

# LEGISLATIVE BRANCH APPROPRIATIONS FOR FISCAL YEAR 2004

THURSDAY, MARCH 27, 2003

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

The subcommittee met at 1:30 p.m., in room SD-124, Dirksen Senate Office Building, Hon. Ben Nighthorse Campbell (chairman) presiding.

Present: Senators Campbell and Durbin.

## GENERAL ACCOUNTING OFFICE

### STATEMENT OF DAVID WALKER, COMPTROLLER GENERAL

#### ACCOMPANIED BY:

**GENE L. DODARO, CHIEF OPERATING OFFICER**  
**STANLEY J. CZERWINSKI, CONTROLLER**  
**ANTHONY CICCIO, JR., CHIEF INFORMATION OFFICER AND DEPUTY**  
**CHIEF MISSION SUPPORT OFFICER**

#### OPENING STATEMENT OF SENATOR BEN NIGHTHORSE CAMPBELL

Senator CAMPBELL. The subcommittee will come to order.

This is my first hearing as chairman of the Legislative Branch Subcommittee, and today's hearing is the first of four hearings we plan to have to review the fiscal year 2004 legislative branch budget request, which totals roughly \$3.8 billion. Two of our three witnesses this afternoon are also new to this subcommittee. This afternoon we will take testimony from three agencies, the General Accounting Office, the Government Printing Office, and the Congressional Budget Office.

We will hear first from Mr. David Walker, Comptroller General. Mr. Walker is accompanied by his Chief Operating Officer, Mr. Gene Dodaro, and Mr. Stan Czerwinski, GAO's Controller. GAO's budget request of \$472 million will accommodate all inflationary increases with no real significant change in its operations. We do want to understand the urgency of \$4.8 million of your budget request, whether it is truly needed in the supplemental, or whether it can await the fiscal year 2004 appropriations.

GAO will be followed by witnesses from the Government Printing Office, Mr. Bruce James, the new Public Printer, who will appear for the first time before this subcommittee. Mr. James will be accompanied by Mr. George Taylor, Deputy Printer, Mr. Frank Partlow, Chief of Staff, and Ms. Judith Russell, Superintendent of Documents.

Mr. James, we look forward to hearing about the changes you are planning at GPO. We are very pleased to have underway a comprehensive general management review by the GAO requested by this committee, which we expect will help you as you make your plans. GPO's budget totals \$135.6 million, and does include \$10 million for anticipated restructuring efforts.

Finally, we will hear from Dr. Douglas Holtz-Eakin, the Director of the Congressional Budget Office, who will appear for the first time before this subcommittee. He will be accompanied by Mr. Barry Anderson, his deputy. The CBO's budget of roughly \$34 million would provide for some additional employees and its cost of the Federal Accounting Standards Advisory Board.

We are expecting a number of votes this afternoon, and so we will not have you read your statements. We will put them in the record, and Mr. Walker, you may proceed.

Mr. WALKER. Thank you, Mr. Chairman, for the opportunity to be here today and congratulations on your new position as chairman of this subcommittee. In addition to Mr. Dodaro and Mr. Czerwinski, I would also like to introduce Tony Cicco, our Chief Information Officer and Deputy Chief Mission Support Officer, who is also with me today. Now, to summarize a few highlights for the committee. We realize that you face tough budget choices this year and will continue to face them in the years ahead. As such, we are requesting, for fiscal year 2004, a modest increase of 4.1 percent in our current budget of \$473 million. This request includes the \$4.8 million supplemental we previously requested for safety and security needs. If the Congress is able to fund our fiscal year 2003 supplemental request for security needs, we could reduce our fiscal year 2004 budget request accordingly to a net 3.1 percent increase.

Fiscal year 2002 was an outstanding year for GAO. We achieved record or near record performance results in virtually every key category. For example, over \$37 billion in measurable financial benefits, a return on investment of \$88 for every \$1 appropriated to us. Our performance results have increased significantly over the last 4 years, and we continue to lead by example. We are in the vanguard of the overall government transformation effort and are positioning GAO for the future.

We also plan to work with our oversight committees and possibly this committee to seek human capital legislation that would make permanent some of the human capital flexibilities provided to us by Congress in fiscal year 2001 and recently extended to the executive branch in the homeland security legislation. We also plan to file the required statutory report on our fiscal year 2001 human capital legislation in the coming weeks.

#### PREPARED STATEMENT

Mr. Chairman, we will just submit our testimony for the record and would welcome your questions.

[The statement follows:]

#### PREPARED STATEMENT OF DAVID M. WALKER

Mr. Chairman and Members of the Subcommittee: I am pleased to appear before the Subcommittee today as the Comptroller General of the United States and head of the U.S. General Accounting Office (GAO). GAO is a key source of objective information and analyses and, as such, plays a crucial role in supporting congressional

decision-making and helping improve government for the benefit of the American people. My testimony today will focus on GAO's (1) fiscal year 2002 performance and results, (2) efforts to maximize our effectiveness, responsiveness and value, and (3) our budget request for fiscal year 2004 to support the Congress and serve the American public. In summary:

- In fiscal year 2002, GAO's work informed the national debate on a broad spectrum of issues including helping the Congress answer questions about the associated costs and program trade-offs of the national preparedness strategy, including providing perspectives on how best to organize and manage the new Transportation Security Administration and Department of Homeland Security. GAO's efforts helped the Congress and government leaders achieve \$37.7 billion in financial benefits—an \$88 return on every dollar invested in GAO. The return on the public's investment in GAO extends beyond dollar savings to improvements in how the government serves its citizens. This includes a range of accomplishments that serve to improve safety, enhance security, protect privacy, and increase the effectiveness of a range of federal programs and activities.
- The results of our work in fiscal year 2002 were possible, in part, because of changes we have made to transform GAO in order to meet our goal of being a model federal agency and a world-class professional services organization. We had already realigned GAO's structure and resources to better serve the Congress in its legislative, oversight, appropriations, and investigative roles. Over the past year, we cultivated and fostered congressional and agency relations, better refined our strategic and annual planning and reporting processes, and enhanced our information technology infrastructure. We also continued to provide priority attention to our management challenges of human capital, information security, and physical security. We have made progress in addressing each of these challenges, but we still have work to do and plan to ask for legislation to help address some of these issues.
- GAO is requesting budget authority of \$473 million for fiscal year 2004. Our request represents a modest 4.1 percent increase in direct appropriations, primarily for mandatory pay and uncontrollable costs. This budget will allow us to maintain current operations for serving the Congress as outlined in our strategic plan and to continue initiatives to enhance our human capital, support business processes, and ensure the safety and security of GAO staff, facilities, and information systems. Approximately \$4.8 million, or about 1 percent, of our request relates to several safety and security items that are included in our fiscal year 2003 supplemental request. If this supplemental request is granted, our fiscal year 2004 request could be reduced accordingly.

#### FISCAL YEAR 2002 PERFORMANCE AND RESULTS

Fiscal year 2002 was a year of challenges, not just for GAO but also for the Congress and the nation. The nation's vulnerabilities were exposed in a series of events—America's vulnerability to sophisticated terrorist networks, bioterrorism waged through mechanisms as mundane as the daily mail, and corporate misconduct capable of wiping out jobs, pensions, and investments virtually overnight. As the Congress's priorities changed to meet these crises, GAO's challenge was to respond quickly and effectively to our congressional clients' changing needs.

With work already underway across a spectrum of critical policy and performance issues, we had a head start toward meeting the Congress' needs in a year of unexpected and often tumultuous events. For example, in fiscal year 2002 GAO's work informed the debate over national preparedness strategy, helping the Congress determine how best to organize and manage major new departments, assess key vulnerabilities to homeland defense, and respond to the events of September 11 in areas such as terrorism insurance and airline security. GAO's input also was a major factor in shaping the Sarbanes-Oxley Act, which created the Public Company Accounting Oversight Board, as well as new rules to strengthen corporate governance and ensure auditor independence. Further, GAO's work helped the Congress develop and enact election reform legislation in the form of the Help America Vote Act of 2002 to help restore voter confidence.

In fiscal year 2002, GAO also served the Congress and the American people by helping to:

- Contribute to a national preparedness strategy at the federal, state, and local levels that will make Americans safer from terrorism
- Protect investors through better oversight of the securities industry and the accounting profession
- Ensure a safer national food supply

- Expose the inadequacy of nursing home care
- Make income tax collection fair, effective, and less painful to taxpayers
- Strengthen public schools' accountability for educating children
- Keep sensitive American technologies out of the wrong hands
- Protect American armed forces confronting chemical or biological weapons
- Identify the risks to employees in private pension programs
- Identify factors causing the shortage of children's vaccines
- Assist the postal system in addressing anthrax and various management challenges
- Identify security risks at ports, airports, and transit systems
- Save billions by bringing sound business practices to the Department of Defense
- Foster human capital strategic management to create a capable, effective, well-managed federal workforce
- Ensure that the armed forces are trained and equipped to meet the nation's defense commitments
- Enhance the safety of Americans and foreign nationals at U.S. installations worldwide
- Assess ways of improving border security through biometric technologies and other means
- Reduce the international debt problems faced by poor countries
- Reform the way federal agencies manage their finances
- Protect government computer systems from security threats
- Enhance the transition of e-government—the new “electronic connection” between government and the public.

During fiscal year 2002, GAO's analyses and recommendations contributed to a wide range of legislation considered by the Congress, as shown in the following table.

TABLE 1.—*Selected Public Laws to Which GAO Contributed During Fiscal Year 2002*

Prescription Drug User Fee Amendments of 2002, Public Law 107–188  
 Best Pharmaceuticals for Children Act, Public Law 107–1092  
 No Child Left Behind Act of 2001, Public Law 107–110  
 Food Stamp Reauthorization Act of 2002, Public Law 107–171  
 Help America Vote Act of 2002, Public Law 107–252  
 Homeland Security Act of 2002, Public Law 107–296  
 Public Health Security and Bioterrorism Preparedness and Response Act of 2002, Public Law 107–188  
 Aviation and Transportation Security Act, Public Law 107–71  
 Department of Defense Appropriation Act, 2003, Public Law 107–248  
 Department of Defense and Emergency Supplemental Appropriations for Recovery From and Response to Terrorist Attacks on the United States Act, 2002, Public Law 107–117  
 Bob Stump National Defense Authorization Act for Fiscal Year 2003 Public Law 107–314  
 Foreign Relations Authorization Act, Fiscal Year 2003, Public Law 107–228  
 Small Business Paperwork Relief Act of 2002, Public Law 107–198  
 Federal Information Security Management Act of 2002, Public Law 107–347  
 Sarbanes-Oxley Act of 2002, Public Law 107–204  
 National Defense Authorization Act for Fiscal Year 2002, Public Law 107–107  
 Legislative Branch Appropriations, Fiscal Year 2002, Public Law 107–68  
 Improper Payments Information Act of 2002, Public Law 107–300  
 Trade Act of 2002, Public Law 107–210  
 Terrorism Risk Insurance Act of 2002, Public Law 107–297  
 E-Government Act of 2002, Public Law 107–347

Source: GAO.

By year's end, we had testified 216 times before the Congress, sometimes on as little as 24 hours' notice, on a range of issues. We had responded to hundreds of urgent requests for information. We had developed 1,950 recommendations for improving the government's operations, including, for example, those we made to the Secretary of State calling for the development of a governmentwide plan to help other countries combat nuclear smuggling and those we made to the Chairman of

the Federal Energy Regulatory Commission calling for his agency to develop an action plan for overseeing competitive energy markets. We also had continued to track the recommendations we had made in past years, checking to see that they had been implemented and, if not, whether we needed to do follow-up work on problem areas. We found, in fact, that 79 percent of the recommendations we had made in fiscal year 1998 had been implemented, a significant step when the work we have done for the Congress becomes a catalyst for creating tangible benefits for the American people.

Table 2 highlights, by GAO's three external strategic goals, examples of issues on which we testified before Congress during fiscal year 2002.

Goal 1—Well-Being and Financial Security of the American People	Goal 2—Changing Security Threats and Challenge of Globalization	Goal 3—Transforming the Federal Government's Role
Aviation security	A-76 competitive sourcing	Contract management
Bioterrorism	Anthrax vaccine	Contracting for services
Blood supplies	Ballistic missile defense	Corporate governance and accountability
Child welfare	Chemical and biological preparedness	Debt collection
Childhood vaccines	Combating terrorism	DOD financial management
Coast Guard's security missions	Compact with Micronesia	Electronic Government Act of 2002
Customs' cargo inspections	Conflict diamonds	Electronic-government security
Disability programs	Debt relief for poor countries	Enterprise architecture
EPA cabinet status	Encroachment on training ranges	Federal budget issues
FBI reorganization	Export controls	Federal building security
Federal property management reform	Food aid	Federal financial management reform
Food safety	Foreign language needs	Federal rulemaking requirements
Highway trust fund	Gulf War illnesses	Freedom to Manage Act
Housing	Information security aspects of homeland security	Human capital strategy
HUD management reform	International trade	Illegal tax schemes and scams
Identity theft	Nuclear smuggling	Inter-governmental aspects of homeland security
Immigration enforcement	Organizational aspects of homeland security	IRS modernization
Indian tribal recognition	SEC's human capital challenges	Medicaid financial management
Intercity passenger rail	Strategic seaport protection	NASA's management challenges
Long-term care	Terrorism insurance	President's Management Agenda
Medicare payments	U.S. overseas presence	Purchase card controls
Nuclear waste storage	Weapons of mass destruction	Securing America's borders
Nursing homes		U.S. government's financial statements
Postal Service challenges		
Public health aspects of homeland security		
Retiree health insurance		
SBA's human capital challenges		
Social Security reform		
Transit safety and security		
VA health care		
Welfare reform		
Wildfire threats		
Workforce development		

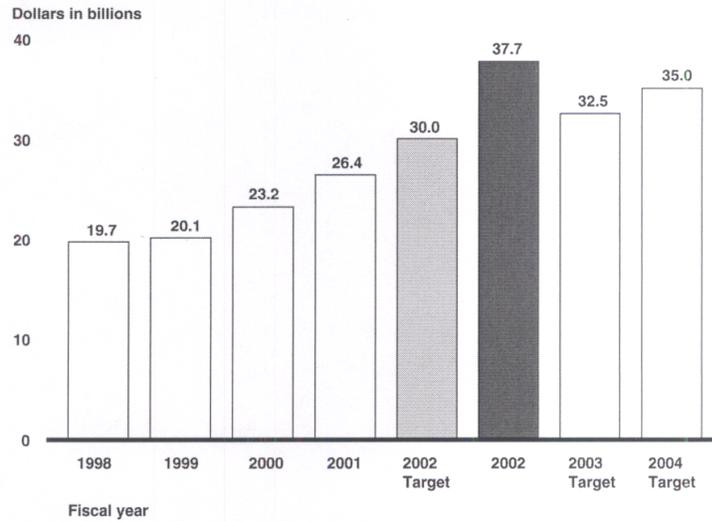
Source: GAO.

Congress and the executive agencies took a wide range of actions in fiscal year 2002 to improve government operations, reduce costs, or better target budget authority based on GAO analyses and recommendations, as highlighted in the following sections.

Federal action on GAO's findings or recommendations produced financial benefits for the American people: a total of \$37.7 billion was achieved by making government services more efficient, improving the budgeting and spending of tax dollars, and strengthening the management of federal resources (see fig. 1). For example, increased funding for improved safeguards against fraud and abuse helped the Medicare program to better control improper payments of \$8.1 billion over 2 years, and

better policies and controls reduced losses from farm loan programs by about \$4.8 billion across 5 years.

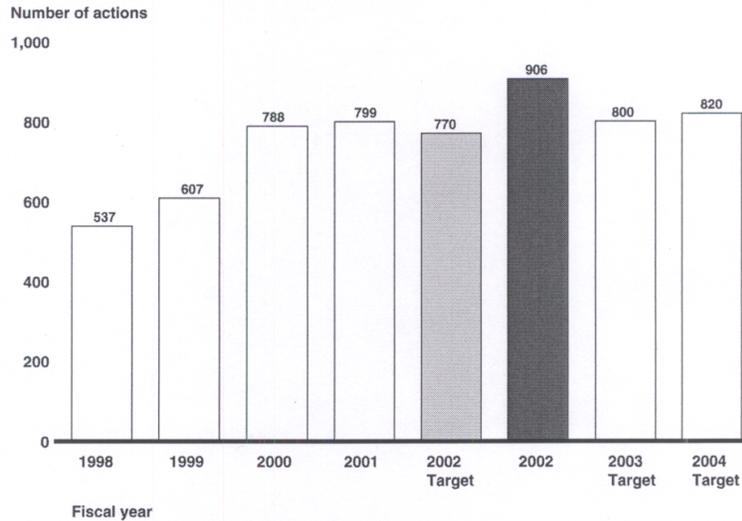
**Figure 1: Financial Benefits Resulting from GAO's Work**



Source: GAO.

In fiscal year 2002, we also recorded 906 instances in which our work led to improvements in government operations or programs (see fig. 2). For example, by acting on GAO's findings or recommendations, the federal government has taken important steps toward enhancing aviation safety, improving pediatric drug labeling based on research, better targeting of funds to high-poverty school districts, greater accountability in the federal acquisition process, and more effective delivery of disaster recovery assistance to other nations, among other achievements.

**Figure 2: GAO's Work Improving Government Operations and Services**



Source: GAO.

As shown in table 3, we met all of our annual performance targets except our timeliness target. While we provided 96 percent of our products to their congressional requesters by the date promised, we missed this measure's target of 98 percent on-time delivery. The year's turbulent events played a part in our missing the target, causing us to delay work in progress when higher-priority requests came in from the Congress. We know we will continue to face factors beyond our control as we strive to improve our performance in this area. We believe the agency protocols we are piloting will help clarify aspects of our interactions with the agencies we evaluate and audit and, thus, expedite our work in ways that could improve the timeliness of our final products. We also believe that our continuing investments in human capital and information technology will improve our timeliness while allowing us to maintain our high level of productivity and performance overall.

TABLE 3.—ANNUAL PERFORMANCE MEASURES AND TARGETS

Performance measure	Fiscal Year 1998 Actual	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Actual	Fiscal Year 2002 Target	Fiscal Year 2002 Actual	4-year avg. Actual	Fiscal Year 2003 Target	Fiscal Year 2004 Target
Financial benefits (dollars in billions) .....	\$19.7	\$20.1	\$23.2	\$26.4	\$30.0	<sup>1</sup> \$37.7	\$26.9	<sup>2</sup> \$32.5	\$35.0
Other benefits .....	537	607	788	799	770	906	775	<sup>2</sup> 800	820
Past recommendations implemented (percent) .....	69	70	78	79	75	79	N/A	77	77
New recommendations made ...	987	940	1,224	1,563	1,200	1,950	1,419	<sup>2</sup> 1,250	1,250
New products with recommendations (in percent) .....	33	33	39	44	45	53	42	50	50
Testimonies .....	256	229	263	151	200	216	215	<sup>2</sup> 180	200
Timeliness (in percent) .....	93	96	96	95	98	96	96	98	98

<sup>1</sup>Changes GAO made to its methodology for tabulating financial benefits caused about 11 percent of the increase in fiscal year 2002.

<sup>2</sup>Four targets published in GAO's performance plan for fiscal year 2003 were subsequently revised based on more current information. Two were raised; two were lowered. The original targets were financial benefits, \$35 billion; other benefits, 785; recommendations made, 1,200; and testimonies, 210.

