

**NOMINATIONS OF RICHARD CLARIDA, KENNETH
LAWSON, B. JOHN WILLIAMS, JR., JANET
HALE, JOAN E. OHL, JAMES B. LOCKHART
III, AND HAROLD DAUB**

HEARING

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

ON THE

NOMINATIONS OF

RICHARD CLARIDA, TO BE ASSISTANT SECRETARY OF THE TREASURY FOR ECONOMIC POLICY, DEPARTMENT OF THE TREASURY; KENNETH LAWSON, TO BE ASSISTANT SECRETARY OF THE TREASURY FOR ENFORCEMENT, DEPARTMENT OF THE TREASURY; B. JOHN WILLIAMS, JR., TO BE CHIEF COUNSEL FOR THE INTERNAL REVENUE SERVICE AND ASSISTANT GENERAL COUNSEL IN THE DEPARTMENT OF THE TREASURY; JANET HALE, TO BE ASSISTANT SECRETARY FOR BUDGET, TECHNOLOGY, AND FINANCE, DEPARTMENT OF HEALTH AND HUMAN SERVICES; JOAN E. OHL, TO BE COMMISSIONER, ADMINISTRATION OF CHILDREN, YOUTH AND FAMILIES, DEPARTMENT OF HEALTH AND HUMAN SERVICES; JAMES B. LOCKHART III, TO BE DEPUTY COMMISSIONER, SOCIAL SECURITY ADMINISTRATION; AND HAROLD J. DAUB, TO BE A MEMBER OF THE SOCIAL SECURITY ADVISORY BOARD

NOVEMBER 15, 2001



Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

77-636—PDF

WASHINGTON : 2001

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NOMINATIONS OF RICHARD CLARIDA, KENNETH LAWSON, B. JOHN WILLIAMS, JR., JANET HALE, JOAN E. OHL, JAMES B. LOCKHART III, AND HAROLD DAUB

THURSDAY, NOVEMBER 15, 2001

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 1:15 p.m., in room 215, Dirksen Senate Office Building, Hon. Max Baucus (chairman of the committee) presiding.

Present: Senator Grassley.

Also present: Senator Hagel, and Senator Nelson.

OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The hearing will come to order.

Good afternoon, everyone. I apologize for the delay in today's hearing because of a vote going on. This is the time of year when lots of unexpected, unanticipated events arise and we have to adjust.

Finally, we are here now and we can get on with the hearing, and hopefully the confirmation of some very important nominations.

Today, we will consider seven of the President's nominations to important positions at the Social Security Administration, Treasury Department, Internal Revenue Services, and the Department of Health and Human Services.

The President has nominated Mr. Richard Clarida to be Assistant Secretary of Treasury for Economic Policy; Mr. Kenneth Lawson to be Assistant Secretary of Treasury for Enforcement; Mr. B. John Williams, Jr., to be Chief Counsel of the IRS; Ms. Janet Hale, to be Assistant Secretary of Health and Human Services for Budget, Technology, and Finance; Ms. Joan Ohl, to be HHS Commissioner of Children, Youth, and Family Administration; Mr. James Lockhart III, to be Deputy Commissioner of the Social Security Administration; and the Honorable Harold Daub, to be Chairman of the Social Security Advisory Board. Welcome, Congressman. We are very fortunate to have you here.

Mr. DAUB. Thank you.

The CHAIRMAN. I, first, want to congratulate all of you, each and every one of you, and also your families and the sacrifices that you

will be making, and particularly the sacrifices that your family and friends will be making.

Each of you has obviously expressed a deep interest for public service and to help provide service to our people and our country. Each of us do it in different ways, and you have chosen the way for you. I can say, in speaking for the committee, we deeply appreciate it.

I know, speaking for the Senate and for Americans all across the country, all of us are very, very grateful for your willingness to step up and do the very best you can, as you see it, and make decisions which you think are best for the country. We thank you very, very much.

I would like to also note at this time that the administration has sent the committee 38 nominations this year and, as of today, we have ably reported to the Senate 31. Today, we consider the remaining seven. It is our expectation to report these nominations before we adjourn for the year, 38 out of 38.

The committee has worked hard this year to get these senior-level positions filled. It has not been easy, but I think the record speaks for itself. It also illustrates the good working relationship that we have on this committee.

We look forward, this afternoon, to learning more about our nominees. Congratulations, again, to each of you. We thank you for your willingness to serve.

At this point, I would like to turn to my good friend and colleague, Senator Grassley, for an opening statement. Also, my friends from Nebraska, Senator Hagel and Senator Nelson.

Senator GRASSLEY. They can go ahead, if you want to introduce them.

The CHAIRMAN. I want you to know, and all the country to know, you have two great Senators.

Mr. DAUB. I think we do, too. Thank you very much.

The CHAIRMAN. They are both solid Nebraskans. They are like the Nebraskan football team. [Laughter.] They do not wear red all the time, but you can tell they are thinking red all the time. They are very good.

Mr. DAUB. We expect them to be proud of our football team at all times here, Senator. [Laughter.]

The CHAIRMAN. Go ahead, Chuck.

STATEMENT OF HON. CHARLES HAGEL, A U.S. SENATOR FROM NEBRASKA

Senator HAGEL. Mr. Chairman, thank you.

I would only say for myself, not my distinguished colleague Senator Nelson, we are not always as good as the football team, Mr. Chairman. But Mayor Daub is.

I am pleased to have an opportunity to take a couple of minutes here and, thanks to you, Mr. Chairman, and to Senator Grassley, our neighbor across the river, to endorse the nomination of our friend Hal Daub.

I have known Hal Daub for more than 30 years. That probably disqualifies me for being here, especially saying anything honest about him. [Laughter.]

But, nonetheless, I am here and I would like to unequivocally endorse his nomination. I do that because I know who he is. I know his character, I know his integrity, I know his ability.

But beyond that, Mr. Chairman, this is a very wise choice, in my opinion, because he knows something about the matter in which he is going to be dealing. He spent four terms in the U.S. House of Representatives, spent time on the House Ways and Means Committee, was on the Social Security Subcommittee on the Ways and Means Committee, is an Army veteran, is a University of Nebraska law school graduate. He also worked in the private sector as an advisor/consultant/attorney to Deloitte and Touche. So, his skills are rather remarkable, well-rounded, and deep, especially for the position to which he has been nominated by the President of the United States.

His most recent activity has been just as remarkable as his past accomplishments. That is, he has been an effective—very effective—mayor of Omaha, Nebraska. It has been because of his leadership and his capacity to make something significant out of very little that Omaha has prospered in such a tremendous way. It has been because of Hal's leadership that Omaha is doing some rather remarkable things in all measurements of civic responsibility.

So, Mr. Chairman, I very much appreciate you allowing me an opportunity to say something about Hal Daub. I do have a prepared statement that I would ask to be inserted in the record. I, again, would endorse in every way the nomination of Hal Daub.

Thank you.

The CHAIRMAN. Thank you, Senator. Without objection, your full statement will be included.

[The prepared statement of Senator Hagel appears in the appendix.]

The CHAIRMAN. Senator Nelson?

STATEMENT OF HON. BEN NELSON, A U.S. SENATOR FROM NEBRASKA

Senator NELSON. Thank you, Mr. Chairman and Senator Grassley. I do note that Nebraska's winning ways has Senator Grassley wearing more red in his ties, which I have mentioned to him on more than one occasion. [Laughter.] I think he is suggesting that that may be closer to Iowa State red.

Senator GRASSLEY. I know there is something wrong with a Senator that will jump out of an airplane. [Laughter.]

Senator NELSON. If you have the same number of landings as you do jumps, it works pretty well. [Laughter.]

I appreciate this opportunity to be here today and join with my colleague, the senior Senator from Nebraska, to introduce a very good friend of mine and to certainly endorse him in every way.

I can outdo Chuck by over 10 years in knowing Hal, because 40-plus years ago we were Boy's Staters together at Nebraska Boy's State, and we have known each other for a lot of years.

I have known him in a personal way, as well as in a professional way. During my time as Governor, I often had the pleasure and the opportunity to work with him to help benefit the State of Nebraska and the city of Omaha in every way. He and I collaborated to encourage growth and prosperity and to deal with the development

of the riverfront, to return the land to good use, and to work with government agencies in order to develop that area.

I have known his interest in public service from the time we were young boys and young men together, and I have seen his progress from the Senate to the mayor's office. He has had an interest in public service virtually all of his life.

This is just another extension of that public service. It is the opportunity to be able to provide something of value back to the community, and in this case to our Nation, once again.

Diane and I have known Mary for a lot of years. As a fellow Southwestern Nebraskan, it is always a pleasure to be able to see Mary and to say to her, congratulations, as well.

Hal and I nearly had the opportunity to practice law together, but he chose the accounting profession a decade or so ago. So, we did not have that opportunity. But I am looking forward to working with him again, and certainly in this new position.

So, Mr. Chairman, it is really a pleasure for me to be able to be here today and to say that the President has chosen wisely in selecting Hal Daub for this very important position.

Thank you very much.

The CHAIRMAN. Well, thank you very much, Senator. This is quite a companionship here.

Senator Grassley?

OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM IOWA

Senator GRASSLEY. Mr. Chairman, I want to follow up on a point you made about so many nominees coming out of this committee, now clearing all that have come before the committee with this hearing. I need to thank you for doing that.

I think I should take the liberty of thanking you for the President for doing that as well, and doing it in a bipartisan way and doing it in, really, an expedited fashion.

I am going to make some comments that are unrelated to the nominees that we have before us, but also I am making them, in a sense, Mr. Chairman, so that these nominees will know my feelings on some very important problems that I am having with some of the bureaucracies that they will be a part of.

I think, in most of these letters that I have written to departments and have not gotten answers to, I think you have joined me in those letters as well, and maybe I have joined you in some of the letters you have had.

But I am kind of at the end of my rope when it comes to the lack of response and cooperation that I am getting from, particularly, the people at the Department of Treasury.

I have a letter, as an example, that has been outstanding for months to the IRS regarding an IRS employee, Mr. Kenneth Dossey, who, under the previous administration, was allowed to receive a paycheck from the IRS for 3 years while he did not do a day of work.

During this time, Mr. Dossey was indicted, convicted, and sentenced for several felonies. Mr. Dossey still collected a paycheck from the IRS, even while confined to his house. My letter is focused on the management decisions that led to these events.

In addition, the Chairman and I have jointly written to both Customs and the Department of Treasury, dated October 17 regarding financial reporting related to terrorist actions of September 11th.

We have not seen a response for either of these letters, although I do note that other Senators appear to be getting material on this matter. Yet, the entrenched bureaucrats at the Department of Treasury somehow cannot make a priority of responding to a joint letter from the Chairman and Ranking Member of this parent committee.

Every day, we hear that we will get an answer tomorrow. I think that, after a certain period of time, it is legitimate for me to be tired of that. Congress has a constitutional function. That constitutional function we call oversight. I am very concerned that bureaucrats at Treasury are seeking to stymie this oversight by ignoring or delaying legitimate inquiries from Congress.

I hope that everybody that understands how our constitution works finds this is unacceptable. In fact, I think one of the questions that the Chairman—any chairman—regularly asks, is will you respond to inquiries made by Congress, particularly if you are asked to come before a committee. But I think that would also apply to any sort of communication we might have.

I am pleased to have these hearings go forward and to have these nominees reported out of committee. However, I want to assure the Department that, until answers to these letters are forthcoming, I will oppose nominations of Treasury officials from going forward with the usual hold.

I do not use a secret hold, I always put in the Congressional record the fact that I am holding up a nomination and my reason for doing it. I hope that this message is very clear.

None of you need to be worried. I am not going to ask any embarrassing questions about this, because you do not know anything about it. But some day you will be in a position to help respond to letters from me, the Chairman, and other members of this committee, and I hope you will do it in a way that the constitution requires Congress to fulfill its oversight function.

The CHAIRMAN. Well, thank you, Senator. You made a very important point here.

I would like the Treasury nominees here to go back to the Treasury Department and inform the Department and/or the appropriate agencies, the IRS, that the committee expects a response to Senator Grassley by tomorrow.

I also would like a list of outstanding Senate inquiries tomorrow.

Mr. LAWSON. Yes, sir.

The CHAIRMAN. Thank you.

Senator GRASSLEY. Thank you, Mr. Chairman.

The CHAIRMAN. All right. Time for opening statements.

I will begin with you, Mr. Clarida. I am informed I mispronounced your name the first time around. I apologize.

We would be very honored to hear your views and your thoughts on being Secretary of Treasury for Economic Policy at the Department of Treasury.

STATEMENT OF RICHARD CLARIDA, TO BE ASSISTANT SECRETARY OF THE TREASURY FOR ECONOMIC POLICY, DEPARTMENT OF THE TREASURY

Mr. CLARIDA. Well, thank you very much.

The CHAIRMAN. And before you begin, could we ask you a favor? If you have any family or friends here, introduce them.

Mr. CLARIDA. Oh, indeed I would. I am so proud.

The CHAIRMAN. Because this is really a joint venture.

Mr. CLARIDA. It certainly is. I am very proud to introduce my dear wife, Polly Berry, and my two boys, Russell William and Matthew Quinn, who have come down from Connecticut for this day. My father-in-law and mother-in-law, Jack and Rosemary Berry, in the back. My good friend, Russell Jeffrey, all the way from Rhode Island, also.

The CHAIRMAN. Well, good for you. You do better than most nominees. That is good. [Laughter.] Congratulations.

Mr. CLARIDA. Thank you.

Well, Chairman Baucus, Ranking Member Grassley, and members of the committee, I am so grateful for this opportunity to appear before you today in connection with my nomination to be Assistant Secretary of the Treasury for Economic Policy.

I am truly honored that President Bush has asked me to serve in this important position, and I thank you for the privilege of appearing before you today.

Mr. Chairman, I have a deep and genuine respect for public service, and in particular for the advise and consent role of the Senate in the confirmation process.

If I am confirmed, I really do look forward to working closely with this committee, the Senate, and with members of the House on addressing the important economic issues that face our Nation at this time.

Before proceeding any further, I would like to take this opportunity to thank my parents who could not be here today, William and Edith Clarida, for teaching me the values of hard work and persistence that have brought me before you today.

Again, I would like to thank my wife Polly, and my boys Matthew and Russell, for providing the support and encouragement that I will surely need to do this job, support and encouragement that they offer knowing that it means that their father and husband will be away from home for the next several years.

Now, when I was growing up in a small town in downstate Illinois, the son of a public school teacher, I could not have predicted that I would find myself honored with the nomination to be Assistant Secretary of the Treasury.

After graduating from the local high school, I attended the University of Illinois in Champaign, Urbana, where I studied economics. After graduating, I was accepted to Harvard in the Ph.D. program, and earned my Ph.D. in economics from Harvard in 1983.

