

**TESTIMONY OF
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**BEFORE THE
APPROPRIATIONS SUBCOMMITTEE ON
FINANCIAL SERVICES AND GENERAL GOVERNMENT
U.S. HOUSE OF REPRESENTATIVES**

MARCH 16, 2015

Mr. Chairman, Ranking Member Serrano, Members of the Subcommittee, thank you for welcoming me here today and giving me the opportunity to present the President's Fiscal Year (FY) 2016 Budget request for the Office of Management and Budget (OMB).

Before I discuss OMB's role and request, I want to thank this Subcommittee for its work on the Consolidated and Further Continuing Appropriations Act of 2015. Building off the bipartisan Murray-Ryan agreement, that Act marked a second consecutive year where Congress was able to largely move away from unnecessary fiscal crises and austerity, helping to lay the groundwork for stronger growth and job market gains. In part, that progress is the result of hard work by the members and staff of this Subcommittee and others, who came together on a bipartisan basis to reverse a portion of sequestration and then continued moving the appropriations process back towards regular order.

Through the last two appropriations cycles, this committee has provided OMB with the resources needed to discontinue the furloughs the agency experienced in 2013 and halt the unacceptable staffing losses that threatened OMB's ability to meet its responsibilities at the high standard of quality we hold ourselves to, and that Congress expects from OMB. After reaching an all-time low level of staffing in early 2014, OMB has been able to start the process of restoring some of its capacity, attracting more of the high-performing, dedicated civil servants OMB depends on to do its work. OMB has also been able to increase its investment in learning and development opportunities for our staff, providing additional avenues to enhance program knowledge and cultivate future leadership potential. But adding more staff and improving development isn't just a benefit to OMB. It allows us to deliver more value for taxpayers through improved program management, smarter regulations, and more identified opportunities for efficiencies and budgetary savings.

In combination with Congress finishing most of its full year appropriations work by mid-December, the additional resources and staffing at OMB also helped facilitate an on-time President's Budget submission for FY 2016. An on-time Budget is an important step in the move back towards regular order.

Just as this investment in OMB has helped us to deliver for Congress and the American people, the investments across government that were made possible by the increase in the discretionary caps in Murray-Ryan have helped other agencies fulfill their missions. In 2013, OMB was uniquely positioned to see the disruption caused by the uncertainty of sequestration and the painful and

short-sighted disinvestments that agencies were forced to make in order to try to weather mindless cuts. By contrast, the bipartisan Murray-Ryan agreement made room to at least partially restore long-run investments in priorities like research and development and early education, to restore core government services at agencies like the Social Security Administration, and to responsibly fund our national security.

The investments made possible by the Murray-Ryan agreement have also contributed to the overall health of our economy. In 2014, we added more jobs than in any year since the late 1990s, growth that has continued into the first couple months of this year. And, far from interrupting our fiscal progress, 2014 also saw the deficit fall to less than 3 percent of GDP. We need to build on this progress and avoid the return to short-sighted austerity and disinvestment that would occur when sequestration returns in full in 2016. That's why the President has proposed a Budget that would more than pay for ending sequestration with smart spending cuts, program integrity measures, and commonsense loophole closers, while keeping deficits low. As the President has made clear, he is not willing to accept a budget that locks in sequestration going forward, and he will not accept a budget that severs the vital link between our national security and our economic security.

The FY 2016 Office of Management and Budget Request

As you know, OMB plays a pivotal part in executing the President's management, regulatory, budget, and legislative agenda and ensuring that the Federal government works at its best on behalf of those it serves. OMB works with and across agencies to improve management and create a government that is more effective, efficient, and supports continued economic growth. In coordinating the review of Federal regulations, OMB focuses on protecting our health, safety and environment while promoting economic growth, job creation, and innovation. Through its role in helping develop, manage, and oversee agency budgets and its support of the appropriations process, OMB helps execute on the Administration's fiscal goals and key priorities. And we work to be a trusted and respected source of information for our counterparts in the Administration and Congress as well as the public, as evidenced by the high-quality analysis conducted by OMB's excellent staff.

The President's FY 2016 Budget request for OMB is \$97.4 million, a 6% increase over the 2015 enacted level. At this level of funding, OMB would be able to support an additional 22 full-time equivalents (FTE). The additional staff will allow OMB to more effectively oversee program management and funding, including identifying opportunities for budgetary savings, across more than 100 agencies and departments throughout the Federal government, while meeting increasing responsibilities in key priority areas for this subcommittee. For example, this includes staffing new work to oversee Digital Accountability and Transparency Act (DATA Act) implementation, as well as dedicating increased resources to initiatives, like procurement reform and the retrospective review of regulations, which provide critical returns to taxpayers in the form of improved government management and smarter regulations. Additional staff will also go towards meeting the increasing challenges associated with protecting privacy, through efforts to improve cyber security, better coordinate between the government and the private sector on response to threats, and ensure consistent and appropriate IT and practices across government for using data to improve program effectiveness.