N/A=not applicable.  
Source: GAO.

## MAXIMIZING GAO'S EFFECTIVENESS, RESPONSIVENESS AND VALUE

The results of our work were possible, in part, because of changes we have made to maximize the value of GAO. We had already realigned GAO's structure and resources to better serve the Congress in its legislative, oversight, appropriations, and investigative roles. Over the past year, we cultivated and fostered congressional and agency relations, better refined our strategic and annual planning and reporting processes, and enhanced our information technology infrastructure. We also continued to provide priority attention to our management challenges of human capital, information security, and physical security. Changes we made in each of these areas helped enable us to operate in a constantly changing environment.

*Congressional and Agency Relations*

Over the course of the year, we cultivated and fostered congressional and agency relations in several ways. On October 23, 2001, in response to the anthrax incident on Capitol Hill, we opened our doors to 435 members of the House of Representatives and their staffs. Later in the year, we continued with our traditional hill outreach meetings and completed a 7-month pilot test of a system for obtaining clients' views on the quality of our testimonies and reports. We also developed agency protocols to provide clearly defined, consistently applied, well-documented, and transparent policies for conducting our work with federal agencies. We have implemented our new reporting product line entitled Highlights—a one-page summary that provides the key findings and recommendations from a GAO engagement. We continued our policy of outreach to our congressional clients, the public, and the press to enhance the accessibility of GAO products. Our external web site now logs about 100,000 visitors each day and more than 1 million GAO products are downloaded every month by our congressional clients, the public, and the press.

In light of certain records access challenges during the past few years and with concerns about national and homeland security unusually high at home and abroad, it may become more difficult for us to obtain information from the Executive Branch and report on certain issues. If this were to occur, it would hamper our ability to complete congressional requests in a timely manner. We are updating GAO's engagement acceptance policies and practices to address this issue and may recommend legislative changes that will help to assure that we have reasonable and appropriate information that we need to conduct our work for the Congress and the country.

*Strategic and Annual Planning*

GAO's strategic planning process serves as a model for the federal government. Our plan aligns GAO's resources to meet the needs of the Congress, address emerging challenges and achieve positive results. Following the spirit of the Government Performance and Results Act, we established a process that provides for updates

with each new Congress, ongoing analysis of emerging conditions and trends, extensive consultations with congressional clients and outside experts, and assessments of our internal capacities and needs.

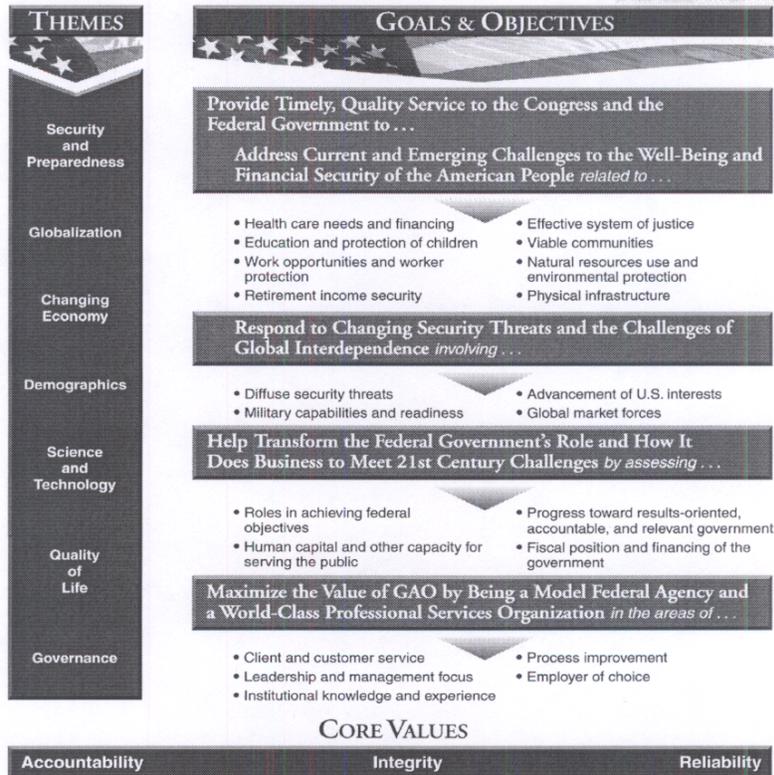
At the beginning of fiscal year 2002, we updated our strategic plan for serving the Congress based on substantial congressional input—extending the plan’s perspective out to fiscal year 2007 and factoring in developments that had occurred since we first issued it in fiscal year 2000. The updated plan carries forward the four strategic goals we had already established as the organizing principles for a body of work that is as wide-ranging as the interests and concerns of the Congress itself. Using the plan as a blueprint, we lay out the areas in which we expect to conduct research, audits, analyses, and evaluations to meet our clients’ needs, and we allocate the resources we receive from the Congress accordingly. Following is our strategic plan framework. Appendix I of this statement delineates in a bit more detail our strategic objectives and our qualitative performance goals for fiscal years 2002 and 2003.

## SERVING THE CONGRESS GAO’S STRATEGIC PLAN FRAMEWORK



### MISSION

GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.



We issued our 2001 Performance and Accountability Report that combines information on our past year's accomplishments and progress in meeting our strategic goals with our plans for achieving our fiscal year 2003 performance goals. The report earned a Certificate of Excellence in Accountability Reporting from the Association of Government Accountants. We issued our Fiscal Year 2002 Performance and Accountability Report in January 2003.

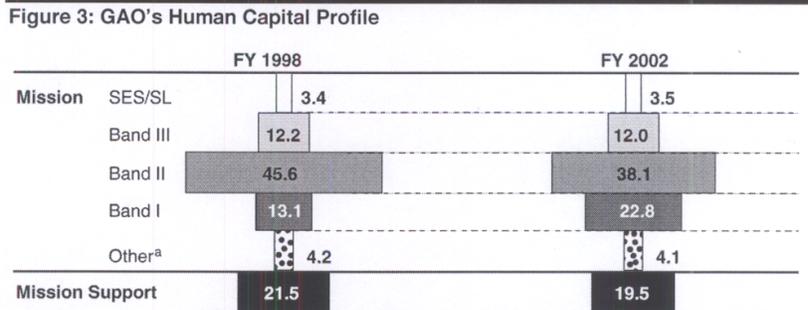
Our financial statements, which are integral to our performance and accountability, received an unqualified opinion for the sixteenth consecutive year. Furthermore, our external auditors did not identify any material control weaknesses or compliance issues relating to GAO's operations.

*Information Technology*

During the past year, we acquired new hardware and software and developed user-friendly systems that enhanced our productivity and responsiveness to the Congress and helped meet our initial information technology goals. For example, we replaced aging desktop workstations with notebook computers that provide greater computing power, speed, and mobility. In addition, we upgraded key desktop applications, the Windows desktop operating system, and telecommunications systems to ensure that GAO staff have modern technology tools to assist them in carrying out their work. We also developed new, integrated, user-friendly Web-based systems that eliminate duplicate data entry while ensuring the reusability of existing data. As the Clinger-Cohen Act requires, GAO has an enterprise architecture program in place to guide its information technology planning and decision making. In designing and developing systems, as well as in acquiring technology tools and services, we have applied enterprise architecture principles and concepts to ensure sound information technology investments and the interoperability of systems.

*Human Capital*

Given GAO's role as a key provider of information and analyses to the Congress, maintaining the right mix of technical knowledge and expertise as well as general analytical skills is vital to achieving our mission. We spend about 80 percent of our resources on our people, but without excellent human capital management, we could still run the risk of being unable to deliver what the Congress and the nation expect from us. At the beginning of my term in early fiscal year 1999, we completed a self-assessment that profiled our human capital workforce and identified a number of serious challenges facing our workforce, including significant issues involving succession planning and imbalances in the structure, shape, and skills of our workforce. As presented below, through a number of strategically planned human capital initiatives over the past few years, we have made significant progress in addressing these issues. For example, as illustrated in figure 3, by the end of fiscal year 2002, we had almost a 60 percent increase in the percentage of staff at the entry-level (Band I) as compared with fiscal year 1998. Also, the proportion of our workforce at the mid-level (Band II) decreased by about 8 percent.



Figures in percentages

Source: GAO.

<sup>a</sup>Attorneys and criminal investigators

<sup>b</sup>Mission support includes both mission and mission support offices as discussed in GAO's budget submission

Our fiscal year 2002 human capital initiatives included the following:

- In fiscal year 2002, we hired nearly 430 permanent staff and 140 interns. We also developed and implemented a strategy to place more emphasis on diversity in campus recruiting.
- In fiscal years 2002 and 2003, to help meet our workforce planning objectives, we offered voluntary early retirement under authority established in our October 2000 human capital legislation. Early retirement was granted to 52 employees in fiscal year 2002 and 24 employees in fiscal year 2003.
- To retain staff with critical skills and staff with less than 3 years of GAO experience, we implemented legislation authorizing federal agencies to offer student loan repayments in exchange for certain federal service commitments.
- In fiscal year 2002, GAO implemented a new, modern, effective, and credible performance appraisal system for analysts and specialists, adapted the system for attorneys, and began modifying the system for administrative professional and support staff.
- We began developing a new core training curriculum for managers and staff to provide additional training on the key competencies required to perform GAO's work.
- We also took steps to achieve a fully democratically-elected Employee Advisory Council to work with GAO's Executive Committee in addressing issues of mutual interest and concern.

The above represent just a few of many accomplishments in the human capital area. GAO is the clear leader in the federal government in designating and implementing 21st century human capital policies and practices. We also are taking steps to work with the Congress, the Office of Management and Budget, and the Office of Personnel Management, and others to "help others help themselves" in the human capital area.

#### *Information Security*

Ensuring information systems security and disaster recovery systems that allow for continuity of operations is a critical requirement for GAO, particularly in light of the events of September 11 and the anthrax incidents. The risk is that our information could be compromised and that we would be unable to respond to the needs of the Congress in an emergency. In light of this risk and in keeping with our goal of being a model federal agency, we are implementing an information security program consistent with the requirements in the Government Information Security Reform provisions (commonly referred to as "GISRA") enacted in the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001. We have made progress through our efforts to, among other things, implement a risk-based, agencywide security program; provide security training and awareness; and develop and implement an enterprise disaster recovery solution.

#### *Physical Security*

In the aftermath of the September 11 terrorist attacks and subsequent anthrax incidents, our ability to provide a safe and secure workplace emerged as a challenge for our agency. Protecting our people and our assets is critical to our ability to meet our mission. We devoted additional resources to this area and implemented measures such as reinforcing vehicle and pedestrian entry points, installing an additional x-ray machine, adding more security guards, and reinforcing windows.

#### GAO'S FISCAL YEAR 2004 BUDGET REQUEST

GAO is requesting budget authority of \$473 million for fiscal year 2004 to maintain current operations for serving the Congress as outlined in our strategic plan and to continue initiatives to enhance our human capital, support business processes, and ensure the safety and security of GAO staff, facilities, and information systems. This funding level will allow us to fund up to 3,269 full-time equivalent personnel. Our request includes \$466.6 million in direct appropriations and authority to use estimated revenues of \$6 million from reimbursable audit work and rental income. Our requested increase of \$18.4 million in direct appropriations represents a modest 4.1 percent increase, primarily for mandatory pay and uncontrollable costs. Our budget request also includes savings from nonrecurring fiscal year 2003 investments in fiscal year 2004 that we propose to use to fund further one-time investments in critical areas, such as security and human capital.

We have submitted a request for \$4.8 million in supplemental fiscal year 2003 funds to allow us to accelerate implementation of important security enhancements. Our fiscal year 2004 budget includes \$4.8 million for safety and security needs that are also included in the supplemental. If the requested fiscal year 2003 supplemental funds are provided, our fiscal year 2004 budget could be reduced by \$4.8 mil-

lion. Table 4 presents our fiscal year 2003 and requested fiscal year 2004 resources by funding source.

Funding source	Fiscal Year 2003 Revised	Fiscal Year 2004 Request	Change—fiscal year 2003 to 2004	
			Amount	Percent
Total budget authority .....	<sup>1</sup> \$451,202	\$472,627	\$21,425	.....
Less: offsetting collections <sup>2</sup> .....	(3,000)	(6,006)	(3,006)	.....
Direct appropriation .....	\$448,202	\$466,621	\$18,419	4.1

<sup>1</sup> Excludes request for supplemental funds of \$4.8 million.  
<sup>2</sup> Offsetting collections include reimbursable audit work and rental income.  
Source: GAO.

During fiscal year 2004, we plan to sustain our investments in maximizing the productivity of our workforce by continuing to address the key management challenges of human capital, and both information and physical security. We will continue to take steps to “lead by example” within the federal government in connection with these and other critical management areas.

Over the next several years, we need to continue to address skill gaps, maximize staff productivity and effectiveness, and reengineer our human capital processes to make them more user-friendly. We plan to address skill gaps by further refining our recruitment and hiring strategies to target gaps identified through our workforce planning efforts, while taking into account the significant percentage of our workforce eligible for retirement. We will continue to take steps to reengineer our human capital systems and practices to increase their efficiency and to take full advantage of technology. We will also ensure that our staff have the needed skills and training to function in this reengineered environment. In addition, we are developing competency-based performance appraisal and broad-banding pay systems for our mission support employees.

To ensure our ability to attract, retain, and reward high-quality staff, we plan to devote additional resources to our employee training and development program. We will target resources to continue initiatives to address skill gaps, maximize staff productivity, and increase staff effectiveness by updating our training curriculum to address organizational and technical needs and training new staff. Also, to enhance our recruitment and retention of staff, we will continue to offer a student loan repayment program and transit subsidy benefit established in fiscal year 2002. In addition, we will continue to focus our hiring efforts in fiscal year 2004 on recruiting talented entry-level staff.

To build on the human capital flexibilities provided by the Congress in 2000, we plan to recommend legislation that would, among other things, facilitate GAO’s continuing efforts to recruit and retain top talent, develop a more performance-based compensation system, realign our workforce, and facilitate our succession planning and knowledge transfer efforts. In addition, to help attract new recruits, address certain “expectation gaps” within and outside of the government, and better describe the modern audit and evaluation entity GAO has become, we will work with the Congress to explore the possibility of changing the agency’s name while retaining our well-known acronym and global brand name of “GAO.”

On the information security front, we need to complete certain key actions to be better able to detect intruders in our systems, identify our users, and recover in the event of a disaster. Among our current efforts and plans for these areas are completing the installation of software that helps us detect intruders on all our internal servers, completing the implementation of a secure user authentication process, and refining the disaster recover plan we developed last year. We will need the Congress’ help to address these remaining challenges.

We also are continuing to make the investments necessary to enhance the safety and security of our people, facilities, and other assets for the mutual benefit of GAO and the Congress. With our fiscal year 2003 supplemental funding, if provided, or if not, with fiscal year 2004 funds, we plan to complete installation of our building access control and intrusion detection system and supporting infrastructure, and obtain an offsite facility for use by essential personnel in emergency situations. With

the help of the Congress, we plan to implement these projects over the next several years.

#### CONCLUDING REMARKS

As a result of the support and resources we have received from this Subcommittee and the Congress over the past several years, we have been able to make a difference in government, not only in terms of financial benefits and improvements in federal programs and operations that have resulted from our work, but also in strengthening and increasing the productivity of GAO, and making a real difference for our country and its citizens. Our budget request for fiscal year 2004 is modest, but necessary to sustain our current operations, continue key human capital and information technology initiatives, and ensure the safety and security of our most valuable asset—our people. We seek your continued support so that we will be able to effectively and efficiently conduct our work on behalf of the Congress and the American people.

As the Comptroller General of the United States, I am very proud of how, in a time of uncertainty, GAO staff responded with a positive attitude and did whatever their country required and demonstrated an unwavering resolve to continue their work. Knowing this organization as I do, I was not surprised. We at GAO look forward to continuing to help the Congress and the nation meet the current and emerging challenges of the 21st century.

#### APPENDIX I: GAO'S QUALITATIVE PERFORMANCE GOALS FOR FISCAL YEARS 2002 AND 2003

This appendix lists GAO's strategic goals and the strategic objectives for each goal. They are part of our updated draft strategic plan (for fiscal years 2002 through 2007).

Organized below each strategic objective are its qualitative performance goals. The performance goals lay out the work we plan to do in fiscal years 2002 and 2003 to help achieve our strategic goals and objectives. We will evaluate our performance at the end of fiscal year 2003.

##### *Strategic Goal 1—Provide Timely, Quality Service to the Congress and the Federal Government to Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People*

To achieve this goal, we will provide information and recommendations on the following:

- the Health Care Needs of an Aging and Diverse Population
  - evaluate Medicare reform, financing, and operations;
  - assess trends and issues in private health insurance coverage;
  - assess actions and options for improving the Department of Veterans Affairs' and the Department of Defense's (DOD) health care services;
  - evaluate the effectiveness of federal programs to promote and protect the public health;
  - evaluate the effectiveness of federal programs to improve the nation's preparedness for the public health and medical consequences of bioterrorism;
  - evaluate federal and state program strategies for financing and overseeing chronic and long-term health care; and
  - assess states' experiences in providing health insurance coverage for low-income populations.
- the Education and Protection of the Nation's Children
  - analyze the effectiveness and efficiency of early childhood education and care programs in serving their target populations;
  - assess options for federal programs to effectively address the educational and nutritional needs of elementary and secondary students and their schools;
  - determine the effectiveness and efficiency of child support enforcement and child welfare programs in serving their target populations; and
  - identify opportunities to better manage postsecondary, vocational, and adult education programs and deliver more effective services.
- the Promotion of Work Opportunities and the Protection of Workers
  - assess the effectiveness of federal efforts to help adults enter the workforce and to assist low-income workers;
  - analyze the impact of programs designed to maintain a skilled workforce and ensure employers have the workers they need;
  - assess the success of various enforcement strategies to protect workers while minimizing employers' burden in the changing environment of work; and
  - identify ways to improve federal support for people with disabilities.

- a Secure Retirement for Older Americans
  - assess the implications of various Social Security reform proposals;
  - identify opportunities to foster greater pension coverage, increase personal saving, and ensure adequate and secure retirement income; and
  - identify opportunities to improve the ability of federal agencies to administer and protect workers' retirement benefits.
- an Effective System of Justice
  - identify ways to improve federal agencies' ability to prevent and respond to major crimes, including terrorism;
  - assess the effectiveness of federal programs to control illegal drug use;
  - identify ways to administer the nation's immigration laws to better secure the nation's borders and promote appropriate treatment of legal residents; and
  - assess the administrative efficiency and effectiveness of the federal court and prison systems.
- the Promotion of Viable Communities
  - assess federal economic development assistance and its impact on communities;
  - assess how the federal government can balance the promotion of home ownership with financial risk;
  - assess the effectiveness of federal initiatives to assist small and minority-owned businesses;
  - assess federal efforts to enhance national preparedness and capacity to respond to and recover from natural and man-made disasters; and
  - assess how well federally supported housing programs meet their objectives and affect the well-being of recipient households and communities.
- Responsible Stewardship of Natural Resources and the Environment
  - assess the nation's ability to ensure reliable and environmentally sound energy for current and future generations;
  - assess federal strategies for managing land and water resources in a sustainable fashion for multiple uses;
  - assess federal programs' ability to ensure a plentiful and safe food supply, provide economic security for farmers, and minimize agricultural environmental damage;
  - assess federal pollution prevention and control strategies; and
  - assess efforts to reduce the threats posed by hazardous and nuclear wastes.
- a Secure and Effective National Physical Infrastructure
  - assess strategies for identifying, evaluating, prioritizing, financing, and implementing integrated solutions to the nation's infrastructure needs;
  - assess the impact of transportation and telecommunications policies and practices on competition and consumers;
  - assess efforts to improve safety and security in all transportation modes;
  - assess the U.S. Postal Service's transformation efforts to ensure its viability and accomplish its mission; and
  - assess federal efforts to plan for, acquire, manage, maintain, secure, and dispose of the government's real property assets.

