter. They are getting bigger. They know no geographical lines and just move across Federal and State and private lands. And over the last few days, Bend, Oregon, got a huge scare when the Two Bulls fire got dangerously close to the city and they had evacuations.

On Monday, the administration alerted the appropriators that fire suppression budgets for the year exceed available funding, and the Forest Service anticipates having to transfer $350 million to $800 million this year.

Senator Crapo and I have a bipartisan proposal to treat the worst 1 percent of fires like the disasters that they are. The administration has supported the proposal. I need you to get up to speed on that so that you can be a vocal advocate for that proposal. Can we get a commitment to do that?

Secretary Donovan. You have my commitment I will work with you. In fact, this is an area where, given my work on disaster, what I have seen is that smart investments in mitigation, for every dollar we save $4 down the road. This seems to me like a proposal that would not only help make sure we are responding to disasters within the cap with this cap proposal we have, but also would allow us to invest in the smart things that will reduce the risk of forest fires going forward. So I look forward to working with you on it.

Senator WYDEN. Thank you. The third area that I have a great concern about—the Chair has done very good work as well—is the transportation area. The Finance Committee is shortly going to have to deal with this huge crunch that we are facing in terms of transportation funds with the July 17th date of, in effect, the fund being in a position to not be able to pay the bills.

I have said as part of a bipartisan effort to get the funding we need, both for the short term and the long term, we are going to try to find ways to streamline the permitting process for transportation. I need you to get back to us very quickly on what OMB's ideas are for streamlining the permitting process for transportation. Can you commit to getting back to us shortly on that?

Secretary Donovan. Absolutely, and I think there has been very good work done on this already. I have been very involved in it in the Sandy rebuilding process because of all the infrastructure investments that we have made, and I look forward to talking to you more about it.

Senator WYDEN. And we will need something really in the next 10 days from OMB. I know you are, in effect, in this sort of state of suspended animation, but because we really have to get this transportation issue resolved before the August recess—and it is certainly my hope that you will be confirmed before the August recess—I really need to hear from OMB within 10 days. So if you can, with the staff that are available, help with that, that would be great.

The last point is a follow-up. I care very deeply about moving health care in America away from this volume-driven fee-for-service kind of system, and we made some headway, obviously, in the Affordable Care Act with the ACOs. But we still have a long way to go, and nothing will help more than moving this dysfunctional Medicare reimbursement system, the SGR system, away from fee-for-service.

Your soon-to-be colleague Sylvia Burwell indicated in the Finance Committee that she would work with us to repeal and replace this flawed Medicare reimbursement system this year. Can you agree to work with your colleague—

Secretary Donovan. I would reaffirm what was in the President's budget, that we are committed to fiscally responsible reform on that issue.

Senator WYDEN. Very good.

Thank you, Madam Chair.

Chairman MURRAY. Thank you very much. I do want to thank all of our colleagues for their participation and cooperation, and I especially want to thank you, Secretary Donovan, for your willingness to continue serving the Nation and to take on this important assignment. This Committee greatly appreciates the sacrifice of you and your family.

Senator SESSIONS. Could I ask a few more questions, Madam Chairman? I think it is a very important issue. I do not like to drag out hearings, but this is an important appointment, and I would like to give him a chance to answer something that just came to my attention, actually, during the hearing.

So, Mr. Donovan, I see there is a May 30th report from the Inspector General—are you aware of it?—dealing with the Anti-Deficiency Act?

Secretary Donovan. I think I may be aware of the one you are talking about. I do not have it front of me, obviously.

Senator SESSIONS. All right. It is May 30th, and I was really rather shocked by it. It says in the introduction—this is your own Inspector General: "Specifically, the U.S. Department of Housing and Urban Development incorrectly used more than $620,000 in Office of Public and Indian Housing and Office of Federal Housing Commissioner personnel compensation funds to pay the salary of a senior adviser to the HUD Secretary." You. "Additionally, HUD paid more than the agreement allowed to this individual and made payments without an agreement in place." And the Inspector General, of course, notes that Congress has the power of the purse. It violates the Anti-Deficiency Act for an agency or department head in the Government to spend money on something not appropriated by Congress. You are aware of that, are you not?

Secretary Donovan. Yes.

Senator SESSIONS. And it goes on to say the employee served as an adviser to you, the Secretary; therefore, HUD's reimbursement to Community Builders Inc. should have been made from the Office of the Secretary's Executive Direction account. And, in addition, it appears that this is a sore spot for some years with HUD. Back in 2010, the House of Representatives did a report that said senior advisers to the Secretary should be funded directly through the Office of the Secretary. And the Inspector General—they go on to say, "To date"—this was in 2011—"HUD has not even tried to address these problems and, thus, the Committee has no faith in HUD's ability to appropriately staff its operations."

And so here, again, after these problems with the House, you have now spent $620,000, taking it from some other account that you apparently are not authorized to take it from, to some personal adviser for you, even without a contract, even without the appropriations provided for by law. Do you have any response to that? You are about to—you are seeking the appointment of the position in Government more than any other position that should discipline

and maintain integrity by all Cabinet officers, of which you are now one.

Secretary Donovan. Senator, first of all, I would invite you to reach out to our Inspector General and talk to him further about this. This is a potential issue that the Inspector General has asked us to look into. It is an accounting matter in terms of which source of salaries and expense dollars an employee is paid out of. I was not directly involved or aware of how this employee was paid. And it is something that we are looking into right now and we are working closely with the Inspector General on.

Senator SESSIONS. Well, you would agree that if it has not been funded, appropriated for your office, you are not entitled to take money from some other program of HUD and spend it to hire, at $620,000 apparently, some personal assistant to yourself?

Secretary Donovan. Again, Senator, this is a matter of how we account for salaries and expense dollars within the agency. It is an issue that we are working closely with the Inspector General to determine if it was done appropriately, and that review is ongoing.

Senator SESSIONS. Well, I just have to tell you, people in this Government need to follow the law. I do not know how it is that we are at a point where people think they can do whatever they want to with the taxpayers' money and not enforce plain law, do what they want to in agencies and departments. And the Office of Management and Budget is an absolute enforcement of integrity in the system. And I am troubled at how this continued to go on at your Department, even after the House apparently complained about it several years before.

You have to start managing—you know, you have to—Cabinet Secretaries have to manage their departments. You have that responsibility. You cannot just always push it off on somebody else. And when you—so I would like more explanation from you, what you knew about this, and we would look forward to it.

Do you have any other explanations you might share with us?

Secretary Donovan. Senator, I would go farther than that. I would invite you to talk directly to my Inspector General and to get his own view on whether I have been responsive to issues that he has found and whether we have worked closely together to try to make HUD a better Department.

Senator SESSIONS. Well, I would like to know how it happened, what you knew about it, and if it was in violation of the law, why you should be promoted if you are not willing to follow the law in your own Department. But I would offer it for the record, Madam Chairman, this Inspector General report from the Department of Housing and Urban Development.

Chairman MURRAY. Thank you.

Senator Wicker has come in, and I am going to allow him to ask his questions before we close here.

Senator WICKER. Thank you very much, Madam Chair, and I will be brief.

I just wanted to come in and say that I am highly inclined to be supportive of this nomination. I suspect that his views on budgeting are considerably different from mine. That is because his candidate won the Presidential election and mine did not.

But that being the case, I have appreciated the fact that Secretary Donovan has been so responsive as HUD Secretary to situations which have arisen in my home State. I remember 3 years ago—it was almost exactly 3 years ago—Mr. Secretary, when a devastating tornado hit Smithville, Mississippi, and Secretary Donovan came down within days with two other members of the administration, showed real concern, showed real responsiveness, and worked with us on a nonpartisan basis to help bring that community back. I am so grateful for that, and the people of northeast Mississippi, Mr. Secretary, are so grateful for that.

And then I absolutely would be remiss if I did not thank you, Mr. Secretary, for your heroic effort and the work you have done on the Port of Gulfport restoration project. It takes a long time sometimes for compliance to be done at the State, local, and Federal levels, and this action plan was approved in 2007. Following a site visit in August of 2012, the Community Planning and Development Division completed its compliance assessment and stated the project was in compliance with regard to requirements concerning jobs, concerning contracting, benefitting low-income individuals and businesses.

And then after that, a misunderstanding arose because of another division of HUD conducting what I think some people refer to as a "desk audit" without a site visit and without a formal complaint or any other indication of compliance, notified us that we were not in compliance. And, Madam Chair, it was the Secretary that came in, worked with a Republican Governor in Mississippi, with the Mississippi Development Authority, and got into the details of this, and helped us to show that, in fact, we were in compliance, and resulted in a success story for people who want a job on the gulf coast of Mississippi and who would hope and aspire that this port would be the great engine of economic activity that we believe it is.

So, Mr. Secretary, with your assistance, this issue was resolved. We were quite worried about it for a long time, and since working with us for almost a year now and resolving it in favor of going forward there, your office has given us technical assistance, and we appreciate that.

I hope you will convey to your successor at HUD the importance of this project to the rebuilding of—the continued, longstanding rebuilding of Mississippi's coastal economy. And we have worked on it together on behalf of average workers and average Americans who want nothing more than to have a job at a first-class, state-of-the-art port. So thank you very much.

Thank you, Madam Chair.

Secretary Donovan. Thank you, Senator.

Chairman MURRAY. Thank you, Senator. And I echo your experience with the Secretary. I have worked very closely with him, and he is a hands-on problem solver, and I think he will do a great job at his next assignment. So thank you very much. And, again, thank you for the participation of all the Senators here today.

I want to remind all of our colleagues, because this is an afternoon hearing, additional statements and questions for the record will be due in by noon tomorrow to be signed and submitted to the chief clerk.

Also, I just want to say for the information of all our colleagues, it is my intention to move the Secretary's nomination as expeditiously as possible. I will be talking with Senator Sessions about that. I want members to know that I plan on doing it as soon as possible. As Senator Wyden indicated a moment ago, it is extremely important we have somebody in this position to work with as we face the challenges that are in front of us.

So thank you again, Mr. Secretary, and with that this hearing is adjourned.

Secretary Donovan. Thank you.

[Whereupon, at 3:25 p.m., the Committee was adjourned.]

United States Senate

COMMITTEE ON THE BUDGET ROOM SD-624
(202) 224-0642

WASHINGTON, D.C. 20510-6250

STATEMENT OF BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES

A. BIOGRAPHICAL INFORMATION

1. **Name:** (Include any former names used.): Shaun Lawrence Sarda Donovan

2. **Position to which nominated:** Director, Office of Management and Budget

3. **Date of nomination:** Expected June 2, 2014

4. **Address:** (List current place of residence and office addresses, information will not be made available for public inspection.)

   Redacted.

5. **Date and place of birth:** January 24, 1966, New York, NY

6. **Marital status: (Include name of spouse.)** Married to Elizabeth "Liza" Gilbert

7. **Names and ages of children:** (Information will not be made available for public inspection.)

   Redacted.

8. **Education:** List secondary and higher education institutions, dates attended, degree (s) received and date degree granted.

Name of School	Date Began School	Date Ended School	Degree	Date Awarded
Harvard College	09/1983	06/1987	Bachelor's	06/1987
Harvard Graduate School of Design	09/1990	01/1995	Master's	01/1995
Harvard Kennedy School of Government	09/1992	01/1995	Master's	01/1995

9. **Employment record:** List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment. (Please use separate attachment, if necessary.)

Name of Your Employer/ Assigned Duty Station	Most Recent Position Title/Rank	Location (City and State only)	Date Employment Began (month/year)	Date Employment Ended (month/year)
Office of Senator Patrick Moynihan	Volunteer Intern	Washington, DC	09/1987	11/1987
National Coalition for the Homeless	Volunteer Intern	Washington, DC	09/1987	11/1987
Strategic Planning Associates	Research Analyst	Washington, DC	11/1987	12/1988
Toraldo Associates	Architectural Assistant	Florence, Italy	06/1989	06/1990
Harvard University Joint Center for Housing Studies	Research Analyst	Cambridge, MA	01/1992	08/1995
Community Preservation Corporation/CPC Resources	Special Assistant/ Assistant Director of Development	New York, NY	12/1995	10/1998
US Department of Housing and Urban Development	Special Assistant/Deputy Assistant Secretary/Acting FHA Commissioner	Washington, DC	10/1998	03/2001
Self-Employment	Independent Housing Consultant	New York, NY	06/2001	07/2002

Prudential Huntoon Paige Associates	Managing Director, Prudential Mortgage Capitol Company	Newark, NJ	07/2002	03/2004
New York City Department of Housing Preservation and Development	Commissioner	New York, NY	03/2004	01/2009
US Department of Housing and Urban Development	Secretary	Washington, DC	01/2009	Present

10. **Government experience:** List any advisory, consultative, honorary or other part-time service or positions with federal, State, or local governments, other than those listed above.

