

# LEGISLATIVE BRANCH APPROPRIATIONS FOR FISCAL YEAR 2011

THURSDAY, APRIL 15, 2010

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

The subcommittee met at 3:22 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Ben Nelson (chairman) presiding.  
Present: Senators Nelson, Pryor, and Murkowski.

## GOVERNMENT ACCOUNTABILITY OFFICE

### STATEMENT OF GENE L. DODARO, ACTING COMPTROLLER GENERAL

#### OPENING STATEMENT OF SENATOR BEN NELSON

Senator NELSON. The subcommittee will come to order.

Good afternoon to everybody, and welcome. We meet this afternoon to take testimony on the fiscal year 2011 budget request for the Government Accountability Office (GAO), the Government Printing Office (GPO), and the Congressional Budget Office (CBO).

I would like to welcome our witnesses here today—Gene Dodaro, Acting Comptroller General; Bob Tapella, Public Printer; and Doug Elmendorf, Director of the Congressional Budget Office.

I also want to welcome my good friend and ranking member, Senator Murkowski, as well as the other members of the subcommittee who will perhaps be joining us, Senator Pryor and Senator Tester. Senator Murkowski and I have enjoyed working with one another on these items of the legislative branch, and I know I look forward to continuing that effort.

This is our third budget hearing of this fiscal year, and I would like to reiterate a few concerns that were raised during our first two hearings. I am disappointed that this subcommittee has once again been presented with a fairly large budget increase request in fiscal year 2011.

And the fact remains that this country is in economic turmoil, and the American taxpayers simply are not ready to tolerate unnecessary Government spending. And some believe that any kind of Government spending is probably unnecessary, but particularly at a time of high major unemployment. And I have said repeatedly that I intend to do my best to hold the legislative branch flat this year.

I believe that spending restraints start at home. We need to lead by example on this subcommittee, and we can't do that by appro-

priating large increases to our agencies, even at a time when they may be totally justified.

I think the President sent the message loudly and clearly in his State of the Union Address this year, noting that families across the country are tightening their belts and making tough decisions. The Federal Government must do the same, he said, and he announced a 3-year freeze on nonsecurity discretionary Government spending. And I believe we must do the same with this subcommittee as well.

Having said that, I want to also say that we still appreciate the contributions made by each of your agencies in assisting Congress in our service to the country. We are truly grateful for the work you do, and we look forward to hearing from you and to discussing your budget requests.

I must say that I doubt there has ever been a time that staff for the Senate have ever had to work more lengthy hours and weekends than recently, and I am sure it is true with your departments as well. And so, at a time when we are looking to reward, it seems like the rewards are sort of fleeting away from us.

Mr. Dodaro, GAO is requesting an overall increase of 8 percent in fiscal year 2011, which includes funding for the continuation of your mandated requirements under the American Recovery and Reinvestment Act (ARRA), which I understand accounts for roughly one-half of your increase. And I look forward to discussing the specifics of your budget request, as well as GAO's latest findings on the American Recovery and Reinvestment Act effort.

Mr. Tapella, I understand that GPO will soon be celebrating 150 years of service to the Federal Government, and I would like to congratulate you and your entire staff on this accomplishment. GPO is requesting an increase of \$19 million, or 13 percent, over current year. And I understand that much of this increase is directly related to the Federal Digital System (FDsys) and a few other information technology upgrades and infrastructure projects, which I look forward to discussing with you a little later on.

Dr. Elmendorf, it is good to see you again. CBO is requesting \$47.2 million in fiscal year 2011, an increase of roughly \$2 million, or 4.7 percent, over the current year. And I understand that you feel this number is somewhat skewed by supplemental funding CBO received in fiscal year 2009, which you feel impacted your fiscal year 2010 appropriation.

And I know better than to argue the numbers with you.

So I look forward to discussing your budget and other obstacles that you face and your colleagues face.

Now I would like to turn over to Ranking Member Senator Murkowski for her remarks.

#### STATEMENT OF SENATOR LISA MURKOWSKI

Senator MURKOWSKI. Thank you, Mr. Chairman.

And my remarks will be very brief this morning because they mirror so closely those that you have just made.

I would like to begin by welcoming the three of you—Mr. Dodaro, Mr. Tapella, Dr. Elmendorf. I think it is fair to say that you each, within your respective areas, are doing well by us, and we appreciate that. We do recognize that we task you with a lot, and I know

certainly, Dr. Elmendorf, the requests that have been made on CBO just this past year with all of the legislative initiatives as they relate to healthcare have been daunting. And I don't know if you have any more hours in your day than I do, but I commend you for the work that you and all your staff have done.

As the chairman has mentioned, each of you are requesting within your offices increases. The GAO increase at 7.9 percent, GPO at 13 percent, and then CBO, an increase of \$2.1 million, or 4.7 percent. And we recognize that while you may feel that they are entirely justified and may be much smaller than you had wanted, that these are significant increases within the legislative branch budget.

And the chairman's words, of course, come as no surprise, that we are looking for ways to demonstrate leadership by ensuring that our own budgets are tightened and trying to reduce those costs. So I will be curious to hear this afternoon how GAO, GPO, and CBO are prepared to make the adjustments in the fiscal year 2011 budget requests that have been submitted and do look forward to working with all of you to ensure that we can arrive on some mutually agreeable solutions to how we trim back the costs while at the same time providing the very essential services that all of you and your staffs provide.

Thank you, Mr. Chairman.

Senator NELSON. Thank you.

I was going to call on Senator—my colleague to the right, but he assures me that he wants not to be associated with the skinflints to his left.

Now I would like to call on Mr. Dodaro for your opening statement, followed by Mr. Tapella, and of course, then by Dr. Elmendorf. And if it is possible to keep your opening statements brief, around 5 minutes, we would obviously receive the rest of your statement for the record if there are additional statements to be made.

#### SUMMARY STATEMENT OF GENE L. DODARO

Mr. DODARO. Thank you very much Mr. Chairman, Ranking Member Senator Murkowski, Senator Pryor. I appreciate the opportunity to be here today to discuss GAO's budget request.

As the investigative arm of the Congress and the auditor of the Government's financial condition, I certainly appreciate and commend your objectives toward fiscal prudence. And in that light, GAO's budget request, as you mentioned, Mr. Chairman, is really in two parts.

The first part of our request is a 4.1 percent increase in our base appropriation that is intended to just maintain our existing staff levels in order to support our work for every standing committee of the Congress and about 70 percent of the subcommittees.

When I came before this subcommittee in 2008, my first year as acting Comptroller General, I mentioned we were at our lowest staffing level in GAO's history. Thanks to the support of this subcommittee, we have augmented that slightly over the last couple of years. We are well positioned to help the Congress deal with the range of domestic and international challenges that it faces across

the spectrum of its activities. This increase is just to maintain our current staffing level to support the Congress.

We also have been given new responsibilities in the healthcare legislation. There will be many more responsibilities in the financial regulatory reform legislation. And in the latest increase to deal with the debt ceiling increase, we were given an annual mandate to recommend duplication and other areas where Government spending could be eliminated.

In addition to GAO's normal responsibilities of responding to about 1,000 requests a year from the Congress, in the Troubled Asset Relief Program (TARP), we were given responsibilities to report every 90 days. Since we were funded through reimbursements from the Treasury Department, we will be in good shape to follow all those activities through until AIG, General Motors, and other arrangements work their way out and the Government returns them to their normal status.

The Recovery Act is a little bit different. That act, as you know, is now estimated to be about \$862 billion. We were charged with recurring responsibilities on bimonthly reviews of the use of that money by selected States and localities and quarterly reviews of the reports concerning the amount of jobs that were created and retained. So these are recurring responsibilities.

In recognition of the large amount of spending, and it being out of the normal appropriation cycle when the legislation was passed, Congress gave us \$25 million. That money expires at the end of fiscal year 2010, so by September this year we will have spent that money.

Now the money to the States and localities will continue in fiscal years 2011 and 2012 and beyond, out to almost fiscal year 2019, according to CBO's estimates. That means that there will be over \$120 billion that will still flow to the States and localities in fiscal year 2011 and beyond. The second part of our request provides funds for us to be in a position to continue to meet our mandates of bimonthly reviews.

I am also concerned that the risk level associated with some of the spending in the next several years will be at least as great as, if not a little bit higher than, the spending that has occurred to date because there will be new programs and greatly expanded amounts of money for other programs. So I think it is important for us to be in a position to do what Congress asked us to do, which is to be out in the States and localities making sure the money is spent appropriately for its intended purpose.

In closing, I know very well, as my colleagues do, the difficult fiscal challenges that await the country and the Congress, and there are a lot of difficult decisions. GAO is an important resource in helping Congress eliminate waste, increase revenues, and ensure programs are more efficient and effective. My colleagues and I are committed to making sure that whatever investment you make in GAO, that the dedicated people of GAO will give you a good return on that investment.

#### PREPARED STATEMENT

I know you will give careful consideration to our request, and I look forward to addressing your questions when appropriate.

Senator NELSON. Thank you, Mr. Dodaro.  
[The statement follows:]

PREPARED STATEMENT OF GENE L. DODARO

Mr. Chairman, Ranking Member Murkowski, and Members of the Subcommittee: I appreciate the opportunity to be here today to discuss the U.S. Government Accountability Office's (GAO) budget request for fiscal year 2011. At the outset, I want to thank all the members of the subcommittee for your continued support of GAO. With your support of our fiscal years 2009 and 2010 funding levels, we have been able to address the steady decline in staffing that GAO had experienced since fiscal year 2003 and begin to reverse this trend by restoring our staffing capacity.

This has put us in a better position to assist the Congress in confronting the many difficult challenges facing the nation. In fiscal year 2009, GAO supported congressional decisionmaking and oversight on a range of critical issues, including the government's efforts to help stabilize financial markets and address the most severe recession since World War II. In addition to providing oversight for the 2008 Economic Stabilization Act and the American Recovery and Reinvestment Act of 2009 (Recovery Act), we continued to provide the Congress updates on programs that are at high risk for waste, fraud, abuse, and mismanagement or are in need of broad reform, and delivered advice and analyses on a broad array of pressing domestic and international issues that demand urgent attention and continuing oversight. These include modernizing the regulatory structure for financial institutions and markets to meet 21st century demands; controlling escalating healthcare costs and providing more effective oversight of medical products; restructuring the U.S. Postal Service to ensure its financial stability; and improving the Department of Defense's management approaches to issues ranging from weapons system acquisitions to accounting for weapons provided to Afghan security forces. Overall, we responded to requests from every standing committee of the Senate and the House and over 70 percent of their subcommittees.

As a knowledge-based organization, our ability to timely assist the Congress as it addresses the nation's challenges depends on our ability to sustain our current staffing levels. We are submitting for your consideration a prudent request for \$601 million for fiscal year 2011, which will allow us to maintain our capacity to assist the Congress in addressing a range of financial, social, economic, and security challenges going forward. This amount represents a 4.1 percent increase (\$22.6 million) to maintain our fiscal year 2010 staffing level for "base operations," cover mandatory pay and uncontrollable costs, and reinvest savings from nonrecurring costs and efficiencies to further enhance our productivity and effectiveness. We have also requested a 3.8 percent increase (\$21.6 million) to maintain the current staffing level of 144 FTEs to continue mandated Recovery Act oversight beyond the expiration of the funding we received to help offset the cost of this new responsibility. The total requested increase of 7.9 percent will allow us to continue to be responsive in supporting congressional mandates and requests.

THE NATION'S CHALLENGES SHAPE GAO'S FISCAL YEAR 2011 EXPECTED WORKLOAD

GAO stands ready to continue assisting the Congress as it tackles the wide array of challenges facing the nation. Our past performance is evidence of the critical role our dedicated staff play in helping the Congress and the American people better understand issues, both as they arise and over the long term. These include:

- Assessing the government's continuing response to the current economic situation, including: assessing the effectiveness of financial and regulatory reform efforts and plans to ensure the stability of the overall banking, housing, and financial markets; conducting oversight of proposed programs to boost the economy, including job expansion and investments in infrastructure; and continuing to perform our responsibilities under the Recovery Act, including bimonthly reviews of how selected states and localities use the funds provided and quarterly reviews of recipient reports on job creation.
- Reviewing the government's efforts to identify and act on credible threats to homeland and border security, including to commercial aviation and seaports as well as those involving biological, chemical, and nuclear dimensions.
- Reviewing U.S. efforts related to Afghanistan, Iraq and other regions in conflict, including reviewing the effect of drawing down resources in Iraq, providing more resources to Afghanistan, and retooling operations in Pakistan.
- Supporting health care financing and reform efforts through analyses of Medicare, Medicaid, and other health programs.

- Identifying elements to help address the nation’s financial challenges including Social Security, tax reform, retirement, and disability programs; opportunities to reduce spending; and reducing the gap between taxes owed and taxes collected.
- Performing specialized studies and technology assessments of a wide range of science and technology issues, such as climate change, the challenges of developing sophisticated space and defense systems, and green energy.
- Focusing on major areas that are at high-risk, including the U.S. Postal Service’s financial condition, oversight of food and drug safety, and cybersecurity efforts.

GAO is uniquely positioned to support the Congress. For instance, pressures to reduce the federal deficit following an economic recovery will require a greater need for the type of analyses that are a hallmark of GAO. We recently were tasked by statute to provide an annual report addressing overlap and duplication among federal programs. Also, through our long-standing focus on high-risk programs and other activities, we can identify for policymakers the agencies and programs that require priority attention. These include helping focus on ways to help reduce improper federal payments, estimated at \$98.7 billion in fiscal year 2009, and the \$290 billion estimated tax gap. In addition, our dedicated and multidisciplinary staff have substantive agency and program expertise, as well as expertise in conducting financial and performance audits, program evaluations, policy analyses, and technology assessments.

In March 2010, GAO issued an exposure draft of our 2010–2015 Strategic Plan for serving the Congress, which describes our proposed goals and strategies for supporting the Congress and the nation as the United States undergoes a period of transformation, daunting challenges, and opportunities. Our framework is attached as appendix I.

#### GAO CONTINUES TO BE AN EMPLOYER OF CHOICE

Recognizing that GAO’s accomplishments are a direct result of our dedicated workforce, management continuously strives to maintain a work environment that promotes employee well-being and productivity, and to be a world-class professional services organization. In both 2007 and 2009, GAO ranked second in the “Best Places to Work” rankings sponsored by the Partnership for Public Service. We are also proud of the current results from our 2009 annual employee feedback survey which indicate that employee satisfaction continues to increase. Importantly, the results of the 2009 annual employee feedback survey—the highest scores to date—provided GAO management with valuable information on how we can continue to attract and retain top talent.

GAO regularly seeks and values the input we receive from our employee organizations: the Diversity Advisory Council, Employee Advisory Council, and GAO Employees Union, International Federation of Professional & Technical Engineers, Local 1921 (the Union). Collaboration with these organizations has resulted in a number of improvements in GAO processes, including improved field-office working conditions; enhanced quality-control documentation that help staff ensure that our practices follow GAO policy and generally accepted government auditing standards; and new demographic questions on the annual GAO employee feedback survey that allow GAO management to track the views of certain employee populations. Also, GAO and the Union have made significant progress toward developing a master collective bargaining agreement.

GAO continues to make progress toward our goal to create a more inclusive work environment. The most recent data show that representation of minority groups in our workforce equals or exceeds the representation in the relevant civilian labor force. As of April 2009, minorities represented about 30 percent of GAO’s total workforce and women constituted nearly 60 percent. By comparison, in the civilian labor force minorities represented about 27 percent and women about 47 percent. With our approach to continuous improvement, several areas merit continued attention, such as increasing the representation of Hispanics and the disabled in the total workforce. Looking forward, our action plan focuses on three areas: recruitment and hiring, staff development, and efforts to create a more inclusive work environment. We will continue to consult with the Union and all employee groups as we implement this action plan.

Our fiscal year 2011 budget provides funds to continue to strengthen employee development and benefits programs. We have also identified savings and efficiencies within our budget and plan to reinvest these resources to implement enabling technologies, such as energy improvements.

## GAO'S FISCAL YEAR 2011 BUDGET REQUEST

As a people-intensive organization, about 80 percent of GAO's budget funds compensation and benefits for over 3,300 employees, with the balance funding mandatory operating expenses, such as rent for field office locations, security services, and other critical infrastructure services required for ongoing operations.

GAO is requesting an increase of \$22.6 million to maintain our current capacity to provide timely, high-quality responses to congressional requests for assistance, and \$21.6 million to support staff currently working on mandated Recovery Act oversight. About 90 percent of the requested increase supports mandatory compensation and benefits.

A summary of our fiscal year 2011 request is shown in the following table and explained in further detail below.

TABLE 1.—FISCAL YEAR 2011 SUMMARY OF REQUESTED CHANGES

[Dollars in thousands]

| Budget category  | FTEs  | Amount    | Cumulative percentage of change from fiscal year 2010 to fiscal year 2011 |
|--|-------|-----------|---|
| Fiscal Year 2009 actual costs .....                          | 3,141 | \$529,526 | .....   |
| Fiscal Year 2010 enacted level .....                         | 3,221 | 556,849   | .....   |
| Changes to the base:   |       |           |   |
| Maintaining staff capacity .....                             | 49    | 20,444    | 3.7   |
| Nonpay inflation and annualization .....                     |       | 6,420     | 4.8   |
| Change in offsetting collections/reimbursements .....        |       | (4,225)   | 4.1   |
| Efficiencies/savings and nonrecurring costs .....            |       | (8,032)   | 2.3   |
| Resource reinvestment .....                                  |       | 8,030     | 4.1   |
| Subtotal—changes to the base .....                           | 49    | 22,637    | 4.1   |
| Recovery Act (to maintain existing staff) <sup>1</sup> ..... | 144   | 21,631    | 7.9   |
| Total appropriation—salaries and expenses .....              | 3,414 | 601,117   | 7.9   |

<sup>1</sup> These staff are funded in fiscal year 2010 by Recovery Act resources provided to GAO to help offset costs for mandated oversight. While the oversight continues, the funds expire at the end of fiscal year 2010.