Despite needed increases in appropriations for OMB in 2014 and 2015, OMB's current staffing levels remain roughly 12 percent below where they were five years ago. This reduction in staffing has

coincided with OMB having to take on new responsibilities, including through provisions included in the DATA Act; the Statutory Pay-as-You-Go Act; the GPRA Modernization Act; the Budget Control Act; and the National Defense Authorization Act of 2013.

Responsibilities added by Congress over the past few years that have contributed to OMB's workload have included: new financial reporting requirements associated with the DATA Act; scoring legislation for PAYGO and publishing the PAYGO scorecard; calculating sequesterable amounts for mandatory programs and issuing discretionary sequestration reports under the Budget Control Act; coordinating the development and quarterly OMB reviews of Cross-Agency Priority Goals as well as establishing and maintaining a central performance.gov site; working with the Department of Defense and other agencies to modernize personnel security; overseeing spending transparency via USASpending.gov; and overseeing and coordinating intellectual property enforcement.

In addition to increased staffing, OMB is requesting additional resources that will be put towards implementation oversight and satisfying reporting requirements established by the DATA Act that are intended to expand Federal financial data reporting and improve data standards. OMB will need to develop software that can maximize data quality, minimize future workload, and leverage existing processes to improve reporting. This approach is necessary for addressing the unique challenges presented by DATA Act requirements and current systems limitations.

With its request, OMB would still be 8% below its 2010 FTE level. OMB would deploy these resources across its responsibilities to deliver greater impact for the American people.

Working Towards a Government of the Future

The President is committed to creating a government that makes a significant, tangible, and positive difference in the economy and the lives of the American people. The President's Management Agenda focuses on four pillars: effectiveness—delivering world-class customer service to citizens and businesses; efficiency—enhancing productivity and achieving cost savings across the Government; economic growth—opening Government-funded data and research to the public to spur innovation, entrepreneurship, economic growth, and job opportunities; and people and culture—unlocking the full potential of today's Federal workforce and building the workforce needed for tomorrow. OMB has already played an important part in helping to guide and coordinate successful Administration-wide efforts to modernize and improve citizen-facing services, eliminate wasteful IT spending, reduce the Federal real property footprint, and open tens of thousands of Federal data sets to spur innovation in the private sector.

OMB's request will enable it to continue to play a key role in executing on the President's Management Agenda in order to make government work better for taxpayers. The additional resources will let OMB ramp up promising efforts and build on progress in a number of key areas, including:

Smarter IT Delivery

Building on the support Congress provided in FY 2015, we are requesting \$35 million for Information Technology Oversight and Reform (ITOR) to support the use of data, analytics, and digital services to improve the efficiency, effectiveness, and security of government operations and programs. OMB has been an effective steward of ITOR resources. Since its inception,

agencies have reported about \$2.5 billion in cost savings and avoidance resulting from OMB's enhanced oversight and reform efforts.

The requested resources will help institutionalize modern systems design and development principles and invest in scaling up particularly promising efforts like the U.S. Digital Service (USDS). In 2014, ITOR funding was used to pilot USDS, a small team of our country's top digital experts housed within OMB working to expand the Federal government's capacity to deliver world-class service to the American people. USDS efforts have included helping on top national priorities like coordinating critical data for the Ebola response in West Africa and working with the new leadership at the Department of Veterans Affairs (VA) to build a Digital Service team inside the VA that is redesigning the tools veterans and their families use to interact with the VA. In an early example of this team's potential, a small group of in-house developers and designers rebuilt the Veterans Employment Center tool, allowing the VA to cancel a planned \$2.4 million procurement, eliminate another ongoing \$9 million per year contract, and save \$3.3 million per year on a separate ongoing contract. The USDS also developed the TechFAR Handbook, a guide to using flexibilities within the Federal Acquisition Regulation to improve IT acquisition, and the Digital Services Playbook, which outlines best practices for digital service delivery.

The 2016 request expands the central USDS team at OMB to support standing-up Digital Service teams at 25 agencies across the government. The OMB USDS team will also continue to help coordinate cross-agency technology initiatives such as visa modernization, electronic health records, federal student loan processing, and other high-priority projects, while serving as a resource for the small, high-impact agency teams that will tackle the most high-priority challenges faced at individual agencies. OMB will also use ITOR funding for training current Federal IT professionals to scale modern development practices across the workforce, to provide accountability to ensure agencies see results, and to recruit even more highly skilled digital service experts and engineers into government. Additional ITOR funding will also help OMB work with agencies to ensure continued success in implementing the recently passed Federal Information Technology Acquisition Reform Act (FITARA), which is designed to deliver better value to taxpayers by improving federal IT acquisitions.