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

11. **Business relationships:** List all positions currently or formerly held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational or other institution.

Harvard University Joint Center for Housing Studies Policy Advisory Board	2003 to 2004
National Housing Conference Board of Trustees	2003 to 2009
National Housing Trust Board of Directors	2004 to 2009
Mortgage Bankers Association Multifamily Steering Committee	2002 to 2004
Fannie Mae National Housing Advisory Council Member	2006 to 2007
The Campaign for Affordable Housing Board of Directors	2004 to 2007
New York Housing Conference Board of Trustees	2002 to 2004
The Dalton School Board of Trustees	2008 to 2009
Shaun Donovan 2006 Trust Trustee	2006 to 2009
Donovan 2004 Family Trust Beneficiary	2004 to 2006
Millennium Foundation Co-Chairman	1990 to 1994

12. **Memberships:** List all memberships and offices currently or formerly held in professional, business, fraternal, scholarly, civic, public, charitable and other organizations.

    Owl Club 9/1984 to 6/1987

13. **Political affiliations and activities:**

    (a) List all offices with a political party which you have held or any public office for which you have been a candidate. None

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

Name of Party/Election Committee	Office/Services Rendered	Responsibilities	Dates of Service
Obama Campaign	Volunteer	Surrogate	10/20/2008 to11/4/2008
Obama for America	Fundraiser	Surrogate/Guest Speaker	06/28/2012
Charlotte in 2012	Speaker Series	Guest Speaker	06/27/2012
DNC	Fundraiser	Surrogate/Guest Speaker	10/8/2012
Friends of Sherrod Brown	Fundraiser	Surrogate/Guest Speaker	7/29/2012
People for Patty Murray	Fundraiser	Surrogate/Guest Speaker	01/21/2014
Friends of Mary Landrieu	Fundraiser	Surrogate/Guest Speaker	4/21/2014
DSCC	Fundraiser	Surrogate/Guest Speaker	05/14/2014

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

    Barack Obama, $2,300.00, 10/27/2008

14. **Honors and awards:** List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals and any other special recognitions for outstanding service or achievements.

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

15. **Published writings:** List the titles, publishers, and dates of books, articles, reports, or other published materials which you have written.

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

Title	Publisher	Date(s) of Publication
Home for the Holidays	Politico	12/23/2013
Homelessness Is a Public Health Issue	American Journal of Public Health	12/2013
Mortgage Settlement Helping Homeowners and Exceeding Expectations	The Huffington Post	03/08/2013
Holding the Banks' Feet to the Fire	The Huffington Post	08/10/12
A Path Forward For Nevada On Housing	The Las Vegas Review-Journal	05/30/12
Why The Mortgage Settlement Is A Fair Deal	CNN	02/24/12
A New Era In Homeownership	Philadelphia Inquirer	02/22/12
Holding Banks Accountable (With Eric Holder)	The Las Vegas Sun	02/15/12
Discrimination Lawsuit Holds Subprime Lenders Accountable (With Eric Holder)	The Huffington Post	01/16/12
Ending Homelessness in Our Time: Why Smart Government Is Key	The Public Manager	12/14/2011

The future starts at home in Iberville: Shaun Donovan	New Orleans Times-Picayune	09/01/2011
The HOME program I know	The Washington Post	06/11/2011
Greener Homes Means a Stronger Economy	The Huffington Post	06/03/2011
A Strategic Investment: Getting Americans to Their Jobs (with Ray LaHood)	The Huffington Post	05/12/2011
Next Steps for Reviving W. Baltimore	The Baltimore Sun	03/25/2011
Choice Neighborhoods give children hope	Memphis Commercial Appeal,	03/24/2011
Partnership aims to revitalize decaying U.S. neighborhoods (with Arne Duncan)	Atlanta Journal-Constitution	03/23/2011
HUD Perspective	Journal of Affordable Housing & Community Development Law	Winter 2011
Grant to help build a sustainable future	Knoxville News Sentinel	10/24/2010
How We Can Really Help Families	The Huffington Post	10/17/2010
Sustainable communities are economic game-changers	Buffalo News	10/10/2010
The American Dream is still alive	St. Louis Post-Dispatch	10/10/2010
On the Road from Recovery to Revitalization	The Huffington Post	08/25/2010
Help for the Central Valley	Fresno Bee	08/11/2010
Making Public Housing Work for Families	The Huffington Post	05/26/2010
Opposing view on foreclosures: Helping everyone	USA Today	04/1/2010
Charting a More Sustainable Future	The Huffington Post	03/22/2010

Meeting our Metropolitan Challenge	The Huffington Post	10/05/2009
Giving Families a Choice	The Huffington Post	07/22/2009
Crackdowns promised on home defrauders	McClatchy	04/11/2009
Building the Future for New York and a Million More New Yorkers	City Hall Newspaper	7/2008
Queens' Record Housing Numbers Help to Make City Affordable	Queens Courier	3/6/2008
Mas Vivienda Asequible Para Alto Manhattan	El Diario	1/2007
Construyendo Vecindarios Asequibles	El Diario	10/2006
Letter to the Editor: New Housing Construction Strong; Permits Issuance Continues Apace	Crain's New York Business	9/11/2006
In Praise of Condemnation	New York Daily News	6/22/2006
Policy Option Paper on Small Multifamily Properties	Millennial Housing Commission	2001
Policy Option Paper on Construction and Development Financing	Millennial Housing Commission	2001
Background Paper on Market Rate Multifamily Rental Housing	Millennial Housing Commission	2001
Affordable Homeownership in New York City: Nehemiah Plan Homes and the New York City Housing Partnership	John F. Kennedy School of Government Case Program	1/1/1994
Beyond Housing: The Comprehensive Community Revitalization Program in the South Bronx	John F. Kennedy School of Government	1999
Learning the Low-Income Housing Tax Credit	John F. Kennedy School of Government	1994

16. **Speeches:** Provide the Committee with five copies of any formal speeches you have delivered during the last 5 years which you have copies of and are on topics relevant to the position for which you have been nominated.

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

17.**Selection:**

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

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

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

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

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

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

No

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

No

B. FUTURE EMPLOYMENT RELATIONSHIPS

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

If confirmed, I will continue to serve as a government employee, including working with the US Department of Housing and Urban Development on official government business.

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without

compensation, during your service with the government? If so, please explain.

No

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

No

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

No

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

Yes

C. POTENTIAL CONFLICTS OF INTEREST

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

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

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

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

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

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

During meetings with Congressional staff, I advocated for adequate funding levels for HUD programs and Section 8 reform and preservation legislation. I advocated for a change to a HUD rule that resulted in the FHA pricing assets at above their fair market value, and for neighborhood stabilization program funding. I also worked with members of the New York delegation on legislation to preserve affordability at the Starrett City development and for increased volume cap for the creation of multi-family rental housing.

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

   Yes

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

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

D. LEGAL MATTERS

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

   No

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

   No

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

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

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

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

   No

E. TESTIFYING BEFORE CONGRESS

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

   Yes

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

   Yes

F. FINANCIAL DATA

All information requested under this heading must be provided for yourself, your spouse, and your dependents. (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 may be available for public inspection, with the exception of income tax returns.)

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

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

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

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, executory contracts and other future benefits which you expect to derive from current or previous business relationships, professional services and firm memberships, employers, clients and customers. If dates or amounts are estimated, please so state. Please only include those items not listed on the SF 278 Financial Disclosure form.

   Redacted.

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

   Redacted.

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

   Redacted.

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

Redacted.

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

Redacted.

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

Redacted.

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

Redacted.

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

Redacted.

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

Redacted.

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

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

Redacted.

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

Redacted.

AFFIDAVIT

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

Subscribed and sworn before me this 30th day of May, 20 14

Notary Public

LORRAINE D. HUNT
NOTARY PUBLIC
Exp. - 03/14/2016
DISTRICT OF COLUMBIA

Pre-Hearing Questions from Ranking Member Sessions for Shaun Donovan
Nominee to be Director, Office of Management and Budget
6/9/2014

1. On March 4 of this year, President Obama submitted his FY 2015 budget proposal. I may ask you about this budget at your confirmation hearing. For now, please answer the following regarding the President's submission:

   a. Compared to current law, excluding expected war costs, what is the amount of deficit reduction achieved over ten years?

      The President's Budget shows total deficit reduction of $2.167 trillion over 2015-2024 relative to the Administration's baseline. Of that total deficit reduction, $695 billion results from reducing funding for Overseas Contingency Operations below baseline levels, plus another $113 billion in related debt service savings.

   b. What role, if any, did you play in developing this budget?

      During the development of the President's 2015 Budget, I served as Secretary of the Department of Housing and Urban Development. As Secretary, I was very involved in the Department's budget process. Using the best available data and the advice of my team, I made the final decisions on allocations of funding to all programs in our FY15 budget request. My staff and I also worked closely with OMB to develop the final HUD budget that became part of the President's 2015 Budget as submitted to Congress.

   c. Is this a balanced budget?

      The President's 2015 Budget includes a plan that builds on the progress made in FY 2014 by making investments that will grow the economy, create jobs, and strengthen the middle class, and builds on the historically rapid deficit reduction of the past few years by continuing to reduce deficits and debt as a share of the economy. To do so, it makes tough choices in all areas of the budget—limiting funding for discretionary programs within tight constraints, proposing reforms across mandatory programs to reduce the growth in that area of spending, and calling for additional revenue primarily from reforms to the tax system. It makes room for needed investments in areas like research, education, and infrastructure, while at the same time meeting the key metrics of fiscal stability by putting the Nation's debt and deficit on a sustainable path as a share of the economy.

d. Should we have a goal of balancing the budget?

Bringing a budget into balance can be a potentially valuable milestone if done under the right circumstances, but only if it is in the service of the more fundamental goals of promoting growth and opportunity. I believe that we need a budget with levels of spending and revenue that will accelerate growth and expand opportunity while also achieving fiscal sustainability. Our immediate focus should be taking the steps necessary to promote economic growth, create jobs, and make critical investments, while taking steps to place the deficit and debt on a downward path relative to the economy.

2. Please supplement the documents you provided the Committee by providing a copy of any writings or formal (prepared) speeches you presented over the last 5 years, even if they are unrelated to the position for which you have been nominated or your current role. Include in this supplement speeches made as a surrogate or guest speaker as indentified on your questionnaire.

On June 2, 2014, I provided to the Committee copies of speeches, testimonies, and other writings that I identified through a thorough review of my personal files and searches of publicly available electronic databases. I did not have formal remarks for speeches that I made as a surrogate or guest speaker at the political activities listed on my questionnaire.

3. In your nomination documents, you identify the Owl Club as an organization you were a member of or affiliated with. Please provide a detailed explanation regarding your involvement with the club, including but not limited to, the purpose, how you were introduced to it, your involvement in developing public policy initiatives, whether you reviewed/approved publications or other documents released by the organization, and whether there were any public policies that were developed that you personally disagreed with.

The Owl Club is a social organization similar to a fraternity. I was introduced to it by friends at college. I am not aware of the Owl Club being involved in the development of public policy positions, and, to the extent that it is, I was not personally involved in the development of such positions during my membership.

4. Do you believe that entitlement reform is necessary for a healthy economy? If so, what kind of entitlement reform would you propose?

I believe that ensuring the Nation is on a fiscally-sustainable path over the long run is important for a healthy economy. That is why the President's FY 2015 Budget includes a plan to put debt on a declining path as a share of the economy, the key metric for fiscal

sustainability. The Budget achieves this goal through a combination of $400 billion in health savings from payment innovations and other reforms that encourage high quality and efficient care; tax reforms that reduce expensive and inefficient tax expenditures and eliminate tax loopholes; and comprehensive immigration reform that will reduce the deficit while also directly benefiting the economy.

5. Fannie Mae and Freddie Mac are government sponsored enterprises (GSEs), private companies chartered by the federal government. As such, they operate "off budget" and are exempted from federal budget rules. Those GSEs were placed under Federal conservatorship in 2008, and received $189 billion of taxpayer dollars to remain solvent. Repayments on the federal bailout are included in the federal budget as cash received, reducing deficits in 2013 alone by more than $100 billion. However, Fannie Mae and Freddie Mac also assume substantial risk that is not included in the federal budget, but likely would be borne by taxpayers if the entities were again in danger of becoming insolvent, as is shown by the 2008 bailout. Do you think the cost of those risks should be included in the federal budget?

   The Budget maintains the existing non-budgetary presentation for Fannie Mae and Freddie Mac, which is consistent with the other GSEs and with financial accounting standards that do not require the consolidation of assets and liabilities into the Federal Budget if ownership control is temporary. However, the Federal Government's support for Fannie Mae and Freddie Mac is reflected in the Budget, with Treasury's investments recorded as budgetary outlays and the expected dividends on those investments recorded as offsetting receipts.