Now, in the 18 years since then, I have been a professor of economics, first at Yale, and since 1988, at Columbia. From 1997 until recently, I was the chairman of the Department of Economics at Columbia.

I was very fortunate to be in public service once before in my life in 1986 and 1987, when I was the senior staff economist with President Reagan's Council of Economic Advisors.

In that job I had the opportunity to work closely with the chairman and the members of the CEA on a wide range of economic issues. That is a background that I think will serve me well, if I am confirmed to be Assistant Secretary for Economic Policy.

Let me say that I support President Bush's economic philosophy and his policies for returning the economy to a path of robust, sustainable growth. I am also very eager to join the truly first-rate team that President Bush and Secretary O'Neal have assembled at Treasury.

Well, thank you once again, Mr. Chairman and Senator Grassley, for the privilege of appearing before this committee. If confirmed, I can assure you that I will work closely and enthusiastically with you and members of this committee in the months and years to come.

I would be pleased to respond to your questions.

The CHAIRMAN. Thank you, Mr. Clarida.

[The prepared statement of Mr. Clarida appears in the appendix.]

The CHAIRMAN. Mr. Lawson?

STATEMENT OF KENNETH LAWSON, TO BE ASSISTANT SECRETARY OF THE TREASURY FOR ENFORCEMENT, DEPARTMENT OF THE TREASURY

Mr. LAWSON. Thank you, sir.

Before I begin, I would like to recognize Monty Richardson, a Federal prosecutor from Tampa, Florida, who is here on my behalf.

The CHAIRMAN. Well, great. Monty.

Mr. LAWSON. Thank you, Chairman Baucus and Senator Grassley. It is an honor and privilege to be here today to testify in support of my nomination to serve as the next Assistant Secretary of the Treasury for Enforcement.

I would like to thank President Bush for the opportunity to serve my country. I, further, would like to thank Secretary Paul O'Neal for his support and confidence. I am humbled and honored about the possibility of serving the Nation at this unique time in history.

Before proceeding any further, I would like to take the opportunity to thank my family for their love and support. Although they could not be here today, their love and guidance are always with me.

Further, for the past 10 years I have been blessed with a loving and supportive wife. Please allow me to thank my wife, my partner and best friend, Sonia Lawson. I am a richer man because of her.

I look forward to the challenges, opportunities, and responsibilities that await me, if confirmed as the next Assistant Secretary of the Treasury for Enforcement.

I believe I am qualified to hold this important Treasury post. For the last decade, I have been privileged to serve our country as both a Marine officer and a Federal prosecutor.

Ten years ago, I began my government service as a U.S. Marine prosecutor. During my military service, I was appointed as a Special Assistant U.S. Attorney for the Eastern District of North Caro-

lina. As a SAUSA, I traveled the Eastern District prosecuting cases in Federal court on behalf of the United States, and it was my honor to serve as a Marine officer.

After my military service, I was privileged to serve as an Assistant U.S. Attorney with the Middle District of Florida. As an assistant, I worked closely with Treasury's enforcement bureaus, including Alcohol, Tobacco and Firearms, the Customs Service, Secret Service, and the IRS Criminal Investigation Division. Together, we investigated and prosecuted financial crimes that ravaged the Middle District of Florida.

From my 7 years as an assistant, I learned that dedicated professionals are housed in Treasury's enforcement bureaus. Although each bureau's mission is as separate as fingers on a hand, when brought together like a fist, enforcement bureaus are a dynamic force in the war against crime.

However, the tragic events of September 11th have galvanized our enforcement bureaus to focus their skills and talents to identify, disrupt, and dismantle the terrorists' financial networks that have funded our enemies.

If confirmed to serve as the Assistant Secretary of Enforcement, I pledge to use all of my energy and skills to lead this mission and to work hand-in-hand with our bureaus. With all due respect, I am here before you today because this is my war and I want to be part of the battle.

Thank you, Mr. Chairman. It would be my honor to answer any questions.

The CHAIRMAN. Thank you, Mr. Lawson.

[The prepared statement of Mr. Lawson appears in the appendix.]

The CHAIRMAN. Next, we will hear from Mr. Williams.

STATEMENT OF B. JOHN WILLIAMS, JR., TO BE CHIEF COUNSEL FOR THE INTERNAL REVENUE SERVICE AND ASSISTANT GENERAL COUNSEL IN THE DEPARTMENT OF THE TREASURY

Mr. WILLIAMS. Thank you, Mr. Chairman and Senator Grassley. I would like to introduce my family to you. My good friend and wife, Marti.

The CHAIRMAN. Good.

Mr. WILLIAMS. My four children are here. They are not children any more, Mr. Chairman.

The CHAIRMAN. Could you all stand and stay standing?

Mr. WILLIAMS. Rob, my oldest, Bernie, my youngest, Sarah, and Ann.

The CHAIRMAN. Super.

Mr. WILLIAMS. And my mother, Sally Williams, is here, and my mother-in-law, Ruth Roberts.

The CHAIRMAN. Well, that is wonderful. Thank you all very much for attending and supporting your husband, father, and son.

Mr. WILLIAMS. Mr. Chairman, Senator Grassley, before I begin, I want to let Senator Grassley know that I share your concern about the responsiveness of the Internal Revenue Service.

If I am confirmed, Senator, I will not only make sure they are responsive, but I will look into the reasons specifically why they have not been responsive to you and to this committee.

The CHAIRMAN. Thank you very much.

Mr. WILLIAMS. I am very pleased, Mr. Chairman, to appear before the committee as the President's nominee for Chief Counsel for the Internal Revenue Service.

I consider this opportunity for public service to be a great honor, and especially so at this time in our country's history.

I would very much appreciate the opportunity to contribute to the efforts that the Treasury is making in the war on terrorism, and in helping Commissioner Rossotti develop a system of effective tax administration.

In that context, I would like to offer the committee a brief summary of my thoughts on the role of the Chief Counsel.

The power to tax is exercised not only by enacting revenue laws, but also by interpreting and enforcing them. In our democracy, we must take special care to adhere faithfully to the law as enacted. Only a fair and impartial interpretation and application of the law can command the respect of our citizens. In my view, the Chief Counsel's principal duty is to assure that that respect is earned.

In fulfilling this duty, it is critical that the service publish more guidance to the public, especially revenue rulings.

I share Commissioner Rossotti's belief that the Chief Counsel's office needs to focus more on its advisory role to the public. Too often, the public looks to informal advice given to specific taxpayers to discern the positions of the service. This advice cannot, by statute, be relied on as precedential. If confirmed, one of my chief goals will be to increase public guidance.

The Chief Counsel's advisory role on interpreting the law should not be confused with Counsel's enforcement role. Enforcement is a tool to assure even-handed application of the law, not a means to obtain new interpretations of unclear law.

When interpretive uncertainties are clarified through public guidance, the central focus of enforcement, whether civil or criminal, is properly to maintain the integrity of the revenue laws.

If fair application of the law does not render an acceptable policy result, then legislative or regulatory changes should be the way to effect the desired policy. I firmly believe that litigation should never be the means to advance policy choices.

The public is entitled to know and rely on the law and the agency's interpretations before cases are developed. Counsel must make a renewed effort to develop those interpretations through public guidance.

The Chief Counsel must also be dedicated to the operational success of the Service. Such dedication entails working closely with the client, the Commissioner of Internal Revenue, and offering good judgment to help inform the choices that the agency must make. Most frequently, that means thinking hard about feasible alternatives. Sometimes that means saying no, but it never means taking too long to say it.

I would be pleased, Mr. Chairman, to answer any questions the committee might have.

The CHAIRMAN. Thank you very much, Mr. Williams.

[The prepared statement of Mr. Williams appears in the appendix.]

The CHAIRMAN. Next, Ms. Hale.

STATEMENT OF JANET HALE, TO BE ASSISTANT SECRETARY FOR BUDGET, TECHNOLOGY, AND FINANCE, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Ms. HALE. Thank you.

My mother is in Florida and my brother is in California, so many of the nominees' families adopted me today and I want to thank them. [Laughter.]

More importantly, I would like to introduce several friends. One, is Eve Slater, who I hope someday soon will be sitting in front of a different committee, but is not quite there yet.

Tom Casey, who has been with me through so many of my previous government experiences, a true friend and colleague, and I am glad he is here.

Tom Gallagher, who has just joined the Department of Health and Human Services, another Wisconsin person, and we are glad to have him here.

The CHAIRMAN. Could you all three stand so you can all be recognized, please? Thank you very much. We appreciate your support.

Ms. HALE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Ms. HALE. Mr. Chairman, Senator Grassley, it is an honor to appear before you today regarding my nomination as the Assistant Secretary of the Department of Health and Human Services.

I know this will begin a close and productive partnership as we work together, if I am confirmed, for both the Department and the people that it serves.

I was deeply honored to be nominated, but the importance of this position and the tremendous value and the service of the Department of Health and Human Services really struck home for me on September 11th, when so many dedicated men and women from CDC, NIH, the Office of Emergency Preparedness, the Public Health Service, spent untold hours dealing with the tragedy in New York and the efforts since that time with anthrax, and everything else. It is truly an honor and a privilege to serve on this panel and in this government at this particular time.

The position of Assistant Secretary for Budget, Technology and Finance embraces budget formulation and execution, financial policy and accountability, and information resources.

I have had similar jobs in other executive agencies, both at HUD, Transportation, and at OMB, as well as at the House of Representatives. Hopefully, through that time, having seen it at an agency level, a Department level, and at OMB, and again with a different branch of the legislature, I hope that I can bring those skills to work for the mission and the employees of the Department.

My background and combination of experiences has prepared me, I think, to meet the challenges that face the Department in these very difficult times. I look forward to carrying out the management reforms proposed by the President and already begun by Secretary Thompson. I look forward, if confirmed, to working with this committee.

One final note. I am dedicated to maintaining the clean audit opinion of the HHS financial statements.

As I have said, there are many important issues before the Department that affect directly the daily lives of the American people. I am excited and honored to be nominated by the President to serve with Secretary Thompson and, if confirmed, this committee, the administration, and the Department will have my energy as we work together to face the challenges facing HHS.

Thank you for your consideration of my nomination. I will be happy to answer any questions.

The CHAIRMAN. Thanks, Ms. Hale, very much.

Ms. HALE. Thank you.

[The prepared statement of Ms. Hale appears in the appendix.]

The CHAIRMAN. Ms. Ohl?

STATEMENT OF JOAN E. OHL, TO BE COMMISSIONER, ADMINISTRATION OF CHILDREN, YOUTH AND FAMILIES, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Ms. OHL. Thank you very much.

I would like to introduce my husband, Ronald Ohl, my younger sister Leslie Delgrosso, and my 15-year-old nephew, Joseph Delgrosso.

The CHAIRMAN. Well, thank you all very much. Appreciate it. Thank you.

Ms. OHL. Thank you.

Mr. Chairman, Senator Grassley, it is an honor to appear before you this afternoon as President Bush's nominee as the Commissioner of the Administration of Children, Youth and Families in the Department of Health and Human Services.

I am very pleased to be given the opportunity to work with HHS Secretary Tommy Thompson, who has been a recognized national leader both in welfare reform and social services for children and families, and also with Assistant Secretary Wade Horn, who served as the Commissioner in the administration of President George Herbert Walker Bush.

Over my 33-year career, I have focused extensively on improving the lives of children and youth, be it their health, their education, or their human services needs. If confirmed, I will bring to this position a broad range of experiences from both the public and private sectors, including demonstrated strength in management, program development, program implementation, fiscal management, and budget development.

I am a very strong community-based person, in that I believe that the solutions to the needs of children and families are at a community level and not in State and Federal capitals.

Through government partnership at both the federal, State, and local levels, we must ensure that the infrastructure and accountability system is in place for the delivery of quality health and human services.

From 1997 until early 2001, I served as the cabinet secretary of the West Virginia Department of Health and Human Services, referred to as DHHR. When Governor Underwood appointed me to that position, he charged me with making DHHR modern, professional, and accountable.

At the time, DHHR was drowning in red ink, understaffed, and had disallowances in virtually all Federal program areas. During my 4-year tenure, I worked with Governor Underwood and the legislature to upgrade the productivity of the staff through training, access to technology, compensation, and work environments; gained high-performance bonuses for adoption and TANF-related job retention and overall success in the workforce.

We got food stamps to 93 percent of eligible families, the highest rate in the country, and addressed food stamp payment accuracy; reduced Title 4(e) foster care maintenance disallowances from an error rate of over 30 percent to a single error in the 2000 audit.

We implemented two technology systems, one in child welfare, one in child support; vacated two court orders; increased adoptions and foster care to over 40 percent as a part of Every Child Deserves a Family.

We cut in half the number of foster children in out-of-State placement and expanded the infrastructure, including community-based, child residential, behavioral health, and MRDD services, utilizing dollars that had previously paid for out-of-State placements; instituted differential subsidies to meet child care needs and supported improved child care quality.

We used the child care block grant, TANF direct, and TANF transfers to provide child care subsidies to 25 percent of eligible West Virginia children, double the national average.

I focus today on some of my accomplishments in the last 4 years as cabinet secretary because I think it exemplifies the skills and the abilities that I will bring to the Commission of the Administration of Children, Youth and Families.

I want to continue to work to see that the various levels of federal, State, and local government work together to ensure a strong community-based infrastructure delivery system that is both established, maintained, and accountable for its outcome.

We need to continue to focus on prevention and early intervention, and I look forward to being an active participant in the Child and Family Service reviews.

One area that I want to give special attention to is the needs of the Nation's youth. Since 1996, we have focused extensively on the needs of young children through efforts of adoption, Head Start, and child care.

Some of the initial welfare reform research is showing that many of the needs of young children are being met, but the group that is experiencing problems are those entering their teenage years.

Therefore, I will work extensively with Assistant Secretary Wade Horn on a special initiative within ACF and look at ways to effectively link youth programs across Federal agencies.

I will also work closely with Secretary Thompson's rural initiative, because I am from a rural State and I am well aware of the barriers that are there that must be overcome for effective program and service delivery.

The goal of ACF and ACYF is to improve the well-being of children and to strengthen families. I hope that through my comments today, as well as the materials that I have submitted to your committee, that I have shown my deep commitment to those goals.

Mr. Chairman, if I am confirmed, I pledge to work on a bipartisan basis with you, the members of this committee, and Congress to ensure that ACYF reaches these goals.

Again, I thank you for the opportunity to testify before you today, and I am pleased to answer any questions that you might have.

The CHAIRMAN. Thank you very much, Ms. Ohl.

[The prepared statement of Ms. Ohl appears in the appendix.]

The CHAIRMAN. Mr. Lockhart?

STATEMENT OF JAMES B. LOCKHART, III, TO BE DEPUTY COMMISSIONER, SOCIAL SECURITY ADMINISTRATION

Mr. LOCKHART. Thank you, Mr. Chairman.

I would like to, before I start, introduce my wife, Cricket.

The CHAIRMAN. Cricket. Good.

