

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

**MARCH 20, 2012**

Mr. Chairman, Ranking Member Serrano, Members of the Subcommittee, I am pleased to be here this morning to discuss the President's Fiscal Year (FY) 2013 budget request for the Office of Management and Budget (OMB).

OMB's core function is to support the President in developing and executing his policies and programs across the Executive Branch. This includes: assisting the President with the annual development and enactment of the Federal budget and its execution; developing and analyzing government-wide policies and regulations; ensuring effective management of government assets and programs; reviewing and clearing legislative proposals; and providing short- and long-range analyses and guidance on complex and difficult issues that face the government daily. OMB provides technical and policy expertise necessary to provide long-term continuity to the Executive Office of the President across Administrations.

This past year, Congress and the President worked on several important fiscal matters. Throughout, OMB had a significant role to play, from: the agreement to fund the Government for fiscal year 2011; the Budget Control Act of 2011; the President's Plan for Economic Growth and Deficit Reduction; the FY2012 appropriations acts; and now, the President's FY 2013 Budget. OMB served as a central coordinator for the Executive Branch and provided expert analysis and advice in support of these milestones. As a result of these efforts, discretionary funding is on track to reach the lowest levels as a share of the economy since President Eisenhower, and the President has put forward a plan that in total will reduce the deficit by more than \$4 trillion, when including legislation signed into law last year.

The Budget Control Act capped discretionary spending for the next decade, limiting growth in discretionary agencies and requiring all Federal agencies to make important tradeoffs in their budget requests. OMB's request for FY 2013 efficiently addresses growing core workloads while also making targeted investments that would allow OMB to more effectively oversee program management and Federal funding across departments and agencies.

OMB is able to do all of this because of one asset: its staff. For FY 2013, OMB is requesting \$91.5 million in budget authority and 512 full-time equivalents (FTE). This funding restores OMB's budget to nearly its FY 2011 level. This request represents an increase of \$2.1 million (or 2.3 percent), above the FY 2012 enacted level of \$89.5 million. The budget request for FY 2013 would allow OMB to maintain the minimum staffing level needed to meet its primary mission and statutory requirements in addition to covering mandatory and rising costs

associated with support services for the agency, more specifically, GSA rent costs for OMB staff offices and information technology support services.

Because OMB is asking for an increase in funding to meet our primary mission and statutory requirements, it is important for me to explain what we do.

One of OMB's central activities is preparation of the President's Budget and overseeing its implementation across Executive Branch agencies. This is a significant government-wide process that ensures the continuation of core government functions and implements the President's policies, priorities, and directives in all areas from economic recovery to national security. In helping to formulate the President's Budget, OMB assesses the effectiveness of agency programs, policies, and procedures; weighs competing funding demands within and among agencies; and works with agencies to set funding priorities. Once Congress enacts appropriations and authorization bills, OMB is responsible for the execution of Federal budgetary policies and provides ongoing policy, program and management guidance and oversight to Federal agencies. In addition, OMB is charged with statutory responsibilities defined in the Budget Enforcement Act, the Budget Control Act, the Statutory Pay-As-You-Go Act, the Federal Credit Reform Act, and other budget enforcement laws enacted by Congress. In addition, OMB provides analysis and evaluation, oversees implementation of policies, and reviews the performance of government programs and program administration.

OMB's role includes not only budget development and administrative management functions, but also program and policy management. OMB focuses on developing and overseeing the President's management plan and other government-wide management policies, and works with the agencies to ensure that these policies are implemented. This role encompasses oversight of how agencies devise, implement, manage, and evaluate the statutory programs and policies for which they are responsible. This responsibility is central to OMB's efforts to assist in agency strategic planning, goal-setting, performance measurement, information management, evaluation, and policy research. OMB addresses critical government-wide issues that are helping us to create a more efficient, effective and accountable government.

One example of OMB's critical management work is reducing improper payments to individuals, organizations, and contractors. These are payments made in the wrong amount, to the wrong person, or for the wrong reason. When President Obama took office in 2009, payment error was on the rise. In November 2009, the President issued an Executive Order laying out a strategy to reduce improper payments, and in 2010, he signed the bipartisan Improper Payments Elimination and Recovery Act. OMB's staff is responsible for spearheading the Administration's efforts to reduce improper payments and implementing the law. In FY 2011, the government-wide improper payment rate decreased to 4.7 percent, a sharp decrease from the 2010 error rate of 5.3 percent. We saw error rate reductions in almost every major program with a history of significant errors – Medicare, Medicaid, SNAP, Rental Housing, Earned Income Tax Credit, Pell Grants, and Supplemental Security Income. This resulted in Federal agencies cutting wasteful improper payments by \$18 billion dollars and recapturing \$1.2 billion in erroneous payments. And, we are on pace to meet the President's goal of reducing improper payments by \$50 billion by the end of 2012.

OMB is executing a number of other critical management initiatives across the Federal Government to drive efficiency and improvement in Federal programs. We are making better use of the information technology assets of the Federal Government, and eliminating or consolidating those that we no longer need. We are turning the tide on government-wide contract spending and putting ourselves on a sustainable path towards more accountable and cost-effective contracting. And we are reforming the Federal Government's real estate footprint to save money and make better use of our existing space.