*Strategic Goal 2—Provide Timely, Quality Service to the Congress and the Federal Government to Respond to Changing Security Threats and the Challenges of Global Interdependence*

To achieve this goal, we will provide information and recommendations on the following:

- Respond to Diffuse Threats to National and Global Security
  - analyze the effectiveness of the federal government's approach to providing for homeland security;
  - assess U.S. efforts to protect computer and telecommunications systems supporting critical infrastructures in business and government; and
  - assess the effectiveness of U.S. and international efforts to prevent the proliferation of nuclear, biological, chemical, and conventional weapons and sensitive technologies.
- Ensure Military Capabilities and Readiness
  - assess the ability of DOD to maintain adequate readiness levels while addressing the force structure changes needed in the 21st century;
  - assess overall human capital management practices to ensure a high-quality total force;
  - identify ways to improve the economy, efficiency, and effectiveness of DOD's support infrastructure and business systems and processes;
  - assess the National Nuclear Security Administration's efforts to maintain a safe and reliable nuclear weapons stockpile;

- analyze and support DOD’s efforts to improve budget analyses and performance management;
- assess whether DOD and the services have developed integrated procedures and systems to operate effectively together on the battlefield; and
- assess the ability of weapon system acquisition programs and processes to achieve desired outcomes.
- Advance and Protect U.S. International Interests
  - analyze the plans, strategies, costs, and results of the U.S. role in conflict interventions;
  - analyze the effectiveness and management of foreign aid programs and the tools used to carry them out;
  - analyze the costs and implications of changing U.S. strategic interests;
  - evaluate the efficiency and accountability of multilateral organizations and the extent to which they are serving U.S. interests; and
  - assess the strategies and management practices for U.S. foreign affairs functions and activities.
- Respond to the Impact of Global Market Forces on U.S. Economic and Security Interests
  - analyze how trade agreements and programs serve U.S. interests;
  - improve understanding of the effects of defense industry globalization;
  - assess how the United States can influence improvements in the world financial system;
  - assess the ability of the financial services industry and its regulators to maintain a stable and efficient global financial system;
  - evaluate how prepared financial regulators are to respond to change and innovation; and
  - assess the effectiveness of regulatory programs and policies in ensuring access to financial services and deterring fraud and abuse in financial markets.

*Strategic Goal 3—Help Transform the Government’s Role and How It Does Business to Meet 21st Century Challenges*

To achieve this goal, we will provide information and recommendations on the following:

- Analyze the Implications of the Increased Role of Public and Private Parties in Achieving Federal Objectives
  - analyze the modern service-delivery system environment and the complexity and interaction of service-delivery mechanisms;
  - assess how involvement of state and local governments and nongovernmental organizations affect federal program implementation and achievement of national goals; and
  - assess the effectiveness of regulatory administration and reforms in achieving government objectives.
- Assess the Government’s Human Capital and Other Capacity for Serving the Public
  - identify and facilitate the implementation of human capital practices that will improve federal economy, efficiency, and effectiveness;
  - identify ways to improve the financial management infrastructure capacity to provide useful information to manage for results and costs day to day;
  - assess the government’s capacity to manage information technology to improve performance;
  - assess efforts to manage the collection, use, and dissemination of government information in an era of rapidly changing technology;
  - assess the effectiveness of the Federal Statistical System in providing relevant, reliable, and timely information that meets federal program needs; and
  - identify more businesslike approaches that can be used by federal agencies in acquiring goods and services.

*Support Congressional Oversight of the Federal Government’s Progress toward Being More Results-Oriented, Accountable, and Relevant to Society’s Needs*

- analyze and support efforts to instill results-oriented management across the government;
- highlight the federal programs and operations at highest risk and the major performance and management challenges confronting agencies;
- identify ways to strengthen accountability for the federal government’s assets and operations;
- promote accountability in the federal acquisition process;
- assess the management and results of the federal investment in science and technology and the effectiveness of efforts to protect intellectual property;
- identify ways to improve the quality of evaluative information; and

- develop new resources and approaches that can be used in measuring performance and progress on the nations 21st century challenges.
- Analyze the Government’s Fiscal Position and Approaches for Financing the Government
  - analyze the long-term fiscal position of the federal government;
  - analyze the structure and information for budgetary choices and explore alternatives for improvement;
  - contribute to congressional deliberations on tax policy;
  - support congressional oversight of the Internal Revenue Service’s modernization and reform efforts; and
  - assess the reliability of financial information on the government’s fiscal position and financing sources.

*Strategic Goal 4—Maximize the Value of GAO by Being a Model Federal Agency and a World-Class Professional Services Organization*

To achieve this goal, we will do the following:

- Sharpen GAO’s Focus on Clients’ and Customers’ Requirements
  - continuously update client requirements;
  - develop and implement stakeholder protocols and refine client protocols; and
  - identify and refine customer requirements and measures.
- Enhance Leadership and Promote Management Excellence
  - foster an attitude of stewardship to ensure a commitment to GAO’s mission and core values;
  - implement an integrated approach to strategic management;
  - continue to provide leadership in strategic human capital management planning and execution;
  - maintain integrity in financial management;
  - use enabling technology to improve GAO’s crosscutting business processes; and
  - provide a safe and secure workplace.
- Leverage GAO’s Institutional Knowledge and Experience
  - improve GAO’s use of Web-based knowledge tools;
  - develop a framework to manage the collection, use, distribution, and retention of organizational knowledge; and
  - strengthen relationships with other national and international accountability and professional organizations.
- Continuously Improve GAO’s Business and Management Processes
  - improve internal business and administrative processes;
  - improve GAO’s product and service lines; and
  - improve GAO’s job management processes.
- Become the Professional Services Employer of Choice
  - maintain an environment that is fair, unbiased, family-friendly, and promotes and values opportunity and inclusiveness;
  - improve compensation and performance management systems;
  - develop and implement a training and professional development strategy targeted toward competencies; and
  - provide GAO’s people with tools, technology, and a working environment that is world-class.

Senator CAMPBELL. You claim you have achieved over \$37 billion in financial benefits, generating a return on investment of \$88 for every dollar appropriated to you by the Congress. Can you explain what you mean by financial benefits, how you determine these benefits, and provide examples of some of your largest items?

Mr. WALKER. GAO produces financial benefits when its work contributes to actions taken by the Congress or the Executive Branch to: Reduce annual operating costs of Federal programs or activities; lessen the costs of multiyear projects or entitlements; or increase revenues from debt collection, asset sales, changes in tax laws or user fees.

The funds made available in response to GAO’s work may be used to reduce Government expenditures or reallocated by the Congress to other priority areas. To ensure conservative estimates of net financial benefits, reductions in operating cost are typically limited to 2 years of accrued reductions. Multiyear reductions in long-

term projects, changes in tax laws, program terminations, or sales of Government assets are limited to 5 years. In addition, all financial benefits are calculated in net present value terms.

GAO has established policies and procedures to guide the reporting of financial benefits. Estimates must be based on independent third party sources and reduced by any identifiable offsetting costs. The third parties are typically the agency that acted on GAO's work, a congressional committee, or the Congressional Budget Office.

All accomplishment reports for financial benefits are documented and reviewed by another GAO staff member not involved in the work, and a senior executive in charge of the work. Also, a separate independent unit (Quality and Continuous Improvement) reviews all financial benefits and must approve benefits of \$100 million or more, which amounted to 93 percent of the total benefits recorded in fiscal year 2002. Finally, all benefits over \$1 billion are reviewed by GAO's Inspector General, which amounted to about 58 percent of our total financial benefits for fiscal 2002.

The following table lists GAO's major financial benefits included in our fiscal year 2002 Performance and Accountability Report, followed by summary explanations of the work contributing to financial benefits over \$500 million.

[The information follows:]

GENERAL ACCOUNTING OFFICE FISCAL YEAR 2002 FINANCIAL BENEFITS

[In millions]

Description	Amount
<b>Financial Benefits Exceeding \$1 Billion:</b>	
Preventing Inappropriate Medicare Payments: Advocated Medicare program safeguards help recover or avoid improper payments .....	\$8,100
Improving Farm Loan Programs: Improved controls over USDA loan administration reduces risk of defaults ...	4,800
Reducing the Cost of Federal Housing Programs: Review of unexpended balances at HUD recaptures funds ..	4,800
Adjusting Department of Defense (DOD) Estimates: DOD officials reduced foreign currency exchange estimates .....	1,500
Reducing Nuclear Waste Treatment Costs: New DOE contract for Hanford Tank Waste Project expected to achieve significant cost reductions .....	1,500
Retaining the Substantial Gainful Activity Level: Preserving an inability-to-work test as a qualification for SSA disability insurance payouts .....	1,124
Subtotal—Financial benefits exceeding \$1 Billion .....	21,824
<b>Financial Benefits Between \$500 Million and \$1 Billion:</b>	
Consolidation Initiatives at Department of Defense Computer Centers: DOD consolidation initiatives at its computer centers result in estimated savings and cost avoidances .....	859
Computerized Interfaces Identify Undisclosed Earnings: SSA use of computerized interfaces with Office of Child Support Enforcement database helps prevent or reduce SSI overpayments .....	797
Delaying Full-Rate Reduction of the V-22: DOD restructuring of the Marine Corps program reduces program costs .....	764
More Efficient Use of In-orbit Satellite Capabilities: DOD reduces excess capacity .....	702
Ensuring Contingency Funds are Spent Properly: DOD's fiscal year 2002 contingency funding reduced by Congress .....	650
Reducing DOD Funding: DOD's fiscal 2002 working capital fund request reduced due to overestimate of bulk fuels .....	639
Targeting Tax Credits: Legislative changes in tax laws related to earned income tax credit eligibility rules and Section 936 tax credit achieve savings .....	564
Contributing to the Military Base Closure and Realignment Process: DOD base closures and realignment result in cost reductions .....	545
Increasing Use of Excess Property: DOD improves inventory controls .....	526

## GENERAL ACCOUNTING OFFICE FISCAL YEAR 2002 FINANCIAL BENEFITS—Continued

(In millions)

Description	Amount
Subtotal—Financial benefits between \$500 Million and \$1 Billion .....	6,046
Total of 100 Financial Benefits Below \$500 Million .....	9,900
Grand Total .....	37,770

Return on Investment: \$87.8 per dollar invested in GAO.

*Financial Benefits Exceeding \$1 Billion*

*Preventing Inappropriate Medicare Payments.*—Responding, in part, to a body of GAO work and recommendations, the Congress passed legislation in 1996 that increased funding from fiscal 1998 through fiscal 2003 for activities to help safeguard the Medicare program from improper payments. With this increased funding, the Department of Health and Human Services created a fraud and abuse control program and a Medicare integrity program for a variety of abuse-constraining activities. The increased funding for these two programs helped the Medicare program control improper payments by an additional \$8.1 billion for fiscal 2001 and 2002.

*Improving Farm Loan Programs.*—In 1990, GAO designated the Department of Agriculture's Farm Loan Programs as a high-risk area because of billions of dollars of losses attributable to significant problems primarily with the department's direct loan portfolio. Since then, the department has implemented many of our recommendations to improve the program, and the 1996 Farm Bill incorporated our key legislative recommendations. These changes eliminated the revolving-door credit for which the department had become known and gave farmers strong incentives to repay their loans rather than to seek loan forgiveness or loan refinancing that included write-offs of delinquent debt. During the 5 years following enactment of the 1996 Farm Bill, improvements in the program were estimated to reduce losses on direct loans by about \$4.8 billion, compared with the losses for the 5 preceding years.

*Reducing the Cost of Federal Housing Programs.*—In response to GAO reports and recommendations over the past several years, the Congress, the Department of Housing and Urban Development (HUD), and the U.S. Department of Agriculture's Rural Housing Service took actions that produced financial benefits totaling \$6.1 billion. Over \$4.8 billion resulted from GAO's recommendation that HUD review unexpended balances in all of its programs to ensure timely expenditure of appropriated program funds. The remaining benefits resulted from a series of actions in response to our work. For example, the Congress (1) funded fewer new programs or set-asides than HUD had requested, (2) terminated Operation Safe Home, and (3) enacted legislation that replaced HUD's home mortgage assignment program with less costly alternatives. Additionally, the Rural Housing Service centralized its servicing for rural single family housing loans.

*Adjusting Department of Defense (DOD) Estimates.*—GAO reviewed the reasonableness of the DOD's requests for fiscal 2001 for contingency funding. During internal DOD budget deliberations, DOD officials reduced the agency's foreign currency exchange estimates based on congressional action—due to GAO's efforts—by \$1.5 billion for fiscal 2002 and 2003. These adjustments did not affect readiness, and the Congress used the adjusted funds for other needs.

*Reducing Nuclear Waste Treatment Costs.*—In 1996, GAO reviewed the Department of Energy's (DOE) Hanford tank waste privatization project and found many unresolved technical and financial uncertainties. In 1998, GAO compared DOE's Hanford approach with several alternative contracting and financing strategies and suggested that DOE reassess its approach in light of significant cost growth. In June 2000, GAO testified that DOE should reevaluate its Hanford approach and consider other contracting and financing options. DOE subsequently terminated the Hanford tank waste project, and, after evaluating alternative contracting and financing options, awarded a new contract that is expected to achieve significant cost reductions—about \$4 billion—over the life of the construction phase. The financial benefit for fiscal 2003, 2004, and 2005 is about \$1.5 billion.

*Retaining the Substantial Gainful Activity Level.*—To establish and maintain eligibility for disability insurance benefits, beneficiaries must not only meet medical eligibility criteria but also demonstrate that they are not earning above a certain amount—known as the Substantial Gainful Activity (SGA) level. In March 2000, congressional hearings focused on the role of earnings in determining initial and

continuing eligibility for disability benefits for individuals who are blind or have other disabilities. Prior to these hearings, bills introduced in the House and Senate had proposed eliminating the SGA level for the blind. While an advocate organization for the blind testified that it wanted the Congress to eliminate the SGA level for the blind, GAO responded that doing so would increase the costs of disability insurance and fundamentally alter the purpose of the disability insurance program by removing the connection between eligibility for benefits and the inability to work. As a result of our testimony, the Congress retained the SGA for the blind, resulting in a financial benefit of \$1.124 billion in fiscal 2001 and 2002.

*Financial Benefits Between \$500 Million and \$1 Billion*

*Consolidation Initiatives at Department of Defense Computer.*—GAO recommended that DOD deploy cost savings measures such as consolidation, modernization, and outsourcing of computer center activities and processes to make computer center operations more economical and efficient. As a result, the Defense Information Systems Agency—the agency responsible for managing Defense Enterprise Computing Centers—undertook a major DOD project that led to savings or cost avoidance over a 4-year period covering fiscal 1998 through 2001. More specifically, DOD estimated savings or cost avoidances of \$700 million from consolidation initiatives at computer centers, \$39 million from consolidating software licenses, and \$19 million from optimization of storage capabilities. The net present value of the estimated financial benefit is \$859 million.

*Computerized Interfaces Identify Undisclosed Earnings.*—In 1998, GAO reported that an Office of Child Support Enforcement database, known as the National Directory of New Hires, could be used to help prevent or reduce overpayments of supplemental security income that occur when recipients fail to fully disclose their earnings. We recommended that the Social Security Administration (SSA) develop computerized interfaces to access this database and detect undisclosed earnings during initial and subsequent determinations of eligibility. SSA developed these interfaces, gave all field offices direct access to the database, and instructed field staff to use the database for cases meeting specified criteria. These actions have resulted in financial benefits of about \$797 million.

*Delaying Full-Rate Production of the V-22.*—In January 2001, GAO briefed the Secretary of Defense's V-22 Blue Ribbon Panel about our findings on the aircraft. The Blue Ribbon Panel was formed to investigate the V-22 after a fatal crash in December 2000, just prior to the aircraft's planned full-rate production. The panel received information from GAO about reductions in development testing, test waivers, deficiencies identified during operational tests, and results of an earlier April 2000 crash investigation that also involved fatalities. Much of the information in our briefing about the V-22 had not been previously disclosed. The panel used the information to support its position that the V-22 was not ready for full-rate production and that only a minimum production rate should be continued during additional testing and evaluation of the aircraft. The Congress subsequently rescinded \$446.5 million from the fiscal 2001 supplement request and reduced the fiscal 2002 request by \$296.3 million. The net present value of the two actions is \$763.8 million.

*More Efficient Use of In-orbit Satellite Capabilities.*—In 1998, GAO reviewed DOD's development of the Space-Based Infrared System (SBIRS), under which the launch of the first SBIRS satellite was planned for fiscal 2002. We reported that implementing this plan would put eight excess satellites in orbit without providing sufficient ground processing capabilities for the data the satellites generated. We recommended that the Secretary of Defense review and assess launch alternatives. As a result, DOD delayed the launch of the first SBIRS satellite from fiscal 2002 to fiscal 2004 and subsequently delayed other such launches. These delays, which allow DOD to use existing satellites until the end of their expected lives and avoid 8 years of excess satellite capability, saved about \$702 million in satellite costs.

*Ensuring Contingency Funds Are Spent Properly.*—Since 1991, the Department of Defense has spent more than \$25 billion in support of military operations in the Balkans and the Persian Gulf. In assessing DOD's use of contingency operations funds in fiscal 2000 and 2001, we identified millions of dollars in questionable expenditures resulting from limited guidance and oversight combined with a lack of cost consciousness. In responding to our findings, the Congress reduced DOD funding for those operations by \$650 million in fiscal 2002. In commenting on our report, DOD also stated its intention to improve its guidance for and oversight over the use of contingency funds.

*Reducing DOD Funding.*—GAO reviewed the reasonableness of DOD's fiscal year 2002 budget request for its Defense Working Capital Fund to assist subcommittees in their appropriation and authorization deliberations. GAO estimated the value of

DOD's overstatement due to bulk fuels. On the basis of GAO's findings, the Congress adjusted DOD's budget request by \$639 million.

*Targeting Tax Credits.*—Several GAO studies in the early and mid-1990s evaluated aspects of the design of the possessions tax credit and the earned income tax credit. As a result of these studies, the Congress modified the tax code, replacing the possessions tax credit with a less generous credit that will be eliminated in 2006 and tightening the eligibility requirements for the earned income tax credit. More current information on the 5-year impact of these changes points to \$564 million in revenue savings that GAO has not claimed previously.

*Contributing to the Military Base Closure and Realignment Process.*—Since 1979, GAO has issued a number of reports documenting excess infrastructure within the Department of Defense and supporting the need for a base closure and realignment process. The Congress authorized such a process and enacted legislation requiring us to provide it with a series of reports and testimonies validating DOD's implementation. We monitored and assessed all phases of the decision-making process, including executive-level sessions, for compliance with congressional requirements. In addition, GAO staff assisted commissions that recommended base closures and realignments in 1991, 1993, and 1995. The staff helped shape the commissions' decisions through analyses of issues associated with closing or realigning specific installations. Last year, we reported cost reductions of about \$6 billion associated with our work. Updated DOD data indicate further cost reductions of \$545 million.