Source: GAO.

Maintaining staff capacity includes \$20.4 million to maintain our projected fiscal year 2010 onboard staff at a full-time equivalent (FTE) level of 3,270 FTEs to enable GAO to continue to meet our increased responsibilities in a timely manner. The requested increase primarily includes: the full-year cost to maintain the workforce in fiscal year 2011 resulting from fiscal year 2010 hiring and pay actions; mandatory January 2011 pay increase at 1.4 percent based on Office of Management and Budget guidance; and performance-based pay increases in lieu of executive branch General Schedule within-grade increases.

Nonpay inflation and annualization includes \$6.4 million to maintain purchasing power, sustain fiscal year 2010 operating levels, and cover projected inflationary increases in common carrier transportation costs, travel per diem rates, training, supplies and materials, and other essential mission-support services based on negotiated contracts, vendor notification, or historical trend data.

Change in offsetting collections/reimbursements reflects an increase of \$4.2 million in rental income and reimbursement from financial audits that reduces our request for appropriated funds.

Efficiencies and nonrecurring costs reflect \$8 million of efficiencies and nonrecurring fiscal year 2010 costs resulting from: technology consolidations, such as our new core human capital system and integrated E-Gov travel solution; and enhanced building operations, including the installation of a gas- and solar-powered water boiler to improve energy efficiency.

Resource reinvestment reinvests \$8 million of nonrecurring fiscal year 2010 costs and operational efficiencies to: further enhance our information technology programs to enhance productivity and effectiveness; continue to address management challenges through increased information and physical security, enhanced appraisal systems, and retention incentives; continue cyclical building maintenance and repairs and enhance energy efficiency; and bolster support for audit engagements and technology assessments.

Recovery Act includes funds to continue the 144 FTEs necessary to help offset the cost to conduct the mandated oversight of the use of the funds provided in the Recovery Act to help ensure transparency and accountability. No new staff would be hired.

CONCLUDING REMARKS

With the strong support of the Congress and this subcommittee, in fiscal years 2009 and 2010 GAO increased our staff capacity. Our fiscal year 2011 budget request is prudent and essential to ensure that we can maintain this capacity and continue to provide timely, high-quality assistance to the Congress in confronting the critical economic, financial and security challenges facing the nation.

We have a proven track record of helping the Congress evaluate critical issues of national importance and improving the transparency and accountability of government for the American people. For example, our work in the banking sector provided a framework that can be used to help reform the financial regulatory system and to evaluate proposals to ensure that any new regulatory system is sufficiently comprehensive, addresses risks, and adequately protects consumers. Over the past 2 fiscal years our work yielded significant results. For example, during this period we delivered expert testimony on average at about 250 congressional hearings. We also documented on average over 1,300 actions taken by agencies and the Congress in response to our recommendations for improvements in government services and operations and changes to law. In addition, we recorded on average about \$50 billion in financial benefits, resulting in a return on investment in fiscal year 2009 of \$80 for every dollar the Congress invested in us.<sup>1</sup>

We remain committed to providing accurate, objective, nonpartisan, and constructive information to the Congress to help it conduct effective oversight and fulfill its constitutional responsibilities. I appreciate, as always, your careful consideration of our submission and look forward to discussing our proposal with you.

Mr. Chairman, Ranking Member Murkowski, this concludes my prepared statement. We would be pleased to respond to any questions that you or other members of the subcommittee might have.

APPENDIX I.—SERVING THE CONGRESS AND THE NATION: 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.

*Trends.*—National Security Threats; Fiscal Sustainability Challenges; Economic Recovery and Growth; Global Interdependence; Science and Technology; Networks and Virtualization; Shifting Roles of Government; Demographic and Societal Change.

| Goals  | Objectives  |
|--|---|
| Provide Timely, Quality Service to the Congress and the Federal Government:<br>to Address Current and Emerging Challenges to the Well-being and Financial Security of the American People related to | Health care needs; Lifelong learning; Benefits and protections for workers, families, and children; Financial security; Effective system of justice; Viable communities; Stable financial system and consumer protection; Stewardship of natural resources and the environment; Infrastructure. |
| Respond to Changing Security Threats and the Challenges of Global Interdependence involving  | Homeland security; Military capabilities and readiness; Advancement of U.S. Interests; Global market forces.  |
| Help Transform the Federal Government to Address National Challenges by assessing.   | Government’s fiscal position and options for closing gap; Fraud, waste, and abuse; Major management challenges and program risks.   |
| Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency in the areas of.  | Efficiency, effectiveness, and quality; Diverse and inclusive work environment; Professional networks and collaboration; Institutional stewardship and resource management.   |

<sup>1</sup>For additional information on GAO’s fiscal year 2009 accomplishments, see GAO’s *Performance & Accountability Report, Fiscal Year 2009*, and *Summary of GAO’s Performance and Financial Information, Fiscal Year 2009*, available at [hyperlink, <http://www.gao.gov/about/strategic.html>]. Examples of how GAO assisted the nation and selected issues on which senior GAO officials testified at congressional hearings in fiscal year 2009 are included in appendixes II and III.

*Core Values.*—Accountability; Integrity; Reliability.

APPENDIX II.—HOW GAO ASSISTED THE NATION, FISCAL YEAR 2009

*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:

- Highlighted weaknesses in the Food and Drug Administration’s oversight of medical devices;
- Helped to improve the healthcare provided wounded soldiers returning home;
- Investigated the death and abuse of children at public and private schools;
- Recommended additional oversight and controls of voluntary workplace safety and health programs administered by some companies;
- Enhanced management at the Pension Benefit Guaranty Corporation;
- Enhanced federal efforts to combat drug trafficking;
- Identified ways the Department of Housing and Urban Development could promote energy efficiency and green building in federal public housing programs;
- Informed the debate on hardrock mining reform;
- Reported on the Environmental Protection Agency’s reforms of its toxic chemical assessment process;
- Informed the Congress about the U.S. Postal Service’s deteriorating financial situation.

*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:

- Recommended actions to improve the Department of Defense’s (DOD) management of contractors in Iraq and Afghanistan;
- Helped the Congress assess DOD’s ability to provide trained and ready forces for military operations;
- Recommended that the State Department develop outcome measures for its capacity-building program in Iraq;
- Helped to improve DOD’s accounting of weapons provided to Afghan security forces;
- Helped to strengthen aviation security through improved passenger watch-list matching;
- Developed a framework to help the Congress evaluate proposals for revamping the U.S. financial regulatory system;
- Helped to assess the implementation of TARP;
- Informed the Congress about weaknesses in lender data that limit regulators’ ability to identify financial institutions at higher risk of discriminatory lending practices.

*Strategic Goal 3.*—Help transform the federal government’s role and how it does business to meet 21st century challenges:

- Helped to track how states and localities are using Recovery Act funds;
- Strengthened federal planning and preparedness efforts for the influenza pandemic;
- Helped DOD and the Department of Veterans Affairs better share electronic health records;
- Identified shortcomings in the Department of Homeland Security’s management of major acquisitions;
- Tested the adequacy of the complaint intake process at the Department of Labor’s Wage and Hour Division;
- Helped to reduce governmentwide improper payments;
- Recommended ways to reduce tax noncompliance.

*Strategic Goal 4.*—Maximize the value of GAO by being a model federal agency and a world-class professional services organization:

- Mobilized staff quickly to conduct mandated oversight work and ensure accountability of the federal assistance available through the Recovery Act;
- Contributed to enhancing the ability of the domestic accountability community to prevent fraud, waste, and abuse of federal funds;
- Helped enhance international accountability organizations’ capacity to implement strong professional standards by sponsoring training and participating in international forums.

APPENDIX III.—SELECTED TESTIMONY ISSUES, FISCAL YEAR 2009

*Goal 1.*—Address Challenges to the Well-Being and Financial Security of the American People:

- Auto industry bailout;

- Nonprime home loans and rising foreclosures;
- Pension Benefit Guaranty Corporation financial challenges;
- Social Security Administration challenges with disability claims processing;
- Wildland fire management;
- Mental health services for Hurricane Katrina's youngest victims;
- Clean water trust fund;
- Department of Veterans Affairs (VA) healthcare for women veterans;
- Corporate crime and deferred prosecutions;
- D.C. public school reform efforts;
- Limiting United States Postal Service losses;
- Reverse mortgages;
- Crime victims' rights;
- Federal Protective Service.

*Goal 2.—Respond to Changing Security Threats and the Challenges of Globalization:*

- U.S. strategies and plans in Iraq, Afghanistan, and Pakistan;
- Reforming U.S. defense acquisitions;
- Planning future army combat systems;
- DOD's business transformation;
- Financial regulators' oversight of large financial institutions;
- Security and Exchange Commission enforcement resources;
- TARP;
- U.S. cybersecurity strategy;
- Screening air cargo on passenger aircraft;
- Post-Katrina Emergency Management Reform Act;
- Climate change trade measures;
- Small Business Administration Disaster Loan Program reforms.

*Goal 3.—Help Transform the Federal Government's Role and How It Does Business:*

- Recovery Act;
- Influenza pandemic;
- Health IT;
- Management of DOD contractors;
- Key National Aeronautics and Space Administration challenges;
- U.S. government financial statements;
- 2010 Census preparations;
- Improper federal payments to suspended businesses;
- Offshore financial activity and tax enforcement;
- VA and DOD electronic health records;
- Illegal export of military technology.

## GOVERNMENT PRINTING OFFICE

### STATEMENT OF ROBERT C. TAPELLA, PUBLIC PRINTER

Senator NELSON. Mr. Tapella.

Mr. TAPELLA. Chairman Nelson, Senator Murkowski, and members of the subcommittee, thank you for inviting me here today to discuss GPO's appropriations request for fiscal year 2011.

I have submitted my prepared statement for the record, and I would just like to make a few brief remarks with your permission.

I want to begin by thanking the subcommittee for your support for GPO's appropriations request last year, fiscal year 2010. In addition to funding our congressional printing and documents distribution operations, these appropriated funds included working capital for critical IT projects, including our Federal Digital System, and Oracle financial system, as well as the initiation of our composition system replacement project.

It also provided funds for the ongoing renovation of GPO's elevators, both passenger and freight. Your recommendation of these funds is deeply appreciated both by me and the 2,300 employees at GPO.

For fiscal year 2011, we are requesting a modest increase of 3 percent for our congressional printing and binding funds to cover projected volume requirements for a first session year. As you are aware, GPO does not control the amount of printing Congress requires. We simply fulfill your needs and use historical data to project workloads.

For our Superintendent of Documents programs, we need to fund mandatory wage and price level requirements, ongoing projects supporting depository libraries, and operating expenses for the Federal Digital System that are attributable to this program. For this account, we have about \$1.5 million available in prior year unspent funds that could be transferred forward with your approval. So we will be requesting your approval. That transfer would reduce our requirement for new funds to an increase of only 4 percent.

For our revolving fund, we are seeking an addition to working capital that would cover a range of investments in IT, continuity of operations, facilities repair, and workforce retraining programs. As you know, our revolving fund was created in 1953, and Congress periodically has provided working capital to ensure the operation and maintenance of the Government Printing Office.

In view of the state of the economy and the constraints on the Federal budget, we fully understand there are limitations on what this subcommittee can recommend. And so, I would like to briefly discuss our priorities. Chief among these is the need to continue the development of FDsys, our world-class content management system, as well as our project to replace the last of GPO's legacy automated systems with Oracle-based systems.

Both of these investments are already yielding improvements in service and cost reductions. Our project to implement a digitally based advanced print technology at GPO, along with an automated workflow management system, is critical to achieving future economies in the production of congressional printing.

As GPO's experience has shown perhaps better than any legislative branch agency, investments in technology made today will yield significant and lasting savings tomorrow. We have clearly shown that in the chart on page A2 of the budget justification submitted to this subcommittee, and the Congressional Research Service shared similar findings to Congress in a report last year.

In addition to continuing repairs on our aging buildings, especially our elevators, ensuring the continuity of operations, or COOP, in support of congressional and other agency activities is an important priority. Recently, we brought a systematic approach to COOP planning, and we are working very closely with the House and Senate, as well as other entities like the Office of the Federal Register.

Our focus is to prepare GPO to respond to a spectrum of emergencies from the purely local—such as severe weather, a power outage, or a fire—to the catastrophic. Though not specified as such in our original submission, I consider it a top priority among our COOP projects to complete the work on a full system failover capability for FDsys, a need that was accurately pointed out during the public hearings before the House Legislative Branch Appropriations Subcommittee in February.

One final note. This is going to be another tough year for GPO, as it is for other agencies and businesses across America. We are continuing to cut costs and scale back expenditures to ensure we live within our budget.

Last year, with your understanding and support, we finished on a sound financial basis, generating a modest net income before other operating expenses. We are targeting a similar financial performance this year—positive, but very modest.

#### PREPARED STATEMENT

Chairman Nelson, Senator Murkowski, and members of the subcommittee, this concludes my remarks.

Thank you.

Senator NELSON. Thank you.

[The statement follows:]

#### PREPARED STATEMENT OF ROBERT C. TAPELLA

Chairman Nelson, Senator Murkowski, and Members of the Subcommittee on Legislative Branch Appropriations: It is an honor to be here today to discuss the appropriations request of the Government Printing Office (GPO) for fiscal year 2011.

#### RESULTS OF FISCAL YEAR 2009

Fiscal year 2009 began with a flood of activity associated with completing the necessary printing, binding, and related work supporting the impending transition of Administrations. For the Presidential inauguration, GPO completed a broad variety of printed materials, which for the first time included the production of secure credentials for law enforcement personnel involved with the event.

We also issued the quadrennially popular "Plum Book", known officially as "Policy and Supporting Positions", which was printed on behalf of the Senate Committee on Homeland Security and Governmental Affairs. Following the inauguration, GPO

printed the official portraits of President Obama and Vice President Biden for placement by the General Services Administration (GSA) in more than 7,000 Federal Government installations around the globe. Rounding out this effort, during the year GPO produced the Congressional Directory for the 111th Congress, issued by the Joint Committee on Printing, which includes a comprehensive directory to both the Senate and the House of Representatives as well as the officials of the incoming Administration.

Throughout the year, GPO worked to fulfill its pledge of support for President Obama's Open Government Initiative. In February, we launched our Federal Digital System (FDsys, at [www.fdsys.gov](http://www.fdsys.gov)), a world-class information management system developed to authenticate, preserve, and provide permanent public access to official Federal publications. We also offered a number of suggestions to the Administration to help implement the President's initiative, including providing public documents housed on FDsys in XML format to facilitate a greater range of user options. In partnership with the National Archives and Records Administration's Office of the Federal Register, we carried out this suggestion by offering the Federal Register in XML. By the year's end we were poised to follow up making the Code of Federal Regulations available in XML as well.

In addition to migrating the databases housed on GPO Access to FDsys, GPO also worked with staff from the Library of Congress, the Secretary of the Senate, and the Clerk of the House to develop a report on bulk data downloads of legislative information, and during the year we worked toward a plan for digitizing printed documents within the Federal depository library collection for online public access.

To fully support the commitment to environmental sustainability announced by the President and Congress, GPO is developing its future based on environmental sustainability. This means more than just going green: it means expanding our digital operations and making changes in paper, inks, equipment configurations, and energy sources so that we can support our customers in Congress, Federal agencies, and the public in a more efficient and environmentally responsible way.

During the year, with the help of funding provided to the GSA through the American Recovery and Reinvestment Act, we upgraded GPO's vehicle fleet with more fuel efficient and environmentally friendly vehicles. With the approval of the Joint Committee on Printing, we increased the postconsumer waste content of the newsprint we use to print the Congressional Record and the Federal Register from 40 percent to 100 percent. We also began an evaluation of how digital printing technologies can help us meet our production requirements in the 21st century.

GPO continued making progress in providing new options to meet the Government's secure credential needs. Along with the credentials supporting the Presidential inauguration, we designed, printed, encoded, personalized, and shipped more than 500,000 Trusted Traveler Program cards (NEXUS, SENTRI, and FAST) for the Department of Homeland Security's Customs and Border Protection, and developed additional cards to support the Western Hemisphere Travel Initiative, the Medicare program in Puerto Rico, and other Federal identification programs. Our smart card production operation is a rapidly growing segment of GPO's Secure and Intelligent Documents business unit, building on the expertise and capabilities we bring to our longstanding passport production operations.

Historically, the events dominating Congress and the Administration are reflected in the work produced by GPO, and 2009 was no exception. During the year, GPO recorded the debates and printed the legislation resulting in the American Recovery and Reinvestment Act, as well as the documents associated with consideration of healthcare reform in the House and the Senate and the various appropriations bills and other business before Congress. We also completed production of the main edition of the U.S. Code. GPO worked through the year to produce the documents required for the upcoming decennial census, and also produced thousands of traveler cards providing information on the H1N1 (swine flu) virus on behalf of the Centers for Disease Control.

To help the public find access to these and other documents, we created a new e-mail alert system that attracted thousands of subscribers, and we upgraded GPO's online Catalog of Government Publications to help users find documents in nearby depository libraries. We also carried on a longstanding GPO responsibility by updating and issuing a new edition of the GPO Style Manual, a publication that has served as a guide to the form and style of Federal printing for more than century.