   In the absence of comprehensive housing finance reform legislation, the Administration continues to take actions that balance our desire to reduce taxpayer risk with the need to ensure the continued flow of mortgage credit in a fragile housing market. For example, Treasury's Preferred Stock Purchase Agreements (PSPAs) with Fannie Mae and Freddie Mac require GSE investment portfolio reductions of 15 percent each year. Reductions to GSE loan limits, increases in GSE pricing (fees), and new credit risk-sharing pilots that have already been implemented over the last three years are also accelerating the return of private capital to the mortgage market and reducing the GSEs' risk exposure.

   The Administration remains committed to working with the Congress on long-term reforms to the U.S. housing finance system that preserve the American dream of sustainable homeownership for all creditworthy borrowers, ensure that affordable rental options are widely available, and preserve access to mortgage credit during severe downturns while protecting taxpayers from substantial losses in the housing sector.

6. Since the passage of the Federal Credit Reform Act (FCRA) in 1990, analysts have built a significant literature on how best to account for risk in valuing government loans and loan guarantees. This literature suggests that the FCRA has resulted in risk being undervalued, and that a "fair value" approach better captures the risks borne by taxpayers. Do you support updating the statutory methodology used by the government to evaluate federal loans and loan guarantees to make it comparable with the methodology required by the Financial Accounting Standards Board of private sector loans and loan guarantees?

   The Federal Credit Reform Act (FRCA) greatly improved the measurement of the budgetary costs of credit assistance and allowed for the budgeting of credit programs on a comparable basis with other forms of Federal spending. Several leading budget experts, including former CBO Director Robert Reischauer, have come out against credit budgeting on a "fair-value" basis because it inappropriately and artificially inflates the cost of credit assistance by including factors that are not relevant to the Federal Government and do not reflect expected cash flows. As a result, fair value budgeting would be less accurate and transparent. I also understand that "fair value" raises a number of conceptual and implementation concerns. Any changes to FCRA should focus on improving the accuracy of cost estimates in a transparent manner and ensuring that costs continue to be measured consistently across all forms of Federal spending. If confirmed, I will be happy to work with Congress to explore improvements to existing methods consistent with these principles.

7. Your education background is in engineering, government and design and most of your professional experience has been in housing. Outside of the experience listed on your questionnaire, have you acquired any budget training, including classes or continuing education.

   My education on budget issues began when I took classes at the Kennedy School that covered finance, public programs, and budgets. Also, my research and writing on various federal policies and programs helped me to develop further knowledge on various aspects of the federal budget. Finally, in both my 13 years of government service and other experience in the private sector, I have had experience working in budgets, accounting, and finance in a number of different circumstances.

8. If federal law requires the Director of the Office of Management and Budget to provide materials to Congress will you submit those materials to comply with the law?

   Yes. If confirmed, I will submit materials to Congress as required by law.

9. In the questionnaire you submitted to the Committee, you make the following statements to support your qualifications to serve as Director at OMB:

   "... I have used data and evidence-based management to drive results in ways that would help further the management agenda at OMB."

   "... I have worked closely with OMB at the federal and local levels to balance large and complex budgets in difficult fiscal circumstances."

   "... I have become a leader in unlocking private investments to further public goals."

   Please provide direct and substantive evidence to support these statements, including but not limited to the budgets you have balanced and the private investments you have unlocked.

   I have used data and evidence-based management to drive results in ways that would help further the Management Agenda at OMB. I have started several initiatives to embed data and evidence-based management into the culture of HUD. Through HUDSTAT, we identified a small set of important indicators to see if we are making progress toward achieving the HUD mission. For example, one indicator was occupancy rates of our assisted housing units. By focusing on occupancy, we were able to increase the number of people receiving assistance even though the number of units under contract declined. Another example was the proposal of the Transformation Initiative in our FY 2010 budget to support a long-term investment in evaluating our current programs and creating demonstrations to test innovation. This initiative is supporting a study on different interventions to address family homelessness that has already shown limitations on who can be served by transitional housing programs and supported our policy move from transitional housing toward rapid rehousing.

   I have worked closely with OMB at the Federal and local levels on large and complex budgets in difficult fiscal circumstances. At the local level, I balanced the budget of the Housing Department and was the Chair of the Housing Finance Agency at a time it was able to leverage substantial "profits" to further its mission. At the Federal level, I have helped lead the Department of Housing and Urban Development in making tough choices to meet the needs of some of the most underserved populations in the Nation under tight discretionary caps.

   In my time at HUD, I spearheaded a number of initiatives that have successfully utilized private investments to further public goals, including: 1) the Rental Assistance Demonstration program (RAD), which I developed; 2) the Low Income Housing Tax Credit Pilot for the FHA Platform; 3) Section 811 Project Rental Assistance-supportive housing for disabled persons; 4) Choice Neighborhoods/Promise Zones; 5) the various preservation-

oriented policy changes implemented over the last several years for Section 8; and 6) a range of energy efficiency initiatives that have unlocked significant savings for taxpayers through private capital investments.

10. If you had to identify three Department of Housing and Urban Development programs to eliminate, what would those three programs be and why?

The Department continues reviewing programs that might be streamlined, combined, or terminated. My highest priority is to continue RAD, which is consolidating at least three outdated, legacy rental assistance programs into the Section 8 Program. In addition, there are three other efforts that I would like to continue working with Congress to address: (1) combining service programs into a unified Family Social Services account and incorporating the activities of the parallel Resident Opportunity Supportive Services Account; (2) moving the Self-Help Opportunity Program to be incorporated into the HOME program where it is an eligible activity; and, (3) terminating the Lead Hazard Special Grant program and merging it into a single Lead Hazard Reduction program for greater efficiency. In addition, HUD is working to close 16 field offices as part of the Small Office closure reforms. This effort would save approximately $9 million a year beginning in FY 2015.

Questions from Chairman Murray for Shaun Donovan,
Nominee to be Director, Office of Management and Budget (OMB)

1. What do you see as the main function of the budget and the budget process?

   The Budget is both a statement of the Nation's values and priorities and a financial plan for our future. The budget process allows the President and Congress to decide how to allocate resources and finance today's expenses and investments in our future within fiscal constraints. These are huge decisions that affect individual Americans, state and local governments, businesses, and our Nation as a whole. The decisions we make through the budget process will help determine our quality of life today and the kind of America that we will leave for our children and grandchildren.

2. What do you think works well with the current budget process? What doesn't work well? Are there parts of the existing budget process that you believe should be replaced or updated?

   The Bipartisan Budget Act of 2013 (BBA) was a positive step. The Act reflected a bipartisan compromise that replaced the blunt and indiscriminate cuts imposed by the Joint Committee sequestration with more targeted deficit reduction, increased the discretionary caps, and put in place a two-year agreement that gives the appropriations process a chance to pass bills in a timely manner, instead of half-way through the fiscal year.

   I am hopeful that we can build on the progress made in the Act because budgeting by crisis does not work well—it negatively impacts our economy and undermines our political system. While there may be differences over the right mix of policies to reduce the deficit, there is a broad consensus that deficits and debt need to be reduced as a share of the economy, and I hope that we will continue make progress toward achieving this shared goal. If confirmed, I look forward to working with Congress to take meaningful steps to address our fiscal challenges in a way that also promotes a return to regular order and a well-functioning budget process.

3. How has your time serving as Secretary of Housing and Urban Development (HUD) helped you in understanding the budget process and the role that OMB plays within that process?

   Budgets in general, including HUD's, are an important opportunity for demonstrating priorities and mapping out how we will deliver results for the American people. Budgets show how we make the difficult choices and trade-offs that the public demands, invest smarter and more effectively, and hold ourselves to a high standard of performance in order to increase opportunity and economic growth.

The budget process is one of the key ways that the President and Congress engage in a dialogue about how we make those investment decisions. The choices reflected throughout the budget process affect everyone, and ultimately are a statement of our priorities as a government and a Nation.

HUD's budget, which includes a range of program types—from rental subsidies to flexible block grants to loan guarantees under credit reform—has given me a significant understanding of the federal budget process. In addition, my time as Housing Commissioner in New York City and in the private sector gave me experience in overseeing tax-related programs such as the Low-Income Housing Tax Credit and tax-exempt bonds.

Both at HUD and in New York City, I saw the central role OMB plays in the budget process. It is the place where the big picture on budgeting comes together for the Executive Branch, brokering tough choices across the Federal Government and ensuring the appropriate fiscal rigor and discipline is brought to the process. OMB can also promote better alignment in the approaches of different programs through its convening power, technical assistance, or consolidation proposals. OMB also helps the President demonstrate his vision for moving the country forward, providing a responsible, balanced, and concrete plan.

4. The Bipartisan Budget Act (BBA) of 2013 both brought an end to the governing by crises of recent years and provided some certainty to the budget and appropriations process with the two-year budget deal. Having run a major federal agency, how important is having certainty in the budgeting and appropriations process? If confirmed, what steps would you take as OMB Director to build upon the work of the BBA?

   I think everyone recognizes that budgeting by crisis does not work. It negatively impacts the economy, the American people, businesses, and the budget process. As a Secretary, I saw firsthand the disruption this kind of uncertainty can have, especially for the myriad individuals and communities that we serve at HUD. These crises forced us to make critical decisions under compressed timelines that actually resulted in higher costs. More importantly, people in desperate need of assistance went without help when, for example, housing vouchers went unused, leaving families on waiting lists and homeless veterans on our streets.

   If confirmed, I look forward to continuing Director Burwell's efforts to work with Congress to restore regular order and build strong relationships with Members of Congress.

5. What do you see as the main economic and fiscal challenges over the next five to 10 years? Longer term? What kind of actions and policies do you think should be in place to address each of these challenges?

Our economic and fiscal challenges are related because a strong economy is critical to generating the revenues to reduce the deficit and finance our important national priorities. Further, public investments in areas like education, infrastructure, and research help promote economic growth. In the medium term, our main economic challenge is to continue the current economic recovery by creating jobs, promoting a high-quality workforce, and reforming our tax code. In the longer term, immigration reform will bring more productive workers into the labor force, creating jobs, boosting the economy, and raising tax revenues. The President's 2015 Budget includes proposals to advance each of these critical priorities. The Budget also funds implementation of the Affordable Care Act and proposes $400 billion in further savings in health programs, both of which will work to stem the long-term growth in health care costs and help strengthen our long-range fiscal outlook.

6. Debt held by the public is expected to total about 74 percent as a share of GDP by the end of this fiscal year – more than twice the level it was in 2007, at the start of the housing and financial crisis. While the debt is expected to stabilize as a share of the economy and remain stable over the next few years, it is then expected to rise again as a share of GDP. How concerned should policymakers be about the current size of the debt? In your opinion, is there a level of debt above which the government faces an elevated risk of a fiscal crisis? If so, at what level?

   Working together, Congress and the President undertook a number of actions to address rising deficits and debt, but I believe there is more work to do. The President's 2015 Budget shows the nearly $4 trillion in deficit reduction achieved through legislation such as the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012. The Budget includes additional measures to reduce deficits and debt by more than $1 trillion, including $400 billion in health savings, additional revenue achieved through tax reform, and immigration reform that will increase the labor force and boost economic growth.

   I believe that the key question is not the exact level of deficits and debt at any given point in time, but the path of deficits and debt over time relative to the economy. Deficit reduction plans should be sufficient to bring the publicly held debt onto a declining path, as the proposals in the President's 2015 Budget do. If confirmed, I look forward to working with the Congress to address our budget challenges.

7. Last June, the Senate passed comprehensive immigration reform with S. 744, the Border Security, Economic Opportunity, and Immigration Modernization Act. There are a number of reasons for reforming our nation's immigration laws. One reason is the positive impact that comprehensive reform, such as S. 744, would have on jobs and economic growth and, thus, on improving our long-term fiscal situation. Do you agree? How important is enacting immigration reform to helping address our long-run budgetary challenges?

   I agree that comprehensive immigration reform, such as the Senate-passed bill, would add millions of productive workers to the U.S. economy, increasing the size of the labor

force and boosting economic growth, including in the housing market. Immigration reform has the potential to offset at least a portion of the slowdown in labor force growth that will result from the retirement of the baby boom generation, boosting tax revenues and improving our long-range fiscal prospects. The Congressional Budget Office (CBO) estimated that enacting the Senate immigration reform bill would increase real GDP relative to current law projections by 3.3 percent in 2023 and 5.4 percent in 2033, increase the size of the labor force, and raise productivity. S. 744 would also reduce the federal deficit, balance out our aging population, and strengthen Social Security.

Along with these significant economic benefits, it is important to point out that there are other major benefits from fixing our broken immigration system – building a fair, effective, and common sense system that lives up to our heritage as a nation of laws and a nation of immigrants by strengthening our border security, streamlining legal immigration, providing a path to earned citizenship for those who play by the rules, and cracking down on employers who hire undocumented workers.