Mr. LOCKHART. Unfortunately, my two children could not be here today. One is studying in Florence. We had the opportunity to see her last weekend, which was great. My son has a longstanding scheduled interview with a business school.

The CHAIRMAN. Well, good luck to your children. Thank you, Mrs. Lockhart, for attending.

Mr. LOCKHART. Mr. Chairman, Senator Grassley, it is a real honor to appear before you today as President Bush's nominee for the Deputy Commissioner of Social Security. I would be honored to have the opportunity to serve the many millions of Americans who depend on Social Security now, and in the future.

I also welcome the opportunity to work with Commissioner JoAnne Barnhart to help meet the challenges that she discussed with this committee during her confirmation hearing, and I ask for your support.

Although my career has been mainly in the private sector, this position would be my third opportunity for public service. The first, was as an officer on a ballistic missile submarine. The second, was as the executive director of the Pension Benefit Guaranty Corporation (PBGC).

When I joined the PBGC, I was greeted with a newspaper cartoon that had a little sign being put in front of a house saying, "Renovations Completed." The house was labeled "PBGC."

As some of the members of the Finance Committee may remember, the renovations were not even close to being completed. It took years, and the help of this committee and many others, but PBGC now is a government success story.

Despite the hard work of Social Security's dedicated team of over 63,000 employees, renovations are not completed there either.

The good news is the Social Security Administration is in a much better state than the PBGC was in 1989. As Comptroller General David Walker stated in his January report, "Social Security is a leader in Federal service delivery." He also said, "It is a leader among government agencies for its accountability reports."

Importantly, however, that GAO report also said that there are serious issues that must be addressed. The scale of Social Security is colossal, representing a quarter of the Federal budget, paying benefits to almost 50 million Americans, and protecting virtually

every American family. The successes have also been great. Almost a half of today's retirees would be in poverty without it.

Not surprisingly, the agency's challenges are also large. The first challenge is to ensure the long-term solvency of the program for future generations. A central function of Social Security is retirement security. Retirement in the U.S. is often described as a three-legged stool, with Social Security, private pension plans, and personal savings being those three legs.

I do not like the image of retirees sitting on wobbly, three-legged stools. Working together to address savings and solvency issues, we should try to make retirement an easy chair for every American.

The second challenge is to provide better and more timely service to beneficiaries. The disability process takes much too long. The future service demands will increase dramatically as we baby boomers begin to retire.

Service also means doing a much better job of educating the public about Social Security's programs and retirement planning.

The third challenge is to improve the program's integrity through sound fiscal stewardship. The agency has a fiduciary responsibility to all Americans to ensure that the trust fund's assets are used to pay proper benefits and to ensure that only eligible people are given Social Security numbers.

There is a strong economic incentive for doing so. In several areas, a dollar well spent on stewardship will produce up to \$10 in savings.

The fourth challenge is to face Social Security's own retirement wave through recruiting and training staff. The agency recognized this challenge early, but the other three challenges cannot be met without a replenished and talented team.

As Commissioner Barnhart said to you in September, these issues cannot wait. I look forward to working with the members of the committee, Commissioner Barnhart, and the experienced, dedicated, and caring members of the Social Security team, to begin addressing these challenges immediately.

Although the agency's renovations may never be fully completed, our goal and duty must be to create not just a government success story, but a success story for every American family.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Lockhart.

[The prepared statement of Mr. Lockhart appears in the appendix.]

The CHAIRMAN. You are next, batting cleanup.

**STATEMENT OF HAROLD DAUB, TO BE A MEMBER OF THE
SOCIAL SECURITY ADVISORY BOARD**

Mr. DAUB. Senator, there has already been way too much said on my behalf, remarks for which I was most grateful.

Mr. Chairman, Mr. Grassley, and to the panel that I am privileged to be a part of today, first, let me say that it is a real honor to be before you as a nominee of the President to be a member of the bipartisan Social Security Advisory Board.

You are aware that the President did announce that, should I be confirmed, he would designate me to serve as its chair.

I would like to introduce to you, although she was previously introduced by Senator Nelson, the best thing that has ever happened to me and been a part of my life, and that is my wife, Mary. If you would say hello and please stand, Mary.

The CHAIRMAN. Welcome, Mary.

Mr. DAUB. And I would like to thank Senator Hagel and Senator Nelson for their time in coming today.

I would like you to also meet the executive director of the Social Security Advisory Board. I know that staff here know her and have depended upon her for much of the great advice that I know she gives to them on this very important subject, and they, in turn to you as members of the committee. Margaret Malone. If she would stand and be recognized.

The CHAIRMAN. We have known Margaret for a long time and we very much appreciate her work.

Mr. DAUB. As do I. Not only am I aware of how much the current members of the board rely upon her judgment, skill and advice, but I note that the staffs of the House and the Senate do as well.

I, too, want to say thank you to the staff of your committee, Mr. Chairman, for the help they have extended to me during the preparation for this time together.

Congress created the Social Security Advisory Board in 1994 in order to provide an independent and objective source of advice and assistance to you, to the President, and the Commissioner of Social Security.

The history and tradition of the board has been to work on a bipartisan—perhaps one should say more accurately a nonpartisan—basis to provide information and recommendations regarding the critical issues that face the Social Security programs.

There have been more than 20 comprehensive publications since 1996 in fulfillment of the board's statutory mandate. I want to assure you today that I am committed to carrying out and building upon this important tradition.

I am going to ask that my statement be included in the record. This has been a long day for all of you.

I do want to point out the statistics that are contained in it, because I think they are important to be said. Over 45 million individuals rely on the processing and payment of benefits from social insurance proceeds for retirement, survivors', and disability benefits.

The total outlays for 2001 are estimated to be more than \$400 billion, against an income currently of approximately \$600 billion. The estimated fund balance now is more than \$1 trillion.

The administrative work is being performed by an aging Social Security workforce of approximately 64,000 employees at an administrative expense or an outlay of more than \$7 billion annually.

Five billion of that is for administration of the growing disability determination and payment system, which dispensed about \$90 billion in the year 2001, or nearly 5 percent of our total Federal budget outlay.

The Supplemental Security Income system, known as SSI, is also administered by the Social Security Administration and served, for example, last year more than 1.5 million new applicants.

So it is, as Mr. Lockhart said, a very, very complex and colossal system that has an issue of solvency and a number of other policy choices that are going to have to be made as we move to the so-called "magic" year of 2016, when the actuaries tell us that there will be a balance between inflow and outflow, and at that point we will begin to utilize what are referred to as surpluses.

So, it is my obligation and my commitment to you and to this committee, if privileged to be confirmed, to help carry out the mandate Congress gave to us and to the Advisory Board. We stand ready, willing, and able to help you in any way that we might.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Daub.

[The prepared statement of Mr. Daub appears in the appendix.]

The CHAIRMAN. I now have three obligatory questions that I am going to ask all of you. As I ask each question one at a time, I am going to have to ask each of you to go down the row and say yes or no, whatever you want to say.

The first question. Is there anything you are aware of in your background that might present a conflict of interest with the duties of the office to which you have been nominated? Mr. Clarida?

Mr. CLARIDA. No.

The CHAIRMAN. Mr. Lawson?

Mr. LAWSON. No, Mr. Chairman.

Mr. WILLIAMS. No.

Ms. HALE. No, Mr. Chairman.

Ms. OHL. No, Mr. Chairman.

Mr. LOCKHART. No.

Mr. DAUB. No, Mr. Chairman.

The CHAIRMAN. Thank you.

Second, do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated?

Mr. CLARIDA. No, Mr. Chairman.

Mr. LAWSON. No, Mr. Chairman.

Mr. WILLIAMS. No, Mr. Chairman.

Ms. HALE. No, Mr. Chairman.

Ms. OHL. No, Mr. Chairman.

Mr. LOCKHART. No, Mr. Chairman.

Mr. DAUB. For the record, no, Mr. Chairman. I say my name only because of the long line and whoever is trying to transcribe this some day. So I am at the end of the list, whoever has the list.

The CHAIRMAN. The gentleman over at your far right deeply appreciates that.

Third, do you agree without reservation to respond to any reasonable summons to appear and testify before any duly-constituted committee of Congress, if you are confirmed?

Mr. CLARIDA. Yes, Mr. Chairman.

Mr. LAWSON. Yes, Mr. Chairman.

Mr. WILLIAMS. Yes, Mr. Chairman.

Ms. HALE. Yes, Mr. Chairman.

Ms. OHL. Yes, Mr. Chairman.

Mr. LOCKHART. Yes, Mr. Chairman.

Mr. DAUB. Yes, Mr. Chairman.

The CHAIRMAN. For the record, that is Mr. Daub at the end.
[Laughter.]

We have a lot of panelists here and a lot to go over, so I will try to be quick and to the point.

Beginning with you, Mr. Clarida. There is a big debate currently in the Congress, one of them, on how to stimulate the U.S. economy. What are your views, briefly?

Mr. CLARIDA. My views.

The CHAIRMAN. That is, in the purview and the jurisdiction of the Congress.

Mr. CLARIDA. Well, first of all, let me again thank the committee for, certainly in my case, expediting this hearing and, if I am lucky enough to be confirmed, giving me a chance to work with the committee toward what I think is a common goal, which is to make sure that the economy rebounds and achieves its potential.

I guess what I would say, in answer to what is a very good question, Mr. Chairman, is that I support President Bush's policies that he announced on October 5th, which he suggested would be part of a stimulus package. Those included rebates to low-income households, incentives to spur investment, cuts in tax rates for other households.

In particular, I believe, following the events of September 11th and the contraction in the economy that occurred in the third quarter, that the most important thing that the Congress and the President can do, working together, is to restore the confidence, which has been wounded, in the economy, there is no doubt.

So, briefly, that is how I would answer your question.

The CHAIRMAN. Just speaking personally, as you look at both the House-passed bill and that which passed this committee, your thoughts as to which parts of those two bills would be most helpful. Your personal views.

Mr. CLARIDA. Well, my views are that the way that I understand the bill that passed in the House, from reading the newspapers and what I understand has passed at least through this committee in the Senate, is that there are a number of common elements.

As one who has spent most of his career in academia, I have not mastered, perhaps, some of the fine points of the differences, but I see a lot of common elements: a desire to spur investment, in particular, and also a desire to lower taxes or to give tax rebates to households.

So, I see a lot of common elements. I think that a package that contained those elements would be good for the economy.

The CHAIRMAN. Mr. Lawson, I have just a couple of questions for you. One, is how do we beef up our anti-money laundering regime, particularly in this unfortunate era of terrorism? The recently enacted anti-terrorism law contains a Treasury Department study on anti-money laundering. As a Treasury official, you will be responsible for conducting the study.

Will you ensure that the Finance Committee is consulted before the study is submitted to Congress?

Mr. LAWSON. Mr. Chairman, if I am confirmed, I promise to work closely with this committee and consult with you to ensure that that is done.

The CHAIRMAN. Thank you.

The Inspector General for Treasury has recently reported that the IRS needs to improve its program for ensuring compliance with anti-money laundering, particularly with respect to non-banks. There are approximately 158,000 non-bank financial institutions in this country. The IRS has information on less than half of them, moreover, only one-third have been reviewed by the IRS, and according to that review, penalty referrals have declined from 44 in 1997 to 14 in 1999. There are big gaps in IRS' examination coverage.

The question I have relates to the Inspector General report that the IRS, in their view, anyway, is not doing a very good job of ensuring that non-bank financial institutions are complying with Title 31 financial transaction reporting and recordkeeping requirements.

Have you had a chance to see that report?

Mr. LAWSON. No, sir, I have not.

The CHAIRMAN. Are you aware of it?

Mr. LAWSON. I am not aware of it, sir.

The CHAIRMAN. Just off the top, have you given much thought to anti-money laundering efforts, strengths, gaps, and how efficient we are or are not, and what we should do about it?

Mr. LAWSON. Sir, if I am confirmed, I promise to work closely to ensure that the Patriot Act and its provisions regarding anti-money laundering and compliance are carried out. Therefore, I will work closely with our bureaus and with the IRS in developing means for correct and accurate reporting.

The CHAIRMAN. This is, I think, an area that this country has not spent enough time on and that we must be vigilant in this area. Whether it is the traditional banking system or non-banks or it is the system that is often used in the Mideast, that has got to be addressed a lot better as well. I do not have the answers.

As the person who is charged with rooting out violations of certain laws, I would just encourage you to, for right now, dig into it very deeply.

Mr. LAWSON. Yes, sir.

The CHAIRMAN. I think that would be wise.

Senator GRASSLEY. Mr. Chairman?

The CHAIRMAN. Yes.

Senator GRASSLEY. Along the lines of money laundering, since I was involved in the passage, with Senator Levin and Senator Kerry on the money laundering bills that just passed, and they were directed more towards terrorism, but I originally got involved in them because of money laundering and drugs, the regulations are now being written on that. I hope that you will do what you can to make sure that Congressional intent is followed.

I know various trade associations of financial institutions are now doing what they can to minimize the impact of that legislation. They fought the legislation through the Congress. We want to make sure that that is a good tool.

I, just today, had a meeting with a person that is now in the private sector that used to be involved with the Drug Enforcement Administration on money laundering. He says these are very, very good tools that have now become a part of our law that you have referred to as the Patriot Act.

So, we want to make sure that the full force of these laws are followed and not let them be undercut by regulations being written that might do that.

I would only offer that to you for advice, and to be aware of the fact that that possibility is going on right now.

Mr. LAWSON. Thank you, sir.

The CHAIRMAN. Thank you, Senator.

Mr. Williams, as I am sure you know, the Wall Street Journal reported on August 14, 2001 about you. The report was that you "waged a pugnacious campaign against the IRS 6 years ago that infuriated some government lawyers who questioned the propriety of his team's tactics." The article went on to state, "It is rare for an official to join an agency after participating in an incident that generated such ill will."

I think it would be appropriate for you to respond to that.

Mr. WILLIAMS. Thank you, Mr. Chairman.

First, I want to assure this committee that I have a very deep respect for the Internal Revenue Service and a great deal of admiration for public servants who apply the law impartially and fairly.

I would say that that article interviewed some, but certainly not others who have different views. I acted as an attorney for my client, within the bounds of the law, zealously.

I intend to do the same as Chief Counsel, representing my client zealously within the bounds of the law, subject, of course, to the duty we owe to the public to make sure that that law is fairly and impartially interpreted.

But in terms of trial tactics, I would submit that, whether you work for the government or whether you work for a private client, it is your ethical duty to represent that client as zealously as your skills permit, again, Mr. Chairman, always within the bounds of the law.

The client in that particular instance wanted to use certain information that had been developed. It was submitted in accordance with the rules of evidence, subject to the oversight of a Federal district judge, who permitted the examination to occur.

The CHAIRMAN. Do you think you will have to do some fence mending at the IRS with the people who will be working for you and with you?