GPO's process improvement initiatives focused on obtaining certification under the International Organization for Standardization (ISO) 9001, a quality management system, and the implementation of 5S, a lean manufacturing program. ISO 9001 certification will ensure GPO's continued delivery of products and services that meet customer expectations, conserve agency resources, increase efficiency, reduce

waste, and improve quality. The 5S program instills employee process ownership and communicates and maintains organization of workspaces.

I'm pleased to report that the audit of our financial reports and systems for fiscal year 2009 conducted by KPMG LLP resulted in an "unqualified," or clean, opinion for GPO. We completed the year with a net income of \$1.2 million on total revenues of \$934.1 million, excluding Other Operating Expenses of \$4.1 million for an adjustment to GPO's long term workers' compensation liability and \$1.2 million for a capitalized software impairment loss.

The change in business from the previous year was attributable primarily to a reduction in overall passport production operations. The adjustment to workers' compensation liability and the capitalized impairment loss did not place GPO in an anti-deficiency position or require additional appropriations, and the state of GPO's finances remains sound, particularly as the result of increased new business opportunities in the secure and intelligent documents arena and continuing efficiencies achieved as a result of the sustained transformation GPO has undergone over the past decade.

GPO made substantial progress in 2009. By the end of the year, we began developing plans for the observance of our 150th anniversary, dating to the enactment of the congressional resolution of June 23, 1860, which established the Government Printing Office, and to March 4, 1861, the day we first opened for business. We look forward to celebrating a century and a half of accomplishment in the coming year.

FISCAL YEAR 2011 APPROPRIATIONS REQUEST

For fiscal year 2011, we are requesting a total of \$166,560,000, which will enable us to:

- meet projected requirements for GPO's congressional printing and binding operations during fiscal year 2011 and recover the shortfall in this account accumulated in fiscal year 2009 and projected for fiscal year 2010;
- fund the operation of GPO's Superintendent of Documents programs and provide investment funds for necessary information dissemination projects;
- continue the development of FDsys and implement other improvements to GPO's information technology infrastructure, perform essential maintenance and repairs to our aging buildings, undertake necessary continuity of operations (COOP) initiatives, and provide funding for employee retraining and workforce development.

CONGRESSIONAL PRINTING AND BINDING

|                                 | Amount       |
|---------------------------------|--------------|
| Fiscal year 2010 approved ..... | \$93,768,000 |
| Fiscal year 2011 request .....  | 96,652,000   |
| Change .....                    | 2,884,000    |
| Change includes:                |              |
| Price level changes .....       | 4,192,000    |
| Volume changes .....            | (2,844,000)  |
| Elimination of shortfall .....  | 1,536,000    |

This appropriation pays for the printing and binding for Congress as authorized by Title 44, U.S.C., and related statutes. GPO produces the daily and permanent editions of the Congressional Record, bills, resolutions, amendments, hearings, committee reports, committee prints, documents, stationery, and a wide variety of other products, in both print and online formats, that are essential to the legislative process in Congress. GPO provides Congress with immediate, reliable service in a work environment under its direct control.

For fiscal year 2011, we are requesting \$96,652,000 for this account, representing an increase of \$2,884,000 over the level approved for fiscal year 2010.

Included in the increase is \$1,536,000 to fund the shortfall in this appropriation accumulated in fiscal year 2009 and projected for fiscal year 2010. The shortfall occurred primarily due to increased volume for bills, resolutions, amendments, and hearings over our original estimates.

The balance represents a combination of price level increases that are attributable primarily to existing wage contracts and projected cost increases for materials and supplies, as well as estimated volume changes in certain workload categories based on historical data for first session years.

GPO projects an overall volume decrease due to projected workload decreases for the daily Congressional Record, business calendars, document envelopes and franks, and hearings. These decreases are offset in part by projected increased volume for miscellaneous printing and services, which will include funding for content management services provided for congressional documents maintained on FDsys; committee prints; miscellaneous publications including the Congressional Directory for the 112th Congress; bills, resolutions, and amendments; committee reports; details to Congress including funding for details to House committees; documents; and the Congressional Record Index.

SALARIES AND EXPENSES OF THE SUPERINTENDENT OF DOCUMENTS

|                                 | Amount       |
|---------------------------------|--------------|
| Fiscal year 2010 approved ..... | \$40,911,000 |
| Fiscal year 2011 request .....  | 44,208,000   |
| Change .....                    | 3,297,000    |
| Change includes:                |              |
| Mandatory requirements .....    | 1,452,000    |
| Investment requirements .....   | 1,845,000    |

Under the relevant provisions of Title 44, U.S.C., GPO carries out its mission to Keep America Informed through the information dissemination programs of the Superintendent of Documents. These programs include the distribution of publications to approximately 1,250 Federal depository libraries nationwide (averaging nearly 3 per congressional district), cataloging and indexing, distribution to recipients designated by law, and distribution to foreign libraries which provide the Library of Congress with copies of their official Government documents in exchange. In addition, GPO's Government documents Web site, GPO Access, and its successor, FDsys, provide free online access to nearly a quarter million titles, including the Congressional Record, the Federal Register, Supreme Court opinions, congressional bills and reports, and other publications, from both GPO's servers and links to servers in other Federal agencies.

For fiscal year 2011, we are requesting \$44,208,000 for this account, an increase of \$3,297,000 over the level approved for fiscal year 2010. The increase is requested to cover mandatory pay and price level increases and continue improving public access to Government information in electronic formats.

Of the total increase, \$1,452,000 is for mandatory requirements, which include \$715,000 for pay and price level changes and \$737,000 for the level of overhead required to be distributed to Salaries and Expenses programs (the pay raise as submitted was calculated at an increase of 1.6 percent; an adjustment of this increase to 1.4 percent, the amount included in the President's budget, would result in a decrease of \$26,000 from pay and price level changes).

The increase includes \$1,845,000 for continuing investment requirements. This includes \$2,000,000 for FDsys annual operating costs attributable to Superintendent of Documents programs, offset by a reduction of \$155,000 in the continued costs of specific projects supporting the Federal Depository Library Program and the Cataloging and Indexing program, including the modernization of legacy systems, expansion of cataloging and indexing services, establishment and utilization of outcomes-based performance measures for depository libraries, and funds supporting the digitization of historical print documents pending approval of a project for that purpose by the Joint Committee on Printing.

GPO has the authority—with the approval of the Committees on Appropriations—to transfer forward the unexpended balances of prior year appropriations to the revolving fund, provided the funding is used to carry out the purposes for which it was originally appropriated. At this date there is approximately \$1,500,000 remaining unexpended from the Salaries and Expenses Appropriation from fiscal year 2005. These funds could be transferred forward to offset part of the new funding requested for this account for fiscal year 2011.

REVOLVING FUND

|                                 | Amount       |
|---------------------------------|--------------|
| Fiscal year 2010 approved ..... | \$12,782,000 |
| Fiscal year 2011 request .....  | 25,700,000   |

|   | Amount     |
|---|------------|
| Change .....                                | 12,918,000 |
| Change includes:                            |            |
| Investments in information technology ..... | (782,000)  |
| Facilities maintenance and repair .....     | 6,250,000  |
| Continuity of operations (COOP) .....       | 4,200,000  |
| Workforce retraining .....                  | 3,250,000  |

All GPO activities are financed through a business-like revolving fund. The fund is used to pay all of GPO’s costs in performing congressional and agency printing, printing procurement, and distribution activities. It is reimbursed from payments from customer agencies, sales to the public, and transfers from the Congressional Printing and Binding Appropriation and the Salaries and Expenses Appropriation of the Superintendent of Documents. The basic purpose of the revolving fund is to provide temporary financing for GPO operations pending the collection of funds for work performed. Whenever GPO has significant investment projects that require additional working capital, we seek appropriations to the revolving fund to cover the cost of those projects.

For fiscal year 2011, we are requesting \$25,700,000 for this account, to remain available until expended, to fund essential investments in information technology development, facilities maintenance and repair, COOP projects, and workforce retraining. This represents an increase of \$12,918,000 over the level of funding provided for fiscal year 2010.

The request includes \$11,000,000 for information technology development. This is a decrease of \$782,000 from the amount of funding provided for this purpose for fiscal year 2010. It includes \$6,000,000 to continue developing FDsys; \$2,000,000 for our Advanced Print Technology project, which is reviewing the potential for increasing the use of digital printing and automated workflow technologies to meet congressional and agency printing needs; \$1,500,000 to continue work with our project to replace GPO’s aging automated composition system; and \$1,500,000 to continue replacing GPO’s legacy business systems with an integrated network of Oracle systems.

We are requesting \$7,250,000 for facilities repair and related projects, an increase of \$6,250,000 over the amount provided for this purpose for fiscal year 2010. It includes \$2,000,000 for continued elevator repairs; \$2,000,000 initiate the process of relocating production operations from GPO’s building 4 to the main GPO complex; \$2,000,000 to begin the systematic upgrade of GPO’s electrical, plumbing, and structural infrastructure; \$1,000,000 for utility monitoring and controls to improve energy efficiency; and \$250,000 to design and install a public exhibit in support of the observance of GPO’s 150th anniversary in March 2011 and to serve as continuing exhibit space.

We are requesting funding for COOP and workforce retraining projects for fiscal year 2011, and have submitted the necessary language changes for this purpose. For COOP, we are requesting \$2,200,000 to locate and begin equipping a remote COOP operating and command center, pending approval by the Joint Committee on Printing, and \$2,000,000 for an onsite generator at GPO to supply power to the data center supporting production of congressional and agency requirements.

We are requesting \$3,250,000 for several workforce retraining and development programs, including \$1,000,000 for a Plant Operations Curriculum to build digital competencies; \$500,000 for supervisor development; \$500,000 for continuing education for basic skills development; \$500,000 for certification programs in finance and accounting; \$500,000 for a marketing curriculum; and \$250,000 for a technology integration program for training needs assessments and the provision of specialized training to operators and users of business support technology programs.

Chairman Nelson, Senator Murkowski, and Members of the Subcommittee, we look forward to working with you, and with your support we can continue GPO’s record of achievement. This concludes my prepared statement, and I would be pleased to answer any questions the Subcommittee may have.

## CONGRESSIONAL BUDGET OFFICE

### STATEMENT OF DOUGLAS W. ELMENDORF, Ph.D., DIRECTOR

Senator NELSON. Dr. Elmendorf.

Dr. ELMENDORF. Thank you, Chairman Nelson, Senator Murkowski, and Senator Pryor. I appreciate the opportunity to testify today about the CBO's budget request for fiscal year 2011.

We are celebrating our 35th anniversary this year. It seems like a long time to us, although it pales next to my colleague from the Government Printing Office.

This has been a very challenging congressional session for us. We have produced hundreds of written cost estimates and reports, had uncounted conversations with congressional staff about the analysis we are doing on proposed legislation and on the budget and economic challenges that face the country.

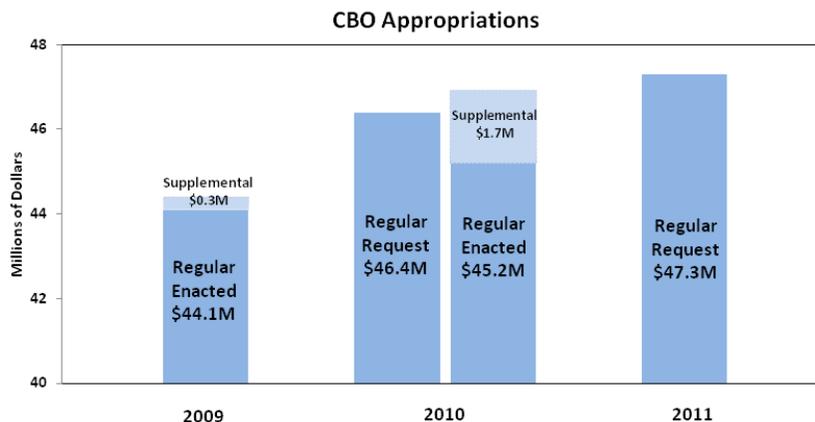
#### HEALTH

In particular, as you know, and Senator Murkowski mentioned, we have devoted a vast amount of time and energy to analyzing alternative proposals for reforming the Nation's healthcare and health insurance systems. In all of that work, the people who are the Congressional Budget Office have enhanced CBO's reputation as a provider of analysis that is objective, insightful, timely, and clearly explained.

For fiscal year 2011, we are requesting an appropriation of \$47.3 million. I have brought along some pictures I think you have in front of you to put that request in the context of the past few years' appropriations.

#### SUPPLEMENTAL

For fiscal year 2009, you appropriated \$44.1 million to CBO. Last year, I came before you and requested \$46.4 million. While that request was working its way through the appropriations process, certain Senators proposed a supplemental appropriation for CBO of \$2 million. This was not our idea. It was intended to bolster our ability to complete health estimates rapidly, and the money was put to that purpose.



| FTEs      |     |                         |     |
|-----------|-----|-------------------------|-----|
| 2009 Plan | 250 | 259                     | 259 |
| 2011 Plan | 242 | 254                     | 258 |
|           |     | (Regular 249, Suppl. 5) |     |

Because it came late in the fiscal year, we spent just \$300,000 in fiscal year 2009 and are spending the remaining \$1.7 million in fiscal year 2010. With this supplemental money on the table, our regular appropriation was cut back to \$45.2 million.

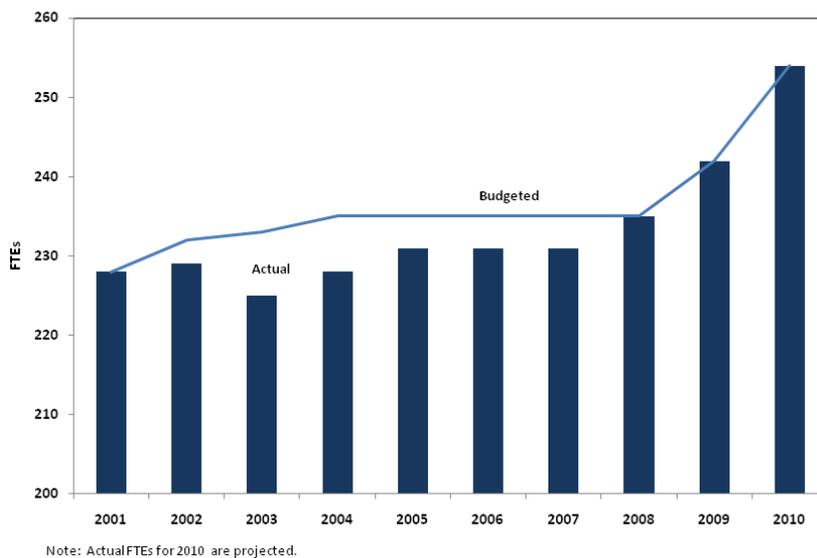
We entirely understand that the supplemental should not be a mechanism for CBO to have a permanently higher level of appropriations. However, we are concerned that if this year's appropriation process begins from last year's regular appropriations amount, which was reduced in light of the supplemental, then CBO will end up with a permanently lower level of appropriations.

For example, if our budget for fiscal year 2011 were set at last year's regular appropriations level of \$45.2 million, we would need to cut our staff.

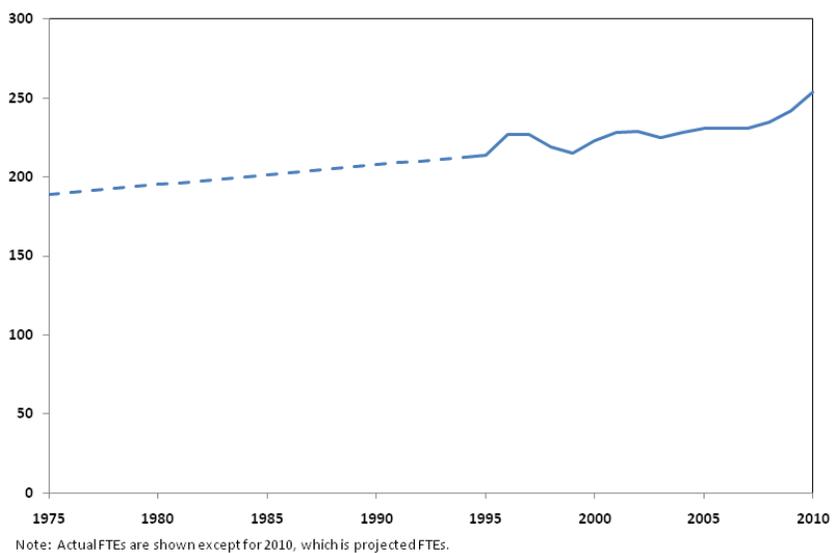
To remove the distorting effect of the supplemental, our perspective on this year's request was to begin with our request to you last year. Relative to that request of \$46.4 million, this year's request of \$47.3 million represents an increase of \$900,000, or about 2 percent.

Apart from the complications introduced by the supplemental, we view this year's request as the culmination of a multiyear plan presented to you 2 years ago to increase the size of the agency by roughly 10 percent. The goal, as my predecessor described it to you, was to enable CBO to better meet the needs of the Congress for analysis related to healthcare, financial issues, and other policy areas.

CBO FTEs



CBO FTEs



Indeed, that increase in staffing has been absolutely critical to our ability to provide sufficient analyses of these topics and others in the past couple of years. Our aim now in completing this plan is to increase our full-time equivalents (FTEs) from 254 to 258, roughly in line with the 259 that my predecessor suggested to you 2 years ago.

One might wonder why we are not reducing our staff if a central rationale for the increase was the demand for analysis of health proposals and the current cycle of health reform efforts appears to have drawn to a close. One reason is that congressional demand for health analysis remains strong. We need to incorporate the recently enacted legislation in our baseline projections this summer and in all subsequent baseline projections.