8. The co-chairs of the President's Fiscal Commission laid out a broad framework for comprehensive tax reform in its December 2010 report. The framework – which was a critical component of their broader deficit reduction plan – was predicated on a belief that the current tax code is inefficient, unfair, overly complicated, and anti-competitive. Do you agree with that assessment? If so, what do you believe should be the guiding principles for any tax reform proposal? Given the nation's changing demographics, do you agree that one goal of any tax reform effort should be to raise additional revenue under traditional, static scoring over the current system and to do so in a way that does not result in declining revenues beyond the ten-year budget window? If so, what total level of revenues (as a percentage of GDP) should a tax reform proposal aim to generate by 2024? By 2034?

There is broad bipartisan agreement that the current tax system is overly complex and needs reform. There are many different proposals for how best to reform the tax code, and I believe that any comprehensive tax reform plan should achieve a number of goals, including reducing the deficit, maintaining or improving progressivity, and make the tax system simpler and more pro-growth.

The demographic profile of our population is changing. Baby boomers are retiring and an increasingly large share of our population is becoming eligible for Social Security and Medicare. New revenues will be necessary to support the commitments already made to our seniors as well as to provide for needed domestic and national security investments. As experts and policymakers across the political spectrum have noted, we can raise revenue more efficiently if we tackle wasteful spending through the tax code in the form of inefficient tax individual and business tax expenditures.

The President's 2015 Budget proposes to raise additional revenue by reforming high-income tax benefits. In addition, the President proposed comprehensive business tax reform, which could bring the top statutory rate down from 35 percent to 28 percent, pay

for the rate cut by broadening the tax base, reform our international tax system, provide tax relief for small businesses, and avoid adding to long-term deficits. The proposal would greatly simplify the tax code for corporations and other businesses and encourage firms to invest and create jobs in the United States.

9. In 2001, nondefense discretionary spending was equal to 3.2 percent of the economy. By 2024, CBO's baseline projects nondefense spending to equal 2.5 percent of GDP – which would be its lowest level in over 60 years and more than 20 percent below the 2001 level. Nondefense discretionary spending funds many of the items critical to ensuring that America and its workforce remain leaders and innovators in the world economy: education, energy, science and technology, and infrastructure. It also funds the National Institutes of Health, Veterans' health care, federal response to natural disasters, housing assistance, local law enforcement, homeland security, and other key priorities. How concerned are you about the trend toward increasingly lower levels of funding for nondefense discretionary and, if confirmed, what steps might you take to ensure that adequate resources are provided to the key policies and programs in this category of spending?

   I believe these and other investments are critically important to driving our economy forward, creating jobs, protecting our national security and helping the most vulnerable among us. It is important that we provide the right level of non-defense discretionary funding needed to reach our full economic potential. BBA was an important first step toward replacing damaging sequestration cuts with long-term reforms. If we are going to provide sufficient funding for investments in key areas that will help grow our economy, create jobs, and strengthen the middle class, we need to make additional progress. That is why the President's Budget proposed fully-paid for offsets for increasing the caps on non-defense and defense discretionary spending over the next ten years to levels that would allow necessary investments in key priorities. This approach will allow us to continue to invest in critical priorities such as research and development, infrastructure, and education that have been squeezed due to sequestration and tight budget levels over the past few years, while not adding a dime to our debt and deficits.

   If confirmed, I look forward to working with Congress to find ways to build upon BBA to provide greater sequestration relief and advocate for the importance of these necessary investments.

10. The decline in nondefense spending will widen the gap between the level of investments in research, science, and education in this nation versus those of other nations. What are the long-term economic consequences of failing to adequately invest in these areas?

    Like President Obama, I believe that we need to create true middle class security by out-innovating, out-educating, and out-building rest of the world. There are many policy tools to support education, science, and innovation, ranging from reforms to promote transparency in higher education to comprehensive immigration reform—which CBO and others concluded would increase productivity—to tax incentives such as the research

and experimentation tax credit—which the President proposed to make permanent as part of comprehensive tax reform. The President also has used a number of management initiatives to encourage innovation. For example the Administration launched BusinessUSA, a one-stop shop to make it easier for businesses to access the services and information needed to help them grow, hire, export, and compete globally.

Discretionary spending is a vital source of funding that faces severe constraints under the current discretionary caps, even after we make difficult cuts and reforms. That is why the President's 2015 Budget included an Opportunity, Security, and Growth Initiative to fund the investments the country needs in education, innovation, and science to compete globally while also funding other vital needs, including investments in economic opportunity and mobility. If we do not address these inadequate investment levels, the adverse consequences will mount over time.

11. One of the success stories in recent years has been the remarkable slowdown in the growth of health care costs. As just one statistic in support of this slowdown, the growth in Medicare per beneficiary spending, adjusted for inflation, is expected to average around 1.5 percent in the coming decade, well below the historical average of around 4 percent growth per year. And that decline in cost growth has helped lower projections of federal spending on major health care programs by over a $1 trillion over ten years. What do you believe is contributing to the decline in the rate of growth in health care spending? What additional steps should Congress and the President consider taking to build upon the recent progress?

While some of the slowdown in health care spending is due to economic factors, there is increasing evidence that the deceleration is also due in part to changes enacted in the Affordable Care Act. This historic Act took significant steps towards putting our country back on a sustainable fiscal course while laying the foundation for a higher-quality, more efficient health care system. Health care prices have been rising at the lowest rates in 50 years in recent months and, over the three years after the law passed, real per capita health care spending is estimated to have grown at the lowest rate on record for any three-year period and less than one-third the long-term historical average stretching back to 1960. Recent data indicate that slow growth in per-enrollee spending—the key driver of long-term trends—is continuing even as coverage expands.

This slower growth in spending is reflected in Medicare, Medicaid, and private insurance. For example, the Congressional Budget Office (CBO) projects that lower-than-expected Marketplace premiums will help to save $5 billion this year and that lower premiums will persist in the years ahead, remaining 15 percent below projections by 2016 (compared to CBO's previous estimate of 2016 premiums).

Medicare per capita spending is growing at historically low rates. Provisions that address program integrity enhancements and excessive payments to providers and plans are some of the reforms that are contributing to reductions in per capita spending growth, all while delivery system reforms authorized in the Affordable Care Act are creating incentives to

provide higher quality and cost-efficient care. CBO projects that Medicare and Medicaid costs in 2020 will be $180 billion below its 2010 estimates and recent economic research suggests that the Affordable Care Act's reforms to Medicare may have "spillover effects" that reduce costs and improve quality across the health care system, not just in Medicare.

To build on this progress in addressing key health cost drivers, we should focus on: 1) implementing delivery system reforms that build on the Center for Medicare and Medicaid Innovation's work to transform payment models to encourage better collaboration, efficiency, and improved outcomes; 2) implementing cost savings measures in the Affordable Care Act and enacting the more than $400 billion in ten-year savings proposals in the President's 2015 Budget; and 3) continuing to fight fraud and abuse.

12. In recent years, the Congressional Budget Office, on request, has provided supplemental information to Congress for certain legislation substituting "fair value" estimates for those estimates prepared according to the *Federal Credit Reform Act of 1990*. There is considerable disagreement among budget experts as to whether it is appropriate to measure the cost of federal credit programs using the fair value accounting method. One argument against it is that doing so would purposefully overstate the amount of spending and the size of the deficit by the amount of the market risk penalty. In addition, switching to a fair value system of accounting for credit reform raises concerns regarding how to develop accurate, transparent, and comparable estimates across federal programs and agencies. Given these concerns, should the *Federal Credit Reform Act of 1990* be revised to require estimates that reflect "fair value" or a similar method that accounts for "market risk"? Are there other changes that Congress should instead consider making to the federal credit reform process?

    The Federal Credit Reform Act (FRCA) greatly improved the measurement of the budgetary costs of credit assistance and allowed for the budgeting of credit programs on a comparable basis with other forms of Federal spending. Several leading budget experts, including former CBO Director Robert Reischauer, have come out against credit budgeting on a "fair-value" basis because it inappropriately and artificially inflates the cost of credit assistance by including factors that are not relevant to the Federal Government and do not reflect expected cash flows. As a result, fair value budgeting would be less accurate and transparent. I also understand that "fair value" raises a number of conceptual and implementation concerns. Any changes to FCRA should focus on improving the accuracy of cost estimates in a transparent manner and ensuring that costs continue to be measured consistently across all forms of Federal spending. If confirmed, I will be happy to work with Congress to explore improvements to existing methods consistent with these principles.

13. An area of focus for this committee is identifying programs and services across the government that are either outdated or that overlap with other programs and services. In recent years, OMB has identified some of these programs in its "Terminations, Reductions, and Savings" volume. GAO is similarly doing work in this area for

Congress, and it was one focus of the recently enacted *GPRA Modernization Act of 2010*. What additional steps can the administration take to identify these programs and to help Congress assess and compare the performance of these programs? What specific program and policy areas do you believe offer the largest opportunities for consolidating programs in a way that maximizes effectiveness and efficiency?

The Administration identifies opportunities for cuts, consolidations, and savings through the President's Budget. This year's Budget again included more than130 cuts, consolidations, and savings proposals, which are projected to save nearly $17 billion in 2015. I believe progress can be made to address these items during the appropriations process, and I hope to work with Congress to see many of these items enacted. For example, the Administration pursued consolidations in areas such as science, technology, engineering, and math (STEM) education to reduce fragmentation and enable more strategic investment. In addition, the Administration is making progress in addressing the annual recommendations made by Government Accountability Office (GAO) related to fragmentation, overlap, and duplication, and I believe it is important to continue the focus on these issues to reduce costs or improve program outcomes.

While at HUD, my experience has been that OMB works closely with Federal agencies to strengthen performance by finding more efficient ways to meet goals and by better understanding risks and challenges that impact progress. If confirmed, I will work with Congress, agencies, and GAO to continue to look for areas where we can leverage performance information to identify outdated and overlapping programs and see that those areas are addressed appropriately through the budgetary and legislative processes.

14. What do you see as the federal government's main management challenges? What were some of the management challenges that you encountered in running HUD and what steps did you take to address them?

There are a number of Federal Government management priorities and challenges which OMB is addressing through the President's Management Agenda. The central pillars of the agenda—enhancing the Federal Government's effectiveness at delivering services for citizens, increasing the efficiency in how the Federal Government delivers services internally, ensuring the Federal Government is opening up its assets to spur economic growth, and strengthening and recruiting a talented Federal government workforce—all work towards significantly improving management across the Federal Government. If confirmed, I will work to leverage our successes and lessons learned at HUD as well as best practices that we identify in other agencies across the Federal Government.

At HUD, I have worked to put initiatives in place that enhance the efficiency of Federal spending, including leveraging the Federal Government's collective buying power through strategic sourcing. HUD was one of the first cabinet-level agencies to embrace strategic sourcing. By using a shared service provider for our financial systems, HUD is working to leverage the investments already made and the expertise that already exists within the Federal Government. Further, about 90 percent of HUD's spending on

delivering services was done through a strategic sourcing vehicle, which has resulted in savings of about $1.8 million per year. If confirmed, I will work to expand strategic sourcing and the introduction of new government-wide solutions, taking advantage of the cross agency priority goal process that OMB is driving forward.

I believe it is also important for agencies to recognize the value provided by the Government Performance and Results Modernization Act (GPRAMA) and for agencies to implement a performance management framework that delivers improvements within the agency. Agency priority goals, a key part of GPRAMA, are an essential mechanism for HUD to set priorities while ensuring progress and accountability within the agency. I believe using this framework can provide real value and lead to improvements in management within agencies. If confirmed, I will work to leverage my experiences at HUD to drive the GPRAMA process forward.

15. Like many federal agencies, OMB has had and will continue to have a number of key staff retire over the next several years. In addition, in the annual Partnership for Public Service "Best Places to Work in the Federal Government" survey, OMB has experienced a decline in recent years in its overall ranking as well as within the scores for many of its individual categories, including "support for diversity." If confirmed, what steps would you take to ensure that OMB attracts and maintains a high quality and diverse workforce?

    The Administration, Congress, state and local governments, and other stakeholders rely heavily on OMB staff for their important institutional knowledge and deep technical and policy expertise. As you may know, most of OMB's budget is for staff salaries and expenses, so OMB's employees and staffing levels were hit particularly hard by sequestration. If confirmed, I will advocate for OMB to have the resources needed to continue to attract, train, and retain a high quality workforce. In addition, it is important that OMB continues to build a diverse pipeline of future leaders and ensures these aspiring leaders have the necessary skills and abilities to lead the agency. If confirmed, I will also focus on fostering a culture of diversity and inclusion and encouraging work/life balance.