Mr. WILLIAMS. I believe that the lawyers who were upset by that incident are no longer with the government. The lawyers who understood the legitimacy of the trial tactic, who have communicated that to me personally, do not present fences to mend.

I will, however, if there are any fences to mend, certainly look for them and do it.

The CHAIRMAN. Why do you want this job?

Mr. WILLIAMS. Mr. Chairman, I have, through my career, wanted to serve the public as much as I could. I believe that 25 years of experience that I have dealing with this agency in a variety of positions, an official at the Justice Department, a judge on the U.S. Tax Court, as a private practitioner, as one who was special assistant to the Chief Counsel in the Reagan Administration, gives me a perspective that I do not think anybody else has.

I would like to offer that to the country, to help that institution and to help Commissioner Rossotti in his restructuring of it so that

the institution becomes much more responsive, not only to this body, but also to the public.

The CHAIRMAN. So, given that unique perspective, what are you going to recommend?

Mr. WILLIAMS. As I said in my opening statement, Mr. Chairman, I believe that the Chief Counsel's office has shifted away from the guidance that the public needs, sorely needs, into a mode where it kind of moves in fits and starts between cases and tries to develop principles through litigation.

I do not think that is the right manner for this particular agency to develop the law. I think that the law should be developed in consultation, obviously, with the Congress as statutes are developed to make sure they are administrable, in consultation with Treasury in the context of the regulations that are issued to make sure that the intent of this body is accurately reflected in the administration of that law, in dealing both with the agents in the field who are enforcing it, and with a public who is trying to comply with it in a way that makes it clear and understandable to those whose duty it is to comply with it.

The CHAIRMAN. There has been a lot of discussion in the press about tax shelters, and that a lot of people are getting away without paying their taxes through abusive shelters. What is your sense of that? Do we need new legislation to crack down on shelters? Can you, as Chief Counsel, address the proliferation of some of these abusive transactions? What do you think?

Mr. WILLIAMS. Mr. Chairman, I am aware of this committee's very hard work over the last couple of years. I think it is a very hard problem that there are no easy solutions to. One person's tax shelter is another person's pension plan. That is not to minimize the instances where the law is manipulated in a way that it should not be.

I think, specifically, the Internal Revenue Service at this point has—and I am not in a position right now to really know this, but I suspect that they have a lot of information that they could use more effectively than they have in the past.

My experience in dealing with that institution over my career is that they always ask for more information and have not used it as effectively as they should. I would like to try to improve that.

Certainly, if there is a need, as there may very well be in certain areas where the statute is crying out for amendment for this body to act, I would certainly work with Assistant Secretary Weinberger and this committee in whatever way I could to bring that to your attention.

The CHAIRMAN. All right. Another question, is there is some thought that the IRS is being outgunned by private litigants, like you when you were in the private sector. That is, with very complex transactions that are put together to avoid payment of taxes.

Part of it goes to the question of whether our agents, those who work at the IRS, are really up to it. I mean, paid compensation is lower than they can earn on the outside. It is just a question of whether or not we have got the firing power to deal with some of this.

Mr. WILLIAMS. I did not outgun them, Mr. Chairman, I just had better arguments. I was right on the law. I think the government

is not always right when it proceeds. Certainly, in the overwhelming majority of cases it is.

I think there are some circumstances where improved pay would certainly help the institution develop and apply the law better. But I think, by and large, the agents that I have dealt with on large cases are very competent. They understand technical issues and they are willing to deal with them.

The CHAIRMAN. But you are not concerned then about this charge? You are not at all concerned?

Mr. WILLIAMS. I do not want to leave that impression with you, Mr. Chairman. It is a concern. It has been an issue for a long time.

The CHAIRMAN. How do we solve it?

Mr. WILLIAMS. I think that there are a number of parts. One, is the recruitment and the pay that can be offered to Federal employees who we need to be dedicated to this effort needs to be improved. I do not think there is any question about that.

You look at the starting salaries in the private sector, and they are multiples of what the Federal Government starts people at. No matter how dedicated you are, as one may be, to public service, I personally understand because I had to leave public service for financial reasons the last time. I certainly understand that problem and the drive that is there to take people away from public service.

That is one thing, obviously, that the Chief Counsel cannot do much about. There is, I think, something that can be done in terms of coordinating technical positions and educating agents, giving more authority and power to the litigants, to the lawyers who litigate cases to develop the cases.

The tools are there, Mr. Chairman, I believe. I think there needs to be better, more effective use of those tools in the audit level. The Internal Revenue Service has enormous power, enormously intrusive power, to get information that it needs. I do not think they use it as effectively as they should at the audit level. That is one.

Number two, once they get the information, how do they process it? You have got to process it with an attitude which requires, I think, not only technical education, but promotion of an ideal that the Internal Revenue Service is in the business to help people comply with the law.

Yes, to enforce it where it is broken, but also to help people comply, so that the attitude is not, we are looking for a fight, but we are looking to help you pay the right amount of taxes which this Congress has said the taxpayers owe.

The CHAIRMAN. That is a good point. I urge you to follow up on that one. Many people talk to me about how agents come in and say, we are going to audit you, and keep auditing, and auditing, and auditing until we find a \$10 mistake. That happened, I know, in a couple of cases. They finally found it, so they finally stopped reviewing his books.

Mr. WILLIAMS. I have horror stories I could relate, too.

The CHAIRMAN. Yes.

Mr. WILLIAMS. I think, by and large, the institution does want to do the right thing. To the extent that I can help them get there, I would like to.

The CHAIRMAN. I thank you for that. I urge you very strongly to move in that direction.

One other question for you, then I know Senator Grassley has several questions.

That is the problem of the audit lottery. A lot of taxpayers know that fewer and fewer Americans are getting audited. That is, the lottery number is so low that they are probably not going to get caught, therefore, there is a greater inclination to “fudge.” What do we do about that?

Mr. WILLIAMS. Well, the easy answer is to say to increase audits and increase resources. I think that the Commissioner’s attempt to move toward filing electronic information processing, is part of that solution. When I was at the IRS 20 years ago, they did not match 1099s with returns. Now, I did not know that before I got there.

The CHAIRMAN. That was done here.

Mr. WILLIAMS. When you stop and think about it, it is a fairly simple thing to do. I mean, not simple to accomplish, but a simple thing to think about that ought to be done. That is why one of the things I said was, the information is there. It is not always used very effectively.

I think a fear of being audited is always healthy. But the question is not just is a revenue agent there looking over your shoulder, looking at your return, but does the agency have the tools necessary to match up what is being reported with what should be reported?

The CHAIRMAN. Thank you, Mr. Williams. We could go on forever, of course, but we will not. I urge you all success, because that is a very tough job.

Mr. WILLIAMS. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Grassley?

Senator GRASSLEY. Yes. I thank you very much, Mr. Chairman. I do not have questions for all of you. Because I do not have questions for some of you does not mean that I think your work is less important than the others, but I want to concentrate on just a few items here.

I would ask Ms. Ohl a question, or maybe it is a reaction from you more than a question. One of my largest concerns is at-risk children, and particularly how, through the States, we give money to the States. I have been primarily interested in restoring families and moving children through the foster care system and into permanent homes.

One thing we hear from children that are in foster homes, is they want permanency. We have got so many kids growing up to 18 and going out into the cold, cruel world that have never had any parents. I think part of the problem is that we have had some perverse financial incentives that have encouraged States to keep people in the foster care system.

I wonder if you would give us your thoughts about that. Not necessarily that you agree with me, but I just want to know what your thoughts are, and particularly if you believe that there are any perverse incentives in the present programs that we have.

Ms. OHL. Thank you very much, Senator Grassley. One of the reasons, when I gave my statement, I concentrated on having run a State system and I tried to show the amount of accountability, that I had worked with the Governor and the legislature to build

into the child welfare system, I think that is the key factor in this matter.

I think as a part of the Adoption and Safe Family Act, the Congress put in place a series of limits, time limits, that things had to happen on cases with children in foster care. I think that has been very, very helpful.

I also would say to you that, currently, the Child and Family Service reviews are currently under way, looking at all of the State child welfare systems. It is my understanding that 15 States were done this last year, and they will then do the additional States over the next 2 years.

These are very comprehensive reviews of the child welfare system, probably the best bird's eye view of child welfare that the Congress and HHS has probably ever, ever had. I think this will be very helpful for all of us, looking at the way cases are being managed, case work is being done at the ground level, looking at where there are problems.

The Congress has invested a lot in data systems and looking at what data is there, the caliber of the data, and how it is being utilized so we know what is happening to children. We need to move children to permanency. As I said, in West Virginia we had "Every Child Deserves a Family." I could not articulate that more strongly.

I think we have in place, with the Child and Family Service reviews, a way to be reporting to Congress on an ongoing basis of the current status of child welfare, working with the States in ways to make improvements in the system. I pledge to you to be a very active participant in that process.

Senator GRASSLEY. Thank you very much.

Mr. Lockhart, I want to ask you some questions that are probably not questions—maybe a couple of questions—that have had some prominence because of the terrorist activities and terrorists getting Social Security numbers legally. But this was an issue even before September 11th, so I do not want to just focus upon terrorists getting it.

In fact, I had asked for a General Accounting Office report—and we have gotten it back, or at least a preliminary position on it—and they have said, as far as the Social Security Administration is concerned, "there does not seem to be a program or an entity"—if this is wrong, you can clarify it—that seems to be centering upon the illicit issuing of Social Security numbers.

Not that nobody is concerned about that, or should not be concerned, but there is not a concentration on that. That is in regard to false identity and a lot of other things that have been out there.

We have had the Social Security Administration Inspector General report that Social Security numbers have been issued to individuals based on counterfeit evidentiary documents. One audit revealed 999 of 3,557 original Social Security number applications reviewed were approved based upon improper evidentiary documentation.

Once a Social Security number has been issued, the Social Security Administration has little ability to prevent or curtail the use of that Social Security number in committing further fraud.

So a very general question. How would you approach this in your new responsibilities to stop the Social Security Administration from issuing numbers based upon counterfeit documents?

Mr. LOCKHART. Senator Grassley, I really do share your concern. It is a very serious issue, the misuse of Social Security cards and numbers, with not only identity fraud, but obviously the fact that some of the terrorists had Social Security numbers is extremely upsetting. The Social Security Administration issues 5 million new numbers a year, and 11 million replacement cards a year.

I have discussed this with the Inspector General at the agency, and certainly he, as you know, is very concerned as well and is working on this issue. Certainly when I get there, I will work with him and other people in the agency to look at it.

I think there has been an emphasis to get the cards out, to get the numbers out quickly, concentrating on the service aspect of it rather than the stewardship aspect. We have to seek a better balance and be more accurate when we look at the documents.

We have to work with the other agencies involved, and particularly INS, and we are starting to do that, to make sure that the documents that we look at are real.

Senator GRASSLEY. All right.

Mr. LAWSON, I think, under your jurisdiction you have a lot of law enforcement, ATF, Secret Service, Customs, FINSIN, as we call it, and I think IRS Criminal. At least that many. Is that right?

Mr. LAWSON. That is correct.

Senator GRASSLEY. Now, this is directed more towards just what has happened since September 11th rather than the long view of your work. I ask it, because as I recall from reading reports of Federal efforts to investigate terrorism, a lot of your people's time will be spent more on that than maybe prior to September the 11th. Also, I know the FBI is doing the same thing, putting a lot of effort into that.

Would you describe how you see your work and the work of agents that you are responsible for in the fight against terrorism, whether it be Secret Service, or whether it be Customs, or any of that?

Mr. LAWSON. Senator Grassley, just briefly, I would see my role as the Assistant Secretary, if I am confirmed, working with coordinating our bureaus together. If you remember from last week with Operation Green Quest, we had our bureaus working together to block terrorist accounts which were identified across this world.

Sir, I believe, as Assistant Secretary, I will provide the leadership in directing these bureaus with OFAC, Secret Service, Customs, in finding and identifying these accounts so we can block them and stop them from utilizing these funds to fund terrorist activities.

In the time where you got your appointment and then some period of time before you come up here to be with us, I presume you have been interacting with people within the Department, or your division. Since September the 11th, do you feel like this has a real high level of concern within your division of Treasury?

Mr. LAWSON. It is the most important thing we have to do.

Senator GRASSLEY. My staff is on top of things here. I can never read my staff's writing. In fact, sometimes I cannot even read their

printing. [Laughter.] But here is another issue that does not involve just Treasury or just your responsibilities within Treasury.

Maybe I have talked more about this with FBI and other agencies. But I am very interested in your department's willingness to share with other departments, as I am interested in Justice and FBI sharing with other departments.

And I am not talking just about Justice or just about Treasury, because this is within government a lot. In fact, there has even recently been some talk about, has the FBI been cooperating enough with the Centers for Disease Control in regard to anthrax and some other bioterrorism, as an example.

My question comes from what I feel is too often a problem of agencies not being ill-intended or anything, but that somehow we have our responsibilities, and we have our work, and we have our information, and that is true of an attitude throughout government, to a point where what you might have in your department could be helpful to some other department.

Now, maybe there is a lack of communication, but also maybe there is a barrier built up about, we have got our work, we have got our information, the other department has got their work, they have got their people, let them get their information, to a point now where maybe there has not been enough sharing of information, enough communication, so that the right hand of government knows what the left hand has been doing.

Or the way I would say it, is instead of this department saying, this is my work and we have got our people and our information, let the other department get their information, they have got their work and their personnel, instead of, it is FBI, it is Treasury Department, and it is this agency, or that agency. It is like the American people, or who we are working for, does not mean anything. But we are all working for the American people. We are all Americans. We are all trying to get everything done.

Do you, within the law, have any problems with making sure that you share all the information you can with other agencies to get the job done, or do you think that this is not a problem? You can say, Chuck Grassley, I do not think that you have described the problem we have got in government, if that is what you believe. But I want to ask you. If I have not been clear, tell me, and I will ask it again.

Mr. LAWSON. Sir, you have been crystal clear. To be candid with you, I am a team player. We have one team here, and that is our country. My belief, if I am confirmed—forget being confirmed, being an American—I believe we should share as much information between bureaus as possible under the law.

If I am confirmed as the Assistant Secretary, any information I have in my files, any information my bureau has, under the law, whatever I can provide, I want to provide quickly and efficiently.

Senator GRASSLEY. All right.

Just a further explanation. For instance, again, this is the FBI and not anybody in Treasury. But because they are spending so much more time on terrorism and it is such a big job and they are asking local law enforcement to help them, but the chiefs of police were saying, well, the FBI wants our help but they will not share information with us. It got to a point where chiefs of police met

with Mr. Mueller, and I think there is going to be greater cooperation.

But this is a common concern of local law enforcement, that the FBI has got information and they will not share it, so how can you get the job done of getting those who are violating law arrested, get them under control, get to the problem.

So I think you expressed a good attitude. I appreciate it very much.

I believe, Mr. Chairman, that is the end of my questions.