We also need to analyze proposed changes in the law, and we have already received such proposals from both sides of the aisle. The other reason that we cannot reduce our staff without hampering our ability to produce analysis is that we simply cannot maintain the quantity and the quality of analysis we have produced over the past year on an ongoing basis with the existing number of people.

The extraordinary pressure and 7-day a week nearly around-the-clock workload of the past year will soon drive good people away and diminish the effectiveness of those who stay. It really is a choice for us of having additional people or reducing the amount of output that we can provide on a year-to-year basis.

#### PREPARED STATEMENT

In closing, though, I would like to thank all of you for your strong support of CBO's work in the past. Your support of our budget request this year will help us to continue to meet our responsibilities to the Congress to the high standards that we and you expect.

Senator NELSON. Thank you.

Thank you very much.

[The statement follows:]

#### PREPARED STATEMENT OF DOUGLAS W. ELMENDORF

Mr. Chairman, Senator Murkowski, and Members of the Subcommittee, thank you for the opportunity to present the fiscal year 2011 budget request for the Congressional Budget Office (CBO).

CBO's mission is to provide the Congress with timely, objective, nonpartisan analyses of the budget, the economy, and other policy issues and to furnish the information and cost estimates required for the Congressional budget process. In fulfilling that mission, CBO depends on a highly skilled workforce. Approximately 90 percent of the agency's appropriation is devoted to pay and benefits; the remaining 10 percent is for information technology, equipment, supplies, and other services.

The proposed budget for fiscal year 2011 totals \$47,289,000, a \$2.1 million or 4.7 percent increase over CBO's regular appropriation for fiscal year 2010. CBO also received a supplemental appropriation in 2009 that was intended to cover additional costs in both 2009 and 2010 related to the analysis of healthcare legislation. After accounting for the portion of that supplemental appropriation that is being used in 2010 (about \$1.7 million), the 2011 request amounts to an increase of 0.9 percent over CBO's total 2010 funding.

The proposed \$2.1 million increase in CBO's regular appropriation is the net of changes in three broad categories:

- \$2 million is for rising mandatory pay and related costs for existing staff (including the costs of added staff funded through the supplemental);
- \$0.7 million results from CBO's request to increase its number of full-time-equivalent positions (FTEs) by 4, from 254 to 258; and
- \$0.6 million is cut from nonpay expenditures, made possible primarily because CBO will no longer be represented on, and providing resources to, the Federal Accounting Standards Advisory Board (FASAB).

## GROWING DEMAND FOR CBO'S ANALYSES

The proposed increase in FTEs is the culmination of a multiyear plan to enable CBO to better meet the needs of the Congress for information and analyses related to healthcare and a broad range of other policy areas.

Between fiscal year 2001 and fiscal year 2008, the number of FTEs at CBO averaged 230, and the number varied little from year to year. In 2008, however, the agency became concerned that it did not have sufficient resources to analyze policy changes regarding the delivery and financing of healthcare, which were emerging as a critical issue in the Congress. In addition, the agency was providing an increasing number of testimonies and formal cost estimates and engaging in a growing amount of informal analyses for Congressional staff on a wide range of topics, so redirecting a significant number of positions toward analyzing healthcare did not seem feasible. Accordingly, CBO proposed to the Congress a multiyear plan to boost the size of the agency to 259 FTEs, an increase of a little more than 10 percent.

*The First Phases of the FTE Increase*

The Congress approved the first phase of the proposed increase for fiscal year 2009, and CBO averaged 242 FTEs that year. Analysis of competing healthcare proposals absorbed a huge share of the agency's resources, and CBO analysts in that area have worked flat out for more than a year. At the same time, the financial crisis led to a jump in the Federal government's involvement in the financial sector (including the creation of the Troubled Asset Relief Program, the conservatorship of Fannie Mae and Freddie Mac, and expanded activities of the Federal Reserve and the Federal Deposit Insurance Corporation), which increased Congressional demand for pertinent analysis, budget projections, and cost estimates. Therefore, CBO proposed a further increase in staffing for 2010, and the fiscal year 2010 appropriation included an increase in funding sufficient to provide for 249 FTEs.

*The 2009 Supplemental Appropriation*

The Congress later approved a 2-year supplemental appropriation totaling \$2 million, which was designed to enhance CBO's ability to provide faster analysis of complex healthcare proposals. That supplemental funding covered 5 additional FTEs for 2010, bringing the total for this year to 254 FTEs. On the basis of staffing to date, CBO appears to be on track to have roughly 254 FTEs, on average, this year.

*The Proposed FTE Increase for Fiscal Year 2011*

For fiscal year 2011, CBO is requesting funding to support 258 FTEs, 4 more than are funded in fiscal year 2010. That level of staffing would essentially complete the multiyear increase that CBO proposed 2 years ago.

In developing its request for 2011, CBO recognized that the current surge of demand for analysis of healthcare proposals would probably not be sustained. Taken by itself, that point might justify a reduction in the number of positions devoted to analyzing healthcare. However, the agency is actually requesting a small increase in the number of such positions—three FTEs. That request reflects two considerations—first, that considerable Congressional interest in analysis of healthcare issues is likely to persist, and second, that the almost round-the-clock schedule maintained this past year by CBO's current staff cannot be maintained.

Let me elaborate on those points. Now that comprehensive health legislation has been enacted, CBO will need to make regular budget projections for the new and expanded Federal healthcare programs, and it will need to estimate the budget costs and other consequences of contemplated changes to those programs. In addition, CBO will probably need to respond to Congressional interest in exploring other possible changes to the healthcare system. Continued large Federal budget deficits and the key role of rising Federal healthcare spending in boosting future deficits ensure that health issues will remain central to the Congress's deliberations.

With the current staffing level, CBO cannot continue to produce the quantity of health analysis that it completed under the extraordinary pressure and almost round-the-clock, 7-day-a-week workload of the past year. That work schedule cannot be maintained if CBO is to retain the skilled and knowledgeable staff that have been working on health analyses. And even with the extraordinary effort of this group during the past year, the quantity of analysis that has been produced has not been sufficient to meet the needs of many Members of Congress.

The additional staff CBO is requesting will go, in some combination, to the Budget Analysis Division and the Health and Human Resources Division. If the needs for health analysis permit, CBO might reallocate some analysts in the Health and Human Resources Division from work on healthcare to work on income security and education—an area in which CBO has fewer analysts than necessary to meet Congressional needs.

The fourth additional FTE requested is for the Management, Business, and Information Services Division. That group includes information technology (IT) personnel, editors, Web personnel, financial managers, and others. As CBO has expanded its analytic staff in the past couple of years, the agency has added some staff in those support functions as well. The additional position would provide administrative support to enable senior members of the staff to focus more effectively on their core responsibilities.

#### SOME DETAILS OF CBO'S FISCAL YEAR 2011 BUDGET REQUEST

In fiscal year 2011, CBO will continue to focus on its core functions of providing budgetary information to the Congress, including budget and economic outlook reports, cost estimates, mandate statements, and scorekeeping reports. CBO expects to continue its work on healthcare, government interventions in financial markets, and climate change—providing major policy studies on those topics and others—and to further improve its long-term analyses of legislative proposals for healthcare and Social Security through the continued development of budgetary and economic models.

CBO's request would fund the following:

- A workload of roughly 600 formal cost estimates (most of which include both estimates of Federal costs of legislation and assessments of the cost of mandates included in the legislation that would affect state and local governments, Indian tribes, or the private sector) and hundreds of informal estimates, approximately 100 analytical reports, a variety of other products, and a substantial schedule of Congressional testimony;
- A projected 7.3 percent, or \$2.2 million, increase in base pay, of which \$0.5 million would support the four new FTEs and \$1.7 million would support a combination of across-the-board increases, promotions, performance bonuses, and merit increases for current staff (the across-the-board increase is budgeted at 1.6 percent for staff earning a salary less than \$100,000, which is consistent with the pay adjustment requested by most other legislative branch agencies);
- A projected 4.8 percent, or \$0.5 million, increase in the cost of benefits, of which \$0.2 million would go toward the four new FTEs and \$0.3 million would go toward current staff;
- The replacement of obsolete office equipment, desktop computers, and network servers, at \$0.6 million—a decrease of \$0.7 million, based on CBO's current replacement cycle;
- The acquisition of commercial data necessary for CBO analyses and studies, at \$0.6 million—an increase of \$0.5 million over the 2010 funding level (partially due to the fact that a portion of the agency's current needs in this area are being met through the 2-year supplemental appropriation provided in fiscal year 2009);
- IT system development, at \$0.3 million—the same amount as in fiscal year 2010, based on anticipated requirements;
- Essential software purchases, at \$0.3 million—about the same sum as in fiscal year 2010, based on anticipated requirements;
- Telecommunications and telephone services, at \$0.3 million—an increase of roughly \$50,000 to support expanded requirements;
- Equipment maintenance, at \$0.3 million—a little above the fiscal year 2010 funding, based on current contracting data;
- Temporary IT and clerical support, at \$0.2 million—the same amount as in fiscal year 2010;
- Expert consulting, at \$0.3 million—about the same funding as in fiscal year 2010;
- Purchases of office supplies and subscriptions, at \$0.6 million—an increase of roughly \$70,000, primarily attributable to an increase in costs for online subscriptions;
- Financial management services, including support for auditing, payroll, and financial systems, at \$0.4 million—a small increase from 2010, primarily because of anticipated price hikes when renewing option-year contracts (I am pleased to report that CBO received its sixth consecutive clean opinion in the latest audit of its financial statements);
- Office furniture and equipment, at \$0.3 million—a slight decrease from the fiscal year 2010 funding;
- Travel, at \$0.2 million—the same level as fiscal year 2010; and
- Management and professional training, at \$0.2 million—roughly the same sum as in fiscal year 2010.

Because CBO withdrew from the Federal Accounting Standards Advisory Board in fiscal year 2010, CBO's request incorporates a savings of \$0.5 million in support previously provided to that body.

One further consideration in this request for funding for four additional FTEs is the capacity of CBO's assigned space in the Ford House Office Building. CBO currently has only a handful of unused offices, which must accommodate temporary workers (like contractors, auditors, and interns). During the past few years, CBO has created a number of additional offices by reconfiguring underutilized space, and the agency is currently undertaking further modifications in its configuration and utilization of space. As a result, a sufficient number of new workspaces can be created for all of the FTEs that CBO is requesting in this budget.

In closing, I would like to thank the Committee for the support it has provided CBO, enabling the agency to carry out its responsibilities to provide information and analysis to the Congress as it grapples with the critical issues facing the nation.

#### FACILITIES REPAIRS

Senator NELSON. Let me start with Mr. Tapella. Your request for revolving funds totals \$25.7 million and includes everything from workforce retraining to building repairs. Are any of these items a matter of life and health and fire safety priorities that can't be put forward into another year?

Mr. TAPELLA. I would say—

Senator NELSON. Like the elevators in the past, yes.

Mr. TAPELLA. What I would say is the continued elevator repair is a life and safety issue. GPO has 33 elevators, 31 in current operation. Several of them we have shut down over the years. We just reopened the first two from funding two cycles ago, and it is a serious issue.

We manufacture on multiple levels. So the freight elevators moving congressional work up and down are important. And also, as we experienced this year, when we have an emergency situation, for example a medical emergency, being able to get personnel in and out of the building in a timely fashion is absolutely critical.

And so I would put, in terms of the building projects, the elevator repair as our highest priority.

#### INCREASING REVENUES

Senator NELSON. In terms of increasing revenues, what actions have you taken that would result in increasing revenues? In other words, getting paid for certain publications in the past that have perhaps been free or subsidized as to their costs, what actions have you been taking?

Mr. TAPELLA. Our greatest area for revenue generation has been in our security and intelligent document business, which is where we produce the United States passports. We also produce the trusted traveler cards for Customs and Border Protection. We have made some significant investments in infrastructure and equipment for so-called "smart cards", and among other things, we produced the credential used by law enforcement officials for the 2009 inauguration. We are working right now with the Department of State to produce credentials for diplomats.

We are working to try to get into the HSPD-12 business, which is the identification cards for Federal Government employees, and I see that as our greatest growth business. In fact, a small piece of it, we have also produced a credential for inspectors general in Government.

I believe that credentials are something that are inherently governmental and belong in a Government-owned, Government-operated secure facility, and that is where we have been focusing. And we have been seeing great results.

#### GAO'S REQUESTED FTE INCREASE

Senator NELSON. Okay. Mr. Dodaro, can you explain why the fiscal year 2011 request includes 49 additional FTEs to maintain current staffing levels? I am not sure I understand why additional FTEs are necessary to maintain current staffing levels.

Mr. DODARO. My understanding is that we are requesting enough to keep our existing staffing onboard for our base request. We are not asking for additional support. Let me just clarify that with my team to make sure I give you the proper answer.

Senator NELSON. Okay. Sure.

Mr. DODARO. The 49 FTEs are needed to annualize the hiring and attrition that will occur throughout the year. It is just for the people that we project to have onboard in fiscal year 2010, to annualize their time through next year. It is not needed for additional people, Senator.

Senator NELSON. So it is not a net increase of FTEs. It is what it takes to replace as you have turnover, and is that it?

Mr. DODARO. Yes. We have had a little less turnover than we had in the past this year due to the economy and the other issues, as I am sure you are aware of. But that is just to annualize those people that we will have onboard.

Senator NELSON. Okay. So the attrition rate has declined as a result of the economy, and—

Mr. DODARO. Yes. And we have adjusted our hiring accordingly.

#### GAO'S INVOLVEMENT WITH ADMINISTRATIVE ISSUES FACING THE CAPITOL POLICE

Senator NELSON. Sure. Okay. And let me say that we appreciate your work for the subcommittee and helping us with your sister legislative branch agencies. For example, I know you have done extensive work on the challenges facing the Capitol Police, particularly in identifying weakness in the Capitol Police's financial management operations.

What would you say from your standpoint is the biggest challenge facing the Capitol Police at the present time, and particularly in terms of the accounting issue that they have had?

Mr. DODARO. We are looking at that issue a little more carefully to identify exactly what the root causes of the problems are. There are budget formulation issues that we have identified in terms of how they prepare the budget, but there are also questions about how they execute and keep track of the budget and issues that have been raised by their financial auditors in the past.

We are working with their inspector general very carefully. We are also going to be meeting with their financial auditors. We discussed this with the House Appropriations Committee, and I agreed that we would look at this and try to advise the Congress on exactly what to do.

I am confident that over the next couple of months, we can figure out exactly what the root causes of the problems are. They will

need to have the issues documented so they can get the proper procedures and controls in place. They also will need the proper people to execute those controls to make sure there aren't breakdowns again as they have had over this past year.

I am committed to helping the police and you make sure that these issues are addressed.

Senator NELSON. So you would conclude that it is essentially an accounting and process and procedures challenge that they face, rather than something that would be criminal activity?

Mr. DODARO. I am not aware of anything right now that would fall in that category. I mean, some of our early findings were that they had misclassified some things as benefits instead of salaries, and because of that, you didn't have the compounding of the salaries plus the benefits. And that accounted for some of it.

But we are going to be looking more carefully at it, and if there are issues like that, obviously, we would pursue them with the inspector general over there. But so far, there is no indication of that type of activity.

Senator NELSON. Thank you.

Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

And I will just be a little bit sarcastic here, but I think that we could have avoided some of these budget increases had we not been dealing with healthcare reform. Because you look at it, Mr. Tapella would not have had to be printing multi-thousand pages bills. Dr. Elmendorf would not have to be staying up every single night, 7 days a week, analyzing this. And Mr. Dodaro would not be having to do the auditing. So I can help you with how we deal with the budget increases.

Senator NELSON. Well, we learn from the past.

Senator MURKOWSKI. Yes, we do. Well, I think it was you, Mr. Dodaro, that said that you anticipate that you will have more on your plate in terms of the assessments, the analysis, whether it is ongoing with healthcare or what may come ahead with financial regulatory reform. I think, again, that is why we recognize the importance of all that they do within their respective offices.

#### RECOVERY ACT OVERSIGHT

Mr. Dodaro, let me ask you about the ARRA dollars that you received, recognizing that you got the \$25 million to help offset this additional workload. Did I hear you correctly that that either has all been obligated or will be obligated by the end of this fiscal year? Is that correct?

Mr. DODARO. That is correct. So far, we have obligated about \$14 million of the \$25 million, and we expect to use the rest of the money throughout the year. We have also used some of our base appropriation.

Senator MURKOWSKI. Right.

Mr. DODARO. But, yes, that money expires, and we will have used it all.

Senator MURKOWSKI. So then with the \$21.6 million that you are now requesting, do you believe that this is going to be sufficient to carry you through 2014, or do you see that there is going to be a need for an additional request to help you bridge that?

Mr. DODARO. Yes. The money we requested this year was for the 2011 budget cycle. We will probably need some additional bridge money later, given the fact that there is going to be money spent beyond fiscal year 2011. But we will have to see in terms of the spend-out rates.

The estimates from CBO, which have been fairly reliable so far, are that the outlays for 2011 would be about \$63 billion additional, and then from 2012 through 2019, another \$60 billion. I think most of that will occur in 2012.

Senator MURKOWSKI. Let me ask you then—

Mr. DODARO. Yes.

Senator MURKOWSKI [continuing]. Because it speaks to an issue that Dr. Elmendorf is dealing with in CBO. You want to make sure that these not necessarily one-time, but short-term dollars that you had received through ARRA are not going to be a permanent part of your base funding and your FTE level.