Questions for the Congressional Record

U.S. Senate Committee on Budget

For the Nomination hearing of

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

Wednesday, June 11, 2014

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Baldwin

The Forest Service's Forest Products Laboratory, located in Madison, Wisconsin, conducts research to find new uses for wood stocks from our national forests. Their research is focused on developing valuable uses for low-value wood-the same material that fuels some of our fiercest wildfires. Developing this value chain provides incentives for private industry to deal with the hazardous fuels that the federal agencies are currently clearing to prevent fires. This moves a cost out of the federal budget and would allow more fire prevention measures to be completed while supporting local economies.

Unfortunately, the Forest Products Laboratory has seen funding declines in recent years that are cutting into its ability to function as a research center. This research is an investment efforts to stabilize the Forest Service budget in the long-term. If confirmed, would you review the Forest Product Laboratory's funding in terms of its ability to address larger Forest Service management goals?

I understand the value of a viable U.S. forest products industry, both for rural jobs and for the economy. As to the Forest Products Laboratory, it is my understanding that its proposed funding level is determined by weighing its mission against many other priorities competing for funding within the available Forest Service budget. If confirmed, I look forward to learning more about the Forest Product Laboratory and working with you on this and other important issues.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Baldwin

The Office of Management and Budget (OMB) published a notice in the Federal Register (Vol. 79, No. 99, Thursday, May 22, 2014 at 29628) seeking comments on a major change on how the government classifies factory less goods producers (FGP) in the North American Industry Classification System. The classification of these firms has a clear, direct and enormous impact on policy and rule making, legislation and the direction and implementation of government programs. I believe this proposed change deserves considerable review and analysis and should not be subject to a simple request for comments by OMB.

A FGP establishment outsources all of the transformation steps traditionally considered manufacturing (i.e., the actual physical, chemical, or mechanical transformation of inputs into new outputs), but undertakes all of the entrepreneurial steps and arranges for all required capital, labor, and material inputs required to make a good. Thus, a FGP establishment may produce nothing, but be considered to be a manufacturer. This would dramatically inflate the current industrial output figures, with no coincident increase in actual manufacturing employment. The long-term repercussions of this change could be staggering and fundamental questions need to be asked before such a change occurs.

Will this change promote further outsourcing of production? Would companies that maintain profits offshore have greater incentive to do so, as the profits might be considered to be promoting "manufacturing"? If confirmed, will you work with me to answer these and other questions about the potential impacts of this change in FGP classification?

I have not been engaged in this issue as HUD Secretary; however, if confirmed I look forward to learning more about the issues you raise about the notice. The Administration is a champion of U.S. manufacturing and our manufacturing communities, and has actively taken steps to bring job-creating investment to the United States from around the world, including by promoting re-shoring. The Administration has pursued increased research and development into advanced manufacturing processes, such as the creation of manufacturing institutes that draw in private and public capital to focus on particular manufacturing challenges and opportunities and more aggressive technology transfer from Federal labs in order to stimulate innovation and provide an enhanced foundation for domestic production. The Administration has particularly targeted assistance to small manufacturers. The President has also proposed tax credits for U.S. companies that bring production jobs back from foreign countries to the United States and would end tax deductions for U.S. companies that outsource jobs abroad, further incentivizing their continuing investment in American manufacturing.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Crapo

In your written testimony, you say we must continue to promote fiscal stability by addressing the key drivers of our long-term debt and deficits. As the nominee to be the President's new budget director, what do you believe to be the key drivers of our long-term debt and deficits? For each of these drivers, what do you believe is the magnitude of the reforms needed to address each, and how soon do you believe we need to begin developing and passing legislation to address each, so that the required reforms may be phased in over a number of years, rather than causing a disruption for current beneficiaries by being dumped on them at the last minute?

I believe that the key drivers of our long-term debt and deficits are the rising costs of health care, an aging population, and insufficient revenues to fulfill our promises to seniors and the most vulnerable. We have already made great strides towards addressing long-term debt and deficits, including $4 trillion in deficit reduction since 2010, of which 80 percent came from spending cuts. However, we have more to do. I believe that the President's Budget puts forth a common-sense approach to further addressing our long-term fiscal challenges by addressing these key drivers head on. It achieves further deficit reduction achieved through $400 billion in mandatory health savings, changes to our tax code that are pro-growth and will generate revenue through the elimination of unnecessary tax expenditures for high-income individuals, and common-sense immigration reform that will bring down deficits and grow the economy.

In total, the President's Budget would achieve $1.4 trillion in additional deficit reduction (when combined with reduced interest on the debt) through these measures. I believe that we can work to implement some of these reforms over time, and in fact many of the additional healthcare savings proposed in the President's Budget would be phased in over time in order to minimize disruption for providers and beneficiaries. However, I also believe that some of these measures—in particular, enacting immigration reform—should be addressed by Congress in short order, to both help our long-term fiscal picture and drive our economy forward in the immediate term.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Crapo

Mr. Donovan, the Administration's FY15 budget proposal included a budget cap adjustment to pay for a portion of wildfire suppression costs using the Disaster Relief Fund. I introduced a bill, along with my colleague, Senator Wyden, S. 1875, the Wildfire Disaster Funding Act, that accomplishes the same result. Wildfires have become increasingly costly, especially in years with large wildfires, which have forced the Forest Service and Bureau of Land Management to transfer funds out of other important accounts when the appropriated suppression funds are exhausted, commonly referred to as "fire borrowing". I appreciate the Administration's attention to this particularly damaging cycle of fire borrowing. We need to work together to continue to efficiently respond to wildfires while ensuring the safety of people living in these communities. Given our need for increased and sustained fiscal discipline to address our unsustainable levels of debt, are you prepared to work with me and my colleagues to push for enactment of important measures like this to better align our limited budget resources to meet our disaster funding needs?

The Administration strongly supports changing how the Federal Government funds wildfire suppression costs to an approach similar to how the government funds other disasters, such as the model included in the bill you introduced with Senator Wyden. I am looking forward to working with you and your colleagues to enact legislation that would establish a cap adjustment to cover costs for the most catastrophic of wildfires, avoiding the pattern in recent years of raiding other critical fire preparedness and forest health programs.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Grassley

On May 30, 2014, the HUD Office of Inspector General (OIG) released a memorandum questioning the accounts HUD used to pay for an Intergovernmental Personnel Act employee. According to the report, the employee worked directly in the Office of the Secretary but the salary was paid from both Public and Indian Housing and Office of Federal Housing-Housing Commissioner accounts. These actions may have violated federal law by reimbursing an Intergovernmental Personnel Act employee from wrong accounts. Yet, even after the problem was brought to HUD's attention, the violations continued.

- **Why did HUD continue to pay these IPA salaries from the wrong accounts after being directed not to by the House Committee on Appropriations in 2010?**
- **As OMB director, what steps will you take to ensure that your employees are not in violation of federal law?**

Based on a complaint, the Office of Inspector General for HUD (OIG) conducted an investigation and raised questions as to whether an individual working at HUD on an Intergovernmental Personnel Agreement (IPA) was a special advisor to the Secretary who should have been paid by the Office of the Secretary instead of two other HUD offices, and who was paid by HUD more than the Agreement allowed and without an agreement in place. As a result of this investigation, the OIG had three recommendations and HUD agreed with each of them.

First, HUD's Office of the Chief Financial Officer (OCFO) agreed to investigate whether Antideficiency Act (ADA) violations of as much as $622,369 occurred, and if so, to report the violations in accordance with Office of Management and Budget Circular A-11 and HUD Handbook 1830.2, REV-5. HUD has commenced this investigation and is coordinating with OIG so that the ADA investigation can be done as effectively and efficiently as possible. Whether the individual was paid from the right or wrong account and whether the ADA was violated will be thoroughly reviewed and determined under the ADA investigation.

Second, HUD agreed that if it is determined that the ADA violation occurred appropriate actions would be taken with respect to any employees responsible for causing the ADA violations. Whether such actions are appropriate and necessary will be determined once the investigation is complete.

Third, HUD agreed that the Department would develop and implement procedures to ensure that all people under an IPA have an effective agreement and that payments do not exceed the amounts authorized and are paid from the appropriate account. HUD is currently in the process of developing these procedures and expects to put them in place shortly, subject to any changes that would be necessitated by the findings arising from the investigation.

I take the OIG's review and recommendations very seriously and HUD is taking steps to make sure that any ADA violations that may have occurred are addressed as expeditiously as possible.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

If confirmed, I will work closely with the OMB Office of General Counsel to ensure that our actions are consistent with our legal obligations.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Grassley

In January 2014, HUD released a notice (PIH-2014-01) that the Department would collect 2013 salary data for the executive director and financial officer of each housing authority in the United States. As part of that notice, HUD stated the "source of funds must be reported for those employees with total cash compensation exceeding $155,500." HUD subsequently collected only data for salaries paid for with Section 8 and Section 9 funding leaving the federal taxpayers in the dark about the origin of salaries over the cap.

- **Why was this data collection limited only to Section 8 and Section 9 funding when using that funding to pay salaries over the cap is a violation of federal regulations?**
- **As OMB director, what steps will you take to ensure that agency data collection conforms to the spirit as well as the intent of the law?**

As you are aware, administrative provision Section 234(a) of title II of Division C of HUD's FY 2012 Appropriations (P.L. 112-55) restricted the use of Federal funds to pay the salaries of Public Housing Authority employees. This section provides:

> None of the funds made available by this Act for purposes authorized under section 8 (only with respect to the tenant-based rental assistance program) and section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) may be used by any public housing agency for any amount of salary, for the chief executive officer of which, or any other official or employee of which, that exceeds the annual rate of basic pay payable for a position at level IV of the Executive Schedule at any time during any public housing agency fiscal year 2012.

This provision was extended in the Full-Year Continuing Appropriations Act, 2013 (P.L. 113-6) and the Continuing Appropriations Act, 2014 (P.L. 113-46). The statute only restricts the use of Section 8 and Section 9 funds for PHA executive salaries so the Department developed its data collection instruments to measure compliance for those funding sources.

The notice referenced in your question (PIH-2014-01) goes on to state in the same paragraph as the sentence you quote that "[Reporting source of funds] is a new requirement that represents an additional burden for PHAs that pay relatively high levels of compensation. A PHA only has to report the amount of cash compensation that is paid for with funds originating from Section 8 and Section 9 appropriations."

To be very clear, HUD remains committed to providing greater transparency. The 2010 and 2013 compensation data surveys showed that 97 percent of PHA executives were paid far below the $155,500 salary cap both prior to and following the institution of the cap in FY 2012. In addition, the 2013 compensation data collection revealed that 100 percent of PHA executives' salaries were in compliance with the cap, which means the Federal Public Housing and Housing Choice Voucher funds used for each of these salaries was equal to or less than $155,500.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

As you know, HUD does not currently have the authority to set compensation requirements in addition to the Federal statutory limits on salaries; however, we believe that transparency is the best way to ensure accountability and reasonableness in salaries.

If confirmed, I will work with HUD to ensure that it continues to exercise proper oversight through compensation data surveys and review of annual financial audit submissions to ensure full compliance with the statute.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Grassley

HUD provides over $4 billion in federal funding to over 3000 public housing authorities (PHAs) each year. For some PHAs, up to 90 percent of their total funding comes from the federal government, making it HUD's responsibility to ensure that the money is spent as intended. My letters of inquiry request basic spending information including: executive salaries and comp packages; bonuses; travel and conference spending; legal and consulting fees; and all conflict of interest waivers. HUD has never provided the requested information stating that they don't maintain any of this information and don't have access to it.

As HUD Secretary, you have never signed a single reply to my inquiries. Instead, the responses are signed by the Congressional Relations office, are often months late and don't answer most of my pressing concerns.

- **As OMB director, what steps will you take to increase transparency and accountability across the entire federal government?**
- **What steps will you take to ensure greater cooperation and responsiveness to Congressional inquiries, not just from federal agencies but from all entities that receive federal funding?**

The Administration supports the goal of increased transparency of Federal funds and we continue to improve spending transparency. I understand that we need to work to enhance the accuracy and completeness of information to ensure that we are providing the best data possible. The Department of the Treasury is now working on an updated version of USAspending.gov which will provide improved capabilities and functionality to work with the data. In addition, with respect to grants accountability in particular, I understand that OMB recently published new guidance on administrative requirements, cost principles, and audit requirements for Federal financial assistance. The new guidance reduces administrative burden and the risk of waste, fraud, and abuse by putting all Federal guidance in one place with clear requirements for strong internal controls and a focus on performance, compliance, and accountability.