The CHAIRMAN. Thank you very much, Senator. I appreciate your digging into those questions.

I guess, Ms. Hale, I will ask you my question. The question really comes down to the TANF program. We are going to be reauthorizing the program next year. As you know, we replaced FDC with the block grant program. It is working, in some areas, quite well.

But one area that is a bit of a question, is with respect to Indian tribes. As you well know, some tribes would like to receive the grants themselves and not have to work through States, the argument being that each area is a little bit unique. Why skim money off the top?

Your thoughts about that.

Ms. HALE. Mr. Chairman, I have not yet had an opportunity to study in depth the TANF program. I know that the department now, with my colleagues at ACF, are starting to develop the reauthorization.

Both Secretary Thompson and myself have been very concerned about the Indian nations and their rights, so I think that I can speak for both of my colleagues that are not here, and probably one sitting here, that we will take a very particular look at that as we are developing the reauthorization. I know the department is starting to work on that as we develop a proposal to submit to the Congress in February.

The CHAIRMAN. Ms. Ohl?

Ms. OHL. Mr. Chairman, even though this would not be under my purview if confirmed, I can tell you that there have been a series of listening sessions that the Secretary has convened around the country in order to, in effect, listen to States as well as they did one with the tribes.

I will tell you, I attended the one in New York and it is truly a listening session. So, Federal officials have an opportunity to hear from the States, the tribes, the advocates, recipients, what their thoughts and ideas are on how TANF has worked, and their thoughts and ideas of things that need to be addressed in reauthorization.

The CHAIRMAN. It is my experience in working with tribes, States, and Federal programs that that is a direction we should not move in. Neither are working out compact agreements between States and tribes, or more directly, the tribes.

But the governance at many tribes is quite good. It is very good. And they do know the problems and they do care deeply about their people. I just think it is a lot more efficient. It gives them confidence in themselves, gives them statute, more efficient use of dollars.

I just urge you to think very strongly about ways to help make that happen in different ways, and what seems to be working best and most efficiently. In my experience over the years, that is a good direction to work toward.

Ms. HALE. We will review that very carefully as we are finalizing that proposal.

The CHAIRMAN. Thank you.

As you probably also know, there is some concern among members of the Senate about the length of time it takes to process, particularly, disability claims. In my home State in Montana, I have a lady, Marilyn Nelson, who is in charge of Social Security, as well as disability claims.

She just took it upon herself to go around Montana and talk to the various Social Security offices and to see how she could help, how they could help. There were delays up to 3 years to claimants, and that, clearly, is inexcusable. I mean, that is years too long. A month is probably too long, in some cases. Not all, because there are certain administrative procedures you have to go through.

But I asked Ms. Barnhart when she was here before our committee if she would give a report to us on what needs to be done, both administratively and legislatively, to solve the backlog problem. Maybe Mr. Lockhart is the proper person to direct this to. You are, in fact, But she said that she would get back to this committee, I think, by March 31st. I think that was the date.

I would just like to comment on that if you could, Mr. Lockhart, and how that analysis is coming along. You may not know because you are not there yet, and she is. But that is very important to this committee, and more important, obviously, to the people we serve.

Mr. LOCKHART. Yes. Commissioner Barnhart was just sworn in officially yesterday, so she is in place. Certainly, I share with her, and with you, Mr. Chairman, the concern that in some cases it does take up to 3 years to get a disability payment finally agreed to. That really is much too long. The process is much too long.

The agency, I think, historically has had a lot of initiatives to try to speed it up. Some of them have worked, some of them have not. There is a lot of activity going on.

As part of this 6-month review, the March 31st date that she agreed to, we will certainly look into all of the things that have been done in the past and look at how we can speed the process up, look at what resources we need to speed it up, because it is really unacceptable at this point.

The CHAIRMAN. Have you had a chance to talk to her at all on how that is coming along? Not that you should, but I am just curious.

Mr. LOCKHART. Well, again, she has really just, unfortunately, joined this week. But I know it is one of her top priorities. She is just in the process of putting a new person in charge of that area.

The CHAIRMAN. I encourage you to move very diligently. This committee will be holding quite extensive, and perhaps aggressive, but in the best sense of the term, oversight hearings next year on a wide variety of subjects in the jurisdiction of this committee.

That is not something that gets a lot of headlines, but frankly I think it is something that is needed so we can all help each other serve our people. So there might be some tough questions asked,

but not with a view toward embarrassing anybody, unless that is deserved, but rather a view toward stepping up.

I am not one to criticize government. I am not one to criticize Federal employees. I think that is wrong, it is counterproductive, it is too much of a cheap shot, et cetera. But I think it is true that too often Federal employees do suffer a little bit from "inside-the-beltway-itis." I think it is extremely important to just get out and travel, see people, talk to people. You get a lot better sense of things. New ideas, and so forth pop up.

Sometimes, because of that problem, I think a lot of people want to do the right thing here in Washington and Baltimore, et cetera, but they just kind of see things with blinders on. They just do not have the ability to see beyond the way to solve this more quickly.

Mr. LOCKHART. It is a very serious problem and we will certainly be working on it. As I said, it is one of the top priorities. I have a disabled niece and a disabled nephew. Certainly, disability is an area that concerns me a lot, and I know it does Commissioner Barnhart. It will certainly be one of our top priorities.

The CHAIRMAN. All right.

Mr. DAUB. May I just add what you know, I am sure, Senator, and the staff knows, that the Social Security Advisory Board has done a particularly good job, I think, at looking carefully at the issue of disability. They have done extensive data collection, a lot of field work, extensive policy analysis, reflecting the Board's mandate to give you information and understanding of this issue.

As the baby boomer generation that we are so concerned about ages, the number of disabled will grow. I alluded in my opening statement to the size of the disability program. It eats \$5 billion of the \$7 billion of administrative costs. It is 5 percent of the Federal budget, and it is a complicated, slow process. It is in need of reform.

I skipped in my statement emphasizing that one area where we wanted to be as helpful as we can in the oversight and the work that you are going to be doing, reflected by the number of bills that have been introduced by you and others, is to make sure that those who are in need of timely and fair decision making will receive it.

The problem is that reform is needed, and the system needs to be fixed. So, we want to be helpful to the committee as well.

The CHAIRMAN. I urge you both, during the next several years as we get closer to some solutions on retirement generally, Social Security, personal savings, and pension funds, et cetera, and I know you will do this, but just a reminder, is to stay just religiously non-partisan.

Sometimes partisan statements really do get in the way. It is one thing for a member of Congress to get partisan. It is sort of the nature of the beast, which we should minimize, frankly. But it is also something else when a Social Security Administrator, Deputy A.administrator, somebody on the Advisory Commission, makes a partisan statement, too. That just gets in the way.

I think the American people think, my gosh, that person is heading up Social Security, or is Deputy Commissioner of the Advisory Board. That person is there for us, not there to serve a political perspective or political point of view.

I just urge you to follow that religiously, and to push back if somebody tells you, hey, you are getting partisan here. You will have the support of this committee to be totally nonpartisan.

Mr. DAUB. One of the great attractions to me when the subject was raised, Mr. Chairman, of whether or not I would want to continue in some way to render public service—which I find enormously compelling, as I know you do—was the idea that the last report of this board, with its divisions structured by the Congress, was unanimous in a true nonpartisan, or if you will, bipartisan, fashion. It is the only way Social Security is ever going to get fixed.

The CHAIRMAN. Well, I am going to try something a little novel here. One of the things that I think somewhat frustrates all of us, is our country is so big, we are so blessed, it is such a wonderful country that we happen to be citizens of.

But sometimes our different government agencies serving people get a little stove-piped. We have economic policy in the Treasury Department, we have Enforcement, we have IRS, we have HHS, and the various departments in Social Security.

You have all heard different comments by different nominees here. All of you are going to get confirmed and you are going to do a great job serving our country.

Do any of you have any advice for any of the others? [Laughter.] Here is your opportunity. Any thoughts on how we can kind of work together here? We have a great team. So it is in your individual areas, but also working together.

Mr. DAUB. I will just quote a quote when I was confirmed and sworn in as a member of Congress and was interviewed in Time magazine many years ago, Senator. They asked me what I thought would happen at the end of my career some day. I said, well, if there is an epitaph to be written, it will be known that I had a good staff.

The CHAIRMAN. Believe me, I know how important that is.

Ms. OHL. Mr. Chairman, one of the things that I would say, is that September 11th clarified a number of things. I think that going forward, how it is that we bring the best minds of the government, as well as the best minds of the private sector, around the table in order to work together, whether it is Treasury, Social Security, whatever, in a focused type of way, is what we need to be doing on behalf of the people of America.

The CHAIRMAN. Well, I appreciate that. That is a good point. I know of people who are not going to run for higher office. That is, not the Presidential level, but the House and the Senate, but for September 11th. When that happened, boy, they wanted to step up.

Ms. OHL. I also think that I know, for instance, at HHS we have had within some of the conference rooms Congressional staffs, as people were unable to be in various buildings that they used to occupy. So I think, increasingly, both as we focused on some of the issues post-September 11th, I think there will be much more, hopefully, integration across.

I also would say one thing. I come from a State level. As I said, I came from a rural State. I think it is most important that we out and about in the country and listening to what people are saying. What it is that our programs do is only as good as it is effective at the community base level.

The CHAIRMAN. Good advice.
Others?

Ms. HALE. I would just follow up. I was fortunate, post-September 11th, to go down to CDC and see the ability of HHS's agencies working with the State and local public health authorities. So we have worked within our department, we have worked with the State and localities, we have much more to do.

But we have also found that HHS has not normally been in the national security arena, and we have now found ourselves much more reliant on Justice and Treasury. I would share what my colleague just said, that we have worked, I think, strongly with the Congress—at least those in the department—and need to continue to exchange the information so that we can make a difference.

Mr. WILLIAMS. Mr. Chairman, I would give some advice to myself more than anybody else. Basically, to not become parochial. In these positions, I think it is very easy to get focused on the particular problems within the agency and to lose sight of a broader perspective, particularly in tax policy, for example. You can get so focused on what the proper tax policy is, that you lose sight of how it affects people in a broader way.

I think, whether it is tax policy, or social policy, or retirement policy, it is really important and it sort of echoes the thought that you should get out and talk with people, as Senator Grassley was indicating in his concerns about government not sharing information with one another.

In these positions, in the leadership positions, you have got to be able to step back and just remind people that we are there to serve the entire American public and not just the particular interests of the agency.

The CHAIRMAN. That is a very good point. It reminds me of my first or second week of law school. The dean said to all of us—and I think this is true for everything we do—you have to look at your studies here through both a telescope and a microscope. I think that is good advice for all of us.

Mr. DAUB. Missions change. Whoever thought that the postal system would have ever had to be viewed as a security agency? As we look at all the people that are here today, thinking about what the larger interconnection is, with your first challenge to us with this wonderful dialogue, which I found very refreshing and interesting, that we all think differently about how we get along, share information, and work together on problems we never thought maybe fit in our stovepipe.

The CHAIRMAN. Mr. Lawson?

Mr. LAWSON. Mr. Chairman, he is correct. The best advice I received was from Chief Justice Elizabeth Kovakavitch in Florida. She said, we have to think out of the box in this war. Our enemies have attacked us in creative ways. We must be just as creative, just as cunning, and not just think as we did in, say, 1970, 1980, 1990, or 2000. Let us reach out beyond ourselves.

The CHAIRMAN. Well, that is all good advice. I can tell by listening to all of you that you have got your hearts set for the right reasons. We are all very lucky—without being too corny about this—to be Americans.

We have such resilience in this country, such a can-do, positive attitude, and we are so blessed compared to the people around the world. It is just up to us to take advantage of that by doing the right thing and just building on those strengths and on those values.

Mr. Clarida?

Mr. CLARIDA. Chairman Baucus, if I might, since you gave us this really special opportunity, I would just say that going through this experience being nominated, and through this hearing, especially following the events of September 11th, I must admit I did receive some phone calls, both from friends and people in Washington, saying, are you going to take the job? There was never a doubt in my mind. In fact, if anything, I was more determined to do so.

Also, just to say that one thing that is so clear to me, actually, going through this, which I think is a very positive feature of our system of government, is that we really do have the President and the Congress.

So often the press might associate a policy with an individual, but really we are talking about the people's policies. To get anything done, it is really not about the individuals, it is about working together. I certainly look forward to being part of that, if I am confirmed.

The CHAIRMAN. Well, thank you.

I wish you all the very best of luck. I know you have very rewarding times. Sometimes it can be a little frustrating. You might wonder, why in the world did I take this job? But, all in all, it is going to be very rewarding.

Besides the oral questions that I and Senator Grassley have asked, you might be given some written questions. If so, I urge you to respond very quickly so that we can get your nominations to the floor and get you working.

Thank you very much. The hearing is adjourned.

[Whereupon, at 2:55 p.m. the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF RICHARD H. CLARIDA

Chairman Baucus, Ranking Member Grassley, and Members of the Committee, I am grateful for the opportunity to appear before you today in connection with my nomination to be Assistant Secretary of the Treasury for Economic Policy. I am truly honored that President Bush has asked me to serve in this important position, and I thank you for the privilege of appearing before you today.

Mr. Chairman, I have a deep and genuine respect for public service, and in particular for the advise and consent role of the Senate in the confirmation process. If I am confirmed, I look forward to working closely with this Committee, the Senate, and with members of the House of Representatives on addressing the important economic issues that face our nation at this time.

Before proceeding any further, I would like to take this opportunity to thank my parents, William and Edith Clarida, for teaching me the values of hard work and persistence that have brought me before you today. I would especially like to thank my dear wife, Polly Barry, and two fabulous boys, Matthew Quinn and Russell William, for providing the support and encouragement I will surely need to do this job, support and encouragement that they offer knowing that it means that their father and husband will be away from home for the next several years.

When I was growing up in a small town in downstate Illinois, the son of a public school teacher, I could not have predicted that I would find myself honored with the nomination to be Assistant Secretary of the Treasury. After graduating from public high school, I attended the University of Illinois at Champaign-Urbana, where I followed a rigorous program of study in economics and mathematics. I was accepted to Harvard's graduate program in economics in 1979, and earned my Ph.D. in 1983. In the 18 years since then, I have been a professor of Economics, first at Yale, and since 1988, at Columbia, where I am presently a tenured full professor of Economics and International Affairs (on leave). From 1997-2001, I was Chairman of the Department of Economics at Columbia.

I was fortunate to be in public service from 1986-1987, when I was a senior staff economist with President Reagan's Council of Economic Advisers. I had the opportunity to work closely with the Chairman and the Members of the CEA on a wide range of economic policy issues, a background that I think will serve me well if I am confirmed as Assistant Secretary for Economic Policy.

I support President Bush's economic philosophy and his policy agenda for returning the economy to a path of robust, sustainable growth. I am also eager to join the truly first rate team that President Bush has put together at Treasury, including Secretary Paul O'Neill, Deputy Secretary Ken Dam, and Under Secretaries John Taylor, Peter Fisher and Jimmy Gurule.