So how can we ensure that that is not the direction that we are going? Because essentially, here you have got a couple of years going forward now with these increased levels. Does that then not become your base?

Mr. DODARO. We are not intending for that to happen, Senator. From the very beginning, what we have done is we have brought back some reemployed annuitants. We have had term appointments. So we have, from the beginning, structured it so that most of the people who we are bringing back to work on this are temporary people who will go away as the work goes away over time.

That is why we segregated it in our budget submission. We wanted to be very transparent. We are not intending this as a backdoor way to increase the base for our appropriation.

#### GAO'S OVERSEAS PRESENCE

Senator MURKOWSKI. Okay. Let me ask about the engagement support costs. I understand that you are working with the State Department to establish these field presences in Afghanistan, Iraq, and Pakistan. Will these be permanent presences in these countries then? And if so, what is that arrangement, and are you getting any contribution from the State Department with these particular engagement supports?

Mr. DODARO. They are not intended to be permanent. They will only be there during the buildup in Afghanistan, and the draw-down in Iraq. We have had three people on 6-month rotational assignments in Baghdad now for about a year or so. We are getting security support, obviously, from State Department and the Department of Defense (DOD). They have been very cooperative. We don't get any financial support.

Senator MURKOWSKI. But any money?

Mr. DODARO. No.

Senator MURKOWSKI. Should we, in your opinion?

Mr. DODARO. Well, it is really a policy issue. The Congress granted us authority to be reimbursed for our oversight of the TARP program. We have to be careful that we don't go too far in receiving financial support from agencies we audit, rather than funding from the Congress. This could compromise our independence.

But in extraordinary circumstances we have received additional financial support. For example, now that aid will be going to Haiti. I am sure we will be asked to audit that assistance over the next few years. In the past, when we were auditing the recovery from Hurricane Mitch in Central America, we were given travel money separately in an appropriation from the State, Foreign Operations Appropriations Subcommittee.

So sometimes we are given these special appropriations. I certainly would welcome your support in this regard because it is really intended to just provide a base. A lot of our travel is done because we need to go where the money is being spent, and we have had teams going back and forth to Iraq and Afghanistan for a while now.

Senator MURKOWSKI. Do you have any permanent presence in any of these countries where you are involved?

Mr. DODARO. No. Many years ago, we had offices in Frankfurt, and we based out of there. We also had an office in Honolulu to do the travel in Asia. But we don't anymore. We have consolidated, so we only have domestic locations.

Senator MURKOWSKI. Thank you.

Thank you, Mr. Chairman.

Senator NELSON. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman.

I want to thank all of you for all of your help last year because healthcare was a very, very tough strain on all the resources around here. So I want to thank all of you.

And I know, Dr. Elmendorf, you were in the bull's eye for quite a bit of that process. So I just appreciate what everybody has done and everybody's team did to get us through that.

#### COMPUTERS

Let me ask you, Dr. Elmendorf, if I can, about your computers. I don't know how accurate this is. But either on this subcommittee or just in conversations in the past, we have talked about maybe you have a computer system that maybe takes longer to do some of the calculations, and I know you do a lot of complex modeling and all that kind of thing.

But tell me about your IT needs right now. Are you in good shape, or do you need to modernize what you have?

Dr. ELMENDORF. Senator, I think at this point, we are actually in good shape. We did buy faster computers last summer.

Senator PRYOR. And did that make a difference?

Dr. ELMENDORF. And that made a real difference. These very complicated proposals, we often would set a computer running overnight, and if we set it up—the program up wrong, we could not discover until the next day. And we shortened the time required for some of those estimates for a computer run very dramatically. So it made a real difference in what we did.

We also, in the request that you approved for us beyond the supplemental, just the regular appropriations enabled us to catch up on what had been a large amount of deferred IT work. So we have replaced the entire network that we have, which had not been done for a number of years. And we have replaced a number of the machines on people's desktops.

So, at this point, we think we are doing pretty well. And in fact, our request for IT support is coming near, for purchases of equipment is below what we are spending in fiscal year 2010.

Senator PRYOR. When you have technology improvements like you have had, does that help you in terms of your man-hours needed to do the various tasks that you are asked to do?

Dr. ELMENDORF. It doesn't—not really. It is not really a substitute for our staff. It is a complement. It is a tool that they use. Ninety percent of the CBO budget is staff. We luckily don't have some of the problems of the physical plant that the Government Printing Office does. Ninety percent of our budget is for staff, about 6 percent for IT, and 4 percent for everything else.

So the computers don't really—that is what the people need to work with. I mean, it is better to have them working, not sitting, waiting for a program to finish. But the programs still sometimes finish in the middle of the night, and we have people get up and pass results on to somebody else in the middle of the night.

#### WORKLOAD

Senator PRYOR. Do you—I know last year, the last couple of years with healthcare reform have just been extraordinary in terms of your workload. Do you think you will go back down to kind of a pre-2009 workload, or do you think the Congress will continue to do complicated pieces of legislation, and they will continue to need more and more of your expertise and time?

Dr. ELMENDORF. I think it is unlikely that we will face a year again like this past year, and I can only express my gratitude for that.

But, of course, once a program is in place, the Congress rarely leaves it alone. The passage of Medicare and Medicaid many years ago did not—CBO didn't exist at the time, but of course, much work has been done after that on those programs.

The passage of the Children's Health Insurance Program (CHIP) did not end our work analyzing CHIP proposals. We hired people who became experts in that program, and we analyze a vast number of proposed changes to it. So this large new program that has been put in place will require us to do ongoing work in our baseline projections and also in analysis of proposed changes to it and some changes one might think of as additions and some changes that are being proposed in the public sphere at least at this point are taking away some of what is there.

What exactly will happen, I don't—what will come to us in legislative terms, I don't know. But I expect a significant amount of ongoing work. In addition, for all of the health changes in that legislation, projected Federal health spending is very high and growing very rapidly, and the Federal budget deficit is large and projected to be large. The debt projected to grow rapidly, and the growth in Government health spending and the growth in the Federal debt are related phenomena, of course.

So I expect even beyond analysis related to this legislation that was enacted to have a lot of congressional interest and a lot of work on our part in pursuing further changes that might be made in the Government's budgetary commitment to healthcare.

## FOREIGN NATIONAL HIRING

Senator PRYOR. Mr. Chairman, I had one last question for Dr. Elmendorf, if I could? And that is a little different track here. But in section 704 of the 2010 omnibus appropriations bill, there is a restriction on the hiring of foreign nationals. Can you tell me why that is detrimental to your agency?

Dr. ELMENDORF. About two-thirds of people getting Ph.D.s in economics in the United States today are foreign nationals. About 40 percent of CBO staff are economists, people with Ph.D.s in economics.

Now, in a number of fields in economics, there are most of the job candidates, people we look to hire, are U.S. citizens. But there are some particular fields where the proportion of foreign nationals is especially high. And if you look at the CBO staff today, a good share of the people we have working on finance and in some areas of macroeconomics, especially when we try to model the effects of growing Federal debt on the economy and alternative policies for addressing that growing debt, a lot of the people we have now are foreign nationals.

Now this legislation grandfathers existing employees. So it doesn't affect them. But as we try to hire people to work in those areas, not being able to hire foreign nationals significantly restricts the pool of people we can look to and hampers our ability to hire the very best available people.

And before this change was made, we, and other parts of the Government, were able to hire foreign nationals not from every country, but from a significant set of countries, essentially those with whom the United States has a defense agreement. So there were certain limitations, but the pool was large enough that we could do the hiring we thought we needed. And this restriction really does hamper our ability to maintain the highest-quality staff in some of those very critical areas for us.

Senator PRYOR. Thank you.

Dr. ELMENDORF. Thank you, Senator.

Senator NELSON. Thank you, Senator Pryor.

## SHIFT RESOURCES

Dr. Elmendorf, in addition to hiring or besides hiring additional FTEs and the faster computers, has there been any other—have there been other efforts to try to shift internally resources within your agency where you get better results with lower costs?

Dr. ELMENDORF. So, Senator, we work very hard to try to move resources to where the greatest need is and not to just stay stuck in existing patterns of spending or resource allocation. And in fact, over the past few years, more of the existing slots for staff at CBO have moved in the health direction, anticipating demands in that area.

I think our ability to do that, though, is limited by the demands of Congress in other areas. Over the past—during this congressional session, the past year and a quarter, we released more than 600 formal cost estimates, which only a few are actually in health. Much of the work that we did was informal developmental work. So most of that, those estimates are in other areas.

With the Government's increasing involvement in the financial sector, we have, over the past few years, devoted additional resources so we can provide you with appropriately high-quality estimates of the effects of TARP, of the effects of the Government's conservatorship of Fannie Mae and Freddie Mac, of the greater demands on the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve, other aspects in which the Government is engaged in the financial system.

Congress is considering very important changes in climate and energy policy. We have a large group of people who have been devoted to analyzing various different approaches that have been proposed. They are dealing with a set of energy problems and climate problems. And we are being asked to do increasingly sophisticated analysis of the effects of those sorts of proposals in terms of their effect on overall economic output, the effect on the well-being of households in different parts of the country, different income levels, and different years.

So we feel that we are pressed on a whole range of fronts, on national security work that we do. I promise you, Senator, there is nobody at CBO who is just sitting and waiting for something to come across their desks. We take very seriously the stewardship of the resources that you provided to us.

#### GAO HIRING FOR RECOVERY ACT OVERSIGHT

Senator NELSON. Mr. Dodaro, how many people have you hired using the stimulus funding, the special additional funding to deal with the ARRA expenditures?

Mr. DODARO. We have hired about 70 people as term employees and reemployed annuitants. We have tried to hire people who are living in some of the States that we are auditing in order to reduce our expenditures even further, and make the money go further.

We then increased our normal hiring by about 70 people with the belief, and we still believe this, that we will be able to absorb them through normal attrition over time. We also used some additional people within GAO because we had to get started right away. As soon as the act was passed our first report was due 2 months after the law was passed, and so, we redeployed some of our people. So collectively there is the equivalent of 144 FTEs that were charged to this account, but the number of people that we hired was about 70.

Senator NELSON. In recognizing that after these initial 2 years, the actual amount of money that will be going out is reduced significantly, as you point out. It is still a significant amount of money, but as a percentage, it drops. What would you estimate your hiring needs or your staffing needs for, let us say in terms of numbers of people, FTEs, in fiscal year 2011 and fiscal year 2012?

Mr. DODARO. We have proposed 144 FTEs during that period of time. I think that would be the appropriate level for fiscal years 2011 and 2012. After that, I think we can clearly phase down because there will be fewer programs at that point in time, and the money is spread out over a number of years.

What I am concerned about, Senator, is the fact that States are under a lot of fiscal stress at this point, and we have seen them cut back in the management of the programs and also their audit-

ing capacities over a period of time. For instance, the weatherization program is almost quadrupling the amount of money that would be spent there. There are new programs that are getting started. We have urged the OMB to use their power to require better audits of money through the single audit approach that is used over Federal programs.

But I am just concerned that a lot more money is flowing directly to the localities. And so, the States need to have the ability to track these funds. We have made a lot of recommendations to the Federal agencies that they monitor the use of the money at sub-recipients and sub-award levels. And so, I think the risk is there.

States, as well as the Federal departments and agencies, are going to remain under fiscal stress collectively for the next couple of years. I think that attention needs to be paid to this money to make sure it really achieves the desired effect and is used appropriately. And so, I take that responsibility very seriously, and that is why we are asking for these resources and help.

#### STATES' ABILITY TO MANAGE RECOVERY ACT FUNDS

Senator NELSON. And I would agree with you on that as well. Have you had or found many instances where the State thus far wasn't managing or supervising the delivery of the funds and programs that were under their control?

Mr. DODARO. I have been pleased early on that they have taken it seriously and responsively. But a lot of the monies in the early years are being delivered through existing programs such as the Medicaid program. They have rules and procedures in place. The highway programs have well-established procedures. And so, in the first couple of years, given the fact that the money is going through existing programs, it hasn't proven to be yet as stressful as it will be in the coming years.

Now, that being said, when we find occasions where things are going to ineligible recipients or there are ways the States could tighten up their programs, we are giving them suggestions. We also created a special hotline where any citizen can call in with complaints or allegations of fraud. We are currently following up on about a dozen of those examples. We have referred many others to the inspectors general.

We are looking at contracts both at the Federal level and at the State level. We are looking at whether or not the reporting coming back is accurate. I mean, this is a huge, decentralized set of programs and activities throughout the country. And so, I think our presence there also has had a deterrent effect to some extent because the States know that we are there.

We picked 16 States and the District of Columbia. They are going to receive two-thirds of the amount of money, and we announced to them we were going to be there for 2 or 3 years while the money was being spent. So they know we are there, and we have got good cooperation. I am pleased with that. But we need to keep a wary eye on the expenditures, and that is what you fund us to do.

Senator NELSON. I appreciate that.

Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

## FLAT BUDGET

Dr. Elmendorf, I would like to go back to you. Your increase here is primarily for salaries and benefits. Six-point-five percent of it is for that. The balance then is for other nonpay-related expenses and information technology that we have talked about here.

The question is if we were to move toward a flat budget from last year, how do you do that? Because you clearly need the employees. You have already trimmed the funding level for the nonpay and related expenses. Tell me what your operations look like if we go flat funding.

Dr. ELMENDORF. So can I ask back first, flat relative to just the regular appropriations or flat—

Senator MURKOWSKI. Well, that was how you started at your opening statement.

Dr. ELMENDORF. It makes, as you know, it makes a significant difference.

Senator MURKOWSKI. Sure, it does.

Dr. ELMENDORF. If you fund us at our regular, the same level as the regular appropriations from last year, then we would reduce staff. We have hired people using some of the supplemental money, and we would not, I think, have to lay them off. There is attrition at CBO. But we would end up reducing, taking those slots back, and we would go back to a level that was below the level we have today.

And we would set priorities in our work, and we do that now. Of course, in the health reform process for all of the work, I had an awful lot of angry phone calls from your colleagues asking why we couldn't do their—analyze their proposal, and they were right to be unhappy about that. And I kept telling them we were doing the best that we could.

So it is always a matter of prioritizing, but the constraints, of course, get much tighter if we end up going backward in the number of people that we have.

Senator MURKOWSKI. So would you lose four? Is that what you would anticipate? Because that is what you are asking for in this—

Dr. ELMENDORF. So I think we have hired five. I think we have hired five people. I think that supplemental, with the part of supplemental devoted to personnel amounted to five additional FTEs. So we would go backward by five FTEs from where we are now. That would be nine FTEs below where we would be if you funded our full request.

Senator MURKOWSKI. I see. Okay, I understand that. Thank you.

## REVOLVING FUND PRIORITIES

The chairman asked you, Mr. Tapella, about the revolving fund and if there were any projects on here that are life/safety, and you discussed a little bit about the elevator. Recognizing that this funding request represents over 100 percent increase over the fiscal year 2010 enacted level, you have got 17 projects. Some I am assuming are ongoing, some perhaps are new.

If you were held to the fiscal year 2010 level of \$12.8 million for the revolving fund, how do you prioritize this list of projects? Be-

cause you kind of got off easy on the last one, talking about the elevator.

And I am sure that we have got to have those elevators working to move those documents up and down. But how would you make this a prioritization?

Mr. TAPPELLA. I would look at our total budget request and not look at the individual ones the way that we have them segregated into the three accounts.

And so, looking at that, I would request full funding for congressional printing and binding. For salaries and expenses of the Superintendent of Documents, I would request full funding less the \$26,000 adjustment because we used the original rate of 1.6 percent for the mandatory pay increases, and the President announced 1.4 percent. That is roughly \$26,000 that we could reduce. And if we can, with your permission, move forward the prior year funds of \$1.5 million, we basically request a reduction of \$1.526 million from the S&E appropriation.

When we go to the revolving fund, flat funding would provide \$8.127 million. With that, as I look at our priorities, I would request roughly \$5.127 million for FDsys development, \$1 million for our advanced printing technology initiative, \$1 million for COOP, and \$1 million for the continued repairs of elevators because that is a life and safety issue.

#### NEW VERSUS CONTINUING PROJECTS

Senator MURKOWSKI. Are there any new projects that are on this list? And I really appreciate what you have just run down there because you were really able to give some definition there. Are most of these ongoing, or do you have some new that we can look to at a later point in time?

Mr. TAPPELLA. When you look at the Government Printing Office's appropriation for fiscal year 2010, at \$147 million, that represents roughly 12 percent of our gross revenue. The remainder we receive from the executive and judicial branches as reimbursement for the products and services we provide to them, as well as the general public through GPO's publications sales.

When we fund initiatives, typically the revolving fund is paying for a portion of it, if it is a congressional appropriation, and then the remainder coming out of our retained earnings. Last year our retained earnings were \$1.234 million, very, very slim. The prior year, it was in the \$30 million range, which means that our ability to self-generate investment capital has gone down considerably.

For the Federal Digital System, to date, roughly two-thirds of the spending has come from appropriations, primarily from unspent appropriations that were moved forward from previous years. The remainder came out of our revolving fund from retained earnings from all of GPO's operations.

The advanced printing technology assessment is new. However, GPO has always had continuous improvement in our technologies, whether we funded them from the revolving fund or asked for direct appropriations. And so, while that is a new initiative, I think it is absolutely critical if we want to continue driving the costs out of our congressional printing budget moving forward.

Up to this point, GPO has funded COOP through our revolving fund. We have significantly stepped up our COOP efforts. This past year has been a very rough year for GPO. We have had three fires, which we had to deal with, and we had a power outage in our data center, which threw off production by nearly a full day.