*Increasing Use of Excess Property.*—GAO reported that \$2.7 billion worth of military property recorded as shipped to disposal offices was never recorded as received, resulting in losses and write-offs of the property from the military services' books and inventory records. GAO recommended changes that avoided the write-offs and kept the items as part of the services' inventory records until the property was actually disposed of. As a result, the inventory was available for use by DOD customers during the period prior to disposal. For the first 2 years that the changes were in effect, they resulted in savings of \$526 million.

#### HUMAN CAPITAL FLEXIBILITIES

Senator CAMPBELL. You spoke about what you called human capital flexibility. What is an example of human capital flexibility?

Mr. WALKER. Two comments. First, in calendar 2000, this subcommittee was instrumental in helping us to achieve our first set of flexibilities. You gave us the authority to offer targeted early outs and targeted buyouts to realign our workforce rather than downsize our workforce. The Congress, as you know, passed a similar provision for the entire executive branch as part of the Department of Homeland Security Act. We served as a beta or test case for the entire Government.

As far as looking forward, one of the things that I am looking to do, Mr. Chairman, is right now we have to automatically follow the executive branch for the across-the-board pay increases that are mandated each year. I would like some additional flexibility so we do not have to follow them in lock-step. I want to make sure that our compensation is geared more toward the skills, knowledge, position and performance of our employees, rather than the passage of time and the rate of inflation.

Senator CAMPBELL. You are going to have to help me with some of this. As I understand it, about one-third of the GAO's resources go to support costs, which means activities that are not directly in support of the work for Congress. What are some of those support costs, and how does that compare with other Government organizations?

Mr. WALKER. I would respectfully suggest that everybody that works at GAO is contributing to mission, and if they are not contributing to mission, then we should not have them. It is as simple as that. There are differences, though, between the individuals who are actually doing the audits, the investigations, the evaluations,

rendering the legal opinions, and adjudicating the bid protests versus those who are providing support services. Our numbers of staff providing support services are reasonable, and in line with other agencies; in fact, they are coming down.

One of the things we have done over the last 4 years is reduce the number of so-called support services staff by about 13 percent, while our overall number of staff has only gone up about 1 percent. So, we have taken that 13 percent and redeployed it to auditors, investigators and evaluators; those who are directly providing services to the Congress. We will continue to do that to the extent that we can.

#### FIELD OFFICES

Senator CAMPBELL. You have 11 locations, including one in my State, in Denver.

Where is GAO's Denver office located?

Mr. WALKER. GAO's Denver field office is located in the Cesar E. Chavez Memorial Building at 1244 Speer Boulevard, Suite 800, Denver, Colorado.

We would love to have you any time you want to come.

Senator CAMPBELL. Maybe I will try to visit that just so I can learn a little more about your Denver operation. We have terrible deficits and a lot of changes in our budget proposals, as you know. Do you intend to keep those 11 open? What are your plans, at least for the foreseeable future for your field offices?

Mr. WALKER. I do, Mr. Chairman. I think it is important to note that back in the early 1980's, GAO had 42 offices, including 3 overseas offices. When I came in, we had 16 offices and none overseas. I conducted a very extensive review and analysis, and we went from 16 to 11. I believe that these 11 offices are appropriate for the foreseeable future.

#### FIELD OFFICE CLOSURES

Senator CAMPBELL. Did they just consolidate some of the other ones?

Mr. WALKER. We closed five offices, Mr. Chairman.

Senator CAMPBELL. Has that been a substantial savings to do that?

Mr. WALKER. These office closures enabled us to free up some resources to redeploy for other purposes and, therefore, to minimize additional budget requests to the Congress. By the way, some of the authorities Congress gave us helped us tremendously to achieve that objective as well.

#### WALKER V. CHENEY

Senator CAMPBELL. Now, I am not an attorney, so I do not follow an awful lot of the court cases like some of my colleagues, but tell me about the District Court's decision not to hear the Walker versus Cheney case. How does that affect you?

Mr. WALKER. We do not believe it will have a significant adverse effect on GAO and our ability to do our job. That was a case in which a Federal District Court Judge in Washington, D.C. dismissed the case for lack of standing.

We believe it was wrongly decided, based in part on material factual errors. However, I decided not to appeal the case, primarily because it dealt with an area that only represents a narrow percentage of our work, namely the work dealing directly with the Office of the Vice President. Second, this case was viewed by many as being more of a political battle, and I do not want to get in the middle of a political battle. Third, it would have taken years to pursue, even if we had appealed the case. So, my view is the better part of valor was to move on and look for a better case in the future. The decision has not had an adverse affect on our access authority since then.

Importantly, the judge did not directly address our statutory rights to information. He did not decide who was right or wrong. He just basically said that the judicial branch should not have to decide this dispute between the executive and the legislative branches. But we are monitoring the situation closely, and to the extent that we believe that we have any problems, we will come to the Congress for appropriate action.

#### EMERGENCY WARTIME SUPPLEMENTAL

Senator CAMPBELL. This week the White House submitted a \$75 billion request for this war and homeland security, which included \$125 million for the legislative branch. Is any of that money in there intended to go to the GAO and what would you use it for?

Mr. WALKER. Well, Mr. Chairman, I am glad you asked that.

We did ask for \$4.849 million which will be used for safety- and security-related improvements, not just for GAO and our employees, but as you know, we are also a contingency site for the House of Representatives. In fact, we housed the House of Representatives during a 2-week period due to the anthrax event that occurred in the fall of calendar 2001.

For the first time in history, OMB did not pass through the entire legislative branch request to the Congress. That is unprecedented. I believe it is inappropriate; it is a separation of powers issue. I would respectfully hope that the Congress would include that \$4.849 million as part of the supplemental, because we believe it is not just necessary for GAO, it is also necessary because of our designation as a possible contingency site for the U.S. House of Representatives.

#### CLOSING REMARKS

Senator CAMPBELL. Thank you. Was the anthrax issue 2 years ago?

Mr. WALKER. Time flies, Mr. Chairman.

Senator CAMPBELL. Okay. I appreciate that. I have no further questions.

Mr. WALKER. Thank you, Mr. Chairman, and I would be happy to answer any additional questions for the record.

Senator CAMPBELL. Thank you. I think we may submit some, particularly Senator Durbin, since he is not yet here.

## GOVERNMENT PRINTING OFFICE

### STATEMENT OF BRUCE R. JAMES, PUBLIC PRINTER

#### ACCOMPANIED BY:

**GEORGE A. TAYLOR, DEPUTY PUBLIC PRINTER**

**FRANK A. PARTLOW, JR., CHIEF OF STAFF**

**JUDITH C. RUSSELL, SUPERINTENDENT OF DOCUMENTS**

Senator CAMPBELL. Our next panel is Mr. Bruce James, the Public Printer, and he will be accompanied by Mr. George Taylor, Mr. Frank Partlow, and Judith Russell, and I assume Mr. James will be the only one making a statement, is that right?

Mr. JAMES. Well, I am the only one making an opening statement, Mr. Chairman, but I may call on my colleagues if your questions are too tough.

Senator CAMPBELL. Go ahead, Mr. James.

Mr. JAMES. Well, I want to welcome you to the subcommittee, too, and I am looking forward to a long and good working relationship with you. As you know, I am the new Public Printer. I have been here since the beginning of December, just a little over 3 months, and have come to the conclusion that this is going to be the best job I have ever had. The reason is, it is the toughest.

This is an interesting situation. The first 2 days I was on the job I spoke with our employees, gave five speeches over 2 days. We never close, as you know, so I was in at 4 o'clock in the morning, I was in at 10 o'clock at night giving speeches, and what I talked to our employees about was the fact that the 19th century was not going to return, and by that I mean that printing as our middle name—the Government Printing Office—may well get in the way of how we view ourselves and how we viewed ourselves over the years.

The United States Government Printing Office has a mission of making certain that we collect all Government documents, we process those documents, we catalog those documents, we distribute the documents to depository libraries throughout the United States, and we preserve those documents in perpetuity. The fact that some of our documents end up with ink on paper is not the main purpose of our mission, and what we are seeing for the first time is that the amount of material that is printed is going to fall below 50 percent. We believe as much as 60 percent of the Government documents this year will be in digital form. They will not see ink on paper.

It does not mean they will not be printed. They may well be printed from a personal computer, but they will not be printed at the United States Government Printing Office or by one of our printers. Therefore, what that means is that it is necessary that we face the future squarely, and that we design a business model for

the Government Printing Office that is a 21st century business model, and that is what we are starting to do.

You probably noticed the article in this morning's Washington Post which talked about the GPO reorganization. I thought it was a good article. I thought they captured the spirit of what we are trying to do. We are reorganizing the GPO to be more flexible to provide much better customer service, to be able to drive decision-making in our organization down to lower levels, to increase the efficiency.

We have also embarked on a strategic planning process that I think at the end of the day will result in a new GPO that is absolutely attuned to the future. It is a three-stage process. The first part of the process is what I call fact-finding, and what we are doing is, we are talking to our customers, we are talking to our employees, we are talking to the printers in the United States, we are talking with librarians, and we are trying to understand exactly where they are going in the future.

We want to understand what our resources are truly, not anecdotally, but what our true resources are, and after we gather all these facts together it is my job to get everybody on the same page and get everybody to agree that these are the facts, and once we have agreement on the facts, then we will move forward to make a plan, and we expect that that plan will outline, as I say, a new business model for the GPO that will be based around a digital infrastructure that will offer to Congress solutions for some of the problems that we face together.

As an example, if you today order a paper document from the Superintendent of Documents, that document will be delivered to you by the United States mail, it will come in a Government-franked envelope, the penalty envelope. You tear that envelope open, and you have in your hands what you have every right to believe is an authentic United States Government document.

On the other hand, if you download that same document from the Internet, you have no way of knowing today that that is an authentic document, so one of the problems that we have to address and solve is, how can we guarantee that information downloaded from a Government Web site is an authentic U.S. Government document?

At the other end of the scale, if we print a document on paper, we have every reason to believe that document will be here 500, 600, 700, 800 years from now. Unless paper documents are exposed to direct sunlight, they will last forever.

On the other hand, if we record it only on magnetic media, it may be gone in 10 years. So as long as Congress charges us with the responsibility for making certain this material will last in perpetuity, we have got to find a solution to this, too, and I believe this will be both a technical solution as well as a business solution.

So we have to end up structuring our organization to take advantage of the new technological opportunities to make certain that we are not just repeating the past, that we are not living in the 19th century. A lot of that has to do with reforming our business practices. I think that I can report to you that at this point our labor organizations, our unions are solidly behind the direction we are

going. We are working together in partnership to move this forward.

I can address and I will address our request from you this year. As Mr. Walker said, we recognize, too, that Congress is going to be limited in what you can appropriate to legislative branch agencies this year, and we are mindful of that. We have two major areas that we are requesting funds for. One is the Congressional Printing and Binding Appropriation. That is to do your work. We anticipate that your work this year will result in a 1.7 percent increase over last year. That is what we are asking for.

The second area is the Salaries and Expenses Appropriation for the Superintendent of Documents, and that is for the distribution of Government information throughout the country. We are asking for a 3 percent increase there for continuing operations, and that is basically to cover mandatory pay and benefit increases, as well as slight price level increases.

We are also asking you to make two investments in the Government Printing Office this year. One of those investments is a \$4.1 million allocation to allow us to replace 10-year-old technology, computer technology used to distribute digital information over the Internet. We simply have waited almost too long to make this kind of investment. We are ready to make it. We have the people in place to wisely spend the money.

The second area we are asking for is a special \$10 million appropriation to help us readjust our labor force. As you undoubtedly know, we have been operating the last few years in the red, and as I have examined the reasons why we have been in the red, it is very clear that our labor costs are above what is required to process the volume of work we have today, the volume and mix of work we have today, and we believe that we are in a position to reduce the labor force by about 10 percent, or 300 people.

We would like to be able to offer an incentive to our labor force to induce some of the people that are eligible for retirement to retire perhaps earlier than when they expected to. We anticipate that a \$10 million investment on your part will result in an \$18 million cost savings next fiscal year to us, so those are the two areas that we are asking you to participate with us in. I think that particularly these capital investments, are modest. They are less than 2 percent of our overall budget, probably should be higher than that, but I am not going to come to you with any proposition that I cannot see a clear payback to, and at this point I can recommend these to you. You will get a payback.

PREPARED STATEMENT

I will be happy to answer any questions you might have, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF BRUCE R. JAMES

Mr. Chairman and Members of the Subcommittee, it is a great honor to be here today to present the appropriations request of the U.S. Government Printing Office (GPO) for fiscal year 2004. It is also a great privilege. There are few posts in the Government and few Federal agencies that have stood the test of time as well as that of the Public Printer and the GPO. I intend to do my best to uphold the tradition of the office while providing the leadership required to guide the GPO into a

new era, to ensure that it remains as relevant and necessary to the information needs of Congress, Federal agencies, and the public in the 21st century as it was for the first 140 years of its existence. With just over three months on the job, I have begun to carry out that promise.

*GPO's Mission.*—GPO has a proud history, one built on innovation, craftsmanship, scale, flexibility, and a singular dedication to meeting the printing needs of the Federal Government and the information needs of the American people. It is one of the Nation's oldest and most venerable agencies, within which the official version of every great American state paper since President Lincoln's time has been produced.

Today we are responsible for the production and distribution of information products and services for all three branches of the Federal Government. Many of the Nation's most important information products, such as the Congressional Record and all other legislative information supporting the U.S. Senate and House of Representatives, are produced at GPO's main plant, a 1.5 million square foot complex that is the largest information processing, printing, and distribution facility in the world. Working in partnership with the American printing industry, GPO also maintains a pool of private sector vendors nationwide to produce print and other information products for the Federal Government, ranging from Supreme Court decisions to IRS tax forms and crop reports for the Department of Agriculture.

GPO's middle name—a name we are going to change—gets in the way of our true mission, which is keeping America informed by distributing the official information products of the Government, thereby sustaining one of the keystones of our 200-year old experiment in freedom: an enlightened public. This is a mission that traces its origins to our Founding Fathers. During the Constitutional Convention, James Wilson of Pennsylvania said, "The people have a right to know what their agents are doing or have done, and it should not be in the option of the legislature to conceal their proceedings," creating the grounds for the constitutional requirement in Article I, section 5, that "Each House shall keep a Journal of its Proceedings, and from time to time publish the same . . ." Later, it was James Madison who eloquently said:

A popular Government without popular information, or the means of acquiring it, is but a Prologue to a Farce or a Tragedy; or perhaps both. Knowledge will forever govern ignorance: And a people who mean to be their own Governors, must arm themselves with the power that knowledge gives.

Congress moved early to establish the "means of acquiring" information that Madison spoke of. GPO's mission today traces its roots to an act of the 13th Congress, which provided for the distribution of congressional and other Government documents on a regular basis to libraries and other institutions in each state for that Congress and "every future Congress." This farsighted act established the antecedent for the Federal Depository Library Program, a program funded through GPO's appropriations, which today serves millions of Americans through a network of some 1,200 public, academic, law, and other libraries located in virtually every congressional district across the Nation. Along with that program, GPO today also provides public access to the wealth of official Federal information through public sales, through various statutory and reimbursable distribution programs, and—most prominently—by posting nearly a quarter of a million Federal titles online on GPO Access ([www.gpo.gov/gpoaccess](http://www.gpo.gov/gpoaccess)), GPO's award-winning Web site that is used by the public to retrieve more than 31 million documents free of charge every month.

*New Strategic Direction.*—Just as GPO's middle name gets in the way of understanding our true mission, the nature of what we do, printing—once the world's only mass communications medium—has been eclipsed by revolutionary changes in electronic information technologies, principally the Internet. Where once printing predominated as the means of communication between the Government and the public, new and ever-evolving strategies of communications are not only possible but have become mainstream practices, changing how America is kept informed.

While printing will not disappear in our lifetime, its role in our lives—and in the lives of GPO's customers—has been forever changed. We are now in a period where we need to sort out what continues to belong in print and what best belongs in information retrieval systems that allow the public to define their own information needs, then search against databases of information that we construct to retrieve only what they need, only when they need it. Therein lies the challenge for GPO. Like every other manufacturing business in America, GPO must reinvent itself if it is to remain relevant and viable for the future. We must take a new look at the changing and emerging information needs of our customers and develop a deeper understanding of our true strengths so that we can plan for and build a new business model that will allow us to meet the information demands of our customers

in the 21st century. Then we must convince Congress and our customers to support our plan. As Public Printer, I lead this effort.

To develop a plan that works, our first step is to determine the facts regarding GPO's strengths and weaknesses and the problems and opportunities facing us. We are already engaged in that process through participation in a wide-ranging General Accounting Office study of Federal printing and information policy, ordered by the Senate. In a related effort, the GAO is also conducting a general management review of our operations. When these studies are concluded later this year we will have a factual basis on which to build a strategic plan.

The plan will present a new vision of GPO, establish specific and measurable short- and long-term goals and objectives, and contain budget and timetable details. Our next task will be to gain support for the plan from Congress, the Administration, and our customers, from the library and information communities, from the printing industry and the labor unions, and from all those who have a stake in the future of the goals of Federal information policy first articulated by the Founders. Then we must carry out the plan, to transform GPO into an information service equipped and staffed to meet the information demands of the 21st century: an agency whose mission will be to capture digitally, organize, maintain, authenticate, distribute, and provide permanent public access to, the information products and services of the Federal Government.

*Transformation Process Begun.*—Since I took office in early December, we have begun several initiatives to redirect the GPO's focus and begin transforming our operations:

—*Reorganization.*—We have implemented an organizational model that is relatively new to the Federal Government but widely used in industry, wherein the chief executive officer (Public Printer) focuses on organizational policy and long-range planning and the second in command (Deputy Public Printer) serves as chief operating officer focusing on the day-to-day operations of the business. Working in collaboration with GPO's senior managers, we have rolled out a new top-level organizational structure that will be more responsive to the needs of our customers and employees and serve in a transition phase over the next two years.

—*Focus on Employees.*—Through a series of round-the-clock meetings to cover all three shifts, I've met with most of our employees and their union representatives in our central office, and to date I've visited GPO operations in Laurel, Philadelphia, Denver, and Pueblo. I've asked for their help in retooling GPO from top to bottom into an organization that will make us all proud. The response has been highly positive: our employees are ready and eager for change, and I continue to be impressed by the superior quality of the personnel who staff the GPO. We've begun recruiting efforts at colleges and universities around the country to begin reversing the decades-long drain on GPO's talent. We've implemented the first new employee incentive program at GPO in over a decade to reward creativity, dedication, and initiative. We've expanded our workforce development budget to \$3 million—just 1.5 percent of our overall budget, but 5 times the amount previously allocated—to ensure that no one is left behind as we transform our operations, and we've altered our workforce development policy to emphasize training that is mission-related, not simply job-related. We're expanding the use of digital communications internally, and we've created a new Employee Communications Office to provide employees with the information they need to do their jobs effectively.

—*New Image.*—We've redesigned GPO's logo to create a new image that moves us away from printing and into the 21st century area of digital information processing and multi-media dissemination.