Thank you once again Mr. Chairman, for the privilege of appearing before this Committee. If confirmed, I can assure you I will work closely and enthusiastically with you and the Members of this distinguished committee in the month and years to come. I would be pleased to respond to your questions.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)
Richard H. Clarida
2. Position to which nominated:
Assistant Secretary of the Treasury for Economic Policy
3. Date of nomination:
October 31, 2001
4. Address: (List current residence, office, and mailing addresses.)
Residence: 211 Westway Road, Southport CT 06490
Office: Department of Economics, Columbia University
Room 1014, 420 West 118th Street, New York NY 10027
5. Date and place of birth:
May 18th, 1957 in Herrin Illinois
6. Marital status: (include maiden name of wife or husband's name.)
Married to Polly Morgan Barry
7. Names and ages of children:
Matthew Quinn Clarida Age 8
Russell William Clarida Age 5
8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)
Herrin Public High School, Herrin Illinois, 1971-1975
University of Illinois, Urbana Illinois, 1975-1979, B.S. Economics
May 1979
Harvard University, Cambridge MA, 1979-1983, M.A. and Ph D
Economics November 1983

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

Research Assistant, Professor Benjamin Friedman, National Bureau of Economic Research, Cambridge MA, 1981 - 1983
 Assistant Professor of Economics, Yale University, New Haven CT, 1983 - 1988
 Assistant Professor of Economics, Yale School of Organization and Management, 1986 - 1988
 Senior Staff Economist, President's Council of Economic Advisers, Washington DC, 1986-1987; Consultant 1987-1989 (two months per year)
 Assistant Professor of Economics, Columbia University, New York NY, 1988 - 1993
 Consultant Federal Reserve Bank of New York, 1991-1992, 1995-1997 (one day per week)
 Associate Professor of Economics and International Affairs (Tenure), Columbia University, 1993 - 1996
 Consultant, JP Morgan, New York NY, Summer 1994
 Professor of Economics and International Affairs, Columbia University, 1996-Present
 Chairman, Department of Economics, Columbia University, 1997-2001
 Consultant Credit Suisse First Boston, New York NY, 1998-2000 (three days per month)
 Consultant, Quantitative Financial Strategies, Stamford CT, 2001 (March through July)

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

All listed above

11. Business relationships: (List all positions held [for the past 10 years] as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

Consulting listed in Item 9. I have also been a visiting scholar at a number of central banks and international institutions

International Monetary Fund, 1992-1993, 1995-1997, 2001
 Federal Reserve Board, 1992, 1994, 1997, 2001
 Deutsche Bundesbank, 1996
 Bank of Canada, 1999
 Central Bank of Austria, 1999-2001
 Vienna Institute for Advanced Study, 1999
 Bank of England, 2000
 Bank of Italy, 2000
 " European Central Bank, 2000

Invited Lectures

International Monetary Fund, 2001
 Kiel Institute for Advanced Study, 2000
 Center for Financial Studies, Frankfurt GER, 2001

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

Research Associate, National Bureau of Economic Research
 Member, American Economic Association
 Member, Cowles Foundation for Research in Economics (1983-1988)
 Member, Council on Foreign Relations (2001)
 Co-Director, Columbia Center for Economic and Political Analysis (2000-2001)

13. Political affiliations and activities:

- a. List all public offices for which you have been a candidate.

Never been a candidate

- b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

No memberships, offices, or services rendered

- c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.

No contributions of more than \$50

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

Graduated with Highest University Honors (Bronze Tablet), University of Illinois, May 1979

Tuition Fellowship, Harvard University Graduate School, 1979-1980

Alfred Sloan Fellowship for Dissertation Research, 1982-1983

15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

"The Empirics of Monetary Policy Rules in Open Economies," invited Keynote Address at The Bank of England Conference on the Future of Macroeconomics, April 2000; forthcoming in The International Journal of Finance and Economics, December 2001.

"Optimal Monetary Policies in Closed vs Open Economies: An integrated.

Approach (with Jordi Gali and Mark Gertler)," American Economic Review Papers and Proceedings, May 2001.

"G3 Exchange Rate Relationships: A Recap of the Record and a Review of Proposals for Change," Princeton Essays in International

Economics, September 2000.

"Monetary Policy Rules and Macroeconomic Stability: Evidence and Some Theory" (with Jordi Gali and Mark Gertler), The Quarterly Journal of Economics, January 2000.

"The Science of Monetary Policy - A New Keynesian Perspective" (with Jordi Gali and Mark Gertler), The Journal of Economic Literature, December 1999.

"G3 Exchange Rate Relationships" Group of Thirty Occasional Paper no. 59, September, 1999.

"Monetary Policy Rules in Practice: Some International Evidence" (with Jordi Gali and Mark Gertler), European Economics Review, June 1998, 1033-1068.

"The Real Exchange Rate and US Manufacturing Profits: A Theoretical Framework with some Empirical Support," International Journal of Finance and Economics, 2, June, 1997.

"How the Bundesbank Conducts Monetary Policy" (with Mark Gertler), Chapter 10 in C. Romer and D. Romer, eds., Reducing Inflation: Motivation and Strategy, Chicago: University of Chicago Press, 1997.

"The Term Structure of Forward Exchange Rates and the Forecastability of Spot Exchange Rates: Correcting the Errors" (with Mark P. Taylor), Review of Economics and Statistics, LXXIX, August, 1997.

"Dumping: In Theory, In Policy, and in Practice," in J. Bhagwati and R. Hudec, Eds., Fair Trade and Harmonization: Prerequisites for Free Trade?, Cambridge: MIT Press, 1996.

"Consumption, Import Prices, and the Demand for Imported Consumer Durables: A Structural Econometric Investigation," Review of Economics and Statistics, LXVIII, August, 1996.

"Real Interest Differentials and Macroeconomic Fundamentals: Empirical Estimates" (with Robert Blake), International Journal of Finance and Economics, 1, April, 1996, 103-116.

"Sources of Real Exchange rate Fluctuations: How Important are Nominal Shocks?" (with Jordi Gali), The Carnegie-Rochester Conference Series on Public Policy, December, 1994, 1-55.

"Cointegration, Aggregate Consumption, and the Demand for Imports: A

Structural Econometric Investigation," The American Economic Review, 84, March, 1994, 298-308.

"US Manufacturing and the Deindustrialization Debate: Macroeconomic Perspectives and Sectoral Assessments," (with Susan Hickok), The World Economy, 16, March, 1993, 173-192.

"A Model of Liquidity Overhang," European Economic Review, 37, March, 1993, 61-73.

"Entry, Dumping, and Shakeout," The American Economic Review, 83, March, 1993, 180-203.

"After Maastricht: Public Investment, International Capital Mobility, and Economic Integration," (with Ronald Findlay), Economica, 61, July, 1994.

"Government, Trade, and Comparative Advantage," (with Ronald Findlay), American Economic Review Papers and Proceedings, 82, May, 1992.

"Aggregate Stochastic Implications of the Life-Cycle Hypothesis," The Quarterly Journal of Economics, CVI, August, 1991, 851-869.

"International Borrowing and Lending in a Stochastic Stationary Equilibrium," International Economic Review, 31, August, 1990, 543-558.

"That Trade Deficit, Protectionism, and Policy Coordination," The World Economy, 12, December, 1989, 415-437.

"Household Saving and Permanent Income in Canada and the United Kingdom," (with John Y. Campbell) in Economic Effects of the Government Budget, E. Helpman, A. Razin, and E. Sadka, editors, MIT Press, 1988, 122-141.

"The Dollar and Real Interest Rates," (with John Y. Campbell), Carnegie-Rochester Conference Series on Public Policy, 27, Autumn, 1987, 103-139.

"Growth, Competitiveness and the Trade Deficit," (with Michael L. Mussa and J. David Germany), Chapter 3, The Economic Report of the President, 1987, 132-171.

"Consumption, Liquidity Constraints, and Asset Accumulation in the Presence of Random income Fluctuations," International Economic Review, 28, June, 1987, 339-351.

"The Term Structure of Euromarket Interest Rates: An Empirical

Investigation," (with John Y. Campbell), Journal of Monetary Economics, 19, January, 1987, 25-44.

"The Behavior of U.S. Short Term Interest Rates Since October, 1979" (with Benjamin M. Friedman), Journal of Finance, 39, June, 1984, 671-682.

"Why Have Short Term Interest Rates Been So High?" (with Benjamin M. Friedman), Brooking Papers on Economics Activity, 2, 1983.

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)

"The US in the World Economy" Invited Remarks Presented to the Columbia University Graduate School Alumni Reception, New York NY, March 2001

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

As Assistant Secretary for Economic Policy, I will advise the Secretary and other senior officials on the macroeconomic situation in the US and the rest of the world. I am a tenured full professor of Economics at Columbia (and Chairman of the economics department from 1997- 2001), and have authored 30 published papers in the leading journals, with most of my research in the area of macroeconomics in the international economy. In 1986-1987, I served as a senior staff economist with President Reagan's Council of Economic Advisers. I have been invited on a number of occasions to visit and lecture at the IMF, the Federal Reserve, and foreign central banks. For many years, I have been a research associate at the National Bureau of Economic Research.

As is clear from my published research, I have a long standing interest in the important issues of macroeconomic policymaking in the international economy. I was honored to be nominated by President Bush for this position, and if I am so fortunate to be confirmed by the Senate, I look forward to working with the Congress.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

Yes. I have terminated my consulting contract with Quantitative Financial Strategies, Stamford CT; my consulting contract with Credit Suisse First Boston ended in January 2001. If I am so fortunate to be confirmed, I will take an unpaid leave from Columbia University where I am a tenured full professor of Economics and International Affairs.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

No

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

When I complete my service as Assistant Secretary, I plan to return to Columbia University.

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

Unpaid leave from Columbia University is usually granted for 2 years; it is possible to request an extension.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

Any potential conflicts of interest have been identified in, and resolved in accordance with, the terms and conditions of my ethics agreement with the Department of the Treasury, which is documented in my letter to Kenneth Schmalzbach, Designated Agency Ethics Official and Assistant General Counsel for General Law and Ethics. Should any potential conflicts of interest arise in the future, I will consult with Treasury ethics officials.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

Any potential conflicts of interest have been identified in, and resolved in accordance with the terms and conditions of my ethics agreement with the Department of the Treasury, which is documented in my letter to Kenneth Schmalzbach, Designated Agency Ethics Official and Assistant General Counsel for General Law and Ethics. Should any potential conflicts of interest arise in the future, I will consult with Treasury ethics officials.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

I have engaged in no such activity

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with **two** copies of any trust or other agreements.)

Any potential conflicts of interest have been identified in, and resolved in accordance with, the terms and conditions of my ethics agreement with the Department of the Treasury, which is documented in my letter to Kenneth Schmalzbach, Designated Agency Ethics Official and Assistant General Counsel for General Law and Ethics. Should any potential conflicts of interest arise in the future, I will consult with Treasury ethics officials.

5. **Two** copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.
6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

No

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

No

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.

No

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be, reasonably requested to do so?

Yes; it would be an honor

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

Yes

RESPONSES TO QUESTIONS FROM SENATOR GRASSLEY

Question 1: As Assistant Secretary for Economic Policy, your job will be to report on current economic conditions and assist in the development of appropriate economic policies.

As you are aware, there has been a lot of discussion lately about the need to “stimulate” the economy. Some people say we should stimulate consumer spending by putting money in people’s pockets. Other people say we should stimulate business spending by reducing taxes on investment.

Regarding these two options, I would like you to comment on a statement by Steve Entin, who was Deputy Assistant Secretary for Economic Policy at the Treasury Department in the Reagan Administration.

According to Mr. Entin, “tax cuts do not work by giving people money to spend Because when taxes are cut, the government immediately borrows the money back from the public (or pay down less debt) to maintain its own outlays, wiping out the increase in private spending power. Ditto for an increase in government spending. Keynesian stimulus is a myth Tax cuts work only changing incentives by increasing the reward to incremental hours worked, or to incremental purchases of plant, equipment, buildings, etc.”

What are your views on this issue?

Answer: My reading of the economics literature leads me to the following observations regarding the effect of tax cuts on the economy. Cuts in marginal tax rates, especially those that are long lasting, do have significant effects on consumption, savings, and entrepreneurial effort. It should be remembered that millions of small businesses pay taxes at the individual rates, so a cut in marginal income tax rates encourages small business formation, investment and employment though the supply side.

Question 2: Do you believe, given our current economic conditions, that if people save their money it won’t be invested because there are no new investment opportunities available?

Answer: It is difficult to predict in advance and with precision how much of a particular tax cut will be spent and how much will be saved. The economics literature suggest that this will depend on the extent to which households think the tax cut is long lasting; if so, more will be spent than if households think the tax cut is temporary. Most likely, some of the tax cut will be saved, but certainly not all. The extra saving will support some combination of a rise in investment at home and a reduction in the current account deficit (a rise in net foreign investment abroad).

PREPARED STATEMENT OF HON. HAROLD J. DAUB, JR.

Mr. Chairman and Members of the Committee, I am honored to be here today as nominee of the President to be a member of the bipartisan Social Security Advisory Board. As you are aware, the President has announced that should I be confirmed, he will designate me to serve the Board as its Chairman.

May I introduce to you my wife, Mary, who is present with me at this special occasion.

The Congress created the Social Security Advisory Board in 1994 in order to provide an independent and objective source of advice and assistance for the Congress, the President, and the Commissioner of Social Security. The history and tradition of the Board has been to work on a bipartisan, or perhaps more accurately, a non-partisan basis, to provide information and recommendations regarding critical issues facing the Social Security programs—more than 20 comprehensive publications since 1996 in fulfillment of the Board’s statutory mandate. I want to assure you today that I am committed to carrying out—and building upon—this important tradition.

This is a challenging time for Social Security. The Social Security actuaries project that by 2038 there will not be enough money in the Social Security Trust Funds to pay the benefits that will be due under current law. The Congress will have to make difficult choices to ensure that workers now and in the future will have a social insurance system upon which they can depend. Both policy makers and the public will need objective data and analysis to make informed decisions. If confirmed, I will do everything I can to see that the Social Security Advisory Board will be prepared to assist you.

I also am committed to continuing the important work the Board has undertaken to improve the capacity of the Social Security Administration to provide the effective, efficient, and compassionate service that the public needs and deserves.

As a former Member of Congress, particularly because of my service on the Ways and Means Committee and its Social Security and Health Subcommittees, and as a former Mayor of Omaha, I have learned how important it is for government institutions to be responsive to the needs of the public they serve and for those responsible for making policy to understand clearly the facts and circumstances that contribute to the making of wise and workable public policy. This is particularly true for Social Security. People turn to Social Security at critical times in their lives—upon retirement, disability, or death. How Social Security responds to their needs affects not only their personal well being and that of their families, but their attitude toward government as well. Social Security must be able to provide the service they need if they are to believe that government is effective.