And that affected Congress. It particularly affected the House of Representatives because we were many, many hours late with the Congressional Record. And so, when you ask the question about new versus old, I don't think it works the same way as it does when Congress completely funds an initiative fully with appropriations.

Senator MURKOWSKI. Thank you, Mr. Chairman.

Senator NELSON. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman.

#### ENVIRONMENTAL SUSTAINABILITY

I would like to start with you, Mr. Tapella, about the GPO and a little bit on the money, but also just on your policy. And I am curious about what your agency is doing to support environmental sustainability? Because it seems to me that you have a lot of opportunities there with the volume of paper that you are using, the types of ink, the energy required to do all the printing, the recycling.

The fact that a lot of this is available online now, and you may not have to print as many copies, like you did in the old days. Your vehicles, building modifications, you have an old building. I mean, do we need to talk about the HVAC system there? Do we need to do like an energy contract there to try to save some money through that?

So could you give us just a few minutes on what you have got going on your environmental sustainability side?

Mr. TAPELLA. Thank you for the question, Senator Pryor.

Sustainable environmental stewardship has been one of my top priorities since becoming Public Printer in October 2007. And this past year, GPO made history by working with the Clerk of the House and the Secretary of the Senate, as well as the Speaker and Majority Leader, to increase the amount of recycled fiber in the newsprint used to produce the Congressional Record to 100 percent. And that was significant.

We are also now working on looking for more sustainable copier papers, seeing what we can have available. When it comes to Congress and the letterhead we can make available for Congress to use, it can be 100 percent recycled. It is a combination of rag, plus pulp, and that is new this coming year.

When we look at, for example, other items—

Senator PRYOR. I don't want to interrupt you on that, but—

Mr. TAPELLA. Yes?

Senator PRYOR [continuing]. As you are going through this, give us a sense of—I know all that is good for the environment, but does that also save money to do that, or is it more expensive to do that? Or give us a sense of how that works, too.

Mr. TAPELLA. Okay. When it comes to the Congressional Record, we were able to negotiate the exact same price for the paper that

had been 40 percent recycled for what is now 100 percent recycled newsprint. So that does not cost Congress any more.

When it comes to the one-star, I think it went up just marginally, but not much. I would call it a relatively insignificant amount.

#### SUSTAINABILITY ACHIEVEMENTS

Some of the areas where we are seeing significant success is in the area of recycling. GPO has been recycling since 1861, when we opened our doors for business.

When we look at diverting waste that would ordinarily go to the landfill, back in fiscal year 2008, my first full year as Public Printer, we were able to divert roughly 65 percent of the waste from GPO from going to the landfill. This past year, we were able to divert 87.5 percent of the waste leaving GPO, right down to the desks. Old wood desks are now ending up in Maryland and are being converted to mulch.

We have seen a reduction in volatile organic compounds, and that has to do with some changes we have made in the solvents we are using on our presses. We have removed all of our underground storage tanks, and we had fuel under there as well as solvent, and those have been removed.

The Environmental Protection Agency has lowered GPO status from being a large quantity producer of hazardous waste to a small quantity producer of hazardous waste. In fact, even though we are a 1.5 million square foot factory, probably the 13th largest printing house in the world, we are producing less hazardous waste than the typical mom-and-pop shop on the corner. And I am very, very pleased about that.

I want to thank the subcommittee for some of the funding for our new roof. We have replaced the majority of the roof on GPO, all of the flat portions of the roof. It doesn't cover elevators and a few appendages to GPO, but roughly 100,000 square feet are new, and that is a new biomass roof that is white. It is reflective.

It will not only have twice the life expectancy of a standard roof, but it also will reduce our energy consumption. And so, those are some of our sustainability achievements.

We have over 40 vehicles in our fleet, which includes trucks, vans, and cars. Thanks to funding provided to the General Services Administration, we were able to replace 21 of our vehicles. Eighteen of them are Flex Fuel E-85, and 2 of them are hybrid. These are what we use to make deliveries to and from the Hill.

That was at no cost to us. It was funded through the Reinvestment Act, and I am sorry I can't get the name correct. But we were able to take advantage of that.

Senator PRYOR. So it sounds like a lot of that will save the taxpayers money, if not in the first year, but in the out-years you will save?

Mr. TAPPELLA. Absolutely. I have appointed an executive to be in charge of sustainable environmental stewardship at GPO, and everything we are doing we are looking at the return on investment. We are typically looking for a less than 5-year return on investment in any investment we make when it comes to sustainability.

With the Federal Digital System, when we bought the servers for it, instead of the standard 80-watt processor servers, we used 50-

watt processor servers to significantly reduce energy consumption without losing any of its capacity.

Senator PRYOR. All right. Good.

Well, I am glad I asked that question then because you have a lot going on there, and it is good for us to be aware of that.

#### GAO'S DIVERSITY PLAN

Mr. Dodaro, I do have a question for you about diversity there in your office, in your agency. And I guess I would like to ask all three if you have a diversity plan, but specifically for you, I would like to know how your efforts at diversity are going?

Mr. DODARO. We are very committed to diversity at the GAO. Right now, 30 percent of our workforce are minorities. Women in our workforce are approaching 60 percent of the workforce. We have produced a diversity plan over the last 2 years which has goals that we set for ourselves in terms of focusing in on additional training.

Right now, most of the workforce at the GAO either equals or exceeds the relevant labor force numbers in those areas. We need to increase the number of Hispanics that we have in the organization, particularly in the administrative areas, but also throughout the rest of the organization. We are focused on that. We are focused on people with disabilities as well. We just entered into an agreement with the Library of Congress to use some of their facilities for testing out devices to help people who are disabled to go forward. I am personally committed to it. I am very committed to it. I think the effort is going well.

We created a diversity advisory council at GAO that has representatives from all the different employee groups. We are working very well with our union on collective bargaining agreements. We have an employee advisory council for people who aren't in the bargaining unit within GAO. We are making headway.

We have hired trainers and have developed diversity training programs that will become an integral part of our training curriculum at the GAO. I think it is very important for us to be reflective of the society of the American people, and their elected representatives and so I think we are doing well. But like everything else, you have got to keep working at it, and we intend to do so.

Senator PRYOR. And are you seeing your management workforce becoming more diverse as well?

Mr. DODARO. Oh, definitely.

Senator PRYOR. Now I would like to hear from the other two as well, but since I have way exceeded my time, maybe we could just submit those for our review. But I would like to see that.

Thank you.

Dr. ELMENDORF. Yes, Senator, we will do that.

Senator NELSON. Thank you, Senator Pryor.

#### GAO LABOR RELATIONS AND PAY

Mr. Dodaro, I understand that the GAO and the union recently reached an agreement on fiscal year 2010 performance-based pay increases. How will this agreement affect the performance-based pay increases already awarded to, let us say, the non-union workforce within the agency?

Mr. DODARO. We have a commitment that everybody is treated equally. So we are going to adjust the pay increases of the people in the nonbargaining unit to be the same as the people in the bargaining unit. It is important to be equitable, to be fair to all our employees, and we are committed to that.

Senator NELSON. What impact will that have on your budget?

Mr. DODARO. According to the agreement, some of the costs, such as permanent pay increases will roll forward to the budget for fiscal year 2011. And a lot will depend on what the Congress and the President agree for the across-the-board increase for fiscal year 2011. Part of the issue is not only what we carry forward, it is what we are going to be obligated to give by law next year in the 2011 budget.

So a very important principal that we had in the union negotiations was to not carry forward more cost than need be to get an agreement, and we achieved that goal.

Senator NELSON. And as you say, that will apply equally to those who are outside the union, as well as those in the union?

Mr. DODARO. Yes.

Senator NELSON. And will depend on what the budget of 2011 truly applies to?

Mr. DODARO. Yes. In terms of what the pay increase will be for next year. In our budget submission we are assuming a 1.4 percent across-the-board increase and then some other incremental increase for performance on top of that. But the across-the-board figure will be determined by the Congress and the President, and that was what was assumed in the budget.

For next year we have got to pay 9 months of the cost of the across-the-board increase. And by law, we have to give the same across-the-board increase to our employees as is set for the executive branch, which will be a compounding factor. That is why in terms of your questions about a flat budget for next year, a lot of that would have to be absorbed in addition to carrying the costs forward from employees.

In an organization like ours where 80 percent of our costs are people costs, a flat budget would have an impact in terms of hiring. We would have to scale back our hiring dramatically. We would have to release all of our temporary employees and even consider some furlough days next year if we were flat-lined.

#### GPO'S PERFORMANCE SYSTEM

Senator NELSON. Mr. Tapella, how would it affect you? I mean, I don't know that you have the same union issue, but do you have any performance-based plans in place that you have to account for as well?

Mr. TAPELLA. We do have performance plans in place. Do I understand the question correctly in terms of the flat-lining of the budget?

Senator NELSON. Yes.

Mr. TAPELLA. The only program that is funded directly with appropriations is our salaries and expenses appropriation of the Superintendent of Documents. We have a few vacancies there. So any reduction we would basically have to flat-line and not allow hires in that area.

The rest of GPO is covered under the revolving fund. So we can manage it appropriately.

Senator NELSON. Dr. Elmendorf.

PAY INCREASE

Dr. ELMENDORF. Senator, CBO employees who are paid less than \$100,000 a year receive an across-the-board increase and potentially also merit-based increases. Employees above that level receive only merit-based increases. We believe very strongly in rewarding the performance of the top performers the most. And people who are not—luckily, at CBO, we have a terrific group of people. But people who, for some reason or other, do not perform don't receive increases.

I think it is vitally important for us to continue to reward the people who are putting their hearts into this work. When we are hiring people, we are competing, of course, with other potential employers. We try very hard to keep CBO as a desirable place to work. I think we, in fact, won an award for being the third best small agency to work for, and the work is very exciting and important.

But at some point, people do take account of what they are getting paid. The starting salaries for new Ph.D.s in economics—again, Ph.D.s in economics represent about 40 percent of our workforce. The starting salaries on average in the country for that group has increased 5.7 percent per year for the last 4 years. Our salaries have not increased at that rate.

So we are losing ground as it stands, and we lose people to other—to the private sector or to universities. We just lost a terrific person to the IMF, International Monetary Fund, where she is being paid a substantially higher salary. So I think we could not maintain the quality of our work without maintaining the quality of our people, and that requires not falling too far behind too quickly what they can get paid other places.

Senator NELSON. Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

I think that is an important consideration for us. And it is difficult at a time when we are trying to crank in on the budget and expenditures. But I think we realize that we are asking an awful lot from these professionals, and you could probably work some better hours out in the private sector there and probably make comparable or well beyond.

So I think that is important for us, and I think that is one of the issues that we are seeing with the reality that we are facing or that we are hiring as many foreign nationals as we are. We can't keep our own here.

Mr. Tapella, I have one last question, and this is as it relates to the Federal Digital System, the FEDsys. I don't know what they call it, FEDsys or FDsys, just to understand a little bit more about what you are doing with this digital repository for all Federal documents.

With the \$6 million that is requested now, will this get this system up and running? Where are we in understanding what it is going to cost us to maintain on an annual basis? Do we have all the technology in place to capture all that we are looking to with

this system? Just give me an assessment of the readiness of this digital system.

FEDERAL DIGITAL SYSTEM

Mr. TAPPELLA. I call it FDsys, other people call it FEDsys.

Senator MURKOWSKI. Okay.

Mr. TAPPELLA. We launched it this past year. So it has been in operation now for more than 1 year. We are doing it in phases. We have release 1, release 2, and then we will have some future releases beyond that. And as much as my inspector general hates the idea of it, we actually don't believe that FDsys will ever be done.

When you have an electronic system that you are going to use as a system of record, you need to always keep it current and flush. As we look at technology, for example, who uses a floppy disk anymore? The same thing is true as we build the Federal Digital System. And we are building it with technology that can regularly be refreshed as technology changes.

The funding that we are looking at right now for this year will just about what we call "finish" the Federal Digital System. We will still need one more infusion after that. The total cost would be \$49 million we believe to "finish the system," which is release 1, release 2, and will allow us the ability to submit, as well as the output.

There are other things that we could be doing with the Federal Digital System, such as digitization, bringing in more content, and making certain that the search capabilities continue to improve. The Federal Digital System is replacing GPO Access, which was built in 1993. That was viewed as a closed system, and nobody thought about what would happen when you need to do technology refreshes. We have actually built that into our design map for the Federal Digital System.

Senator MURKOWSKI. So we have got the technologies now, but the technologies tomorrow may be changing is what you are saying. So we have got to stay on top and current with—

Mr. TAPPELLA. Correct. We believe that we must stay on top and current as we move forward with the Federal Digital System. And it is one of the greatest concerns I know that is facing many in the library community, and obviously, one of our programs is the Federal Depository Library Program. We know today that a book will last 500 years if it is properly cared for. What happens to electronic systems?

And so, we have purposely built the system to make certain that it will never die. We have the responsibility under title 44 to make certain that the documents of our democracy are made widely available to the public and kept in perpetuity. That is the reason why I don't believe the system will ever "be done." However, we have designed it in such a way that we can, with each release, declare success.

Senator MURKOWSKI. Thank you, Mr. Chairman.

That is all the questions that I have.

ADDITIONAL COMMITTEE QUESTIONS

Senator NELSON. I believe I have asked all the questions that I had wanted to ask. And so, I want to thank you for being here

today, for your continuing service to the many taxpayers who support our Government and to our colleagues as you support them as well.

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

QUESTIONS SUBMITTED TO GENE L. DODARO

QUESTIONS SUBMITTED BY SENATOR BEN NELSON

FISCAL YEAR 2011 REQUEST

*Question.* Mr. Dodaro, I have made it clear that I intend to hold the Legislative Branch to fiscal year 2010 levels in fiscal year 2011. What will be the effect of a flat funding rate on the operations of GAO?

*Answer.* A flat funding rate would significantly impair GAO's ability to serve the Congress on the full range of issues and negatively impact our timely provision of services. In order to operate at a flat funding level (fiscal year 2010 level) in fiscal year 2011, GAO would need to significantly reduce planned hiring and staffing levels by up to 150 staff through fiscal year 2011, beginning in fiscal year 2010. This staffing reduction will negatively impact our ability to respond in a timely manner to continuing and new mandates, such as the Recovery Act and the annual report to the Congress on duplicative and wasteful programs. This would not only reduce the staffing resources devoted to Recovery Act oversight by almost 60 percent, it would also severely impact staff available to support other congressional engagements. In order to even maintain this reduced staffing level and absorb mandatory pay and non-pay inflationary increases in fiscal year 2011, we would also need to reduce or defer critical infrastructure investments including security improvements in our field locations and potentially implement up to 6 furlough days in 2011.

*Question.* It is not my intention to fund additional FTE during a flat budget year. How much additional funding would you require in fiscal year 2011 to maintain your current workforce—that is the number of employees you currently have on board?

*Answer.* Our fiscal year 2011 budget request seeks only the funds needed to maintain our fiscal year 2010 workforce, including \$579.5 million for base staffing and \$21.6 million for Recovery Act oversight. The requested fiscal year 2011 FTE level represents annualization of fiscal year 2010 activity (the full-year equivalent of maintaining our current staffing level in fiscal year 2011), not an increase in the number of employees.

*Question.* Can you explain why your fiscal year 2011 request includes 49 additional FTE to “maintain current staffing levels”? Once again, I do not intend to increase our agencies' workforces during the next fiscal year.

*Answer.* Our fiscal year 2011 budget submission seeks only to maintain our fiscal year 2010 workforce. The additional 49 FTEs represent the annualization of fiscal year 2010 activity. There is no increase in staffing planned for fiscal year 2011.

When staff come on board and leave the agency at various times throughout the year, this results in less than a full year's cost and associated FTE usage in the year that the activity occurs—in this case fiscal year 2010. In fact, as most of our entry level staff start in the 4th quarter after graduation, while our attrition occurs throughout the year, this usually equates to a lower FTE in the first year of hiring, but requires a funding and FTE increase in the follow-on year, to ensure we have full costs/FTEs for the on-board workforce.

*Question.* Has GAO's attrition rate declined as a result of the current economic situation and unemployment rate? Have you taken any discrepancy in your attrition rate into account since putting together your fiscal year 2011 budget request?

*Answer.* Yes, attrition has declined over the last few years and we have considered this in our budget request. GAO experienced an annual attrition rate of 10 percent of our staff between fiscal years 2004 and 2008. In fiscal year 2009, attrition dropped to 6 percent (190 staff). Our fiscal year 2010 operating plan assumed a slight increase in attrition to 225 staff and our fiscal year 2011 budget request assumed an increase in attrition to 235 staff. However, based on current activity in fiscal year 2010, we have revised our attrition assumptions and reduced the fiscal year 2010 estimate to about 200 staff. This change increases our costs by about \$2 million a year and we've taken appropriate steps to adjust for this in our operating plan. Our fiscal year 2011 estimate remains at 235 staff.

## GAO'S WORK ON CAPITOL POLICE ISSUES

*Question.* Mr. Dodaro, we appreciate your agency's work for this subcommittee in assisting us with your sister Legislative Branch agencies. Your staff has done extensive work on the many challenges facing the Capitol Police, particularly in identifying weakness in the Capitol Police's financial management operations.

What would you say is the biggest challenge facing the Capitol Police right now?

*Answer.* The Capitol Police currently face three significant challenges—

- Effectively managing its workforce and other resources to satisfy security requirements and protect members and the Capitol Complex within available resources.
- Effectively formulating, approving, and executing reliable and supported budgets.
- Establishing and maintaining an effective internal accounting and administrative control framework.

