

Testimony of OMB Director Robert J. Portman
OMB's FY 2008 Budget
Subcommittee on Financial Services
Committee on Appropriations
United States Senate

April 11, 2007

Chairman Durbin, Ranking Member Brownback, and distinguished members of the Subcommittee, I am pleased to be here today regarding the President's FY 2008 Budget request for the Office of Management and Budget.

OMB'S BUDGET

The Office of Management and Budget has submitted a disciplined FY 2008 request for our agency. When rent and other costs are included, OMB's total budget request amounts to \$78.8 million ó a 2.7 percent increase compared to the FY 2007 CR.

To achieve spending restraint, I have asked OMB to pursue cost savings wherever possible. As the subcommittee is aware OMB has been operating under very tight budgets. Over the past 6 years, our budget has increased by an average of 1.8 percent per year and over the past four years it has increased by an average of only 1.2 percent. Our budget is nearly entirely comprised of salaries and expenses and our only significant means to achieve savings is through reductions in staffing. To accommodate lower funding levels, we have reduced OMB staff from 527 positions in fiscal year 2001, to 510 positions in 2004, to 489 positions in 2007.

The Budget we have proposed for OMB will allow us to maintain a workforce of 489 positions, well below the levels we had in 2001. We believe OMB can continue to deliver high-quality performance and fulfill our many important responsibilities at these staff levels.

The best known of OMB's responsibilities is the preparation of the President's annual Budget. In addition, our responsibilities include oversight of the other agencies regarding budgetary matters, management issues, the Administration's legislative proposals, regulatory reforms, procurement policies and other important matters. We work to ensure that all the Administration's proposals in these areas are consistent with relevant statutes and Presidential objectives. I believe our dedicated staff are performing their responsibilities in an outstanding manner within the constraints of a tight budget.

MANAGEMENT/ExpectMore.gov

I want to briefly draw your attention to one of our important responsibilities, implementing an aggressive management agenda. This effort, led by the OMB deputy for management, Clay Johnson, is making the government more effective by focusing on five initiatives. Those initiatives, all launched in 2001, are (1) strategic management of human capital, (2) competitive sourcing, (3) improved financial performance, (4) expanded electronic government (e-gov), and (5) budget and performance integration.

To ensure greater government accountability, last year we launched a new website: ExpectMore.gov. This site provides information on programs that have been assessed for

effectiveness using the Program Assessment Rating Tool, commonly referred to as the PART. With this website, Congress and the public now have an unprecedented view into which programs work, which do not, and the steps being taken to improve them. It's another way we are providing greater transparency, holding ourselves accountable and demanding results.

With the new and improved version of this website launched with the 2008 Budget, we now have program-level information about the performance of nearly 1,000 Federal programs representing about 96 percent of government and \$2.5 trillion of federal spending. I urge Members and staff to check out ExpectMore.gov.

Unfortunately in recent years, Congress has included provisions in appropriations bills that slow our ability to make continued progress on the President's Management Agenda, particularly in the area of the competitive sourcing and E-government. We would like to work with you to address your concerns and to avoid provisions that would restrict the progress of the management reforms.

FY 2008 BUDGET

I would also like to take a moment to review the President's entire FY 2008 Budget, which we submitted for your review five weeks ago. Our 2008 Budget proposal shows how working together we can reduce the deficit every year and balance the budget by 2012, while keeping taxes low and meeting our nation's priorities. It builds on the progress we've made over the past two years, which has led to a \$165 billion reduction in the deficit.

We have been able to make progress for two primary reasons: first, because we have been blessed with a strong economy that has generated record revenues and, second, because the Congress, working with the President, has done a better job of restraining spending, especially keeping non-security spending under inflation for the past three years. It is exactly these elements of a solid economy and restraint on spending that can now lead to balance.

The 2008 Budget continues to support growth, innovation, and investment by making permanent the President's tax relief, which would otherwise expire in 2010. Since the tax relief took full effect in 2003, we have seen strong and steady job growth with the creation of more than 7.6 million new jobs. After 2003, Federal revenues also surged and hitting record levels over the past two years. With solid economic growth, our total receipts are now slightly above the historical average of 18.3 percent as a share of the economy and we project receipts remain at or above the historical average for the five-year period.

The 2008 Budget demonstrates we can achieve balance by 2012 without raising taxes. In addition, we plan to more effectively and efficiently collect the taxes owed through new initiatives to address the tax gap. First, we improve the effectiveness of the IRS' activities with a \$410 million package of new initiatives to enhance enforcement and taxpayer service and to improve the IRS' information systems. Second, we include in the Budget 16 carefully targeted tax law changes that promote compliance while maintaining that important balance between the burden being imposed on taxpayers and our shared

interest in collecting taxes owed. The Budget also includes other investments in program integrity efforts to generate additional savings.

While restraining spending overall, the President's budget also provides new resources for key priorities. It increases funding for our national security to combat terrorism and protect the homeland. It includes new policies to address issues of concern to America's families, including educating our children, access to affordable health care, and reducing energy costs. The 2008 Budget also proposes to hold the rate of growth for non-security discretionary spending below the rate of inflation. We believe we can address our nation's top priorities at this level of funding.

A balanced budget by 2012 will be a major accomplishment, but will be short-lived without addressing our long-term budgetary challenge: the unsustainable growth in Medicare, Medicaid, and Social Security. Mandatory spending is overwhelming the rest of the Budget. In the space of four decades, mandatory spending has grown from 26 percent of our budget in 1962 to 53 percent of our budget in 2006. We must begin the reform of these programs now in order to protect those commitments. Addressing entitlement spending is the right thing to do because small changes now have a big impact later.

CONCLUSION

Mr. Chairman, thank you for having me before this important subcommittee today. As noted, we are recommending a disciplined budget for OMB that still provides the necessary resources for this agency to serve the President and meet its duties to the Congress and the American people. I look forward to working with the members of this Subcommittee as we move forward with the appropriations bills.

I thank the Committee for its time, and I look forward to your questions.