—*Emphasis on Customer Service.*—A principal goal is to redirect GPO's operations toward customer service—helping our customers meet their goals, rather than bending their needs to fit what we provide. I've been meeting with Members of Congress, key congressional staff, Federal agency heads, the heads of Federal operations with congruent missions—such as the Postmaster General, Director of the Bureau of Engraving and Printing, and Director of the Mint, the library and information communities, the printing industry, and others—to win support for the GPO and increase our future business opportunities. I am especially interested in exploring ways of helping Congress reinvent its information products to help expedite its work.

—*Resolution of Printing Controversy.*—One of my earliest meetings was with Office of Management and Budget (OMB) Director Mitch Daniels, where we reached an agreement to set aside the contention between our agencies regarding Federal printing policy. Since then, OMB sent the U.S. Budget to GPO for production and the proposed policy change in printing has not been issued. I

have asked Mr. Daniels to walk forward with me as we establish the facts about printing and information policy and devise a policy that fits the 21st century, and I look forward to working with OMB on this important task.

—*Technology Innovation and Partnerships.*—I've also been meeting with the top management of our suppliers—from printing companies to equipment manufacturers—to explore the opportunities for the GPO to assume a leadership position in technological innovation in the digital information era. As part of our reorganization I've created a new Office of Innovation and Partnerships to get us moving on technology opportunities. It will also guide us in the creation of partnerships with other public and private sector entities to carry out our mission. Partnerships—the use of which is widespread in industry—will be critical to the transformation of the GPO.

—*Depository Libraries of the Future.*—In meetings with members of the library community at the American Library Association Midwinter Conference in Philadelphia, and at the upcoming Regional Conference of the Depository Library Advisory Council, I have challenged all to help us in developing a new depository library program model that recognizes that more than 50 percent of the information coming into the program is now only in electronic form, never reaching ink-on-paper. This is one of the biggest challenges that confronts us today, and its resolution will directly impact the appropriations that are provided annually for this purpose.

—*Contingency Planning.*—Part of our reorganization was the creation of a Contingency Planning effort, reporting to the Chief of Staff, to plan for emergency preparedness, protection of our employees, and continuity-of-government operations in concert with similar planning efforts in Congress, Federal agencies, the District of Columbia, and elsewhere. We are working directly with the House and Senate to ensure continuity of operations in the event of an emergency, and we are finalizing operational improvements funded through the fiscal year 2001 emergency supplemental.

*GPO's Appropriations.*—The transformation of GPO will be a collaborative process, one that involves all of GPO's stakeholders, especially Congress. With the transformation we will provide Congress, Federal agencies, and the public an agency equipped and staffed to bring about change in Federal information products and services. In order to make the transition happen, however, GPO needs funding not only to continue product and service provision, but to begin making the investments we know are needed now to position us for the future. Our appropriations request for fiscal year 2004 is targeted at these two objectives: maintenance of product and service quality, and investment in necessary technology improvements and critical workforce restructuring initiatives. With the proper funding, we will be able to carry out the task of remaking the GPO.

GPO has three separate appropriation accounts: the Congressional Printing and Binding Appropriation, and the Salaries and Expenses Appropriation of the Superintendent of Documents, and the Revolving Fund.

The Congressional Printing and Binding Appropriation covers the estimated costs of producing the Congressional Record, bills, reports, hearings, documents, and related products required for the legislative process. This appropriation is critical to the maintenance and operation of GPO's in-plant capacity, which is structured to serve Congress's information product needs. It also covers database preparation work on congressional publications disseminated online via GPO Access.

The Salaries and Expenses Appropriation of the Superintendent of Documents is used to pay for costs associated with documents distribution and information dissemination functions required by law. The majority of the appropriation is for the Federal Depository Library Program (FDLP), under which Government publications and information products are disseminated to 1,200 Federal depository libraries where they are available for the free use of the public. Related statutory functions covered by this appropriation are cataloging and indexing, by-law distribution, and the international exchange distribution of U.S. Government publications. Finally, this appropriation provides the majority of funding for the operation of GPO Access.

The Revolving Fund is structured to provide working capital for GPO's operations, and to fund routine improvements to equipment and facilities. Non-recurring or extraordinary costs are met by appropriations to the Revolving Fund for specific purposes.

*Continuation of Services.*—For the Congressional Printing and Binding Appropriation, we are requesting \$91.1 million for fiscal year 2004, an increase of 1.7 percent over the funding recently approved for fiscal year 2003. This amount will cover all estimated congressional printing requirements for fiscal year 2004, as detailed in our budget submission.

GPO is fully prepared to assist the Secretary of the Senate, the Clerk of the House, the leaderships of both Chambers, and Members, committees, and staffs in efforts to improve the utility of congressional information products and services to the legislative process and reduce costs through the elimination of waste and duplication of effort. Rather than solely responding to requests from Congress, I view GPO's role as one of providing expert advice and assistance to Congress in the area of legislative information products and services, and we will be proactive in exercising this role. We are also prepared to participate in the Legislative Branch Chief Administrative Officers Council mandated by the conferees on the Legislative Branch Appropriations Act for Fiscal Year 2003 (H. Rpt. 108-10).

For the Salaries and Expenses Appropriation of the Superintendent of Documents, we are requesting an increase of 3 percent, or \$871,000, over the amount approved for fiscal year 2003 to cover mandatory pay and benefits increases as well as price level changes.

The transition to a more electronic Federal Depository Library Program (FDLP) is continuing in fulfillment of direction from Congress that "emphasis should be on streamlining the distribution of traditional copies of publications which may include providing online access and less expensive electronic formats." Nearly 60 percent of the 34,800 new FDLP titles made available during fiscal year 2002 were disseminated electronically. For fiscal year 2003 to date, nearly 60 percent of the new titles made available to the public through the FDLP have been online. Through its electronic information dissemination component, the FDLP now delivers more content to users than ever before. However, in order to preserve public access, the distribution of tangible formats—defined as print, CD-ROM, and microfiche formats—continues for those titles for which there is no acceptable online alternative. For fiscal year 2002, we distributed approximately 5 million copies of 14,000 titles in tangible formats; overall, tangible formats comprised about one-third of all titles made available through the FDLP.

*Investment in GPO's Future.*—To begin essential investment in GPO's future, we are requesting additional funds above the levels required for continuation of services. These funds, amounting to slightly less than 2 percent of GPO's total annual budget, represent a new point of departure for GPO.

An additional \$4.1 million is requested for the Salaries and Expenses Appropriation to replace obsolete technology used by the GPO Access system by upgrading its search and retrieval system, now nearly a decade old. These funds will also cover depreciation costs for GPO's new Integrated Library System and for our GPO Access mirror site operations, which are essential both to load-balancing for this heavily-used system as well as continuity of government operations. These are information technology investments that will yield proven results as two-thirds of all new titles today are electronic and significant growth in this area will continue.

Also essential to GPO's future is \$10 million we are requesting to be appropriated to the Revolving Fund to cover the costs associated with necessary workforce restructuring under retirement incentive authority established by law. This is an investment in human capital that will enable GPO to manage the size, composition, and skills of our workforce as required by our rapidly changing technology. The efficiency of operations will depend largely on our ability to increase the productivity of the workforce by developing needed skills, replacing aging systems, reengineering work processes, and achieving the right staffing levels. GPO last conducted a retirement incentive program in fiscal year 1994, reducing employment levels by approximately 350 at a cost of about \$9.5 million.

*Legislative Changes.*—Along with our appropriations request, we are seeking two technical legislative changes to Title 44, U.S.C., to improve our ability to attract and retain leadership talent and give us the authority to accept contributions of equipment and services as well as transfer or donate surplus equipment to appropriate entities. Both changes would significantly assist my vision of transforming the GPO.

—We have submitted language requesting a revision to 44 U.S.C. 303 to increase the statutory pay levels of the Public Printer and Deputy Public Printer. The current levels have been in place for more than a decade and are causing pay compression for GPO's senior level service. The maximum salary available to GPO's senior level service is capped at Executive Level IV, \$134,000. By contrast, 60 percent of the Senior Executive Service in the executive branch is paid at the current cap, \$142,500 (the same as Executive Level III), according to a recent new report from the National Academy of Public Administration. Without the ability to compete on a level playing field with executive pay for the rest of the Federal Government, much less with executive pay in the private sector, we will be unable to recruit and retain the talent we need to bring change to the GPO.

While we have submitted language adjusting the pay Executive Levels II and III, a more appropriate model exists in the pay system for the Director and Deputy Director of the Congressional Budget Office (CBO), adopted by Congress in the Legislative Branch Appropriations Act for Fiscal Year 1999: the Director is paid at "the lower of the highest rate of compensation of any officer in the Senate or any officer in the House of Representatives." The Deputy is paid \$1,000 less than the Director. This model would satisfy our objective of alleviating pay compression without raising the Public Printer's pay to the level of the pay Members of Congress receive.

—We are also requesting authority to accept contributions of property and services on behalf of the GPO. Currently, GPO is not authorized by law to accept uncompensated contributions of property and services. This authority will allow us to accept the placement of prototype equipment for beta-testing and systems trials without requiring a significant Government investment, providing us with the flexibility we need to evaluate new and emerging technologies onsite in this period of rapid technological change. It will also permit us to operate intern programs associated with academic printing, technology, and management programs, and to work with the private and non-profit sector on the development of programs designed to increase the public visibility of GPO's operations, such as the creation of a printing museum similar to the U.S. Postal Service Museum located nearby.

The authority we are requesting is similar to donation acceptance authorities possessed by many Federal agencies, such as the Library of Congress, the U.S. Court of Veterans Appeals, the Department of Housing and Urban Development, the Consumer Product Safety Commission, the Department of Commerce, the Administrative Office of United States Courts, and the Department of Labor. However, the language we have submitted is primarily for placeholder purposes with the recognition that it may be subject to further revision. Of course, acceptance of contributions of property and services would be subject to the usual limitations covering donations to the Government.

—Finally, we are requesting the authority to transfer or donate surplus property. GPO's equipment profile will undergo significant change in the coming period, and the appropriate disposition of surplus property would be facilitated with the authority to transfer or donate surplus property similar to that possessed by the Administrator of the General Services Administration. Currently, when any GPO property is declared surplus it must be sold to the highest competitive bidder. In addition to imposing an administrative burden in the conduct of the sale, this process often results in a price that is extremely low when compared to the actual value of the item when in use. We are proposing language that would provide us with discretionary authority to transfer or donate surplus GPO property to specific governmental and non-profit entities such as other Federal entities, educational or non-profit institutions as defined by the Internal Revenue Code, or state or local governments. In addition, it would allow us to donate surplus publications rather than destroying them and selling them as scrap paper.

*Representation Allowance.*—We are requesting an increase for GPO's representation fund. The fund will be important in our effort to promote the concept of changing the GPO. We need to re-connect with our many vendors and customers as we attempt to regain our momentum and re-establish ourselves as the premier agent for the collection, dissemination, and preservation of the Government's information. Its use also will afford the GPO many first hand opportunities to hear the concerns and needs of the people and institutions we serve, especially those that will be essential to our future success. The fund will be subject to established limitations on its use. We will continue to make it available for official councils and groups advising the Public Printer, such as the Depository Library Advisory Council.

Mr. Chairman and Members of the Subcommittee, I truly believe GPO's appropriations request for fiscal year 2004 represents a new departure for this agency in preparing for the future. I thank you for your support and encouragement of change at the GPO, and I look forward to working with you and the Appropriations Committees in your review and consideration of our request. This concludes my prepared statement, and I would be pleased to answer any questions you may have.

Senator CAMPBELL. I have a couple, but before I do, I would like to invite Senator Durbin if he has any comments before we go on.

Senator DURBIN. I will just put my opening statement in the record.

Senator CAMPBELL. Your statement will be in the record then.

[The statement follows:]

PREPARED STATEMENT OF SENATOR RICHARD J. DURBIN

Mr. Chairman, thank you for scheduling today's hearing, the first of five budget oversight hearings to be held by the Legislative Branch Subcommittee this Spring.

Mr. Chairman, I am happy to be working with you on this important bill this year. I had a great working relationship with your predecessor, Senator Bennett, and I am sure you and I will work very well together, too.

This is an important Subcommittee. There are 12 other Appropriations Subcommittees that fund all of the Executive Branch Agencies and Departments. The Legislative Branch has this one Subcommittee in which we need to fund all of the tools and resources required of a co-equal branch of government.

As you know, I was Chairman of this Subcommittee for most of the 107th Congress and believe that Senator Bennett, the other Subcommittee Members, and I accomplished many great things during the last few years.

In fact, one of my accomplishments as a Senator that I take the most pride in is the student loan reimbursement program for Congressional staff that was initiated by this Subcommittee.

We ask for tremendous sacrifices on the part of our staffs up here. The hours are long and highly unpredictable. The work is very demanding. And, frankly, the pay is not that great.

Despite all of that, Hill staff are the most loyal, dedicated, and talented group of people I have ever met. Anything we can do, however small, to encourage young people to make public service a career is worth pursuing.

More and more Member Offices and Committees are taking advantage of the student loan reimbursement program each year and that pleases me to no end.

Today we are going to hear from three important Legislative Branch agencies, the General Accounting Office, the Government Printing Office, and the Congressional Budget Office. I join Chairman Campbell in welcoming David Walker, the Comptroller General of the United States, Bruce James, the U.S. Public Printer, and Douglas Holtz-Eakin, the Director of the Congressional Budget Office to today's hearing.

Gentlemen, all of you seem to be requesting, with one or two exceptions, relatively modest cost-of-living increases for your organizations this year. Obviously, this is prudent, up to a point, during a time of both recession and war.

However, it is important to the Members of this Subcommittee that you have the resources you need to do your jobs effectively and efficiently.

To the extent that any of your budgets request have holes in them that are going to negatively impact your performance during fiscal year 2004, I hope you will share those concerns with us.

Two points before I wrap up:

First, Mr. Walker, I hope you will spend several minutes today discussing whatever plans or thoughts you have concerning access to executive branch information in light of the recent events surrounding the Cheney suit. We need to know what you need from Congress in order for you to be able to continue to be effective in your role as the investigative arm of Congress.

Let me also say that I appreciate the way you have chosen to work with Congress on such a sensitive issue. This was a very delicate matter and I thought you navigated it pretty well under difficult circumstances.

Second, Mr. James, I want to express my appreciation to you for your dogged determination to work with the OMB to try to get a truce declared in their on-going war against public printing. It seems that you are being given some time to make your case to the Budget Director, so, for the moment, I am willing to stand down on this issue. You showed up ready to work on Day 1 as the Public Printer and I respect that.

I am looking forward to hearing your testimony about your plans to modernize the Government Printing Office.

Mr. Chairman, I will conclude here and request that my entire statement, as well as a series of questions, be made a part of the record.

Once again, congratulations on becoming Chair of this important Subcommittee. Thank you.

REVOLVING FUND

Senator CAMPBELL. Since we have one more witness before we run to vote, let me just do a couple of short ones. You talked about

the losses you had and, as I understand it, those losses have totaled, since 1988 through 2002—\$44.6 million. How do you operate with that many shortfalls over that number of years, and I know you just came on board. You might not know the total answer to that, but give me an idea.

Mr. JAMES. I can certainly explain to you where the money is coming from.

Senator CAMPBELL. I can, too, from here.

Mr. JAMES. I absolutely shake my head when I look back and see the losses and the fact that they have continued year after year after year. The enterprise has not been run as a business, as you might expect, when you see these losses.

Senator CAMPBELL. Is that what you would consider a major weakness, that it has not been run like a business?

Mr. JAMES. Absolutely. Absolutely. The losses have been funded by our revolving fund. The revolving fund consists of retained earnings. Those are earnings that have been built up over 50 years. The purpose of those retained earnings is to replace obsolete equipment, and what we have been doing instead is funding these losses year after year and, in essence, eating into our future.

#### GPO WORKFORCE

Senator CAMPBELL. I understand about half of your workforce is eligible for retirement. You talked a little bit about that, but if you have that many that are eligible for retirement, that means if you downsize on the number of people, you will just not hire replacements. It will be kind of a painless way of downsizing for the people that are working there, I assume. Is that right?

Mr. JAMES. Exactly. We are looking for a painless way to downsize. Now, clearly we will be adding people back into the organization, and I want to emphasize that, because for a period of 20 years the GPO dropped from 9,000 to 3,000 folks, and during that period they added almost no one into the organization, so today I have almost no one from 30 to 50 who is a manager in the organization, and that is seriously hurting succession, so while we are reducing the force in total, we will be selectively adding back in the skills that are required for the future.

#### TECHNOLOGY

Senator CAMPBELL. You also mentioned something about the 19th century practices. I am not a real high-tech guy, but I will tell you that it seems to me every 2 years or 3 years the things you were using 2 or 3 years ago are already obsolete, so I can understand in your Department you are going to have to have a major effort to stay ahead of the curve on new technology.

I will submit the rest of my questions to you in writing if it is all right with you, Mr. James.

I would like to invite my colleague and friend, if there are any questions he has.

Senator DURBIN. Thank you, Mr. Chairman. It is good to be with you in your new capacity, and I look forward to working with you, and you have a great assistant there who has helped all of us over the years. Let me ask you, Mr. James, it sounds like when you get

to the GPO, coming out of the private sector, it is not a business that you would have wanted to buy.

Mr. JAMES. I would have not bought it except for the opportunity. There is a tremendous opportunity here. It is what got me to leave the hills of northern Nevada and a wonderful living condition, the opportunity to come in here and look at this enterprise and figure out how to take it into the 21st century. What the Government Printing Office has accomplished on behalf of the country in the last 150 years is truly amazing.

If you think about this, we have the record of the Government spread throughout the United States. There is no one action that could ever wipe out the record of the Government. We have people in every State in this Nation in the principal population areas able to walk into a library and access any document the Government has produced. It is a tremendous legacy, and my fear is that if we are not very careful, that we will leave this behind as we move into the digital world, and we may well lose the record of the Government. It is worth coming in and trying to figure this out.

#### PRIVATIZATION

Senator DURBIN. So the people who say, privatize it, get rid of it, it was inefficient and we can do this by contracting out, would you disagree with that conclusion?

Mr. JAMES. Well, I think they may be not well-informed, and I say this to you, Senator, actually during the Second World War the Government Printing Office became overwhelmed with the amount of work they had, and for the first time began to contract printing out to the private sector. They were amazed at how well that went, and it has continued ever since. Today, we contract out about 80 percent of the Government's printing requirements to the private sector. Last year, we had more than 2,500 printing companies throughout the country in every State as contractors to the Government Printing Office.

Senator DURBIN. When you decided to bid on the 2004 Federal budget and turned in a bid, according to the news reports, 24 percent lower than last year, was that to make a point, take a bath, or did you find that much efficiency?

Mr. JAMES. Let me say this, this transpired before I took office. The bidding process was completed when I came in, and I did have an opportunity to talk to Mr. Daniels about this before he made a final decision.

In reviewing the bid that the Government Printing Office made, I thought it was a very intelligent bid. You know, there are two prices for a piece of printing. The first price is that when you give a printer a set of specifications you say, I want to print a 100-page book, it will be black and white, it will have this number of copies, this is what the manuscript will look like, and this is the date I need it.

The final price is based on how many pages there actually were, how many changes you made to that manuscript, what kind of overtime you required for it. So what the Government Printing Office did was give the OMB a price for the specifications that they gave us. It happened to be about \$100,000 below the year before.

When the final bill is rendered, my guess is it will be similar to what it was last year.

Senator DURBIN. Thanks a lot. Thanks, Mr. Chairman.