*Question.* Did your review of the Capitol Police's fiscal year 2011 budget request, conducted at this subcommittee's direction give any indication that they had under-budgeted their personnel needs in fiscal year 2011?

*Answer.* GAO's review detected indications of problems with under-budgeting for salaries for fiscal year 2011. During the course of our work, we detected three errors: (1) a discrepancy between the budget request Capitol Police submitted to Congress and what it submitted to OMB to be included in the President's budget, (2) a calculation of salaries that did not include pay differentials, and (3) a potential compounding of these errors across fiscal years.

—After comparing information provided by USCP as support for what was reported in the President's Budget Appendix, we identified a discrepancy between the two documents. The amounts reported in the President's budget were \$5 million higher for benefits and \$5 million lower for salaries than what were shown in the supporting information provided by the USCP. The Capitol Police officials's February 17 explanation was incomplete and, after we asked further questions, we were told that the information reported in the President's budget was wrong.

—We found a second error when we reviewed a breakdown of benefits for fiscal year 2009 which was used in developing the fiscal year 2011 budget request. The benefits information provided to us by the USCP included amounts for night, Sunday, and holiday pay differentials that should have been reported as salary. This error resulted in an under-budgeting for salaries. In addition, since amounts requested for certain benefits are calculated as a fixed percentage of salaries, understating the amount requested for salaries also leads to understating the amount needed for benefits.

—The error in fiscal year 2009 information raised questions about whether it was repeated and carried forward into fiscal years 2010 and 2011. To the extent this occurred, the understatement would have been repeated.

*Question.* What can you do to further assist us in straightening out the Capitol Police's financial issues?

*Answer.* GAO has several efforts underway to assist the Congress and the Capitol Police Board in overseeing the Capitol Police's efforts to assess security requirements, manage its workforce, and identify and resolve internal accounting and administrative control weaknesses and deficiencies.

—GAO is assessing how the Capitol Police plans, tracks, and manages use of its sworn officers, including overtime and the Capitol Police's process to determine security requirements. GAO will also identify what existing security technologies could enhance the Capitol Police's ability to protect the Capitol Campus. In a related effort, GAO will review the processes and controls associated with authorizing, recording, and approving employee time charges, including overtime charges, and how resulting salary amounts are charged to available appropriations and accounted for and reported by the Capitol Police.

—GAO in coordinating with the Capitol Police Inspector General will monitor and review the Capitol Police Inspector General's ongoing audit of problems and related weaknesses with the Capitol Police's process for formulating and approving its fiscal years 2010 and 2011 budget requests.

—GAO will review recently identified internal control weaknesses and deficiencies to determine their current status and to identify underlying causes for their often persistent and pervasive nature. In doing so, GAO will consider the Capitol Police's internal accounting and administrative control framework; evaluate the status of corrective actions to deal with control deficiencies, including those associated with prior GAO recommendations; and explore systemic reasons why control weaknesses and deficiencies are not promptly resolved.

## ARRA FUNDING

*Question.* When we included \$25 million in the American Recovery and Reinvestment Act, it was not intended to permanently augment GAO's core base. It appears that your request for \$21.6 million to cover ARRA-related work is moving us in the direction of expanding your base.

How did you arrive at the \$21.6 million figure to continue ARRA-related work?

*Answer.* GAO's staffing strategy to meet the ARRA mandates recognizes the temporary nature of these oversight responsibilities and assumes that there will be no increase in base resources. While the \$25 million included in the Recovery Act is only available through September 30, 2010, our statutory oversight responsibilities for billions of dollars of funding to the states and localities continue until all funds have been distributed—estimated through 2019. For that reason, about 50 percent of the staff devoted to ARRA work are temporary staff (reemployed annuitants and term hires) who can be released once the mandates are completed. The remaining staff are permanent GAO staff. Our staffing strategy in the out-years assumes that the permanent GAO staff will be reabsorbed in our base by not fully hiring behind future attrition.

Our fiscal year 2011 request includes funds to maintain the current staffing level of 144 FTEs consistent with the funds provided in fiscal year 2009 and spent in fiscal year 2010. GAO expects to maintain this staffing level through fiscal year 2012 to address the mandatory oversight of the largest amount of the remaining Recovery Act funds estimated to be outlaid during that time. As approximately 85 percent of Recovery Act funding to programs administered by the states and localities is estimated to be paid out by the end of fiscal year 2012, GAO would start to reduce the staffing below the 144 FTE level by absorbing GAO staff back into the base behind attrition and phasing out the staff necessary to address the changing nature of the Recovery Act funding. Our expectation is that by the end of the required mandates, all permanent GAO staff will have been absorbed back into our base with no increase to the base resources to accommodate this approach.

*Question.* How much of the \$25 million included in the ARRA legislation have you already spent? My understanding is around \$4 million. Can you realistically spend the remaining \$21 million by the end of this fiscal year?

*Answer.* In fiscal year 2009, GAO spent \$4.2 million. Through the 2nd quarter of fiscal year 2010, we have spent \$13.7 million and expect to spend the remaining \$11.3 million to cover costs through the end of fiscal year 2010.

*Question.* How much of the ARRA workload could you absorb within your own workforce?

*Answer.* GAO could not absorb any of the ARRA workload within our own workforce without severely impacting our current workload to meet other congressional mandates and requests. We would need to seek legislative relief to the existing mandates in the Recovery Act to align with available staffing and funding.

*Question.* What will you do if this Committee does not provide the \$21 million for recovery-related work?

*Answer.* We are happy to work with the committee to identify alternative funding vehicles. In the event that we do not receive funding for the statutorily-mandated recovery-related work, GAO would first reduce the FTEs devoted to Recovery Act oversight by almost 60 percent by eliminating temporary staff. This would negatively impact our ability to meet the reporting requirements of the Act and require that we seek legislative relief to the Recovery Act mandates to align with available staffing and funding.

We would also need to absorb the permanent GAO staff currently devoted to Recovery Act oversight back into the GAO base which would impact our ability to maintain our planned workforce levels necessary to be responsive to other congressional requests and mandates.

*Question.* How many people have you hired using stimulus funding? How many of these hires do you anticipate bringing onboard as permanent GAO staff?

*Answer.* We have hired 74 temporary reemployed annuitants and staff under term appointments. A handful of temporary staff have been identified as potential candidates to fill existing GAO vacancies behind attrition. However, it is not our intention to bring the majority of these staff onboard as permanent GAO staff nor grow the base.

*Question.* You identified \$8 million in savings from non-recurring items funded in fiscal year 2010 which you assigned to "reinvestment of savings" in your budget request. These items include upgrades to your information technology systems and repairs to your building. Could this funding be assigned to ARRA mandated work instead?

Answer. We do not believe this to be in the best interest of the agency. In order to maintain the technology infrastructure supporting our staff and to address our management weaknesses in information security, human capital and physical security, it is essential that we be able to reinvest savings from non-recurring items and efficiencies in these areas. Planned investments will allow us to protect the safety and security of field-based staff, further enhance our information technology programs to gain productivity and increase effectiveness, and continue our efforts to enhance the energy efficiency of our facilities.

## GAO UNION

*Question.* I understand that GAO and the Union have recently reached an agreement on the fiscal year 2010 performance-based pay increase. How will this action affect the performance-based pay increases already awarded to your non-union workforce? How much will this additional increase cost?

Answer. To treat all employees equitably, GAO extended the provisions of the Union agreement on fiscal year 2010 performance-based pay increases to non-Union staff. This will cost GAO an additional \$724,000.

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 QUESTIONS SUBMITTED TO ROBERT C. TAPELLA

## QUESTIONS SUBMITTED BY SENATOR BEN NELSON

## BUDGET

*Question.* Mr. Tapella, how will GPO respond to no funding increase in fiscal year 2011? Can you continue to run your agency on the fiscal year 2010 level?

Answer. GPO will be able to conduct operations with funding at the fiscal year 2010 level, or \$147.5 million. At this level, full funding should be provided for our request for the Congressional Printing and Binding Appropriation. For the Salaries and Expenses Appropriation of the Superintendent of Documents, our request could be reduced by \$26,000 to reflect a pay raise factor of 1.4 percent as requested in the President's budget, instead of the factor of 1.6 percent we used. Our request for this account could also be reduced by \$1.5 million if the Appropriations Committees approve our request to transfer forward this amount in the unexpended balance of this account from fiscal year 2005. Funding at the fiscal year 2010 level would provide approximately \$8.1 million for GPO's revolving fund.

*Question.* Your fiscal year 2011 request for the revolving fund totals \$25.7 million and includes everything from workforce retraining to building repairs. Are any of these items critical needs for your agency given that we're trying to maintain a flat budget this year?

Answer. With approximately \$8.1 million for the revolving fund for fiscal year 2011, we would fund the Federal Digital System (FDsys) at \$5.1 million and provide \$1 million each for our advance printing technology, continuity-of-operations (COOP), and elevator repair projects.

*Question.* Please explain the \$3.2 million request for workforce retraining and development programs. Can this be deferred?

Answer. Our request for employee retraining projects includes \$1 million to ensure that all personnel involved in the printing process receive training to maintain core competencies in related crafts and to build on new competencies as emerging technologies are identified; \$500,000 for provide a curriculum for supervisors to hone leadership and management skills and incorporate the latest trends from throughout public and private sectors; \$500,000 provide basic-skills training for our workforce, as we modernize our technology and implement our vision of GPO's digital future; \$500,000 for courses to develop specialized experience and technical skills in financial management; and \$500,000 to equip employees with the skills needed to communicate GPO's mission in the production of secure and intelligent documents, identify potential revenue streams, identify future trends within the industry, and offer these new products to congressional and agency customers, and \$250,000 to provide annual training needs assessments and program and curriculum evaluation for all training provided, develop models to target specific training modules for just-in-time instruction, and provide specialized training to operators and users of business support technology programs. These programs have not been identified as priorities under GPO's flat funding scenario for fiscal year 2011.

## FEDERAL DIGITAL SYSTEM

*Question.* GPO is requesting over \$6 million in fiscal year 2011 for the Federal Digital System—its new online data system. What is the status of the implementation of this system?

*Answer.* Release 1, which is the foundational content management system assuring preservation and permanent public access to online Federal information, is nearing completion. The content from GPO Access will be completely migrated to FDsys in the next 2 months and a failover instance for continuity of access, or backup system, will be completed in August. At that point, we will start decommissioning GPO Access, making FDsys the system of record, with shutdown of GPO Access targeted for December 2010.

*Question.* How much has been spent on this effort so far?

*Answer.* Approximately \$37.5 million has been spent so far, with a projection of \$41 to \$42 million to complete Release 1 by the end of fiscal year 2010.

*Question.* How much more funding does GPO need to complete this system?

*Answer.* Approximately \$8 million will be required to complete Release 2, which is the submission functionality of the system, by the end of fiscal year 2011. However, if the current team cannot be maintained due to budget constraints, the time to develop Release 2 will extend and the total cost may increase as a result of retraining. Assuming availability of the necessary funds, the total investment in FDsys by the end of fiscal year 2011 will be \$49 to \$50 million.

*Question.* Why has 20 percent of your information still not been migrated to the new format?

*Answer.* The process to migrate content to FDsys is complex. We have been migrating content in phases to ensure that the process is without errors and meets the requirements.

*Question.* Wasn't the original estimate for this system \$29 million? What is causing the cost overrun?

*Answer.* The initial cost estimate for the core functionality of FDsys was estimated in 2004 to be \$29 million. The primary cause of the cost overrun is a result of data migration activities to move GPO Access collections to FDsys. These were not a part of the original cost estimate and the effort has been much more difficult than anticipated. The cost of this effort alone will be about \$11 million by the time we complete the migration from GPO Access to FDsys.

*Question.* What will the annual operating costs be for this system?

*Answer.* Initially, the annual operating cost will be about \$3.25 million. These costs consist of software license maintenance as well as the labor to maintain the system, at approximately \$1.75 million per year, plus the costs of replacing aging hardware and software over time, at approximately \$1.5 million per year. The annual operating costs could go down in 2–3 years as GPO staff assume work currently performed by contractors. Future development costs, which are optional, could run in the neighborhood of \$4.75 million per year.

## PASSPORT PRODUCTION

*Question.* How is GPO's current demand for passport production? Are you fully implementing your production capability?

*Answer.* The State Department initially requested that GPO produce 11 million passports during fiscal year 2010. Since then they have said they plan to order an additional 2 million passports for the remainder of fiscal year 2010, bringing the total to 13 million books. The Department has also notified the GPO that they intend to budget and order 15 million passports in fiscal year 2011. GPO has the capacity to produce 20–24 million passports annually given the equipment and personnel on hand without resorting to overtime. As GPO's security and intelligent document business grows, particularly in the smart card area, we intend to utilize any available labor resources to staff the card equipment and processes.

*Question.* As a follow up to a conversation we had during last year's hearing, have you given any further consideration to the production of foreign passports?

*Answer.* We have explored the possibility of producing passports for foreign nations and have found several challenges that need further consideration before we can proceed.

*Question.* What challenges do you face in this undertaking?

*Answer.* Currently, there are statutory limitations on GPO producing non-U.S. Government printing. We have not been able to determine whether a Federal agency with the capability to conduct bilateral international agreements would be willing to act as a broker for our services with foreign nations. There also are unresolved questions concerning the acceptability of providing foreign nations with access to GPO's passport production facilities and proprietary processes.

## GPO BUILDING ISSUES

*Question.* You are requesting \$2 million to initiate the process of relocating production operations from GPO's building 4 to the main GPO complex. Why are you doing this?

*Answer.* The primary benefit is avoiding one-time building 4 infrastructure improvement costs and investing those resources in more energy-efficient equipment and system upgrades within the main GPO complex to support passport operations. Infrastructure investment of one-time facilities costs to building 4 would be for utility and HVAC upgrades, new windows, and general building maintenance improvements. The passport operation within the main GPO complex would utilize more energy-efficient enterprise and lower operating costs from variable speed drives, energy efficient lighting, and variable speed air handling units with savings realized year-over-year.

*Question.* What will this investment buy us?

*Answer.* GPO could offer building 4 space under space-sharing agreements to other legislative branch agencies for storage or light industrial use, offsetting the annual operating cost to idle the building and recover costs. A full return-on-investment study would be necessary to completely analyze the cost benefit of renovations to all floors into class A office space for lease purposes.

*Question.* What is the total cost of this proposed relocation?

*Answer.* In addition to the initial \$2 million appropriation, which would cover relocation of current operations in the main GPO building to accommodate the move, costs would be incurred for passport and warehouse operations equipment relocation, estimated at \$2 to \$6 million (depending on whether one or both passport production lines are moved); construction of new office space for training and bindery operations estimated at \$850,000; and construction of a new wastepaper facility to house the secure waste processing system within the main GPO complex, at an estimated cost of \$500,000 to \$1 million. Other variables are the requirements and schedule of the State Department and costs to install equipment through an exterior building window that is too big for the freight elevator.

*Question.* What is your agency doing to support environmental sustainability?

*Answer.* GPO has been involved in environmental sustainability activities for many years regarding paper, ink, emissions reduction, energy efficiency, digital dissemination, waste management, recycling, and related measures. Some of the highlights of GPO's recent sustainability activities include the following:

- With the approval of the Joint Committee on Printing (JCP), in 2009 GPO increased the recycled content of the newsprint to print the Congressional Record and the Federal Register to 100 percent from 40 percent with no runability or printability problems. The 100 percent recycled paper is being supplied at no increased cost over the previously supplied 40 percent recycled paper. GPO is also evaluating responses to a request for proposal for the most sustainable copier paper available in today's market.
- GPO has established a voluntary partnership with EPA's WasteWise program to baseline and monitor waste reduction and prevention activities. We have reduced our landfill waste by issuing a contract to ensure all of our wood waste (pallets, skids, and old furniture) is recycled. Currently, GPO's wood waste is being used for mulch in Maryland.
- Over the past year, GPO has reduced VOC emissions in plant operations by 86 percent from the previous rate, which also reduced our purchasing costs for fountain solution by 22 percent.
- Using appropriations to the revolving fund provided for fiscal year 2009, GPO installed roughly 100,000 square feet of an environmentally sustainable roof on its main complex buildings. The highly reflective roof coating provides a cool roof environment that not only reduces cooling demands inside the building but improves the life expectancy and efficiency of rooftop equipment. Additional roof repairs will be carried out as necessary using available funds in the revolving fund.
- This past year, GPO received 21 new vehicles including 18 alternative flex fuel (E85) vehicles and two new hybrid vehicles through funding provided to the General Services Administration as part of the stimulus bill.
- FDsys utilizes 50-watt processors instead of the standard 80-watt processors. This decision will realize more than \$12,000 per year in energy savings, as these servers operate at a much higher efficiency.
- GPO has established an Environmental Protection and Regulatory Affairs Committee consisting of key leaders from each business unit to ensure attention to top sustainability initiatives.

*Question.* What is the most pressing infrastructure challenge you face at your building?

*Answer.* Currently we are continuing with our program of elevator repairs. The elevators are essential to movement of personnel and materials in our 8-story main complex, and are a life/safety measure where the rapid evacuation of persons with critical medical conditions is concerned.

#### COOP PLAN

*Question.* Can you explain the \$2.2 million for Continuity of Operations funding you are requesting in fiscal year 2011? Given our current budget situation, is this something that can be deferred?

*Answer.* GPO has identified continuity-of-operations (COOP) funding as a priority for fiscal year 2011, at a level of \$1 million. The \$2.2 million originally requested included funding for a distant site as well as enhancements to GPO's offsite computer systems. Recently GPO received feedback from Senate staff that a mobile strategy that does not rely on fixed sites to support the production needs of Congress should be considered. We are beginning to assess the costs and implications of supporting Congress through so-called "fly-away" kits. This would require GPO to establish production capabilities from pre-packaged equipment and supplies that would be unpacked and an empty facility set up for that purpose. Of the \$1 million identified as COOP priority funding, approximately half would be dedicated to this purpose.