Over 45 million individuals rely on the processing and payment of benefits from social insurance proceeds for retirement, survivors and disability benefits. The total outlays for 2001 are estimated to be more than \$400 billion, against an income of approximately \$600 billion. The estimated fund balance is more than \$1 trillion. The administrative work is being done by an aging Social Security work force of approximately 64,000 employees at an administrative outlay of more than \$7 billion, \$5 billion of which is for the administration of the growing disability assessment and payment system which dispensed about \$90 billion in the year 2001, or nearly 5% of our total Federal budget. The Supplemental Security income (SSI) system is also administered by the Social Security Administration network and served more than 1.5 million new applicants last year.

As you know, approximately 3.4 workers support one retiree in our present system. Self-employed workers pay a total of 15.30% of their total taxable earnings into the system. For an employed worker, add old age and survivors insurance of 5.3%, plus disability insurance of .90%, plus health insurance of 1.45%, with the employer matching those amounts, for the same total tax cost. Approximately 154 million workers pay Social Security taxes. A retiree's average check in 2002 will be \$874.00 and the Part B physician's premium will be \$54.00 per month—that is the contribution each covered retiree pays as a co-payment for that coverage, up 2.6% over 2001.

Today, one of Social Security's most critical delivery systems shortfalls is in the area of disability. As the Board's reports have shown, Social Security's complex disability programs need reform if those who are disabled are to be assured of fair and timely decisions. As the baby boomers age and file for disability benefits in increasing numbers the problems in the system will rapidly become more acute. It is important that they be addressed as promptly as possible.

Mr. Chairman, I believe that Social Security has underpinned the stability of middle America and gives critical resources to those who earn less in our society during their lifetime.

We can work together to fashion those improvements in this program that enhance benefits and strengthen the financial foundation upon which future generations can depend, just as has been accomplished for those who have retired since this program's inception.

Mr. Chairman, it would be an honor and a privilege to have the opportunity to be part of the effort to address these and other critical issues confronting Social Security and the Social Security Administration. If confirmed, I look forward to the challenge of helping to carry out the broad mandate that the Congress has given the Advisory Board. We will stand ready to help you in any way we can.

SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE

A. BIOGRAPHICAL INFORMATION

1. Name: Harold John Daub, Jr.
Hai Daub
2. Position to which nominated:
Social Security Advisory Board, Member
3. Date of nomination: June 8, 2001
4. Address: Residence: 9615 Oak Circle, Omaha NE 68124
Business: Blackwell Sanders Peper Martin
13710 FNB Parkway Suite 200
Omaha NE 68154
5. Date and place of birth: 4/23/41
Fayetteville NC
6. Marital status: Mary A. (Mernin) Daub
7. Names and ages of children: Natalie (Daub) Wilhelm – Age 30
2235 Cecelia Terrace
San Diego CA 92110

John Daub -Age 29
12902 Odie Lane
Austin TX 78758

Tammy R. Daub - 26
7236 Tulane Apt 2W
St. Louis MO 63130
8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

8/63-6/66	University of Nebraska College of Law	Juris Doctor	6/66
8/59-6/63	Washington University, St. Louis	BS Bus. Adm	6/63

8/54-8/59 Benson High School, Omaha NE Diploma 6/59

9. Employment record:

List all jobs held since college:	Partner
Including the title or description of job:	Law Practice
Name of Employer:	Blackwell Sanders Peter Martin
Location of work:	13710 FNB Parkway #200 Omaha NE 68154
Dates of employment:	8/1/01 to present
List all jobs held since college:	Consultant
Including the title or description of job:	Public Service
Name of employer:	Self-employed
Location of work:	9615 Oak Circle
Dates of employment:	6/1/01 to 8/1/01
Jobs held since college:	Mayor
Description:	Local Official
Name of Employer:	City of Omaha, Nebraska
Location of Work:	1819 Farnam Street, Suite 300 Omaha NE 68181
Dates of employment:	1/95 to 6/11/01
Jobs Held Since college:	Candidate for Mayor
Description:	Active campaigning

Name of Employer:	Friends of Daub for Mayor
Location of Work:	8614 Douglas Street, Omaha NE 68114
Dates of employment:	06/94 to 01/95
Jobs held since college:	Director
Title or description:	Tax Attorney
Name of employer:	Deloitte & Touche
Location of work:	1001 M Street NW, Washington DC
Dates of employment:	1/89 to 6/94
Jobs held since college:	U S Congressman
Title or description:	Congressman
Name of employer:	United States Government
Location of work:	1019 Longworth Building Washington DC
Dates of employment:	01/81 to 01/89

10. **Government Experience:** (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

National Advisory Commission on Public Service 1990

11. **Business relationships:** (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

Partner, Blackwell Sanders Peper Martin, LLC, Law Firm, 13710 FNB Parkway,
Suite 200, Omaha NE 68154

Mayor, City of Omaha, Nebraska, 1819 Farnam St. #300, Omaha NE 68681

Member of Board of Directors, National League of Cities
Elected Member of Advisory Board, U. S. Conference of Mayors
Partner, Candlewood Shopping Centre, Omaha NE. Real Estate/Investment

12. Memberships:

Optimists International, Inc.; Member 33 Degree Mason, Scottish Rite, York Rite, Sojourners. Member Royal Order of Jesters, Veterans of Foreign Wars Post 2503; American Legion Post 112; Member 40 & 8 American Legion Honor Society; Benson Presbyterian Church, Elder; Elliott Society; Washington University Alumni Association; Footprinters, Chapter 40; Fraternal Order of Eagles, Aerie No. 206; Citizens for a Sound Economy; Friendship Force; Sister Cities Omaha Association; Nebraska State Bar Association, Omaha Bar Association; Alpha Kappa Psi Professional Business Fraternity; Delta Theta Phi Law Fraternity; Kappa Sigma Greek Social Fraternity. Member of Government Accountants; Reagan Alumni Association; Omaha Parent/Teacher Association; Republican National, State & County Party memberships; National Arbor Day Foundation; Distinguished Eagle Scout, Boy Scouts of America. National League of Cities, Board of Directors 1998-2000. U.S. Conference of Mayors, Advisory Board, 1999-2001. La Danse Club Social membership; German American Club; National Shakespeare Bard Club; Omaha Press Club; Benson High School Alumni Association; Omaha Zoological Society; Fontenelle Forest Association, Durham-Western Heritage Museum; Ducks Unlimited; National Rifle Association; Freedom's Foundation Board member 2000-2001; Joslyn Art Museum; Sons of the American Revolution; University of Nebraska Alumni Association; Keep Omaha Beautiful Association; El Museo Latino; Nebraska/Iowa Old Timers Baseball Association.

13. Political affiliations and activities:

- a. List all public offices for which you have been a candidate.

Mayor, Omaha NE, 1994, 1997, 2001
Congress, 1978, 1980, 1982, 1984, 1986, 1989
U. S. Senate, 1988, 1990

13. Political affiliations and activities: (Continued)

b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Republican Mayors & Local Elected Officials Assn., Member, 1995-2001. President, 1996-2001.
Republican National Committee. Member 1996-2000.
Delegate, Republican National Convention, elected 2000, 1996, 1992
Delegate, Douglas County, NE and Nebraska State Convention 2000, 1996, 1992
Member, Douglas County, NE, Nebraska, and National Republican Party 1969-present.

c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.

See attached list 1994-2001

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

Distinguished Eagle Scout, Boy Scouts of America, 2001

15. Published writings; (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

None

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)

Itemized Categories Report
10/19/94 Through 12/28/01

Cat/Sub	Date	Acct	Num	Description	Memo	Clr	Amount
EXPENSES							
Political Cont.							
	02/07/95	Personal A...	996	Mike Johan's for Mayor		R	-50.00
	04/10/95	Personal A...	1098	Dole for President		R	-250.00
	05/22/95	Personal A...	1190	Stan Parris for State Senate		R	-100.00
	05/31/95	Personal A...	1205	Young Republicans		R	-250.00
	11/06/95	Personal A...	1379	Anzaldo Campaign Fund		R	-200.00
	12/13/95	Personal A...	1411	Witek for Legislature		R	-100.00
	12/28/95	Personal A...	1448	Kermit Brashear for Legislature		R	-25.00
	01/23/96	Personal A...	1484	Duda for County Board		R	-50.00
	01/23/96	Personal A...	1497	Crane for Congress		R	-50.00
	02/24/96	Personal A...	1337	Saad for School Board Committee		R	-100.00
	03/29/96	Personal A...	1344	Takechi for Register of Deeds		R	-250.00
	04/26/96	Personal A...	1603	**VOID**Mike Page - Millard Sch...		R	0.00
	05/01/96	Personal A...	1600	Caroi Pirsch for County Board		R	-100.00
	05/27/96	Personal A...	1013	Jon Christensen for Congress		R	-500.00
	05/27/96	Personal A...	1601	Hagel for Senate		R	-500.00
	07/17/96	Personal A...	1683	Don Stenberg for Senate		R	-100.00
	09/18/96	Personal A...	1703	Carol Pirsch for Commissioner		R	-100.00
	10/12/96	Personal A...	1709	Hagel for Senate		R	-200.00
	10/25/96	Personal A...	1801	Bill Cavanaugh for MUD		R	-50.00
	10/30/96	Personal A...	1798	Del Webber for OPD Board		R	-50.00
	10/30/96	Personal A...	1799	Douglas Co. Republican		R	-250.00
	11/08/96	Personal A...	1810	Citizens to Re-elect Frank Christi...		R	-100.00
	11/18/96	Personal A...	1795	Lightfoot for Senate		R	-250.00
	11/18/96	Personal A...	1804	Romney for Senate		R	-100.00
	02/25/97	Personal A...	2014	Lormong Lo		R	-100.00
	03/07/97	Personal A...	2018	Lee Terry		R	-100.00
	08/30/97	Personal A...	4085	Jon Christensen for Congress		R	-250.00
	12/04/97	Personal A...	1919	Paul Helmke for U.S. Senate		R	-500.00
	01/15/98	Personal A...	1923	Republican National Committee		R	-100.00
	01/15/98	Personal A...	2359	Pam Brown for Legislature		R	-100.00
	04/03/98	Personal A...	2403	Tim Gay for Sarpy County Comm...		R	-100.00
	04/03/98	Personal A...	2410	Liz Karnes for School Board 66		R	-100.00
	04/03/98	Personal A...	2412	Charlie Witek for Douglas Co. Bo...		R	-500.00
	04/03/98	Personal A...	2418	Adrian Smith State Legislature		R	-100.00
	04/03/98	Personal A...	2423	Sheriff Tim Dunning		R	-100.00
	04/29/98	Personal A...	2097	RL Kerrigan		R	-200.00
	05/13/98	Personal A...	2524	Lee Terry		R	-500.00
	05/13/98	Personal A...	2525	Mike Johanns		R	-500.00
	05/13/98	Personal A...	2526	Kupka Campaign		R	-500.00
	07/23/98	Personal A...	2320	Jim Davis		R	-25.00
	07/24/98	Personal A...	2322	Campaign America		R	-1,000.00
	07/30/98	Personal A...	2319	Mary Safranek		R	-25.00
	09/10/98	Personal A...	2591	Mike Kennedy		R	-100.00
	09/25/98	Personal A...	2601	Blankenship		R	-100.00
	09/25/98	Personal A...	2604	Witek for Auditor		R	-100.00
	10/06/98	Personal A...	2622	Jack Frost		R	-100.00
	10/23/98	Personal A...	2636	Governor Bush Committee		R	-250.00
	03/16/99	Personal A...	2873	Gov George W. Bush Explorator...		R	-250.00
	09/09/99	Personal A...	3023	Elizabeth Dole for President		R	-250.00
	12/22/99	Personal A...	3096	George W. Bush For President		R	-250.00
	05/04/00	Personal A...	3404	Douglas Co. Republican Convention		R	-40.00
	09/11/00	Personal A...		Tom Osborne For US Congress		R	-300.00
	09/27/00	Personal A...	3218	Rachel Bone		R	-100.00
	10/26/00	Personal A...	3295	Lee Terry for Congress		R	-50.00

All Accounts

Itemized Categories Report
10/19/94 Through 12/28/01

10/08/01

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Cat/Sub	Date	Acct	Num	Description	memo	Clr	Amount
	11/07/00	Personal A...	3538	Commission to Re-Elect Mactier	Mactier, Anne	R	-250.00
	12/07/00	Personal A...		Bush Legal Defense Fund			-5,000.00
	01/05/01	Personal A...	3625	Republican National Committee	'01 Sustaining mbr	R	-35.00
	02/11/01	Personal A...	3951	Swanson For Council	CC Campaign	R	-100.00
	04/03/01	Personal A...	3725	Nebraska Republican Party		R	-250.00
	04/03/01	Personal A...	3726	Mike McEntee for Mayor	Contribution	R	-50.00
	06/26/01	Personal A...		Lee Terry For Congress			-1,000.00
TOTAL Political Cont.							-17,100.00
TOTAL EXPENSES							-17,100.00
TOTAL INCOME - EXPENSES							-17,100.00

None

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

Background and knowledge of federal executive and legislative public policy process, especially Social Security, Disability and Medicare by virtue of service in Congress on Ways and Means, Social Security and Health subcommittees and consulting on healthcare as a partner at Deloitte & Touche

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

No. Post is advisory, and uncompensated.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

Yes. Full-time law practice.

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

No.

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

None.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

None.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

Only in my official elected capacity as Mayor of Omaha, relative to constituent requirements of County, State or Federal issues that affect or would affect the City of Omaha.

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.)

Not applicable.

5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.

See attached.

6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representatives:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No

2. Have you ever been investigated, arrested, charged, or held by any Federal State, or other law enforcement authority for a violation of any Federal, State, county, or municipal law, regulation, or ordinance, other than a minor traffic offense? if so, provide details.

No.

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

No

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.

5. Provide a description of any fiduciary responsibility or power of attorney which you hold for or on behalf of any other person.

None

6. Provide a list of the sources and the amounts of all items of value in an amount exceeding \$1,000 per source received during the period subsequent to the tax returns provided to the Committee. This list should include, but not be limited to, salaries, wages, fees, dividends, capital gains or losses, interest, gifts, rents, royalties, patents, and honoraria. Gifts received from members of your immediate family need not be listed.

City of Omaha, Mayor – 1/1/01 – 6/11/01 – Salary
Blackwell Sanders Peper Martin – 8/1/01-Present – Partnership Draw
Diversified Properties, Real estate partnership – 8/1/01-Present, Quarterly
City of Omaha, pension – 6/11/01 to present

7. Provide a list of the sources, amounts, and due dates of all anticipated receipts from deferred income arrangements, stock options, executory contracts, and other future benefits which you expect to derive from current or previous business relationships, professional services and firm memberships, employers, clients, and customers.