This new guidance includes many reforms, but I would like to highlight one reform that I believe will specifically help address your concern. The new policy requires all annual Single Audit reports to be posted online by the Federal Audit Clearinghouse. Once this new guidance goes into effect (for audits of fiscal years beginning after December 26, 2014), the public will be able to easily review the auditor's reports on any of these public housing authorities and to understand what, if any, issues with accountability exist. I believe the resulting transparency into PHA operations will help improve their responsiveness. If confirmed, I am committed to continuing and expanding these efforts and working with you to identify new ways to improve transparency and accountability for Federal funding.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Maintaining a collaborative and open relationship with Congress is something I take very seriously. If confirmed, I will improve the existing administrative structure to ensure that OMB continues to be responsive to Congressional inquiries and provides timely responses. If confirmed, I will explore ways to improve grantee responsiveness to Congressional inquiries.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Grassley

Public housing authorities designated by HUD as "high performers" receive additional funding and less oversight in the form of fewer reporting requirements. Through my investigation, I learned that a number of "high performer" housing authorities are some of the worst offenders for questionable spending including: Philadelphia; Chelsea, MA; Bradenton, FL; and Harris County, TX. One cause for this discrepancy is that the housing authority documents are self reported with little HUD oversight. The housing authority management has also used their "high performer" status as an excuse for not providing documents to me as part of my inquiries.

- **What, if any, effort has been made to reform or abolish the "high performer" designation so that bad actors are not rewarded with more money and less oversight?**

The Department is actively engaged in discussions with Public Housing Authorities (PHAs) and public housing industry stakeholders on how to strengthen the Public Housing Assessment System (PHAS) in an effort to improve the delivery of services in public housing and to get a more meaningful assessment of the physical condition of the properties, financial position of the agencies, and effectiveness of the governing boards and local appointing authorities.

Under the PHAS, PHAs that receive a score of 90 (out of 100) are designated "high-performers" and this designation comes with benefits, including fewer reporting requirements. The PHAs you highlight above were all engaged in criminal activities that had little to do with their PHAS score. Although it is generally not possible to identify the small number of malfeasant PHA employees in advance, once discovered, HUD has taken immediate steps to address the issue through administrative sanctions. It should be noted that in the cases above, all but one have been suspended or debarred and the last individual is pending the outcome of an Office of the Inspector General investigation.

As it pertains to HUD's oversight and monitoring initiatives, over the last four years, HUD has significantly improved oversight and accountability with respect to PHAs. Understanding that state and local governments and the boards they appoint have the primary oversight responsibility for PHAs, HUD has increased management and ethics training for the PHA Board of Commissioners and managers and, through HUD's Departmental Enforcement Center, continues to provide technical assistance and training to PHAs and boards on internal controls and best practices at regional and national conventions of industry associations. Lastly, HUD has developed several risk-based, early-detection tools to help uncover instances of corruption or misuse of taxpayer funds. The result of this effort is that the number of troubled housing authorities dropped from a year over year average of 175 (as recently as 2010) to 37 (May 2014).

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Johnson

According to the Social Security Trustees Report of 2013, in which years among the next 30 will the combined OASDI trust funds receive more non-interest income than is paid out in benefits and other costs? What is the total deficit of expected non-interest income into the combined OASDI trust funds relative to expected benefits costs over the next 30 years, as projected by the Social Security Trustees?

According to the 2013 Trustee's report, on a combined basis, expenses for the Old-Age and Survivor's and Disability Insurance (OASDI) trust funds exceed non-interest income over the entire projection period. Expenses will begin to exceed income, including interest, in 2021. Over the period 2014-2045, OASDI costs will exceed income, excluding interest, by $4.0 trillion. However, including interest income, the trust funds have sufficient resources to pay full benefits through 2033.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Johnson

The combined OASDI trust funds held approximately $2.77 trillion in assets at the end of May. As explained by the Office of Management and Budget in its FY2010 Budget about federal trust funds, "The balances represent the value, in current dollars, of taxes and user fees that have been received by the Government and dedicated to particular programs but have not yet been spent." As explained by the Social Security Office of the Chief Actuary, "Trust fund assets may be invested only in obligations issued or guaranteed by the U.S. government." When the OASDI trust funds earn interest on those assets, where does the Treasury obtain the money to pay that interest? Does the transfer of money representing the interest payment constitute revenue or outlay for the federal government as a whole?

The interest payment by the Department of the Treasury to the OASDI trust funds is recorded as an on-budget outlay from the Department of the Treasury and an off-budget offsetting receipt in the OASDI trust funds. Under the unified budget, these amounts are intragovernmental transactions that net to zero outlays. Because this payment of interest is an intragovernmental transaction, it does not require financing by the Department of the Treasury.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Johnson

Is the $2.77 trillion value of the combined OASDI trust funds an asset or a liability to the federal government as a whole?

The combined balances of the OASDI trust funds are both an asset and a liability. For the trust funds, it is an asset representing the value of past excess of income over outgo that is held in order to finance future benefits. For the Treasury, the bonds are a liability just as is debt held by the public. In the consolidated Federal Government-wide financial statements, these assets and liabilities net against each other.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Johnson

When the Social Security Administration draws on the trust funds to pay benefits in excess of payroll tax income, it does so by redeeming Treasury debt obligations it holds as assets. Where does the Treasury obtain the money is uses to redeem the obligations? Please specify all the sources available to the Treasury for this purpose.

The redemption of Social Security trust fund balances represents Social Security drawing on its claim to past excesses of income over benefits. As stated in the trust fund chapter of the 2015 Budget's Analytical Perspectives volume, when trust fund holdings are redeemed to fund the payment of benefits, the Department of the Treasury finances the expenditure in the same way as any other Federal expenditure—by using current receipts when the unified budget is in surplus or by borrowing from the public when it is in deficit.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Johnson

From 1985 through 2009, the Social Security system's tax receipts exceeded total expenses in each year. Accordingly, the combined OASDI trust funds increased their holdings of Treasury debt obligations. What did the Treasury do with the proceeds of the sale of its debt obligations?

Once they have been credited to the OASDI trust funds, any excess Social Security payroll taxes are combined with other Federal receipts as part of the Treasury's cash management. The excess receipts during this period either reduced the amount of borrowing from the public (when the budget was in deficit) or increased the amount of debt redeemed (when the budget was in surplus).

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Johnson

Do you believe the OASDI trust funds represent a store of wealth to the federal government as a whole that can be drawn down to fund benefits?

The OASDI trust funds represent real promises made to the American people and the bonds held by the trust funds are backed by the full faith and credit of the United States Government. As noted above, when trust fund holdings are redeemed to fund the payment of benefits, the Department of the Treasury finances the expenditure in the same way as any other Federal expenditure—through current revenue or borrowing from the public.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Murray

While I am pleased overall with the President's Budget request this year, I am concerned about the level of investment in nuclear nonproliferation programs.

The Fiscal Year 2015 President's Budget request for the National Nuclear Security Administration (NNSA) reduces funding for the Global Threat Reduction Initiative (GTRI) and the International Nuclear Materials Protection Program (IMPC) by 25 percent and 27 percent, respectively. This continues a downward trend of requests for these core imclear nonproliferation programs.

Reducing funding for these programs increases the amount of time it will take to secure these dangerous materials. It would also delay goals set by the NNSA to close or convert nuclear research reactors.

- **Mr. Secretary, as Congress goes through the appropriations process for FY2015, will you commit to work with Congress to sufficiently fund. nuclear and radiological terrorism prevention programs?**
- **Will you commit to making nuclear and radiological terrorism prevention programs a much higher priority in the FY2016 Budget request and subsequent years than has been the case in recent years?**

I understand that the FY 2015 Budget supports the President's commitment to enhance nuclear security, working with partners to detect, secure, and eliminate unnecessary nuclear and radiological material worldwide. If confirmed, I will work with Congress through the FY 2015 appropriations process to support sufficient funding for nuclear and radiological terrorism prevention programs. I will also continue to address nuclear security as a priority area and to determine program priorities through the collaborative interagency process.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

Please provide additional information in regards to the Owl Club, which you indicate in your pre-hearing answers is similar to a fraternity. In responding, please state the current status of the club (if dissolved, when and why), whether women and minorities were members or allowed to pursue membership during your membership period, current membership ratio of men to women, ratio at the time you were a member, whether· women and minorities are currently allowed to pursue membership, contact information for Club leadership, including any website related to the Club, and any other information that would help the Committee discern the underlying purpose of the Club.

The Owl Club is a men's-only final club at Harvard College. Originally established in 1896 and active to date, it is one of eight final clubs at Harvard College. It is a social organization similar to a fraternity in that it is comprised of all-male membership. I am not aware of any restrictions that limit the membership of minorities, both for the duration of my time as an active member during my undergraduate years or in subsequent years.

I have not been active with the Club since my undergraduate years and was not able to track down contact information for Club leadership other than that of a phone number listed online, (617) 661-2697. The organization leadership is comprised of a governing board of undergraduate officers and graduate trustees. My online search did not yield any results for the names or contact information associated with the club's leadership.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

On May 30, 2014, the U.S. Department of Housing and Urban Development Office of Inspector General issued Memorandum No: 2014-FW-0801 regarding potential Antideficiency Act violations. I submitted a copy of this for the record. The introduction alleges: "Specifically, the U.S. Department of Housing and Urban Development (HUD) incorrectly used more than $620,000 in Office of Public and Indian Housing (PIH) and Office of Housing-Federal Housing Commissioner personnel compensation funds to pay the salary of a senior advisor to the HUD Secretary." Please explain whether or not this violation occurred and how it occurred, if so. In your response please provide the following:

a. **Statements provided to the Inspector General to dispute finings in the memorandum;**
b. **The time and date you became aware of the alleged violation and who informed you;**
c. **A detailed explanation of the work, including dates and time, provided by your senior advisor for the Office of Public and Indian Housing;**
d. **Information on why HUD, according to page 4 of the memorandum, disregarded legal advice from HUD's own appropriations attorney;**
e. **The maximum salary allowed for your senior advisor identified in the report and the amount in excess your senior advisor was paid;**
f. **A detailed history of payments made to this individual that identifies each payments source of funding, the dates of these payments, and the amounts.**
g. **A statement of the date on which this person began working as your advisor and the date when you first knew that the person was paid from the source of funds detailed in your response to 2(f).**
h. **A statement of who in the Department knew about the source of funds used to pay this individual.**
i. **A statement as to whether anyone at HUD was terminated, reprimanded or otherwise punished because of this apparent violation?**
j. **All steps taken to avoid even the appearance of impropriety in the future.**

Based on a complaint, the Office of Inspector General for HUD (OIG) conducted an investigation and raised questions as to whether an individual working at HUD on an Intergovernmental Personnel Agreement (IPA) was a special advisor to the Secretary who should have been paid by the Office of the Secretary (instead of two other HUD offices) and who was paid by HUD more than the Agreement allowed and without an agreement in place. As a result of this investigation, the OIG had three recommendations and HUD agreed with each of them.

First, HUD's Office of the Chief Financial Officer (OCFO) agreed to investigate whether Antideficiency Act (ADA) violations of as much as $622,369 occurred, and if so, to report the violations in accordance with Office of Management and Budget Circular A-11 and HUD Handbook 1830.2, REV-5. HUD has commenced this investigation and is coordinating with OIG so that the ADA investigation can be done as effectively and efficiently as possible.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Whether the individual was paid from the right or wrong account, and whether the ADA was violated, will be thoroughly reviewed and determined under the ADA investigation.

Second, HUD agreed that if it is determined that the ADA violation occurred appropriate actions would be taken with respect to any employees responsible for causing the ADA violations. Whether such actions are appropriate and necessary will be determined once the investigation is complete.

Third, HUD agreed that the Department would develop and implement procedures to ensure that all people under an IPA have an effective agreement and that payments do not exceed the amounts authorized and are paid from the appropriate account. HUD is currently in the process of developing these procedures and expects to put them in place shortly, subject to any changes that would be necessitated by the findings arising from the investigation.

Throughout my tenure at HUD, I have been fully supportive of OCFO and other office efforts to improve and strengthen funds control plans and procedures throughout the Department. Strong funds controls are critical to effective financial management and preventing ADA violations. Education of additional HUD staff every year by GAO about appropriations law issues and preventing ADA violations has been a continuous priority. Although there is always more work to be done, HUD has made good progress with respect to funds controls and in educating staff throughout the Department about the need for and benefits of such controls. Further, a new core financial system has been and will continue to be a top priority of the Department. Such a system, along with many other critical benefits, will greatly improve the Department's financial management and controls.

As indicated above, the Department's investigation into whether an ADA violation occurred is currently being conducted by the OCFO. Once that investigation is complete, HUD would be pleased to inform you about whether any disciplinary actions are taken. In the interim, if you have questions regarding the OIG's investigation and report, I respectfully refer you to the OIG.