Stronger Cyber Security

OMB also continues to play a critical role in strengthening Federal cybersecurity, including through its newly-formed E-Gov Cyber and National Security Unit. OMB and ITOR resources help to support data-driven, risk-based oversight of agency cybersecurity programs and agencies' responses to major cybersecurity incidents. For example, this past year, agencies have improved the percentage of workers compliant with the strong authentication standard, which requires the use of two-factor authentication such as a personal identity verification (PIV) card to access Federal network resources, to over 70 percent. However, more work remains, particularly to increase compliance among non-DOD civilian users. In coordination with National Security Council staff and the Department of Homeland Security, OMB will hold CyberStat reviews with agencies to help ensure that they have robust protections in place to address cybersecurity threats, while ITOR cybersecurity resources support research and policy formulation directed at emerging threats.

To improve cybersecurity, OMB will also use ITOR funding to conduct oversight of agency cybersecurity preparedness, including ensuring successful adoption of the Department of Homeland Security's Continuous Diagnostics and Monitoring program to quickly and efficiently identify cybersecurity vulnerabilities and mitigate risk. Additionally, OMB will use ITOR resources to work with Federal agencies to ensure continued successful implementation of the recently-passed Federal Information Security Modernization Act of 2014 and to support response to cyber incidents, where OMB plays a central coordinating role to ensure agencies are taking appropriate actions to effectively respond to cyber events and address any deficiencies in their cybersecurity programs.

More Efficient Acquisition

OMB has also been centrally involved in efforts to simplify Federal contracting, streamline purchases, increase benchmarking for more data-driven Federal management, and expand shared services to make government more cost effective. For example, as announced in December 2014, the Administration is shifting its approach to purchasing through the adoption of a Category Management model where the Administration will "buy as one" by creating common categories of products and services across Government. Through the application of best commercial practices as well as the collection and sharing of key performance information, the government will improve how we acquire and manage common requirements to ensure that agencies get a more competitive price and better performance when they are buying similar products under similar circumstances. This new model will allow our acquisition workforce to focus their time and energy on critical mission-specific procurement. In the United Kingdom, the government was able to realize savings of roughly 10% from its adoption of category management practices. In the area of IT contracting, where we will initially focus, savings of that magnitude could return \$5 billion in annual savings as early as the end of calendar year 2016. As we scale this effort across more categories, it could lead to even more significant savings in the future.

Beginning in 2014, OMB has also been essential to efforts to establish cost and quality benchmarks in human resources, finance, acquisition, IT, and real property, allowing agencies to compare performance with peer agencies and the government-wide average and pursue efficiencies. In 2015 and 2016, we will expand the Benchmarking program to include customer satisfaction metrics and to incorporate the results into agency performance reviews and strategic planning exercises.

Cost-Effective, Evidence-Based Regulation

Our efforts to help deliver a smarter, more innovative, and more accountable government for the American people extends to our regulatory responsibilities. OMB is responsible for reviewing significant rulemakings and ensuring that our regulatory system is both cost-effective and evidence-based. The Administration is committed to an approach to regulation that promotes economic growth, competitiveness, and innovation while protecting the health, welfare, and safety of Americans, now and into the future.

The Administration continues to make significant progress in the President's unprecedented prioritization of the retrospective review of existing regulations. OMB is focused on rooting out regulations that are unnecessary or overly burdensome and streamlining, modifying, or repealing those regulations to reduce burdens and costs. Since 2010, the publicly released agency retrospective reviews have detailed over 500 initiatives that will reduce costs, simplify the regulatory system, and eliminate redundancy and inconsistency. This effort has already produced completed actions that will save more than \$20 billion in regulatory costs in the near term, with more savings to come. This work will continue to be a major focus for OMB.

The number of final rules reviewed by the Office of Information and Regulatory Affairs (OIRA) and issued by agencies at this point in the Administration is actually lower than the number reviewed and issued at this point in the previous administration. By promoting health, safety and welfare, as well as reducing long run costs to the American economy, the net benefits of regulations issued through the fifth fiscal year of this Administration were about \$200 billion when factoring lives saved and injuries prevented.

All of the responsibilities and efforts described above are in addition to our work with agencies to prepare the President's Budget and execute Federal budgetary policies, and our work with Congress. While some people think only about OMB's efforts on behalf of the President's Budget, Members of this subcommittee know that OMB works with Congress every day to provide information and analysis, and in order to help respond to contingencies and unforeseen circumstances. In the regular course of its work, OMB meets thousands of Congressional reporting requirements each year. Last year, OMB also worked with Congress on development, enactment and implementation of a supplemental appropriation to address the outbreak of Ebola, fortifying domestic public health systems, containing and mitigating the epidemic in West Africa, speeding the procurement of drugs and vaccines, and strengthening global health security. OMB also worked with Congress to ensure that counter-ISIL efforts were properly resourced.

I want to close by thanking you again for the opportunity to testify on OMB's FY 2016 Budget request. When I was nominated to be Director, I testified to what a particular honor it would be for me to serve given the unique and critical role OMB plays in the functioning of the Federal government and the outstanding contributions made by the talented men and women who work throughout this institution. Supporting OMB and the work we do to make government perform better for the American public will continue to be a smart and necessary investment. I look forward to continuing to work closely with Congress and this Subcommittee as we continue to move toward regular order. Thank you and I'd be glad to take your questions.