OMB is also responsible for reviewing significant new rulemakings and ensuring that our regulatory system is cost-effective, evidence-based, and modern. The Administration's regulatory strategy maintains a common-sense balance between our obligation to protect the health and safety of Americans and our commitment to promoting economic growth, job creation and innovation. And we are seeing results. The net benefits of regulations issued through the third fiscal year of the Obama Administration have exceeded \$91 billion – over 25 times the net benefits through the third fiscal year of the previous Administration. In addition, OMB is coordinating the Administration's historic government-wide review of regulations on the books. In August, more than two dozen agencies issued their final retrospective review plans and detailed the regulations they plan to revisit, including over 500 initiatives that will reduce costs, simplify the system, and eliminate redundancy and inconsistency. Just a small fraction of the retrospective review initiatives will save more than \$10 billion dollars in the near term – with far more savings to come.

Over the course of the past several years, the Congress has made OMB the responsible agency for the implementation of major pieces of legislation from the Statutory Pay-As-You-Go Act of 2010 to the GPRA Modernization Act of 2010 to most recently the Budget Control Act of 2011. This names just a few. Meeting Congress' mandates and carrying out these statutory responsibilities effectively on behalf of the Administration requires significant work by OMB staff in the areas of the Federal budget, oversight and management, and regulatory oversight.

By putting OMB's budget request in the context of our core responsibilities and the services our staff provide, I hope the Subcommittee will support our request of \$91.5 million. The budget request represents a critical, and minimal, investment with large return in the form of budgetary savings, decreased improper payments, smart regulations, improved program oversight and management, and strong economic analyses that the Administration and Congress demand, depend upon, and deserve from us.

In addition to the funding requested to support OMB's core missions, the FY 2013 Budget includes \$1 million for the Partnership Fund for Program Integrity Innovation (Partnership Fund), which is \$1 million above the FY 2012 enacted, and \$5 million in the Integrated, Efficient and Effective Uses of Information Technology (IEEUIT) account, which is the same as the FY 2012 enacted. Because OMB has a unique vantage point within the government that allows it to look across all Federal agencies to develop and share best practices for resource allocations, these programs are managed by OMB in order to improve program integrity and information technology.

The Partnership Fund works with state and local governments to find and test new ways to improve program integrity, efficiency and service. For example, the Partnership Fund, in

cooperation with the Centers for Medicare and Medicaid Services, is conducting a pilot with states to define patterns of fraud in Medicaid programs and allow states to access analytic tools used within the Medicare program. In another example, the Partnership Fund and the Department of Labor are working with states to test whether data compiled by financial institutions for their own fraud detection purposes can reduce high rates of overpayment by identifying claimants who are receiving both electronic payroll deposits and Unemployment Insurance benefits deposits in order to follow-up appropriately regarding any changes to their eligibility. The \$1 million request will support three existing FTE and program administration costs including contractual support for the Collaborative Forum, which helps fulfill OMB's statutory requirement to determine pilots in consultation with stakeholders. I would like to underscore that the FY 2010 appropriations language requires that, in the aggregate, the pilots save at least as much as they cost.

The President's Budget requests \$5 million for IEEUIT to maximize the Government's return on investment in information technology (IT). The Federal Government invests \$80 billion in IT. IEEUIT is designed to make sure the Federal Government is managing this investment more efficiently and effectively. In FY 2013, IEEUIT will build on its work in FY 2012. Specifically IEEUIT will fund major improvements to the IT Dashboard, a website enabling federal agencies, industry, the public and other stakeholder to view details of Federal IT investments. This investment will increase visibility into agency IT investments and enable CIOs, OMB and Congress to quickly pinpoint waste and duplication. IEEUIT will also double down on the early results from TechStat and provide expert resources and analytical capabilities to root out and fix or terminate poorly performing or duplicative IT investments. IEEUIT will also fund activities designed to drive down commodity IT costs, such as data center consolidation, shared incubation pilots and a centralized catalog of commodity IT products and services accessible by every agency.

This builds upon successes to date in making Federal IT more efficient and effective, and it highlights the government's commitment to innovating with less. For example, under the Federal Data Center Consolidation Initiative, agencies have closed more than one hundred data centers, with 525 to be closed by the end of the calendar year 2012 and 1,080 data centers through 2015. The FY 2013 Budget reflects savings of over \$300 million through this data center program and more to come in outyears. By holding underperforming IT projects accountable through TechStat reviews, we are cutting waste to deliver innovative technology solutions sooner, and at a lower cost. To date, more than 290 reviews have been conducted resulting in cost reductions and avoidance of over \$4 billion.

Let me conclude by saying that I look forward to working with you on the OMB FY 2013 budget request as well as passage of the FY 2013 appropriations bills. Chairwoman Emerson, Ranking Member Serrano, and Members of the Subcommittee, an investment in OMB creates significant returns. The tight discretionary funding caps require the Federal Government to do more with less and OMB plays a central role in helping both the Administration and the Congress tackle the fiscal challenges we face today.

Thank you for allowing me the time to discuss the President's FY 2013 budget request for OMB.