I was aware the individual was being hired, but did not know him prior to his hiring and I did not know the specifics about how he would be paid. I take the OIG's review and recommendations very seriously and HUD is taking steps to make sure that any ADA violations that may have occurred are addressed as expeditiously as possible.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

The U.S. Department of Housing and Urban Development Office of Inspector General opened an investigation about anti-lobbying activities by at least one high level HUD staffer after receiving an inquiry in July 2013. According to a report and testimony from the Inspector General on that investigation, the matter has been referred to GAO for further investigation:

a. **At least two employees violated HUD's internal policy restrictions on lobbying by federal employees;**
b. **One employee appears to have violated 5 U.S.C. §2302(b)(3) which prohibits an official from coercing any person's political activities;**
c. **One high level HUD employee took steps to impede the IG investigation, was less than forthcoming and threatened investigating agents;**
d. **The lobbying activity was consistent with a series of stakeholder calls HUD's Deputy Secretary had been conducting;**
e. **There was an institutional failure of HUD to follow HUD's existing internal policies; and**
f. **HUD attempting to modify its internal policies to cover up the violation.**

Please respond to the following:

a. **Was anyone at HUD terminated, reprimanded or otherwise punished because of these improper activities?**
b. **Did anyone involved in these activities receive a promotion, during or after this investigation?**
c. **Have internal HUD policies been modified without your approval?**
d. **Do you believe it is appropriate for HUD employees to interfere with IG investigations?**
e. **When were you made aware of these activities?**
f. **Have you made any comments or statements in relation to the findings of the IG? Please provide any material, including statements, emails, texts, etc., you have made in relation to the allegations and the findings.**

The Department takes the role of the Inspector General (IG) and the anti-lobbying laws very seriously. HUD leadership has kept the IG apprised of its efforts to rectify these matters and ensure that they are not repeated. As requested in the IG report, relevant HUD managers took appropriate actions with respect to the individuals identified as having participated in the underlying conduct and reported those actions to the IG. None of the individuals identified received a promotion during or after this investigation. Additional anti-lobbying ethics training was specifically provided to the Deputy Secretary and his staff and then to all political appointees in the fall of 2013. Although some Departmental policies are adopted without being approved at the level of the Secretary, our current guidance instructs employees to seek formal review of any activities that could be considered lobbying by the Office of General Counsel's

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Ethics Law Division. I do not believe it is appropriate for employees to interfere with IG investigations and when allegations of interference with IG investigations arose, I took the matter very seriously and took steps to ensure that such actions do not happen again. I have made comments directly to the IG regarding my feelings on this matter and the IG referenced those comments when he testified about this report on February 26, 2014.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

In response to a pre-hearing question regarding whether President Obama submitted a balanced budget proposal for FY 2015, you stated the following: "It makes room for needed investments in areas like research, education, and infrastructure, while at the same time meeting the key metrics of fiscal stability by putting the Nation's debt and deficit on a sustainable path as a share of the economy." Under the Administration's own summary tables in the President's FY 2015 budget submission, the gross debt increases at an average of $800 billion per year. Is increasing the debt by $800 billion a year fiscally responsible? Is it your position that an $800 billion a year increase in debt is sustainable?

The President's FY 2015 Budget includes fully-paid for, fiscally-responsible investments that will create jobs, grow the economy, and expand opportunity for all Americans. At the same time, it provides enough additional deficit reduction to stabilize and reduce the debt as a share of the economy from 74.4 percent in 2015 to 69.0 percent in 2024.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

You and I engaged in a colloquy about gross debt and public debt during your hearing. Please state how much the public debt would increase during the 10-year budget window, according to the FY 2015 budget proposal submitted by President Obama.

Under the President's Budget, debt held by the public as a share of the economy would decrease from 74.4 percent in 2015 to 69.0 percent in 2024. In nominal terms, the debt would increase $6.083 trillion (Summary Table S-1). Comparisons as a share of GDP are more informative, because they compare debt to the Nation's resources.

As we discussed, debt held by the public is a more appropriate measure than gross debt when considering the fiscal and economic impact of borrowing since it is public borrowing that represents Federal demand on credit markets, affects private investment, and determines the amount of future resources required to pay interest to the public on Federal debt.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

During your hearing I asked you if prior to your nomination, you had ever laid out or suggested a plan to fix Medicare, Social Security and Social Security Disability? Please elaborate on what your (not the Obama Administration) thoughts are about the challenges and possible solutions to the funding shortfalls in these programs. In responding please provide the Committee with any papers written by you, talks or lectures given by you, or other works you've created to fix this problem.

I believe that the key drivers of our long-term debt and deficits are the rising costs of health care, an aging population, and insufficient revenues to fulfill our promises to seniors and the most vulnerable. We have already made great strides towards addressing long-term debt and deficits, including $4 trillion in deficit reduction since 2010, of which 80 percent came from spending cuts. However, we have more to do. I believe that the President's Budget puts forth a common-sense approach to further addressing our long-term fiscal challenges by addressing these key drivers head on. It achieves further deficit reduction achieved through $400 billion in mandatory health savings, changes to our tax code that are pro-growth and will generate revenue through the elimination of unnecessary tax expenditures for high-income individuals, and common-sense immigration reform that will bring down deficits and grow the economy.

I also believe it is important that we take action sooner rather than later to ensure that Social Security's compact remains strong for future generations and believe the six principles the President has articulated for strengthening Social Security are the right basis for bipartisan reform. Social Security is critical to ensuring that all Americans have the opportunity to retire with dignity and that Americans with disabilities do not have to experience economic hardship. We need to work in a bipartisan fashion to strengthen Social Security, as occurred in 1983, under the leadership of then-President Reagan and House Speaker Tip O'Neill. The reforms we undertake should strengthen Social Security for future generations, restore long-term solvency, and not privatize or weaken the Social Security system. While all measures to strengthen solvency should be on the table, we should not slash benefits for future generations or reduce basic benefits for current beneficiaries. Reform should strengthen retirement security for the most vulnerable, including low-income seniors and should maintain robust disability and survivors' benefits.

As HUD Secretary, I work extensively on issues of great importance to growing the economy, ensuring fiscal stability, encouraging long-run growth, and protecting vulnerable populations. I have not, however, written any papers or given any talks or lectures that specifically lay out a comprehensive plan for Medicare or Social Security.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

Social Security Disability Insurance (DI) will run out of money 2016. The Administration has proposed to reallocate the payroll tax between the Old Age and Survivors Insurance (OASI) and DI trust funds. If we follow that course of action, won't that simply move up the 2035 date that the OASI program becomes insolvent? Isn't this reallocation really just a budget gimmick?

To avoid DI trust fund reserve depletion, the Administration believes Congress must take action, as it has in the past, to reallocate the payroll tax rate between the OASI and DI trust funds. This would prevent a deep and abrupt cut in benefits for vulnerable people with disabilities. If reallocation were to occur, the Social Security Administration's actuary projects that reserves in both the OASI and DI trust funds would be available through 2033.

The Administration also urges Congress to take action to strengthen the DI program. This includes fully funding Continuing Disability Reviews, to ensure that only those eligible for benefits continue to receive them. The Administration is also seeking demonstration authority for DI to identify effective ways to help people with significant disabilities succeed in the workforce.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

In a prehearing question about Fannie Mae and Freddie Mac, I asked a specific question, "Do you think the cost of those risks should be included in the federal budget?" You did not answer the question. Please answer the question.

Fannie Mae and Freddie Mac are government sponsored enterprises (GSEs), private companies chartered by the Federal Government. The Budget maintains the existing non-budgetary presentation for Fannie Mae and Freddie Mac, consistent with the other GSEs and with financial accounting standards that do not require the consolidation of assets and liabilities into the Federal budget if ownership control is temporary. I have actively supported comprehensive housing finance reform that would ensure that ownership control of Fannie Mae and Freddie Mac is temporary by winding them down. However, the Federal Government's support for Fannie Mae and Freddie Mac is reflected in the Budget, with the Treasury's investments recorded as budgetary outlays and the expected dividends on those investments recorded as offsetting receipts.

In the absence of comprehensive housing finance reform legislation, the Administration continues to take actions that balance our desire to reduce taxpayer risk with the need to ensure the continued flow of mortgage credit in a fragile housing market. For example, Treasury's Preferred Stock Purchase Agreements (PSPAs) with Fannie Mae and Freddie Mac require reductions in the GSEs' investment portfolios of 15 percent each year. Reductions to GSE loan limits, increases in GSE pricing (fees), and new credit risk-sharing pilots that have already been implemented over the last three years are also accelerating the return of private capital to the mortgage market and reducing the GSEs' risk exposure.

The Administration remains committed to working with the Congress on long-term reforms to the U.S. housing finance system that preserve the American dream of sustainable homeownership for all creditworthy borrowers, ensure that affordable rental options are widely available, and preserve access to mortgage credit during severe downturns while protecting taxpayers from substantial losses in the housing sector.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

In response to a question from Senator King at your hearing, you said that the President has developed a proposal to reform Social Security. Please provide the details of that proposal.

The President believes that Social Security is indispensable to workers, retirees, survivors, and people with disabilities and that it is one of the most important and successful programs ever established in the United States. Current forecasts show Social Security can pay full benefits through 2033. However, it is important that we take action sooner rather than later so we can help ensure that Social Security's compact remains strong for future generations.

The President believes that Social Security is critical to ensuring that all Americans have the opportunity to retire with dignity and that Americans with disabilities do not have to experience economic hardship. The President has not endorsed specific proposals, but instead believes we need to work in a bipartisan fashion to strengthen Social Security—just as was done in 1983, under the leadership of then-President Reagan and House Speaker Tip O'Neill.

The President has laid out six principles for strengthening Social Security that should be the basis for any bipartisan reform:

- Any reform should strengthen Social Security for future generations and restore long-term solvency.
- The Administration will oppose any measures that privatize or weaken the Social Security system.
- While all measures to strengthen solvency should be on the table, the Administration will not accept an approach that slashes benefits for future generations.
- No current beneficiaries should see their basic benefits reduced.
- Reform should strengthen retirement security for the most vulnerable, including low-income seniors.
- Reform should maintain robust disability and survivors' benefits.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

Please provide an estimate of total national health care spending and federal health care spending as a percentage of GDP a) under current law and b) in the absence of the Affordable Care Act.

The most recent estimates of national health expenditures from the Centers for Medicare & Medicaid Services Office of the Actuary show that in 2012, health spending as a percent of GDP shrank to 17.2 percent (down from 17.3 percent in 2011). Federal health spending as a percentage of GDP also fell from the prior year, down to 4.5 percent from 4.7 percent in 2011. In general, national health spending grew 3.7 percent in 2012, marking the fourth consecutive year of relatively slow growth. Health care prices have been rising at the lowest rates in 50 years and over the three years after the Affordable Care Act (ACA) passed real per capita health care spending is estimated to have grown at the lowest rate on record for any three-year period. Recent data indicate that slow growth in premiums and per-enrollee spending has continued through late 2013 and into 2014.

CBO projects that under current law, Federal outlays for major health care programs will be 4.8 percent of GDP in 2014. They do not have an estimate of Federal spending on these programs in absence of the ACA. Normal practice is for the impact of laws on spending, savings, and deficits to be estimated when they are enacted. After that point, the provisions of the law become interwoven with existing statutes and authorities and the overall impact is built into the baseline. CBO regularly updates Federal spending projections, but does not attribute those estimates to the many pieces of legislation previously enacted.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

Will you agree to submit a budget plan for fiscal year 2016 that, in real numbers, leads to balance in the 10-year fiscal window FY 2016-FY2025?

The FY 2015 Budget lays out the President's vision for accelerating economic growth, expanding opportunity for all Americans, and ensuring fiscal responsibility. The President's FY 2015 Budget provides a roadmap for making fully-paid-for investments in infrastructure, job training, preschool, and pro-work tax cuts, while reducing deficits through health, tax, and immigration reform. It achieves the key fiscal milestone of stabilizing and reducing the debt as a share of the economy. I do not believe that we should pursue matching revenues with outlays for its own sake. Rather, a budget should provide the resources necessary to promote economic growth, create jobs, and appropriately invest in key areas that will create opportunity for all Americans while also achieving fiscal sustainability.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

In inflation-adjusted terms, how much did Canada cut from its budget in the mid-1990s to reach balance? Did they balance relative to GDP or in real terms (where outlays are equal to or less than revenues)?

The table below shows Canada's revenues, expenditures, and deficits (1995-1997) and its surpluses (1998-2000). Note that Canadian fiscal data may not map directly to U.S. budget concepts and it may also be difficult to compare Canadian national accounts with those of the United States due to the differing roles of provincial, state, and local governments.