Additionally, there is a requirement to complete the needed redundancy for GPO critical operations at the Legislative Branch Alternate Computer Facility (ACF) in support of Congress, including completion of a backup system for FDsys. The other half to of the funding provided to COOP would be devoted to this purpose.

#### QUESTION SUBMITTED BY SENATOR MARK PRYOR

*Question.* Mr. Dodaro, I do have a question for you about diversity there in your office, in your agency. And I guess I would like to ask all three if you have a diversity plan, but specifically for you, I would like to know how your efforts at diversity are going?

*Answer.* In compliance with the directive in the Joint Explanatory Statement accompanying H.R. 1105, providing omnibus appropriations for fiscal year 2009, GPO has adopted a formal written policy, in accordance with all applicable Federal laws, to develop and institute an affirmative action plan with specific goals and objectives to further the ability of women, minorities, and individuals with disabilities to achieve balanced representation within the Legislative Branch workforce and management. GPO's Affirmative Employment Plan has adopted many of the elements set forth in the Equal Employment Opportunity Commission's Management Directive 715 to ensure that all employment decisions are free from discrimination.

GPO has made substantial gains in diversity in its management ranks. Employees at the Grade 15 level currently are 65 percent white and 35 percent minorities. In the last report to Congress submitted in 2008, 32 percent of positions at the Grade 15 were held by females; females now represent 36 percent of the employees at this grade. This demonstrates small but steady strides that GPO is making to increase its diversity at the higher grade levels.

Grade 13 supervisors are the feeder group for managerial positions and this grade has experienced a significant change. The placement of qualified minorities and females into supervisory grade 13 positions will prepare them to become GPO's future leaders. Presently, 51 percent of Grade 13's are white and 49 percent are minorities. In this grade 36 percent of employees are male and 67 percent are female.

During my tenure I have made a personal commitment to increasing diversity. I have conveyed this commitment in a meeting with senior management, and I have issued a policy statement to all employees indicating the importance of diversity. To further implement GPO's support of diversity, diversity has been included as an element in GPO's Strategic Vision.

GPO has continued its policy of outreach to colleges and universities that will strengthen our applicant pool with highly qualified diverse candidates. These colleges include Florida A&M University, the University of Texas at El Paso, the University of New Mexico, and the University of California at Berkeley.

GPO also recruits at the National Technical Institute for the Deaf for qualified employees, to include persons with disabilities in our diversity program. The Equal Employment Opportunity Commission (EEOC) has indicated that the percentage of people with disabilities in the Federal Government is decreasing. However, GPO continues to rank as one of the top Federal employers for people with disabilities.

As of September 30, 2009, GPO had a workforce of 2,322 employees. Of these, almost 7 percent are individuals with a reportable disability, and of them approximately 1.5 percent are individuals with targeted disabilities. By comparison, most Federal agencies have fewer than 1 percent of their employees with targeted disabilities. These employees work in business units throughout GPO.

In addition to our recruitment plan, we have entered into a strategic alliance initiative with California State University at Los Angeles, which is a Hispanic Serving Institution. This initiative allows university seniors to develop an actual design project that prepares them for the job market and provides the organization with an actual product.

Where veterans are concerned, GPO continues to be involved with the Coming Home to Work Initiative. Through this initiative with the Department of Veterans Affairs, eligible service members and veterans are placed in positions at GPO to gain work experience.

GPO carries out a number of efforts to ensure that supervisors and managers know the agency's perspective on diversity and equity in the workplace. GPO's Director of Equal Employment Opportunity (EEO) and Deputy EEO Director meet with business unit managers semi-annually to discuss their organizations' diversity and other EEO-related issues. During these meetings we discuss their current workforce statistics and possible strategies to address any noted imbalances.

GPO supervisors and managers are also required to participate in training on EEO and Discriminatory Harassment. I personally address each of these sessions to inform supervisory personnel of my commitment to EEO, and I use these classes as a mechanism to impart the significance of diversity and equality in GPO's workplace.

GPO clearly recognizes the significance of attaining diversity at GPO and we are firmly committed to achieving this goal.

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QUESTIONS SUBMITTED TO DOUGLAS W. ELMENDORF

QUESTIONS SUBMITTED BY SENATOR BEN NELSON

FISCAL YEAR 2011 FLAT BUDGET

*Question.* How will your agency cope with a flat budget in fiscal year 2011?

*Answer.* Fiscal year 2011 funding equal to the 2010 appropriation of \$45.2 million would represent a reduction in funding for CBO because the agency's 2010 operations are being financed, in part, by funds from a 2009 supplemental appropriation. In total, CBO's 2010 funding comes to about \$46.4 million.

Most of CBO's budget is devoted to personnel. Because a flat fiscal year 2011 budget would, in practical terms, represent a reduction in CBO's funding, the agency would need to reduce its full-time equivalents (FTEs) by 9 from the 258 proposed in its fiscal year 2011 budget request—eliminating the 4 additional positions requested for next year and another 5 that are funded this year. Those reductions would save about \$1.5 million. They would, however, represent a setback in terms of CBO's ability to provide estimates and analysis for the Congress as it addresses major issues on the legislative agenda. With the support of the Congress, CBO staffing has expanded in recent years, especially in the health area. But the needs for estimates and analysis have continued to expand as well, and despite extraordinary efforts by CBO staff, the agency could not satisfy all the requests for estimates for healthcare proposals. A reduction in staffing below the current level would make it more difficult to meet future needs of committees and Members. Congressional deliberations on topics such as climate change, immigration, the defense budget, financial reform, and deficit reduction, the new statutory Pay-as-You-Go requirements, new issues that cannot even be foreseen now, and CBO's ongoing responsibilities to produce hundreds of formal cost estimates and even more informal estimates will require substantial efforts on CBO's part. Faced with reduced staffing, CBO would work with the Congress to prioritize requests for analysis to ensure that the most critical requirements were addressed in a timely way.

In addition, CBO would have to reduce information technology (IT) spending by \$0.5 million—primarily in the areas of communications, software development, disaster recovery, equipment replacement, and commercial data. Also, library operations would be reduced by \$0.1 million—primarily in the area of online subscription services.

## HEALTHCARE STAFF

*Question.* Over the past few years, CBO has increased its capacity in the healthcare area. Now that the legislation has passed, do you expect to transition back to less staff in that area? How do you envision managing that transition? What happens to staff hired for healthcare expertise?

*Answer.* CBO was able to meet the incredible demands placed on the agency for healthcare analysis and cost estimates over the past 2 years only because many of the agency's health staff frequently worked 7 days a week, often 12 to 15 hours a day (and sometimes more), for a significant portion of those 2 years. Even so, CBO struggled to keep pace with the demand for cost estimates and other analyses related to healthcare. As the Congress grapples with the long-term budgetary pressures facing the nation, stemming to a significant degree from rising healthcare costs, and with the issues that will arise regarding implementation of the new healthcare legislation, the need for CBO analyses of health issues is likely to remain great. We anticipate that the staff will be quite busy responding to requests for estimates and analyses, and carrying out the research necessary to produce such responses—but, hopefully, at a more measured pace than what was necessary in recent months.

There are still many unanswered requests from Members of Congress about various policy proposals and their potential effects on both the budget and the private health insurance market. In addition to preparing analyses for specific Congressional requests, CBO hopes to conduct modeling and research to address a variety of health policy questions that will allow the agency to provide useful information to the Congress for future legislative efforts in 2011 and subsequent years. Because the healthcare arena is complex, significant lead time is necessary to prepare for a broad range of potential legislative action. For example, a key reason that the agency was able to prepare several dozen estimates of major health insurance proposals in 2009 is the fact that CBO spent considerable effort in 2008 and prior years to develop its health insurance modeling capability.

CBO expects that the analysts at the agency who work on health issues will be busy and fully engaged for the remainder of this year and in fiscal year 2011. A few of the contributors to CBO's health team's work over the past year were doing "double-duty" while they were also working on their "regular" responsibilities of covering issues besides healthcare. Some of those members of the large 2009–2010 health team may return to working solely or primarily on legislative issues unrelated to healthcare. CBO expects that its full-time health analysts—whether recently hired or long-time CBO staff members—will not face any shortage of interesting and challenging work in the near future.

## ROLE IN NEW HEALTHCARE LEGISLATION

*Question.* How do you see your role during the implementation of the new healthcare legislation? What, if any, difference in required expertise do you envision needing?

*Answer.* As a Congressional support agency, CBO does not have a direct role in implementation of the new law. However, the agency recognizes that there is very keen interest in the Congress for information about how the law will be implemented and how the combination of regulatory actions and the behavior of states, private organizations, and individuals will affect spending and receipts for the Federal government through the Medicare and Medicaid programs, through the new private insurance exchanges, and through other health-related programs created or modified by the legislation. As part of its Congressionally mandated efforts to prepare baseline projections of spending and receipts under current law, CBO will need to gather data and update a large number of budget projection models. Those efforts will require an extensive amount of work over the next few years; and the focus of that work will evolve as CBO analysts learn more about how the Department of Health and Human Services is carrying out the myriad provisions of the new law.

CBO has worked hard to hire and develop a diverse staff of health policy analysts. The current group of such analysts is well suited to conducting research and developing budget-oriented models related to the implementation of the new law and any potential legislative revisions that might be considered by the Congress.

## SUPPLEMENTAL FUNDING SPENT

*Question.* Of the \$2 million provided in the fiscal year 2009 supplemental appropriations bill, how much has CBO spent?

*Answer.* CBO has spent \$1.5 million of the \$2 million in supplemental funding. The agency anticipates spending the remaining balance by September 30, 2010.

## BENEFITS OF WORK FOR CONGRESS

*Question.* What changes were implemented at CBO with the supplemental funding which benefits your work for Congress?

*Answer.* One significant use of the supplemental funds was to replace or upgrade computers used by health analysts. CBO analysts utilize a variety of computer models to help estimate the impact and cost of various healthcare proposals. Numerous iterations are typically required to assess the effect of changing multiple variables, and before receipt of the supplemental funds, model runs for a particular proposal consumed many hours. The new computer equipment acquired with the supplemental funding significantly reduced turnaround time for model runs, enabling analysts to respond to inquiries from the Congress much more rapidly. Health models that previously ran in 10 hours took only 2 hours to run, and models that took 2 hours finished in 15 minutes.

CBO was also able to accelerate the hiring of additional staff, which enabled the agency to respond more quickly to Congressional inquiries on health issues. In addition, the agency was able to reward its employees who were engaged in the health efforts with performance bonuses for the grueling almost around-the-clock, 7-days-a-week work that was necessary to meet the legislative schedule. Those bonuses boosted morale and thereby helped CBO to sustain that intense effort over a period of many months.

Also, CBO purchased actuarial services that enabled the agency to consult with experts in the areas of actuarial science and health insurance. That assistance was valuable to CBO in estimating the effects of options involving differing packages of insurance benefits and variations in their actuarial value or scope of covered services, and proposals to reshape the delivery of healthcare.

## NEW FTES FOR FISCAL YEAR 2011

*Question.* Why are you requesting four additional FTES in fiscal year 2011?

*Answer.* Now that comprehensive health legislation has been enacted, the nature of healthcare analysis at the agency changes some, but it does not go away. CBO will now need to make regular budget projections for the new and expanded Federal healthcare programs, and it will need to estimate the budget costs and other consequences of contemplated changes to those programs. In addition, CBO will probably need to respond to Congressional interest in exploring other possible changes to the healthcare system. Continued large Federal budget deficits and the key role of rising Federal healthcare spending in boosting future deficits ensure that health issues will remain central to the Congress's deliberations.

With the staffing level as it was, CBO's health analysts produced the quantity of health analysis that they did only by adopting an almost round-the-clock, 7-day-a-week schedule, which could not have been maintained. And even with that extraordinary effort, the quantity of analysis that was produced was not sufficient to meet the needs of many Members of Congress. The formidable work that still remains to be done in analyzing healthcare is something that CBO hopes to undertake in a sustainable fashion.

Three of the four additional staff that CBO is requesting would go, in some combination, to the Budget Analysis Division and the Health and Human Resources Division. If the needs for health analysis permit, CBO might reallocate some analysts in the Health and Human Resources Division from work on healthcare to work on income security and education—an area in which CBO has fewer analysts than necessary to meet Congressional needs.

The fourth additional FTE requested is for the Management, Business, and Information Services Division. That group includes IT personnel, editors, Web personnel, financial managers, and others. As CBO has expanded its analytic staff in the past couple of years, the agency has added some staff in those support functions as well. The additional position would provide administrative support to enable senior members of the staff to focus more effectively on their core responsibilities.

## BIGGEST CHALLENGE MOVING FORWARD

*Question.* What do you see as CBO's biggest challenge moving forward?

*Answer.* CBO faces a number of significant challenges that we are working hard to meet. One such challenge is a growing demand for analyses of impacts of legislation beyond just budgetary effects. For example, in the case of the recently enacted healthcare legislation, there was great interest in proposals' effects on health insurance premiums and on the nation's total spending on healthcare. (We were able to address questions on the first but not on the second.) There has also been much interest in the effects of climate policies on employment and economic growth. (CBO

has produced reports on both of those topics.) But producing such information on the basis of careful research and analysis can be both difficult and time-consuming, which makes it particularly challenging to produce useful results in time for Congressional consideration of the legislation in question. In order to accomplish that objective, we need to anticipate the issues that will arise and the types of analysis that will be requested far enough in advance to allow us time to build a proper analytical foundation so that CBO's analysis can be both well-thought-out and timely. We regularly seek guidance from the budget committees and others as to the particular issues that are likely to need CBO's attention.

Another significant challenge is recruiting and retaining high-quality staff, a vital ingredient to CBO's success. This is not a new challenge, but is one that has to be met every year if we are to maintain or enhance the quality of CBO's work. It is a difficult challenge to meet, however, and especially so for Ph.D. economists. The market for economists is very competitive; salaries are higher in the private sector, in academia, and at the Federal Reserve and some other government agencies; and many economists do not think of working for the government when they first start job-hunting. We continue to recruit aggressively and to strive to maintain a workplace environment that will be attractive both to the current staff and to potential new hires.

#### SHIFT RESOURCES INTERNALLY

*Question.* Besides hiring additional FTEs, have you been able to shift resources internally to better meet Congress's growing demand for your services?

*Answer.* CBO frequently adjusts staff assignments in order to respond to changing legislative priorities—sometimes for a period of weeks or months, sometimes for longer periods. In the case of healthcare, the agency shifted the responsibilities of numerous staff members during the past 2 years in order to meet the great need for analysis in that area. In the past year, we have also shifted resources into work on the government's involvement in financial markets, nutrition assistance, climate change, and student loans. In fact, because of the growing need for analysis of the government's financial commitments, we are establishing a separate Financial Analysis Division in order to more effectively focus resources in that important area.

#### RESTRICTIONS IN HIRING FOREIGN NATIONALS

*Question.* Please describe why section 704 of the 2010 Omnibus Appropriations bill, relating to restrictions on the hiring of foreign nationals in government agencies, is detrimental to your agency. Is there not enough talent within the United States to support your agency's needs?

*Answer.* Section 704 effectively eliminates the ability for CBO to hire foreign nationals who are not permanent residents. This restriction has a particular effect on CBO's ability to hire recent graduates with Ph.D.s in economics, because more than half of such graduates are foreign nationals. In 2008 (the most recent data available) 1,091 people received Ph.D.s in economics in the United States; of those, only 405 were citizens or permanent residents of the United States. Eliminating access to the majority of these graduates makes it tremendously difficult to recruit qualified candidates.

This market is particularly important to CBO because approximately 40 percent of the agency's staff members hold Ph.D.s in economics. CBO's Ph.D. economists conduct economic research and policy analysis of Federal activities with the objectives of assessing the risk, costs, and consequences of these activities for the Federal government and for the economy.

The market for Ph.D. economists is very competitive. Most new Ph.D. economists, 60 percent, go to academia, and 18 percent go to industry and business, including financial institutions. The government garners only about 13 percent. Compensation is generally greater in academia and industry, and CBO, like other government agencies, is constrained in the salaries that it can offer.

Another challenge of the market for economists is that recent graduates have skill sets that are separate and distinct from the skill sets of more experienced economists. Specifically, recent graduates have been trained in cutting-edge quantitative techniques, making them particularly suited to developing and maintaining complex economic models. In the past CBO has had success recruiting foreign nationals who contributed to our work while holding various types of visas and then converted to permanent residency or moved to other positions. Hence, CBO's Macroeconomic Analysis Division (and specifically the Fiscal Policy Studies Unit and Financial Markets Unit) has been particularly reliant on the work of foreign nationals.

## QUESTION SUBMITTED BY SENATOR MARK PRYOR

## DIVERSITY STATUS

*Question.* I would like to know how your efforts at diversity are going?

*Answer.* As part of the Omnibus Appropriations Act of 2009, CBO, like the other legislative branch agencies, was asked to write a plan related to workforce diversity. CBO first enunciated a policy of maximizing diversity in recruitment and then completed a statistical analysis of its workforce to identify areas in which greater diversity efforts should be focused. The agency is in the process of writing its plan to address those areas; the plan should be finished by the first of June.

## SUBCOMMITTEE RECESS

Senator NELSON. So thank you. We will stand in recess.

[Whereupon, at 4:40 p.m., Thursday, April 15, the subcommittee was recessed, to reconvene subject to the call of the Chair.]