#### ADDITIONAL COMMITTEE QUESTIONS

Senator CAMPBELL. Thank you, and as I mentioned before, Mr. James, we will probably submit some questions in writing too, if you could answer them, we would appreciate it.

Mr. JAMES. Thank you, Mr. Chairman.

Senator CAMPBELL. Give my regards to all our friends in Reno, too.

Mr. JAMES. I will definitely do that.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

#### QUESTIONS SUBMITTED BY SENATOR BEN NIGHTHORSE CAMPBELL

##### CHALLENGES AT GPO

*Question.* GPO faces many challenges—half of its workforce is eligible for retirement, more agencies are using electronic means of producing information rather than printed materials, the Administration last year challenged the legal requirement that all government printing be done through GPO.

How do you plan to address these issues and what is your vision for GPO's future?

*Answer.* We have begun to transform the Government Printing Office into an information service facility for the 21st century. With your support, we will restore GPO's leadership in the graphic arts industry and make GPO a reliable and responsive provider of Government information. Through an inclusive process, we are redefining GPO's mission and strategy to meet the challenges of today and the future. We are working with our customers and stakeholders to identify their needs and concerns. The demands of Congress, the agencies, and the public will guide us in identifying the optimal technologies to employ to meet those requirements. The GAO is presently conducting a congressionally-mandated study of Federal Government information dissemination. The GAO is also conducting a management audit of GPO, which I requested. These studies will help us to focus on needed changes. The transformation of GPO will require investment in people and systems. The results will be improved effectiveness and efficiency and increased value to the customers we serve.

Regarding OMB's challenge to the legal requirement to use GPO, I have asked OMB to cooperate with us in leading the GPO into the 21st century by addressing the issues most important to the future. For OMB to allow agencies to by-pass GPO would be a policy change geared to addressing the 19th century, not the 21st century. It is to the public's benefit to keep the GPO intact to lead in the transformation of the government's printing and information policy.

While printing technology and practices are changing, librarians, historians, researchers, Members of Congress, and citizens will continue to need an easy to use, organized, predictable gateway to authenticated Government information and the knowledge that the information will be available to the public in perpetuity. OMB and GPO should cooperate in redesigning GPO to ensure the best interests of taxpayers are met.

*Question.* How would you assess GPO's strengths and weaknesses? What gaps does GPO face in the number, skills, and competencies of its employees?

*Answer.* GPO has great strength in the quality of employees and their dedication to GPO's mission. However, we need to ensure that GPO employees are trained in the right skills and motivated by an organization that promotes change, encourages initiative, and recognizes accomplishments. I have increased employee training significantly and we are now rewarding performance and initiative. Our workforce needs to develop more of the skills required to use the best available technologies to meet customer needs. This requires that the workforce become more highly trained with emphasis on digital formats, databases, and electronic communications. We have also begun to examine the constraints and excess costs associated with the building in which we operate. It is not suitable to efficient manufacturing operations.

*Question.* How do you see the mission of GPO evolving in response to changing technology?

*Answer.* GPO ensures the public's access to Government information. Since 1813 the Government has been gathering its information and documents, organizing and cataloging them, and making them available to the general public. GPO has carried out this mission with printing, then microfiche, later CD-ROMs, and now with on-line distribution of digital titles. Our mission is unique; no other agency of the Federal Government is charged with this responsibility or would begin to understand how to collect documents from all three branches, how to organize and catalog the documents so they are usable, how to distribute them to the 1,200 depository libraries, how to sell them to the public, and how to preserve permanent public access to Federal information and documents. We see a continued decline in the volume of paper documents and an increase in the use of electronic databases to access Government information. Increasingly, our role will be to capture digitally, store, authenticate, convert, and channel Government information to the public in all relevant media.

*Question.* How will your interim reorganization help GPO move in the right direction? What are the objectives of the reorganization and how it will impact the services provided to Congress?

*Answer.* The reorganization is designed to provide a greater customer focus, delegate decision-making, provide an enterprise view of technology, and make GPO more adaptable to change. Our principal goal is to redirect GPO's operations toward customer service—helping our customers meet their goals, rather than bending their needs to fit what we provide. We are especially interested in pursuing our vision of helping Congress to reinvent its information products to help expedite its work.

*Question.* What actions will you take to make GPO operate in a more business-like manner?

*Answer.* At this Committee's request, GAO is presently conducting a study of Federal Government printing and information policy. The GAO is also conducting a management audit of GPO, which we requested. These studies will help us to focus on needed changes. Over the next several years, the transformation of GPO will require investments in people and systems. The results will be improved effectiveness and efficiency and increased value to the customers we serve. We are implementing a buy-out program to increase efficiency.

*Question.* What actions does Congress need to take to help GPO operate in a more business-like manner?

*Answer.* We urge that Congress support our request for \$10 million for a separation incentive program that will result in a reduction of 300 positions. More than half our workforce is eligible to retire. This investment is necessary to reduce costs and will result in a savings of about \$18 million per year. An additional \$4.1 million is requested for the Salaries and Expenses Appropriation to replace obsolete technology used by the GPO Access system by upgrading its search and retrieval system, now nearly a decade old. A new search engine must be acquired and the databases brought forward to take advantage of the new technologies and ensure that data will not be lost through technological obsolescence.

#### GPO OPERATING AT A LOSS

*Question.* GPO is losing money in each of its business lines—a total of \$44.6 million since 1988 through 2002, and \$3.8 million for the first quarter of fiscal year 2003.

How do you operate with these shortfalls?

*Answer.* The shortfalls were funded from retained earnings, which otherwise would have been available to replace and modernize equipment and systems.

*Question.* What are the principal reasons for your losses?

*Answer.* The principle reason for the losses in the past was GPO's inability to adapt its operations and cost structure fast enough to respond to the rapid pace of changes in technology and how customers produce and access Government information. Moreover, GPO's building is not suited to the purposes employed, causing excess cost to be incurred.

*Question.* When will you run out of money in the revolving fund?

*Answer.* If we did nothing, GPO would run out of available cash in about 12–15 months. GPO is adopting new business models, proposing a separation incentive program, and taking other actions to bring revenue and expense into balance.

*Question.* What assurance can you provide that appropriated funds are not supplementing the cost of providing printing services to executive agencies?

*Answer.* An independent CPA firm audits GPO financial statements annually. GPO receives unqualified opinions—the highest assurance an auditor can give. GPO

has an accounting system, that properly controls cost reporting in the revolving fund and maintains separate accounting over each of its appropriations.

#### CONTRACTING COSTS

*Question.* GPO contracts out more than 80 percent of its work to private contractors.

What is the basis for GPO's 7 percent surcharge for the administrative expenses it occurs for contracting on behalf of agencies?

*Answer.* The surcharge covers all GPO expenses to administer our Printing Procurement Program. No funds are appropriated by Congress directly to GPO to support this program. GPO printing contracts are developed and carried out by knowledgeable printing experts via a package of procurement support services. This program saves agencies much more than the surcharge.

The surcharge covers the cost of a wide variety of services: GPO reviews requisitions and offers suggestions for economizing; develops specifications; competes, awards, and administers contracts; performs press inspections and other on-site reviews to assure quality; performs quality control reviews utilizing a unique program that quantifies quality ranking factors that has become widely recognized throughout the industry; provides voucher examination and payment services; provides legal advice on contracting; and makes available a dispute resolution service through GPO's Board of Contract Appeals. These same services would have to be provided by each executive agency if they procured printing themselves, leading to huge additional costs for duplication of effort.

*Question.* I understand this surcharge does not cover your costs in the procurement program. Why?

*Answer.* In fiscal year 2002, our Printing Procurement Program lost \$3.8 million on revenue of \$470 million, a loss of about eight-tenths of one percent. This loss is because GPO has not reduced operating costs commensurate with the decline in printing procurement volume of over 30 percent in the past three years. Our plans are to reduce costs to turn these results around. We are developing a new business model that involves replacing legacy systems and implementing electronic commerce. Our planned separation incentive program will also help to reduce costs.

*Question.* Is GPO exploring increased use of streamlined procurement vehicles to reduce GPO's transaction costs for smaller print procurements?

*Answer.* We purchase excess press capacity throughout the Nation by allowing any of 13,000 GPO certified printers to compete for any job they are equipped to handle. The result is very inexpensive printing, perhaps less than half the cost that would be paid by a private sector purchaser or Government agency acting in its own behalf. The difficulty in purchasing extremely low cost printing as the GPO has traditionally done is that the originating Government customer can't pick the vendor nor the location where it's printed and therefore frequently feels isolated from and unable to control the process to ensure their desired results.

Partially as a consequence of this dissatisfaction, GPO four years ago launched a test program we call Simplified Purchase Agreement (SPA). This program allows agencies to directly bid and purchase printing up to \$2,500 from their choice of local printers without the requirement to accept the low bid. GPO provides only a limited palette of services such as pre-approving printers, bill payment, and depository requirements. Last year, the 43 Federal agencies that have adopted this program purchased 12,000 printing jobs directly on their own using this system. Early indications are that both agency satisfaction and the cost of printing are measurably higher.

#### IN-PLANT CAPACITY

*Question.* GPO has a very large in-plant print operation—at least half of which is used to serve congressional print needs.

What percent of the plant's capacity is utilized? What plans do you have for downsizing GPO's in-plant print capacity to the level required? Are GPO's current facilities and equipment sufficient for the 21st century?

*Answer.* Measured on the basis of 24 hours per day, 7 days per week, potential availability, capacity utilization of equipment is about 10 percent. GPO is not staffed to run the equipment on a 24/7 basis but this is the predominate metric in the private sector. Our plans are to gear capacity to meet peak workload demands of the Congress. This will require the elimination of some equipment and this process has already begun. New technologies are being explored. It will be necessary to substantially retool the agency for the 21st century.

## OFFICE OF INNOVATION AND PARTNERSHIPS

*Question.* Please explain your new Office of Innovation and Partnerships, including its goals and approach and how you plan to obtain and use external scientific and technological expertise.

*Answer.* As part of our reorganization, a recently renamed new Office of Innovation and New Technology has been established to identify, evaluate, and plan for the adoption of technology opportunities. It will also guide us in the creation of associations with other public and private sector entities to carry out our mission. Such associations, the use of which is widespread in industry, will be critical to the transformation of the GPO. We have been meeting with the top management of our suppliers—from printing companies to equipment manufacturers—to explore the future possibilities for technological innovation in the digital information business.

## FEDERAL DEPOSITORY LIBRARY PROGRAM

*Question.* What are the implications for the Federal Depository Library Program of the trend towards electronic documents? Why are libraries pulling out of this program? What do you see as the future for this program?

*Answer.* GPO is spending a great deal of time talking to the libraries that participate in the program about its future and seeking their advice on the essential services that we need to offer to support the depository libraries as the FDLP becomes an increasingly electronic program. GPO is the only Federal agency charged with cataloging and ensuring both timely and permanent public access to the full spectrum of Federal information from all three branches of the Government. This mission will be increasingly important in an environment where Government information is posted to many web sites in many formats, making it difficult for the public to locate it initially and over time.

Authentication of electronic Government publications is a key issue for all of our depository libraries. GPO is working on Public Key Infrastructure (PKI) security services initiative to address this concern by enabling Congress, the Judiciary, and Federal agencies to identify and mark official documents. This would enable users inside of Government and elsewhere, including depository libraries, to confirm the validity of the publications GPO makes available on the Internet for permanent public access. PKI technology will also enable secure electronic transactions among agencies as well as with consumers of Government services and make it easier to safeguard official Federal Government information.

Fugitive documents are an increasing problem as fewer documents are printed through GPO and we must reach out to locate digital copies on agency web sites and through other sources. In the past, most of the documents were identified and obtained through the printing process. That is no longer true and, as a result, we need new tools and additional staff with different skills to locate and acquire publications for the program.

Maintaining GPO Access as a state-of-the-art service on which Congress and other parts of the Government, depository libraries, and the public can rely for current and permanent public access is essential. When GPO Access began in 1994, GPO identified the necessity to refresh periodically the software and hardware that support the service and to migrate the data forward to take advantage of future generations of technology. The initial platform selected for GPO Access has been enhanced and expanded through the years to support the service, but it is now at least two generations behind state-of-the-art systems. A new search engine must be acquired and the databases brought forward to take advantage of the new technologies and ensure that data will not be lost through technological obsolescence. GPO is establishing and will need to maintain backup and mirror sites to ensure public access and to avoid interruptions in service in the event of a catastrophe. GPO must also create appropriate metadata to facilitate identification and preservation of government information. We have requested \$4.1 million for that purpose in fiscal year 2004.

We have 53 regional depository libraries, which receive and permanently retain all publications distributed by the FDLP. At their own expense, they provide public access and preserve the record of the nation as well as ensure permanent public access to the paper and other tangible publications distributed by GPO. That critical group of libraries has remained stable for many years, but they are increasingly feeling economic pressures that cause them to re-evaluate the enormous expense of maintaining large paper and microfiche collections of Government documents. We have begun a dialog with the regional libraries about the value of shared regional collections to reduce the burden on individual libraries, a central collection at GPO to assist them and serve as a library of last resort, and retrospective cataloging and

digitization projects that would increase the utilization of the pre-1976 collections and allow selective reduction in the paper and microfiche collections.

We also have about 1,200 other depositories, which take only a portion of the tangible items based on the needs of the constituents they serve. That group, which we call "selectives," always has some fluctuation as the resources of the libraries and needs of their communities shift. 48 libraries withdrew from the FDLP between September 2000 and February 2003. 30 (62.5 percent) of these libraries were small academic and public libraries in economically disadvantaged areas. In response to this data, we are developing a pilot project that will help comparable libraries that remain in the FDLP to focus their collection and services on Government publications that are specifically applicable to community economic development. We will combine that recommended collection with specialized training on the utilization of the resources and seek training and other assistance from agencies with responsibility for small and minority business development. We may also provide workstations to these libraries since they may not be able to afford the initial investment in appropriate equipment. We hope this program will provide a strong economic benefit and real incentive for such libraries to remain in the program and utilize information available from the Federal Government to assist their communities.

We have just returned from Reno, Nevada, where we participated in a meeting of the Depository Library Council and over 250 other members of the depository library community. That meeting focused heavily on the future of the program and the range of products and services that GPO needs to offer in the 21st century. On the way to Reno we stopped in Tucson to visit the University of Arizona, which has a major initiative underway to become the first all electronic depository library. The rapid transition to electronic publications, which now make up over 60 percent of all items available through the FDLP, has challenged the depository libraries. The response has varied from library to library. Given the range of types and sizes of libraries in the program, it is not surprising that some have adapted rapidly and well while others are still struggling to adjust to the increased demands for training and user support necessitated by searching databases and handling electronic files in a wide variety of formats. We are providing as much support and training as we can, and we are planning a pilot project to place GPO staff in the field to work more directly with libraries to meet their training needs and advise them about best practices for managing a depository library.

#### ADDITIONAL SUBMITTED STATEMENT

[CLERK'S NOTE.—The subcommittee has received a statement from the American Association of Law Libraries, American Library Association, and Association of Research Libraries which will be placed in the record at this point.]

#### PREPARED STATEMENT OF THE AMERICAN ASSOCIATION OF LAW LIBRARIES, AMERICAN LIBRARY ASSOCIATION, AND ASSOCIATION OF RESEARCH LIBRARIES

On behalf of the American Association of Law Libraries (AALL), the Association of Research Libraries (ARL) and the American Library Association (ALA), we write in support of the fiscal year 2004 budget request of the Government Printing Office (GPO). Collectively, these three associations represent thousands of individuals and institutions serving communities throughout the Nation, including the nearly 1,300 federal depository libraries located in nearly every congressional district.

AALL is a nonprofit educational organization with over 5,000 members dedicated to promoting and enhancing the value of law libraries, fostering law librarianship and providing leadership and advocacy in the field of legal information and information policy. ARL is an Association of 123 research libraries in North America. ARL programs and services promote equitable access to and effective use of recorded knowledge in support of teaching, research. ALA is a nonprofit educational organization of 64,000 librarians, library trustees, and other friends of libraries dedicated to improving library services and promoting the public interest in a free and open information society.

#### *Fiscal Year 2004 Budget Request Essential*

We are pleased to submit a statement for the record on the fiscal year 2004 appropriations for the Government Printing Office and the Superintendent of Documents Salaries and Expenses. We urge your support for the Public Printer's fiscal year 2004 budget request of \$135,567,000 for the GPO that includes \$34,456,000 for the Salaries and Expenses (S&E) Appropriation of the Superintendent of Documents

and \$91,111,000 for the Congressional Printing and Binding (CP&B) Appropriation. The S&E request includes \$28.5 million to fund the Federal Depository Library Program (FDLP), \$4.9 million for the Cataloging and Indexing Program, \$.8 million for the International Exchange Program and \$.2 million for the By-Law Distribution Program. This amount includes necessary increases to support the continued operation of the FDLP, its continuing electronic transition plans and the increased demands upon GPO Access.

We urge you to approve the full S&E appropriations request for fiscal year 2004. The majority of the S&E appropriation is for the Federal Depository Library Program (FDLP), by which congressional and other important Government publications and information products are disseminated to the nearly 1,300 participating academic, public, Federal, law and other libraries nationwide. We find the request of \$4.1 million to replace obsolete technology and upgrade the retrieval system for GPO Access to be of crucial importance, since each day thousands of Americans rely on the GPO Access system to locate the important electronic government information they need.

The FDLP and GPO Access are vital to the dissemination and access of Federal government information to our citizens. We believe that the fiscal year 2004 S&E budget request is essential to the continued transition to a more electronic program and the continued success of GPO Access. Since GPO is responsible for permanent public access to the content of its Electronic Collection, funding to strengthen digital archiving and migration capabilities is a critically important component.

#### *Growth of GPO Access and the Electronic Collection Impressive*

The FDLP is a unique program and one of the most effective, efficient and successful partnerships between Congress and the American public. The FDLP provides your constituents with equitable, ready, efficient and no-fee access to Federal government information in an increasingly electronic environment. Today Congress, government agencies and the courts increasingly are relying on state-of-the-art technologies to create and disseminate government information through the Internet.

One of the critical keys to GPO's successful transition to a more electronic program has been the growth of the GPO Access system, a central access point within the GPO for electronic government information that today makes available to the public approximately 225,000 titles. Created by Public Law 103-40, GPO Access has grown into a unique digital collection of official government databases from all three branches of government including the Congressional Record, the Federal Register and the Code of Federal Regulations. Currently an average of 31 million documents are downloaded by the public each month, a substantial increase from last year that attests to the importance and value of this award-winning system to the American public.

GPO has continued to make excellent progress over the past year in enhancing its Electronic Collection. GPO constantly adds new data and products to the system, building a current collection of valuable new electronic resources. At the same time, GPO provides permanent access to core legislative and regulatory information and to agency information managed by GPO on GPO servers. Each year, this historic electronic collection grows, requiring GPO to meet its responsibility for ensuring permanent public access. This function presents probably the most difficult challenge of the networked electronic environment. Just as the government has an affirmative obligation to provide current access to its information, in the digital arena this obligation extends to ensuring the preservation of and permanent public access to electronic government publications.

#### *FDLP Libraries' Significant Services and Investments*

Each participating federal depository library makes significant investments to ensure that the public has effective access to government information. For example, FDLP libraries invest in technologies to assist in accessing electronic government information. These investments exemplify the substantial costs that participating depository libraries incur in order to provide your constituents with equitable, ready, efficient and no-fee access to government information in both print and electronic formats. These costs include providing highly trained staff, adequate space, necessary additional materials, expensive equipment and Internet connections. The success of GPO Access cannot be measured without acknowledging the substantial costs covered by libraries.