Canada
Gross Revenues and Expenditures
(billions of Canadian Dollars)

(nominal dollars)	1995	1996	1997	1998	1999	2000
Revenues	135.1	142.5	152.5	164.4	167.5	178.1
Expenditures	172.5	171.1	161.4	160.9	164.7	165.8
Surplus/(Deficit)	(37.5)	(28.6)	(8.9)	3.5	2.9	12.3
Canada GDP Price Deflator (2010=100)	73.11	74.40	75.25	75.09	76.49	79.76
(in constant 2010 dollars)						
Revenues	184.8	191.6	202.6	218.9	219.0	223.3
Expenditures	236.0	230.0	214.5	214.3	215.3	207.9
Surplus/(Deficit)	(51.2)	(38.5)	(11.8)	4.6	3.8	15.4

Sources:
Revenues and expenditures from Public Accounts of Canada.
GDP and GDP deflator from OECD.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

What have the economic consequences been for Canada of balancing their budget? Specifically:

a. **Provide annual average unemployment rates for the years from 1994 onward through 2008 as Canadian central government spending fell relative to the country's GDP.**
b. **At what rate did the Canadian economy grow after they made these spending reductions? Provide the annualized growth rates for each year from 1994 through 2008.**
c. **During the Great Recession, what was Canada's experiences relative to the U.S. in terms of:**
    i. **When Canada entered recession; and**
    ii. **The duration of the Canadian recession; and**
    iii. **What effects did the recession have on the Canadian banking sector?**

The table below shows Canadian unemployment rates and real GDP growth rate from 1994 to 2009. It is unclear how these economic metrics compare with the counterfactual in which Canada pursued a different fiscal policy. According to the C.D. Howe Institute Business Cycle Council, Canada entered recession in November 2008 and the recession lasted seven months. My understanding is that the recession did not result in a full-scale crisis in the Canadian banking sector, although it did lead to a sharp increase in unemployment and other negative economic consequences.

Year	Unemployment Rate	Real GDP Growth Rate
1994	10.4	4.8
1995	9.5	2.8
1996	9.6	1.6
1997	9.1	4.2
1998	8.3	4.1
1999	7.6	5.5
2000	6.8	5.2
2001	7.2	1.8
2002	7.7	2.9
2003	7.6	1.9
2004	7.2	3.1
2005	6.7	3.0
2006	6.3	2.8
2007	6.0	2.2
2008	6.1	0.7
2009	8.3	-2.8

Source: World Bank

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

What benefit do current taxpayers receive from interest payments?

By making timely interest payments, the Treasury meets its obligations to investors who lend to the Federal Government through the purchase of Treasury securities. The Treasury's long-standing track record of meeting its obligations has helped to establish Treasury securities as one of the safest investments worldwide. As a result, investor demand for Treasury securities is very strong and Treasury is able to borrow at favorable interest rates. The attractiveness of Treasury securities ensures that the Federal Government will be able to continue to meet its financing needs, so that it can continue to provide a myriad of service and benefits to all Americans.

The only effective way to control interest costs is to bring down the debt, which the President's FY 2015 Budget request does by reducing debt levels relative to the economy starting in 2015.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

Based on OMB projections, when will interest payments exceed spending on education, transportation, defense and science and research?

Based on the FY 2015 Budget projections, interest payments will exceed spending in all of these categories in FY 2024.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

The director of OMB is responsible for executing spending laws passed by Congress. The Transportation Security Administration issued guidance on March 28, 2014, regarding revisions to the September 11th Security Fee. This guidance appears to eliminate or omit the fee cap currently in place for all round-trip flights. Under a fee cap structure, a round-trip flight would have no more than $11.20 in fees. The recent guidance issued, which is currently under review at OMB, appears to open the door to adding an additional fee per enplanement. Thus, a round trip flight, with one plane change in both directions would drive the cost to $22.40 for a round-trip, inconsistent with the current cap.

Please determine, prior to responding, whether a firm cap remains -- and state whether you plan to maintain that position.

I believe it is important that regulations be developed in accordance with the law and with the President's regulatory Executive Orders. It is my understanding that the Aviation Security Fee rulemaking is currently under OIRA review under Executive Order 12866 and that it is longstanding Executive Branch practice for OMB officials to not discuss the specifics of a rule while it is under OIRA review. As HUD Secretary, I am not familiar with the specifics of this rule, however, if confirmed I look forward to learning more about the issues you raise. OMB staff is available to meet with you or your staff if you would like to share views on the proposed rule.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

OMB is currently reviewing the final rule that will implement Section 11016 of the 2008 Farm Bill (P.L. 110-246) and Section 12106 of the Agricultural Act of 2014 (P.L. 113-79). This provision transferred the responsibility for the regulation and inspection of catfish from the Food and Drug Administration to the Department of Agriculture. If confirmed, will you commit to ensure that the final regulation comports to the Congressional intent of these provisions to ensure equal inspection treatment of imported and domestic catfish?

It is my understanding that the final rule for this issue is currently under review by the Office of Information and Regulatory Affairs (OIRA) under Executive Order 12866 and that it is longstanding Executive Branch practice for OMB officials to not discuss the specifics of a rule while it is under OIRA review. Further, I have not been directly engaged on this issue as HUD Secretary and am not familiar with the issues you raise. OMB staff is available to meet with you or your staff if you would like to share your views.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Sessions

The President's FY 2014 and FY 2015 budget requests include language that discussed the federal government's interest in a strategic review of the Tennessee Valley Authority (TVA), which operates in North Alabama, including possible divestiture by the federal government of TVA to state and local interests. Has OMB discussed this with any member of the Congress? Prior to responding, please find out where OMB is in the review process, the status of the process, and when Congress can expect, through briefing or otherwise, to hear from the Administration about its plans for TVA?

I understand from OMB that last July, the agency reached out to each office in TVA's congressional delegation to provide further insight into the Administration's strategic review—including the purpose of the review, the organization of an interagency working group to conduct the review, the broad range of alternatives that would be evaluated, plans for TVA to engage an outside financial advisor to assist in the analysis, and the objectives of future stakeholder outreach discussions. Congressional input was welcomed throughout the process. The strategic review is an ongoing deliberative process; in the coming weeks, the Administration intends to set up a detailed briefing for the Congress to discuss the latest progress in the ongoing strategic review.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Stabenow

Currently, the TSA passenger security fee is assessed on a per-enplanement basis of $2.50, with a maximum one-way trip fee of $5 or $10 per round-trip. The Bipartisan Budget Act we passed in December simplified the fee structure, creating a flat $5.60 fee per one-way trip, regardless of the number of enplanements. However, TSA recently released guidance informing carriers it plans to break with previous regulatory guidance and congressional intent and no longer impose a round trip cap, which has been the practice for at least the past 10 years.

I am concerned about how this proposed change by TSA will affect passengers, who will be drastically charged more when flying, especially consumers who live in small cities or rural areas and often have a number of stops en route to their final destination. I understand that TSA's proposed changes are currently under review at the Office of Management and Budget.

What are you doing to ensure that all consumers are protected from any unfair costs under TSA's proposed rule, especially those in smaller cities or rural areas? Are you aware that congressional intent under the Bipartisan Budget Act of 2013 was never to eliminate the security fee cap or change the definition of a round-trip flight?

I believe it is important that regulations be developed in accordance with the law and with the President's regulatory Executive Orders. It is my understanding that the Aviation Security Fee rulemaking is currently under review by the Office of Information and Regulatory Affairs (OIRA) under Executive Order 12866 and that it is longstanding Executive Branch practice for OMB officials to not discuss the specifics of a rule while it is under OIRA review. As HUD Secretary, I am not familiar with the specifics of this rule, however, if confirmed I look forward to learning more about the issues you raise. OMB staff is available to meet with you or your staff if you would like to share views on the proposed rule.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Stabenow

The OMB has solicited comment on a proposed change to the North American Industry Classification System (NAICS) to classify companies that manage the manufacturing process, but outsource the actual manufacturing of the materials into a product, as manufacturers. The entities would be called Factoryless Goods Producers (FGPs).

Could you please explain what the practical consequences of such a change would be? Would people still be able to track the economic activity associated with the actual manufacturing of products in the United States in a manner consistent with past data? Would products produced overseas in association with domestic FGPs qualify as U.S. manufacturers for the purposes of federal Buy American requirements?

I have not been engaged in this issue as HUD Secretary; however, if confirmed, I look forward to learning more about the issues you raise about the notice. The Administration is a champion of U.S. manufacturing and our manufacturing communities, and has actively taken steps to bring job-creating investment to the United States from around the world, including by promoting re-shoring. The Administration has pursued increased research and development into advanced manufacturing processes, such as the creation of manufacturing institutes that draw in private and public capital to focus on particular manufacturing challenges and opportunities and more aggressive technology transfer from Federal labs in order to stimulate innovation and provide an enhanced foundation for domestic production. The Administration has particularly targeted assistance to small manufacturers. The President has also proposed tax credits for U.S. companies that bring production jobs back from foreign countries to the United States and would end tax deductions for U.S. companies that outsource jobs abroad, further incentivizing their continuing investment in American manufacturing.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Toomey

Every year the federal government issues over $250 billion in loans and loan guarantees. However, current rules for estimating the cost of these loans are flawed because they assume zero market risk. As the Congressional Budget Office noted in a 2012 report, "market risk represents a cost to the government." For that reason (and others) the CBO has endorsed the use of fair-value accounting, which would account for the cost of market risk to taxpayers when the federal government issues or guarantees loans.

- **Should the federal government adopt fair-value accounting when estimating the cost of loans & loan guarantees?**
- **If not, why not, and what is the rationale for not protecting taxpayers from the cost of market risk?**

The Federal Credit Reform Act (FCRA) does a good job reflecting the costs of credit programs and putting the costs of credit on a comparable basis to other Federal spending. Over time, net re-estimates of FCRA costs have amounted to a fraction of a percent of the face value of loans and guarantees. Any changes to FCRA should improve the accuracy and transparency of cost estimates and ensure that costs continue to be measured consistently across all forms of Federal spending. However, applying fair value accounting to credit assistance would result in cost estimates that are less accurate and less transparent and would create inconsistencies among apparent taxpayer costs across Federal programs.

Fair value budget estimates would not protect taxpayers—rather, they would artificially inflate the cost of credit programs compared to other Federal programs. Moreover, fair value budgeting estimates the cost of market risk based on its cost to private investors. But, this generally exceeds the cost of uncertainty to the Federal Government, which has more ability to diversify risks than almost any private actor—spreading risk across activities, individuals, and even generations. Fair value would also impose significant implementation costs and challenges and would likely introduce noise and distortion into cost estimates. Leading budget experts, including former CBO Director Robert Reischauer, have stated that fair value is not an appropriate measure of budgetary cost and is inconsistent with how other forms of spending are accounted for in the budget, placing a thumb on the scale against credit programs.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Toomey

Secretary Burwell indicated to me that, in her capacity as Secretary of Health and Human Services, she would work to provide Congress information about the risk corridor program. In your capacity as Director of OMB will you also commit to being transparent with information about:

- **Surpluses and expenses from the risk corridor program, including how any surpluses are used, and**
- **The source of any funds used to address a deficit in the risk corridor program?**

If confirmed, I will work with Secretary Burwell to be as transparent and responsive to the Congress as possible regarding the implementation of the Affordable Care Act, including the Risk Corridors Program.

Questions for the Congressional Record
U.S. Senate Committee on Budget
For the Nomination hearing of
The Honorable Shaun L.S. Donovan to be Director, Office of Management and Budget
Wednesday, June 11, 2014

Senator Whitehouse

The recently enacted Water Resources Reform and Development Act contains several provisions I authored to improve transparency at the Army Corps of Engineers. In addition, Section 4014 of the conference report establishes a new program for projects in coastal zones that enhance ocean and coastal resiliency. ACOE is an important federal partner on projects that protect coastal communities from the effects of sea-level rise and extreme weather. Unfortunately, the combination of an opaque funding process and a backlog of ACOE projects complicates the ability of state and local governments to plan for increasingly important projects that enhance ocean and coastal resiliency.

In your answer to a question from Chairman Murray, you said "[t]he budget process is one of the key ways that the President and Congress engage in a dialogue about how we make ... investment decisions." As Director, how will you use the budget process to complement the new transparency measures enacted in WRRDA, and engage in a dialogue with Congress on ACOE investment decisions? Specifically with respect to ocean and coastal resiliency projects, what role can OMB play to ensure that federal funding is directed to identified priorities of state and local governments and their not-for-profit partners?

My understanding is that when the Army Corps of Engineers (Corps) develops its budget, it targets investments in projects and programs that will yield high economic and environmental returns or address a significant risk to public safety within the agency's primary mission areas of commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration. This approach ensures that potential investments are evaluated based on the economic, environmental, and public safety returns to the Nation that they are likely to provide. If confirmed, I look forward to discussions with Congress and the Corps on ensuring investment decisions are based on transparent, objective criteria and appropriately consider new provisions recently enacted in WRRDA that can improve investment decisions.

100

○