Federal depository libraries serve as important channels of public access to government publications and contribute significantly to the success of this Program. The government's responsibility to make government publications in both tangible and electronic formats available to depository libraries is successful because of the necessary partnerships developed between the Federal government, the GPO, and

the Federal depository libraries. In order for GPO to continue to increase the amount of government information available for current and future public access through the Internet and in order for the Federal Government to fulfill its responsibilities for this partnership, it is critically important that Congress provide adequate funds to support the transition to a more electronic program.

*Importance of Full Funding for the CP&B*

We also urge your support for the Public Printer's request of \$91,111,000 for the Congressional Printing and Binding (CP&B) appropriation. Broad public access to legislative information, including the Congressional Record, the text of bills, as well as committee hearings, reports, documents and other legislative materials, is crucial to the ability of our citizenry to engage in the political process. Indeed, recent polls have demonstrated the public's increasing awareness of and thirst for information from their government, including Congress. Full support for the CP&B request will ensure the necessary electronic infrastructure to make congressional materials available in a timely manner for permanent accessibility through GPO Access and will maintain GPO's inplant printing operation for Congress.

Chairman Campbell, we are very grateful to you and to members of the Subcommittee for your past support of GPO Access, the Federal Depository Library Program and GPO's Congressional Printing and Binding services. The investment in systems and services to provide the public with government publications in all formats will ensure that valuable electronic government information created today will be available and preserved for future generations. We respectfully urge your continued support by approving the Government Printing Office's fiscal year 2004 appropriations request in its entirety. We ask that you please include this statement as part of the recent hearing record. Thank you very much.

## CONGRESSIONAL BUDGET OFFICE

### STATEMENT OF DOUGLAS HOLTZ-EAKIN, DIRECTOR

### ACCOMPANIED BY BARRY B. ANDERSON, DEPUTY DIRECTOR

Senator CAMPBELL. And our third and last panel will be Mr. Douglas Holtz-Eakin, Director of the Congressional Budget Office, accompanied by Barry Anderson, his Deputy Director, too. As with the other panels, Mr. Holtz-Eakin, if you would like to just make a verbal statement, we will put your complete written statement in the record.

#### OVERVIEW OF THE CONGRESSIONAL BUDGET OFFICE'S BUDGET REQUEST

Mr. HOLTZ-EAKIN. Thank you, Mr. Chairman. I will submit my written statement for the record and just summarize briefly. You have our request before you. You know it is for just under \$34 million, which represents a 6.6 percent increase over the previous year. I should note, however, that of that request, 1.1 percent is funding for our contribution to a partnership in the Federal Accounting Standards Advisory Board. Excluding that, we have a core increase of 5.5 percent devoted to current baseline increases of 3.8 percent and then additional resources of 1.7 percent.

Stepping back a bit, if you look at the CBO budget as a whole, what you see is the budget basically covers people, and our budget submission is configured to ensure that those people can be put in a position to meet our congressional customers' needs in what I think is a timely, flexible, and high-quality fashion.

We have attempted to make sure that we devote enough resources to our baseline receipts estimation so as to overcome the difficulties over the last few years in anticipating fluctuations in tax receipts that are not fully explained by the status of the economy, and I can explore that in greater detail with you.

We have tried to devote resources to ensure that we can hire in a successful fashion in some areas of the labor market which are quite difficult, in particular, specialists in the areas of health economics and financial economics. We have attempted to make arrangements so that we have flexibility with respect to visiting scholars, post-doctoral fellows, and a variety of intern kinds of appointments.

This allows us to redeploy resources quickly as congressional needs require, develop relationships with possible sources of permanent hires, and improve our ability to maintain the kind of workforce that is essential for the Congressional Budget Office. And then we continually attempt to improve the level of communication with Congress. This year, we have undertaken to designate a senior member of the Congressional Budget Office staff, Sandy Davis, to a job as special assistant to the director, where he

has primary responsibility for ensuring that we are in continuous and top-flight communication with Congress on its needs and on timetables so that we can be responsive with the different work products that are important to Congress and be timely in our responses.

We hope to build that enhanced communication into a strategic plan so that we are looking ahead to Congress' needs, building those anticipated needs into our work plans in a systematic fashion, and trying to upgrade the traditional practice of making sure that staff stay in communication—to regularize this process and to feed it into both the hiring process and decisions on things like visiting scholars.

And finally, a portion of the budget is devoted to supporting our people at CBO in the areas of technology, where, in fact, the budget reveals cost savings from movements to more advanced forms of technology; disaster recovery, should we need to continue operations in unfortunate circumstances; and ongoing training and management training as well. So I think if you step back from the particulars of each of the budget items, what you will see is a budget that is really about the people at the Congressional Budget Office, and our strategy in constructing that budget is to make sure that those people respond quickly, accurately, and flexibly to the needs of Congress in fulfilling the job of the CBO.

#### PREPARED STATEMENT

And with that quick overview, I would be happy to take your questions.

[The statement follows:]

#### PREPARED STATEMENT OF DOUGLAS HOLTZ-EAKIN

Mr. Chairman and Members of the Subcommittee, I am pleased to present the fiscal year 2004 budget request for the Congressional Budget Office. The mission of CBO is to provide the Congress with the objective, timely, nonpartisan analysis it needs about the economy and the budget and to furnish the information and cost estimates required for the Congressional budget process.

#### OVERVIEW OF CBO'S BUDGET REQUEST FOR FISCAL YEAR 2004

The Congressional Budget Office's fiscal year 2004 budget continues to be driven by the need to be competitive in a specialized labor market, with the added challenge of completing and maintaining an effective disaster recovery process. We are requesting \$33,628,000 for CBO's operations during fiscal year 2004, an increase of 5.5 percent over 2003. In addition, funding CBO's portion of the cost of operating the Federal Accounting Standards Advisory Board (FASAB) adds 1.1 percent (or \$365,000) to our request, but that expense should be offset by cost reductions for other sponsoring agencies—the Treasury, GAO, and OMB—whose annual contributions will decrease. Together, those requirements total \$33,993,000, or a 6.6 percent increase over our appropriation for fiscal year 2003.

Of the 5.5 percent increase needed for CBO operations, 3.8 percentage points represent a current-services baseline, while the remaining rise of 1.7 percentage points would fund three new positions and allow us to focus more resources on improving our economic forecasts and baseline projections of tax receipts. Mandatory increases in personnel costs alone would have required a 5.2 percent baseline budget increase, but they were offset somewhat by a 1.4 percent decrease resulting from savings in technology spending and other operating costs.

In fiscal year 2004, CBO will focus on its core functions of scorekeeping, budget analysis, and economic and revenue forecasting. Our request will allow us to fund 236 positions—the same level originally requested for 2003. The three additional positions, along with some reallocation of existing positions, will allow us to increase the level of effort applied to improving our receipts baseline and enhancing our re-

sponsiveness to the Congress. We will also continue our visiting scholars program for postdoctoral fellows and midcareer academics with expertise in areas such as health economics, financial analysis, and macroeconomics. And we will continue to pursue a number of internal management initiatives to improve our human resources management, technology, publication quality, facilities, and business processes.

Specifically, the fiscal year 2004 budget would:

- Support a workload estimated at 2,300 legislative cost estimates and mandate cost statements, 30 major analytical reports, and 40 other publications, and allow us to meet our obligations for Congressional testimony.
- Fund 236 full-time-equivalent positions (FTEs), adding three positions for staff and visiting scholars to improve our ability to make economic forecasts and project tax receipts.
- Provide a pay adjustment of 3.7 percent for staff below the level of senior analyst, consistent with the increase requested by other legislative branch agencies and providing parity with the military pay raise.
- Fund a combination of promotions and merit increases for staff and provide performance-based pay increases for managers and senior analysts who no longer receive automatic annual across-the-board increases.
- Continue to support process redesign and automation initiatives in publishing, human resources, financial management, and other areas.
- Use reductions in spending for technology and equipment to offset the cost of the three new positions and a portion of projected price increases for administrative expenses.
- Enable us to complete tasks related to our disaster recovery strategy, including purchasing some equipment and moving mission-critical servers and other IT infrastructure to the Legislative Branch Alternative Computing Facility early in fiscal year 2004.

This request also includes a change in our legislative authority that would allow our appropriation to be available to pay an appropriate share (\$365,000) of the costs of operating the Federal Accounting Standards Advisory Board.

#### SUMMARY OF CBO'S BUDGET REQUEST FOR FISCAL YEAR 2004

[Dollars in thousands]

	Staff	Amount
Calculation of Base Appropriation, Fiscal Year 2003 .....	233	\$32,101
Plus Supplementals .....		
Minus Rescissions .....		(209)
Budget Base, Fiscal Year 2003 .....	233	31,892
Proposed Changes for Fiscal Year 2004:		
Mandatory Pay and Related Costs .....		1,668
Price-Level Changes .....		89
Program-Type Changes:		
Legislation .....		
Workload:		
Improve revenue estimates .....	3	519
FASAB expenses .....		365
Net of other changes .....		(518)
Equipment, Alterations, Maintenance, Repairs, etc .....		(22)
Total Proposed Changes .....	3	2,101
Fiscal Year 2004 Budget Request .....	236	33,993

Note: Columns and rows may not add up to totals because of rounding.

The total fiscal year 2004 budget request in this table is \$543,000 higher than the amount submitted to OMB for inclusion in the President's budget as a result of information available after the OMB deadline. CBO will submit an amendment to OMB to reflect the change in our request.

#### ACCOMPLISHMENTS IN FISCAL YEAR 2002

In fiscal year 2002, as part of its contributions to the Congressional budget process, CBO issued its annual report on the budget and economic outlook in January,

which was based on the first of three sets of baseline budget projections prepared during the year. The outlook was followed by an analysis of the President's budgetary proposals.

CBO also prepared about 750 formal cost estimates during 2002 and an even larger number of informal estimates for proposals or options being considered by the Congress. Legislation with a significant budgetary impact included the Economic Security and Assistance for American Workers Act of 2001, the Farm Security and Rural Investment Act of 2002, the Bob Stump National Defense Authorization Act for Fiscal Year 2003, the Medicare Modernization and Prescription Drug Act of 2002, the Terrorism Risk Insurance Act of 2002, and the Energy Policy Act of 2002.

At the request of the Senate Budget Committee, we prepared a special analysis of the estimated cost of activities related to U.S. military operations in Afghanistan. In addition, we developed estimates of the cost of possible military operations in Iraq. We assisted the Budget Committees in their development of proposals for a Congressional budget resolution for fiscal year 2003.

Our staff also responded to numerous committee requests during 2002 on the status of obligations and outlays for funding provided in 2001 for homeland security and for assistance to New York in the aftermath of the September 11, 2001, terrorist attacks.

We also provided regular economic forecasts and detailed analyses of the state of the economy and of the Administration's economic forecast to the House and Senate Budget Committees as well as to other committees. A major focus was on how changes in taxes affect the economy.

CBO testified before the Congress 16 times in fiscal year 2002 on a variety of budgetary and economic issues. A few examples are the *Budget and Economic Outlook* for the House Budget Committee, *Projections of Medicare and Prescription Drug Spending* for the Senate Finance Committee, and *Social Security: The Challenges of an Aging Population* for the Senate Special Committee on Aging.

Responding to requests from Congressional committees for analyses of budgetary, economic, and programmatic issues is an important function of the agency. CBO studied a broad range of policy initiatives and legislative proposals in 2002 and issued 23 program analysis reports and more than 40 other publications.

*Medicare and Other Health Issues.*—This area continues to put great demands on CBO, particularly work related to Medicare reform and prescription drug benefits for seniors and low-income individuals. To respond, we have reallocated resources from elsewhere in CBO. In 2002, we increased the number of analysts working full time on health care from 19 to 21 and concentrated more effort on Medicare reform and prescription drug issues. We also increased contractual support and spending for data. We now have 24 analysts devoted to health care and are working to increase that number to 27 (a net gain of eight analysts over 2001). We will also continue to shift more of the health staff to Medicare and drug-related work and by year-end will have nearly doubled the resources devoted to those priority areas as compared with 2001.

In fiscal year 2002, a major effort was the examination of several complex proposals to add a new prescription drug benefit to Medicare, "modernize" other features of Medicare's benefit package, and promote competition among providers of Medicare services. CBO provided information to committee staffs in both the House and Senate on the impacts of those options on federal costs and the consequences for other parties. CBO also presented testimony on prescription drug spending and prepared an important study, *Issues in Designing a Prescription Drug Benefit for Medicare*, which was released in October 2002.

In addition, we analyzed several other important health issues, including proposals to reform market-exclusivity rules in the prescription drug market to promote quicker entry by generic drugs; the federal costs and revenues and the effects on malpractice and health insurance premiums of options to reform the nation's medical malpractice tort system; and the federal budgetary and private-sector effects of proposals to regulate the operation of private health plans and health insurance providers (for example, "patients' bill of rights" legislation and parity in the coverage of mental health and medical/surgical benefits.)

*Social Security.*—In fiscal year 2002, CBO continued to develop an analytical framework for examining proposals to restructure and partially privatize Social Security. In addition to using standard actuarial projection techniques (such as those employed by the Social Security Administration), we made significant progress in constructing a dynamic microsimulation model to produce long-term budget projections. The model helped CBO prepare several of its *Fiscal Policy Briefs*, prepare Congressional testimony on the long-term budget outlook, and analyze long-term options for CBO's 2003 *Budget Options* volume.

*National Security.*—Defense-related accomplishments during fiscal year 2002 included supporting the Congress through direct assistance and published reports. Published reports included *The Long-Term Implications of Current Defense Plans*, an analysis for the Senate Defense Appropriations Subcommittee; *Estimated Costs and Technical Characteristics of Selected National Missile Defense Systems*; *Increasing the Mission Capability of the Attack Submarine Force*, a study of alternatives for that force produced at the request from the Senate Armed Services Committee; *Accrual Budgeting for Military Retirees' Health Care*, a paper for the House Budget Committee; *Estimated Costs of a Potential Conflict with Iraq*, an analysis for Senator Conrad and Congressman Spratt; and *The Budgetary Treatment of Leases and Public/Private Ventures*.

*Domestic Economic, Tax, and Financial Issues.*—Significant publications in this area included a policy brief examining the sharp drop in revenue collections experienced in 2002; two reports that reviewed the effects of the September 11, 2001, terrorist attacks on the insurance industry and analyzed proposals for federal reinsurance risks from both terrorism and natural disasters; a review of recent productivity growth in the economy, its relationship to improvements in computer technology, and the prospects for such growth in the future; estimates of future investment needs for drinking water and wastewater infrastructure; the risks facing U.S. banks from their exposure to foreign financial losses; and the implications for banks and depositors of raising the limit on federal deposit insurance coverage.

#### PRIORITIES FOR FISCAL YEARS 2003 AND 2004

CBO's primary objectives will, as always, be to provide technical assistance and analytical support to the Congress in its work on annual budgets. That effort will include the preparation of baseline spending and revenue projections, analyses of the condition of the economy, cost estimates for authorization and direct spending legislation, and outlay estimates for appropriation bills. CBO will undertake studies of budgetary, economic, and programmatic issues that meet the needs of individual committees. During the next two years, CBO will also undertake major efforts to improve its baseline projections of tax receipts, to become more responsive to our Congressional clients, and to continue internal management improvements, including strengthening our planning process.

#### *Improving Economic Forecasts and Baseline Projections of Tax Receipts*

The drastic swings in federal revenues that have occurred over the past decade have placed a premium on improving the state of the art in receipts forecasting. In the second half of the 1990s, when receipts rose faster than anticipated, and in the early 2000s, when the opposite occurred, CBO labored (along with other forecasters) to revise its revenue models and estimating methods. But we (and others) were hampered by the long lags between revenue collections and the availability of useful data on the nature of those collections, and by the fact that relationships between incomes and tax collections are more complex than previously appreciated. During 2003 and 2004, we plan further efforts toward improvement in that area and will add at least three staff-years in 2004 by hiring permanent staff, adding expert consultants, reallocating resources, and utilizing visiting scholars. Specifically, we will:

- Review our current revenue models and estimating methods to determine whether better procedures are available and identify areas for further development.
- Acquire additional expertise in the areas of revenue estimating and related macroeconomic issues through additional hiring, visiting scholars, and consultation with outside experts.
- Attempt to get better and quicker access to IRS tax data and utilize private-sector financial information to improve our understanding of how changes in the economy and the markets influence federal receipts.
- Consult broadly with federal, state, and private forecasters who are working on the same problem. For example, we will explore bringing in a visiting scholar who has experience with projecting tax receipts in a large state such as New York or California.

We will emphasize transparency in all of our analyses, estimates, and projections, but particularly in the revenue area, so that external experts can understand and critique our methods.

#### *Responsiveness and Communications with Congressional Committees*

Another area we will begin to emphasize in 2003 will be our direct assistance to the Congress. We plan to do that in several ways:

- Assigning a senior analyst with a broad knowledge of budget analysis and the budget process to provide liaison to the Congressional committees with whom CBO works.
- Involving the Budget, Appropriations, House Ways and Means, and Senate Finance Committees, as well as other frequent users of CBO's services, in substantive discussions during our planning process.
- More generally, taking careful note of the timing and information needs of all of our customers, working hard to meet delivery dates, and keeping all committees for whom we work advised of the status and progress of projects of interest to them.

#### *Strategic Planning*

During the past few years, we have experimented with a variety of planning approaches for our mission work, as well as for our internal management agenda. The results of those planning efforts, as well as the resulting accomplishments, have been reflected in internal plans and to some extent in our annual budgets, appropriation testimony, and the fiscal year 2002 operating plan. During the next six months, we will begin a more deliberate strategic-planning process that will involve a comprehensive and careful assessment of customer needs, a deliberate weighing of customer priorities in relation to CBO's mission and capabilities, the selection of broad work areas and individual projects, and the setting of supportive internal management goals. We expect to have our plan available for inclusion with the submission of our 2005 budget.

#### *Specific Work Priorities for Fiscal Years 2003 and 2004*

*Medicare and Other Health Issues.*—Reforming the Medicare program appears to be a continuing focus of Congressional interest. We expect to analyze a wide range of legislative proposals both to expand Medicare benefits and to modify existing program rules. Topics are likely to include adding a prescription drug benefit to Medicare, promoting greater competition among health plans in the program, and modifying Medicare's payments to providers in the traditional fee-for-service sector. With Medicare's long-term budgetary difficulties gaining greater prominence, we also plan to focus efforts on developing a long-term model for estimating Medicare's future costs.

Options for expanding health insurance coverage are also likely to be a major focus of legislative interest. We will issue a report providing alternative estimates of the number of people without coverage, and we expect to be called on to analyze a range of specific proposals in the areas of providing tax inducements for insurance coverage, expanding Medicaid and the State Children's Health Insurance Program, reforming rules regulating private health insurance, and requiring employers to offer coverage.

*Social Security and Employment Policy.*—CBO continues to develop its capacity to produce cost estimates and impact analyses of Social Security for both current-law and reform proposals. With recent extensions of temporary unemployment benefits and the scheduled reauthorization of the Workforce Investment Act, CBO expects to continue to provide the Congress with analyses of legislative options to extend unemployment insurance benefits.

*Homeland Security.*—Providing for homeland security and the creation of the Department of Homeland Security remain challenges for the Congress and priorities at CBO. We will continue to track homeland security spending through the budget and appropriations processes and will assist the Congress in making such spending transparent. We will also examine a number of issues related to public spending for homeland security and the provision of incentives to the private sector to mitigate risks associated with terrorist attacks.

*National Security.*—Current work is focused on several broad themes and individual projects:

- Expeditionary Forces.*—Analyzing alternative approaches to replacing current overseas forward basing of U.S. forces with so-called expeditionary forces.
- Aftermath of a Conflict with Iraq.*—Assessing the implications of a long-term occupation of Iraq for active-duty and reserve U.S. military force structure.
- Army Transformation.*—Examining the Army's plans to transform its forces to meet 21st-century threats, and alternatives to those plans that might mitigate technical and budgetary risks.
- Long-Range Strike Capacity.*—Analyzing the cost-effectiveness of alternatives to improve the ability to strike large numbers of targets at long range.

We will also study the effects of reform initiatives on aircraft logistics management and analyze the budgetary implications of trends in the use of contractors to perform military support functions.

*Tax Issues.*—Work on federal tax policies will examine and report on a wide variety of issues involving the efficiency, complexity, and equity of the income tax system, including the growing effect of the alternative minimum tax and the use of tuition tax credits versus other alternatives for supporting higher education.

*Other Domestic Economic and Financial Issues.*—Examples of current and planned work are:

- Climate Change.*—A report on the economics of climate change will be issued soon, while ongoing work examines the macroeconomic effects of reducing emissions of greenhouse gases.
- Resources for Baby Boomers in Retirement.*—This report will describe sources of funds available to the baby boomers in retirement and put in context concerns about the cost of Social Security and Medicaid.
- Transportation.*—A report is being prepared on options for passenger rail. Work will support Congressional committees as they reauthorize federal highway, transit, and aviation programs.
- Administrative Costs of Private Retirement Accounts.*—Nearing completion, this paper analyzes how program design can raise or lower the administrative costs of private accounts intended to supplement or replace Social Security.
- The Internet and Intellectual Property.*—Two studies are ongoing. The first analyzes policy proposals to speed deployment of high-speed Internet connections. The second looks at possible changes to copyright law in light of the growth of digital technology.
- Tort Reform.*—Topics being studied include the economic costs and benefits of the tort system, the implications of tort reform for economic growth, and an assessment of the economic effects of state-level tort reforms undertaken from the mid-1980s to the present.

INTERNAL MANAGEMENT STRATEGY: PROGRESS AND PRIORITIES FOR FISCAL YEARS 2003  
AND 2004

In addition to focusing directly on its mission, CBO, like any successful organization, must devote resources to attracting talented people, developing their skills, and equipping them properly. It must also organize its key work processes to be as efficient as possible and capitalize on technology whenever possible.

*Enhancing Recruitment and Retention*

During fiscal years 2003 and 2004, we will continue to pursue the same goals and initiatives in order to identify, hire, and retain a highly talented and diverse workforce.

1. *Strengthen Recruitment Strategy.*—Our goal has been to focus our efforts on quickly filling key vacancies, particularly in hard-to-attract disciplines, while building a more diverse workforce.

Our emphasis here stems from the general difficulty of filling very specialized positions with highly qualified staff and from the experience of the late 1990s, when CBO experienced an unusual number of vacancies and was unable to replace employees quickly. As a result, we devised a recruitment and retention strategy that allowed us to fill vacancies faster and begin meeting our annual staffing goals. To achieve those ends, we raised offering salaries for new Ph.D. and master's degree candidates, simplified our application process and drastically shortened the time from application to job offer, advertised critical vacancies more aggressively, began using recruitment bonuses for hard-to-fill specialties, and implemented an awards program for outstanding performers.

In fiscal years 2003 and 2004, our college and university recruitment program will remain focused on graduate students in economics, public policy, and related programs at a variety of schools and continue to add more schools with diverse student populations. We will also:

- Continue to develop and expand our competitive “scholars,” focusing on hard-to-staff areas such as macroeconomics, financial economics, tax, and health economics;
- Provide training to managers and staff on effective recruitment techniques and interviewing skills; and
- Add an on-line job-application module and additional job information to our Web site.

2. *Improve CBO's Training Program.*—Our goal is to improve management and job skills by investing in our people through training, education, and professional development.

CBO has always invested in the job skills of its employees, but the amount we spend on job training and professional development has been far less than that of other high-impact organizations, and much less than management and training ex-

perts recommend. In recent years, we have increased our training expenditures by 30 to 40 percent while eliminating less cost-effective training and providing skill training to a much higher percentage of our staff. In fiscal year 2002, roughly 70 percent of CBO employees received training. And during the past three years, we have provided more than two-thirds of our managers with training in leadership and communications skills.

During fiscal years 2003 and 2004, we will:

- Continue to provide management training to our senior staff and provide management-development training to up to a dozen high-performing analysts with leadership potential;
- Develop training plans for new employees and find ways to deliver critical skills training to newer employees more quickly.

3. *Modernize and Revitalize the Working Environment.*—Our goal has been to reconfigure and renovate much of our space to use it more efficiently and provide a high-quality work environment for new employees and those who were in inadequate space.

Most of CBO's space was configured shortly after the agency's creation over 25 years ago—in a building designed primarily for file storage. At that time, there were no desktop computers, many more support staff, less specialization, and a less competitive employment marketplace. Consequently, a significant percentage of our space was configured for clerical staff, and many analysts had work space that was in passageways or open bays. In cooperation with staff of the Architect of the Capitol and the Superintendent of House Office Buildings, we developed strategies to address our space problems with modest expenditures. Thus, by the end of December 2002, we finished reconfiguring roughly 57 percent of our usable floor space. The result is about 134 offices renovated, with a net gain of 47 private offices and three conference rooms with modern audio-visual equipment.

During fiscal years 2003 and 2004, we plan to renovate another 50 offices and, in the process, essentially eliminate remaining substandard offices, while realizing a net gain of 10 private offices.

#### *Streamlining Operations and Redesigning Key Processes*

As mentioned above, we have also devoted significant attention to automating and modernizing our internal processes.

4. *Process Redesign and Automation.*—Our goal has been to modernize and automate key internal processes to provide better services and information electronically, while reducing the time needed to use and support administrative functions.

In fiscal year 2002, we began a major thrust to modernize our work processes, with a wide range of process redesign and automated system development efforts. Several new systems were completed during the year, including a tracking system for projects, a Web-based ordering system for supplies, a reservation system for our conference rooms, and a tracking system for job applicants. We also implemented an innovative Intranet site, which is now our primary information source for internal policy guidance, new application programs, internal services, databases, and Internet-based journals and research tools.

In fiscal years 2003 and 2004, we will:

- Develop and implement a new publication distribution system;
- Design and implement a Human Resources Information System (HRIS);
- Install an asset management system;
- Implement a service-request software system for computer assistance; and
- Upgrade our financial management system in cooperation with the Library of Congress.

#### *Publishing and Communications Priorities*

The value of CBO's work to the Congress and the public derives from the quality, readability, and availability of its publications. Although the demand for printed publications remains strong, the use of electronic versions is growing every year.

5. *CBO's Publications and Production Processes.*—Our goal is to produce high-quality publications that are easily identifiable as CBO products and to reengineer our production processes to become more timely and efficient.

As usage of CBO's Web site has increased, we have been able to print fewer copies of reports and reduce inventory costs. Increasingly, we are targeting the distribution of our reports to put them in the hands of policymakers and other interested readers but avoid excess printing. Instead, we are relying more on electronic notification and distribution. To provide Congressional offices with advance access, we began e-mailing them some shorter publications and Internet links to some longer documents. We also finished modernizing the format and production process for our reports so that they all have a consistent and professional look readily identified with CBO.

We also designed and began issuing a new product line—Policy Briefs—which capture the important aspects of major policy issues, such as the budgetary impact of society’s aging population, in just a few pages, for use by busy staff and Members.

In fiscal years 2003 and 2004, we will implement a PC-based report distribution system to replace the current mainframe system. The new distribution system will target distribution more precisely, to those who want specific kinds of publications; improve staff productivity; and support e-mail notification and distribution of reports. We also plan to further improve our graphics production process, take advantage of the improved print quality made possible by printing directly from electronic files, and eliminate some production rework. In addition, we will expand the use of Policy Briefs to cover more areas of CBO work and issue them more frequently. Finally, we plan to survey users of CBO documents to glean suggestions for additional improvements in our written products.

6. *CBO’s Web Site (www.cbo.gov)*.—Our goals are to respond to the growing demand for electronic products and to enhance the site’s functionality and accessibility.

Use of CBO’s Web site continues to increase dramatically each year, from about 2.3 million page requests in 2001 to about 4.9 million last year. Although the site was quite serviceable, we undertook a comprehensive redesign. On the basis of suggestions from users, we developed a better search function, recatalogued publications on the site, and improved navigation.

In fiscal years 2003 and 2004, our Web site will continue to evolve. Anticipated improvements include adding new sections, such as one with extensive information on the federal budget, a notification system for job applicants, and a comprehensive searchable archive of all CBO publications dating back to 1975. That archive will make some 1,100 reports and nearly 900 testimonies available on-line and on CD and will allow us to “print on demand” as Members, staff, and the public request hard copies. Our redesign of the on-line versions of our various publications will also be completed.

#### *Technology*

Highly effective organizations must build a staff of skilled employees and then provide them with the technology they need to do their work. That is especially critical at CBO because the broad scope of our work and the tight deadlines under which we often operate necessitate modern information and computing tools.

7. *Maintain CBO’s Technological Edge*.—Our goal is to use the best technology systems economically available to support the agency’s mission while improving the performance of those systems and raising employees’ productivity and satisfaction.

In fiscal year 2002, we replaced our oldest desktop systems, upgraded network infrastructure, and improved network security. To reduce timesharing costs, we moved most statistical processing and data storage from the Library of Congress to an in-house platform. We also made substantial progress in replacing our mission-critical Budget Analysis Data System, which is more than 20 years old, with a PC-based application. That new application will provide improved capability and yield operating-cost savings.

In fiscal years 2003 and 2004, we plan to:

- Complete the redesign and implementation of the Budget Analysis Data System during 2003; and
- Consolidate a variety of existing data backup processes into one enterprise-wide backup system.

We will also continue to replace our oldest workstation hardware and software, upgrade important routers and switches, replace some high-speed printers, and continue to support process redesign and automation efforts with programming assistance.

8. *Prepare for Disaster Recovery*.—Our goal is to refine existing plans and develop resources that would allow the prompt restoration of CBO’s mission-critical support to the Congress.

The events of September 11, 2001, and the closure of the Ford House Office Building a month later reemphasized the importance of disaster recovery. Those events caused us to rethink our response strategy. The nature of the closure of the Ford building left our network, systems, and data intact, permitting us to quickly restore essential services to the Congress, but with considerable difficulty. In 2002, we improved our data system backup, moved surplus IT equipment to off-site storage, and devised a robust emergency recovery strategy.

In fiscal years 2003 and 2004, we will complete the implementation of that strategy as we:

- Mirror our CBO Web site, our internal Intranet, and other mission-critical databases and programs at a secure off-site facility;

- Provide staff with highly secure remote access to e-mail application programs, analytical data, and the CBO Intranet, which contains hundreds of journals, research tools, and useful Internet links;
- Strengthen our emergency wireless communication capabilities; and
- Upgrade our e-mail and network operating systems to be more fault-tolerant.

We will also complete the planning for and make the move to the Legislative Branch Alternative Computing Facility, establish reciprocal agreements for emergency work centers with the Library of Congress and other federal entities, and increase the quantity of off-site emergency-use hardware we have available.

9. *Enhance Network Security.*—Our goal is to strengthen network security for the core network as well as for the separate network established to store and process sensitive data from the IRS, Social Security Administration, and Department of Health and Human Services.

Some of CBO's analyses and model-development efforts require access to sensitive government data. Generally, that sensitivity forces us to adhere to strict security procedures dictated by the providing agency. As our use of sensitive data has grown, so has our need to increase security measures.

In fiscal year 2003, we plan to substantially complete this effort by implementing automated auditing of secure data access to ensure that we are complying with all data-use agreements, completing an internal audit of network security and addressing any issues identified, and verifying that remote work sites are adequately safeguarded. We will then periodically perform data-security audits.

#### CONCLUSION

Mr. Chairman, in recent years, CBO has worked very hard to meet the needs of the Congress and to rebuild its staff during a period of great competition in the labor market. To do so, we have raised starting salaries for new graduates and undertaken a variety of efforts to make CBO a more desirable employer for talented economists and policy analysts. The recent budget increases provided by this Committee, along with our extensive efforts to reduce our nonpayroll costs, have allowed us to return to full strength while modernizing our products, processes, technology, and facilities.

Nonetheless, we continue to have the same concerns as all federal employers: our salaries are not always competitive, many new graduates shun government service, anticipated retirements are worrisome, and replacing staff in high-demand disciplines is neither easy nor quick. Our new recruitment and retention initiatives, for which we need your continued support—the visiting scholars' program, performance and recruitment bonuses, training and professional development authority, and student loan repayment—will provide us with additional tools we can use in our efforts to attract the best and the brightest to serve the Congress.

Finally, the additional staff resources that we have requested are critical to my efforts to improve CBO's economic forecasts and revenue-estimating processes.

#### CHANGES SINCE TERRORIST ATTACKS

Senator CAMPBELL. It seems to me that almost every agency that we deal with has had some major changes since 9/11, kind of foisted on them, obviously, but CBO has a little bit more of a buffered existence. Have there been any major changes with your workload or internal agency changes since 9/11, as there has been with so many other agencies?

Mr. HOLTZ-EAKIN. Well, I can let Barry Anderson, who has actually been at the Congressional Budget Office during the entire period, respond to that most directly.

Mr. ANDERSON. The workload, no. I would have to say our workload is about the same. We have answered more requests, about, for example, the potential cost of the war in Iraq, and we also were called by the budget committees—and, in fact, volunteered to them right after 9/11—to talk about the potential economic damage that 9/11 could have caused for the economy. But that was a relatively small amount of work with respect to the entire workload. The budget process, Mr. Chairman, just seems to go on and on, ever more complex, but not much impacted by that.

With respect to the actual working conditions, though, it has, I would say, relatively dramatically affected the staff. First of all, it has affected them psychologically. The fact that we work on Capitol Hill—the fact that one of those planes could have been headed directly our way—has had a major impact. In the Ford House Office Building in which we are located, there is a day care center, and that really has had an impact, particularly right after the event.

Senator CAMPBELL. Is that day care center still there?

Mr. ANDERSON. It is still there, and there have been a number of security provisions implemented in the building and in the area around it that were not in effect on 9/11; and people see that, and they recognize that, and they act differently.

Second of all, right after 9/11, as you may recall, there was the anthrax, and we were out of our building for almost 3 weeks because of that, too. That dramatically changed our disaster recovery procedures. When that happened back in October of 2001, I think we had only three or four laptops in the agency. Now we have 60 or 70.

Senator CAMPBELL. Where were you working when you had to vacate your offices during the anthrax scare?

Mr. ANDERSON. We had six different locations. We went, hat in hand, to agencies, almost every one of which was very generous with us in giving us space.

Senator CAMPBELL. They were all downtown here somewhere?

Mr. ANDERSON. Some of them—the Library of Congress provided some; the Department of the Interior, NASA, International Trade provided some. OMB staff had a space that they had vacated, that they had reserved in case they had to vacate the Old Executive Office Building, an entire floor of 1800 G Street, and that provided the biggest amount of space. A third or more of our staff were there for several weeks. However, the space was one thing; the computers were another. And I would have to say, looking back, that is where we were least prepared. We were able, sort of by the skin of our teeth, to continue to provide services to the Congress during that time. Were that or anything like that to happen again, we would be so much better prepared now. It has drastically changed the way we think about things—backing up materials, backing up databases, being able to access materials off-site, those types of thing.

Senator CAMPBELL. Thank you. Senator Durbin.

#### RESOURCES TO IMPROVE BASELINE FORECASTING

Senator DURBIN. Thank you very much.

Mr. Holtz-Eakin, may I ask you, in your statement, you said that you are going to devote more resources to improving economic forecasts and projections of tax receipts. I would like to ask how much of that is just an effort to be more accurate and how much of that reflects this new philosophy of dynamic scoring, where we have to look at the world through different eyes than we have during the course of the history of the Republic?

Mr. HOLTZ-EAKIN. This really reflects an effort to be better in our baseline forecasting, independent of any issues associated with dynamic scoring. The revenue swings over the late 1990s and the most recent couple of years involve a nexus of macroeconomic per-

formance (a boom and a bust), financial performance (changing compensation patterns, movements toward more bonuses, options, profit-sharing plans), and integration of the receipts from the corporate and individual income taxes and from their respective alternative minimum taxes. This has presented a really difficult technical challenge in trying to anticipate receipts in each year. The request is meant to reflect our needs for specialists in those areas, including those visiting scholars who may bring to us some wisdom from the States that rely heavily on those kinds of receipts, California and New York.

Senator DURBIN. So virtually all the forecasters have been wrong pretty consistently. Has the CBO been more in error or less in error than most of the forecasters in the past few years?

Mr. HOLTZ-EAKIN. Although I have been here only 2 months, I can proudly say that the CBO's record is outstanding and that the agency has made smaller errors in absolute value than most forecasters.

#### STUDENT LOAN REPAYMENT PROGRAM

Senator DURBIN. So you do not think any restatement from CBO would call for—never mind. I will not go any further with that.

You talked a lot about the brain drain in Federal Government. This is not unique to your agency. In fact, Senator Voinovich, our colleague, has really focused on this as a major part of his Senate activity in the Government Affairs Committee, and you also noticed here a student loan repayment program, and I might say to the chairman, this is one of the things that came out of a year or two of my chairmanship of this, or my chairmanship of this subcommittee to try to retain and recruit very good people to Government service, where there are many disincentives. Student loan repayment turned out to be one of the incentives. Now, are you using that now? I see in your statement you refer to it.

Mr. HOLTZ-EAKIN. I want to thank you for your efforts. To walk into a situation where you have this kind of recruiting tool is a big advantage.

The repayment provisions have not yet been used. We have set up a program where individuals can get up to \$6,000 each year, a total of \$40,000. Should they accept this incentive, they would be required to stay at CBO 3 years; otherwise, they would have to pay it back.

During fiscal year 2002, we did not use that. We did not have a budget until late in the year, and it was not necessary to deploy the incentive. We have built into our 2004 request a larger use of the incentive. We are looking for the right opportunities in the recruiting process to deploy it in a way that enables us to take a relatively modest program at its outset and hire strategically, especially in the tough areas I mentioned.

Senator DURBIN. I thank you for that, and I think many of us are coming to learn, as we look at the debt that our kids are carrying out of college, that this is a new reality when it comes to job search, and if you do not deal with it, you are likely to be a victim of it, and I think it is good that we are starting to open our eyes to that.

Thank you very much, Mr. Chairman.

## SUBCOMMITTEE RECESS

Senator CAMPBELL. I want to thank our witnesses. You got done just in time. You heard the beepers. We are going to have to go vote. We will stand in recess until April 10 at 1:30, when we will take testimony from the Library of Congress.

Thank you so much for being here. The subcommittee is recessed.

[Whereupon, at 2 p.m., Thursday, March 27, the subcommittee was recessed, to reconvene at 1:30 p.m., Thursday, April 10.]