None.

8. Have you ever been late in paying court-ordered child support? If so, provide details.

No

9. Have you filed all Federal, State, local, and other tax returns when due (including extensions) for each of the past 10 years? If not, provide details.

Yes

10. Have you paid all Federal, State, local, and other taxes when due (including extensions) for each of the past 10 years? If not, provide details.

Yes

11. Were all your Federal, State, local, and other tax returns and tax liabilities current (filed and paid) as of the date of your nomination. If not, provide details.

Yes

12. Have any of your Federal, State, local, or other tax returns for the past 10 years been audited by the appropriate tax authority? If so, what resulted from the audit(s)?

No

13. Have any Federal, State, local, or other tax liens been filed against you or against any real property or personal property which you own either individually, jointly, or in partnership? If so, provide details.

No

14. Provide the Committee with two copies of your Federal income tax returns for the past 3 years. (These tax returns will be made available only to Senators and staff designated by the Chairman and Ranking Member. They will not be available for public inspection.)

RESPONSES TO QUESTIONS FROM SENATOR BAUCUS

Question 1: Do you envision making any changes in the way the Social Security Advisory Board has been run?

Answer: No. I have studied the Board and read its Minutes since 1996 and believe that the Board has been managed quite effectively and selected its projects quite carefully to provide helpful and in-depth policy information and discussion. It may be useful to add one additional staff person, a trained economist, which would allow more creditable independent analysis but this or any other change would certainly have to be with the concurrence of my Board colleagues.

Question 2: You have indicated to my staff that you would like the Social Security Advisory Board to be "aggressively proactive" in the coming debate on Social Security financial reform. What do you mean by "aggressively proactive?"

Answer: I refer you to my written testimony attached, and in particular, page 1, paragraphs 2 and 3. They precisely convey my meaning of being aggressively proactive. I am very interested in this assignment and believe I owe everyone my dedicated time and effort, and not just a trip to a 6 hour meeting once a month. I'd like to be an active Chair, inputting leadership and ideas and being responsive to the charges carefully spelled out in the 1994 legislative act establishing this Advisory Board. This non-compensated position should be real, not superficial, in terms of the work necessary and expected.

Question 3: In recent reports, the Social Security Advisory Board has identified serious funding and staffing challenges that need to be addressed if the agency's important service responsibilities to the public are to be fulfilled (especially in the Disability program). Do you plan to work with the other Board members to further develop the Board's important contributions in this area?

Answer: Yes, and again I refer you to my written testimony. My goal will be to continue the positive contributions to policy discussions by focusing the Board's efforts not only on ways to improve operations of the Social Security Administration, especially the Disability program and the delivery of services to the public, but as well to explain the program's financing challenges and options in a scholarly and academic fashion so that policy makers can make their decisions in a timely fashion.

Question 4: Since its inception, the Social Security Advisory Board has been able to make many positive contributions to policy discussions by focusing its efforts on ways to improve the operations of the Social Security Administration and the delivery of services to the public. At the same time, it has limited its work on solvency issues largely to explaining the program's financing challenges and options for reform in an effort to improve understanding among policymakers and the public. This has been a sensible decision given the attention devoted to solvency issues in other arenas, such as the President's Social Security commission. This also has been important because the resources and time of the Social Security Administration's actuarial and policy staffs are already taxed by the needs of the President, members of Congress and others in developing and evaluating reform proposals. To date the Board has provided a great service to this Committee and others by concentrating on important but neglected policy issues related to program operations. Do you foresee continuing that same focus for the work of the Board, or do you have plans for the Board to broaden its focus?

Answer: I have no plans for the Board to broaden its focus. I plan, with Board concurrence, to review the funding and staffing deficiencies that have been identified by the Board's study to date with Commissioner Barnhart, the Administration, and with House and Senate Committees of jurisdiction to assess progress that has been made to underscore more urgent as well as longer term needs. I also plan to seek expert opinion that may confirm prior recommendations unfulfilled, or suggest modifications and new approaches from a public policy point of view. The current Board is very well experienced, and possesses substantial institutional knowledge, and this consultative process will take some time to conclude. Administrative efficiency, telephone response, accuracy of benefit calculations, and identification and privacy issues are serious and worthwhile efforts for the Board to continue to focus upon. In so doing, the Board brings to light those issues upon which policy choices need to be made and upon which the agency, the Administration, and the Congress can act with more insight. While there are other reliable sources of information and analysis, my goal would be to continue the positive work of the Board and to insure the dependability of the information that we present to you.

RESPONSES TO QUESTIONS FROM SENATOR ROCKEFELLER

Question 1: In recent reports, the Social Security Advisory Board has identified serious funding and staffing challenges that need to be addressed by the Social Security Administration, the President and Congress if the agency's important service

responsibilities to the public are to be fulfilled. How do you plan to work with the other Board members to further develop the Board's important contributions in this area:

Answer: I have no plans for the Board to broaden its focus. I plan, with Board concurrence, to review the funding and staffing deficiencies that have been identified by the Board's study to date with Commissioner Barnhart, the Administration, and with House and Senate Committees of jurisdiction to assess progress that has been made to underscore more urgent as well as longer term needs. I also plan to seek expert opinion that may confirm prior recommendations unfulfilled, or suggest modifications and new approaches from a public policy point of view. The current Board is very well experienced, and possesses substantial institutional knowledge, and this consultative process will take some time to conclude. Administrative efficiency, telephone response, accuracy of benefit calculations, and identification and privacy issues are serious and worthwhile efforts for the Board to continue to focus upon. In so doing, the Board brings to light those issues upon which policy choices need to be made and upon which the agency, the Administration, and the Congress can act with more insight. While there are other reliable sources of information and analysis, my goal would be to continue the positive work of the Board and to insure the dependability of the information that we present to you.

Question 2: You have served as an elected official at various levels, and how will this experience effect you leadership on the Social Security Board?

Answer: I was privileged to be elected four times to the United States House of Representatives, to be a member of the House Ways and Means Committee and to sit on its subcommittees on Social Security and Health, and to be elected twice to serve as Mayor of our Country's 43rd largest city. Those experiences have taught me many things, with respect to leadership, but most importantly, to do one's homework, seek expert advice and counsel, listen intently, be respectful of and include all of your colleagues in the decision making process, be open, as I am to all ideas and suggestions, and insure efficient, prompt, and professional staff work. Openness and truthfulness, coupled with accuracy and promptness, enhance the credibility of all of those who serve in public office, be we elected or appointed. We will acquit ourselves well. I believe in consensus building, in appropriate compromise and in the virtue of civility, comity and patience. I have no personal issue agenda, and certainly no desire to seek elective office again. And because of my privileged prior public service, particularly in Congress, I believe I understand better than most Board or Commission appointees, what individual members need and expect from these kinds of consultative, advisory organizations. We leave the politics of these issues to the elected officials—not that political considerations should ever be absent from one's policy awareness.

RESPONSE TO A QUESTION FROM SENATOR CONRAD

Question: In recent reports, the Social Security Advisory Board has identified serious funding and staffing challenges that should be addressed by the Social Security Administration, the President and Congress if the agency's important service responsibilities to the public are to be fulfilled. How do you plan to work with other Board members to further develop the Board's important contributions in this area?

Answer: I have no plans for the Board to broaden its focus. I plan, with Board concurrence, to review the funding and staffing deficiencies that have been identified by the Board's study to date with Commissioner Barnhart, the Administration, and with House and Senate Committees of jurisdiction to assess progress that has been made to underscore more urgent as well as longer term needs. I also plan to seek expert opinion that may confirm prior recommendations unfulfilled, or suggest modifications and new approaches from a public policy point of view. The current Board is very well experienced, and possesses substantial institutional knowledge, and this consultative process will take some time to conclude. Administrative efficiency, telephone response, accuracy of benefit calculations, and identification and privacy issues are serious and worthwhile efforts for the Board to continue to focus upon. In so doing, the Board brings to light those issues upon which policy choices need to be made and upon which the agency, the Administration, and the Congress can act with more insight. While there are other reliable sources of information and analysis, my goal would be to continue the positive work of the Board and to insure the dependability of the information that we present to you.

PREPARED STATEMENT OF JANET HALE

Mr. Chairman and Senator Grassley, it is an honor to appear before you and the distinguished Members of this Committee regarding my nomination as Assistant Secretary for the Department of Health and Human Services. I hope this marks the beginning of a close and productive partnership in which we work together to improve both the Department and the people we serve. I have worked with several of you and your staff before and I look forward to doing so again.

I was deeply honored to be nominated in May for this position—but the importance of this position and the tremendous value and service that the Department of Health and Human Services provides struck home for me and for so many people after September 11th—the dedication of the employees, the mission of the Department and the opportunity to serve the American people as we protect the public health is paramount. From the Secretary himself, to Office of Emergency Preparedness and the Public Health Service, NIH, CDC, SAMHSA, Aging, CMS—each and every part of the department has played a valuable role. I look forward to playing my part in these efforts, should the Committee confirm me for this position.

The position of Assistant Secretary for Budget, Technology and Finance embraces budget formulation and execution, financial policy and accountability, and information resources management. I have been fortunate in previous public service to have done similar work. I served in a number of budget and management positions in the Executive Branch agencies and at the Office of Management and Budget. I served as Deputy Assistant Secretary for Housing at the Department of Housing and Urban Development, Assistant Secretary for Budget and Programs at the Department of Transportation, and as Associate Director at the Office of Management and Budget. Hopefully, having been through the budget formulation and execution process and providing oversight management from three different perspectives—the program level, the department level and OMB—I can foster a more effective and efficient approach to carrying out these functions at HHS. As Executive Vice President of the University of Pennsylvania and as Associate Administrator of Finance for the House of Representatives, I have overseen the development of new financial systems, one of Secretary Thompson's priorities.

My background and combination of experiences has prepared me to meet the challenges and confront the substantial issues that face the Department of Health and Human Services, and which are also so important to this Committee. I look forward to the opportunity of carrying out the management reforms proposed by the President and begun by Secretary Thompson, and working with each of you to implement the ideas and suggestions of this Committee.

Secretary Thompson is committed to creating a more unified Department of Health and Human Services with a shared mission and goal to serve the people of this great Nation. I enthusiastically support this goal and look forward to confronting the challenges that lie ahead, such as directing resources to the highest performing programs and using information technology to bring better government services to the public at reduced costs. Already, the Department is moving towards even stronger accountability by streamlining our financial management and information systems and enhance coordination across the Department and eliminate unnecessary duplication.

As the Department's Chief Financial Officer, I am dedicated to maintaining a clean audit opinion on the HHS financial statements.

To meet these challenges, and to better align the Department's management and budget activities, it will be important to provide a greater focus on performance and to more closely integrate performance with our budget decisions. To do this, we must identify high quality outcomes and accurately monitor the performance of our programs.

There are many other important issues before the Department of Health and Human Services that directly affect Americans in their day-to-day lives. Many are not simple issues or easy to resolve. But, they are issues that are fundamental to the American people and the health and well-being of our country. I am excited and honored to be nominated by President Bush and to serve Secretary Thompson. And I am excited to work with a cadre of truly extraordinary, dedicated public servants—men and women who are responsible for providing health and human services to so many Americans. If confirmed, this Committee, the Administration and Department and its employees will have all of my energy as we worked together on the HHS programs.

Thank you for your consideration of my nomination, and for the honor of appearing before you today. I am happy to answer any questions you might have.

SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)
Janet Hale
2. Position to which nominated:
Assistant Secretary – Management and Budget
Department of Health and Human Services
3. Date of nomination:
May 23, 2001
4. Address: (List current residence, office, and mailing addresses.)

Residence
1501 Cedar Avenue
McLean, VA 22101

Office
US House of Representatives
3rd & D Street SW H2-331 FHOB
Washington, DC 20515
5. Date and place of birth:
4-2-49 Buffalo, NY
6. Marital status: (Include maiden name of wife or husband's name.)
Single

7. Names and ages of children:
None

8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

Medina High School, Medina OH - 1967
 Southern Methodist University – Sept. 1967 to Jan 1968
 Miami University (Oxford, Ohio) – Bachelor of Science in Education – 1971
 Harvard University John F. Kennedy School of Government – Master in Public Administration - 1980

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

Burdine Department Store Miami, Florida	Department Manager/Assistant Buyer 9/71-3/74
State Representative Tom Gallagher Miami Florida	Administrative Assistant 3/74-7/76
House Republican Research Committee Washington, DC	Research Assistant 7/76-2/77
Senator Edward W. Brooke Campaign Washington, DC	Special Assistant 2/77-1/79
US Housing and Urban Development Washington, DC	Special Assistant to the Secretary, then Deputy Assistant Secretary for Housing 3/81-2/86
Department of Transportation Washington, DC	Assistant Secretary-Budget & Program 2/86-1/89
Office of Management and Budget Washington, DC	Associate Dir. For Economics and Gov't 1/89-1/93
University of Pennsylvania Philadelphia, PA	Executive Vice President 4/93-8/94

Self Employed McLean, VA	Consultant 8/94-4/95
United States Telephone Association Washington, DC	Vice President 4/95-1/98
Self Employed McLean, VA	Consultant 1/98-4/99
Elizabeth Dole for President Campaign Washington, DC	Policy Director 4/99-11/99
US House of Representatives Washington, DC	Associate Administrator – Finance 1/2000 – Present

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

None

11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

Haie Financial Services Secretary of family corporation that owns a building.

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

None

13. Political affiliations and activities:

- a. List all public offices for which you have been a candidate.

None

- b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

None

- c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.

Republican National Committee	10-15-92	\$500
Bob Packwood in 1998	3-30-95	\$400
United States Telephone Ass'n PAC	9-12-95	\$250
Gordon Smith for US Senate	9-23-96	\$500
United States Telephone Ass'n PAC	4-15-96	\$500
Weld for Senate Inc	9-23-96	\$500
Elizabeth Dole for President Exploratory Committee Inc.	3-31-99	\$500
Elizabeth Dole for President Exploratory Committee Inc.	4-27-99	\$500
Tom Gallagher For US Senate	3-10-00	\$500

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

None

15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

None

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with **two** copies of each formal speech.)

None

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

I have over 20 years of financial and management experience in both the public and the non-profit sector. During my tenure at OMB, Department of Transportation and Housing and Urban development, I have worked extensive with the Appropriations, Budget, Finance and Ways and Means Committees as well as numerous authorizing Committees. I have been responsible for development and execution of budget. I have led efforts to modernize financial

reporting systems – that have resulted in streamlining numerous administrative functions and provided improved customer service.

My financial as well as management experiences have prepared me to handle the diverse responsibilities of the Assistant Secretary for Management and Budget – should the Senate chose to confirm me.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

Yes

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

No

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

No

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

I will serve as long as the President and the Secretary have confidence in my ability to perform the Assistant Secretary of Management and Budget's responsibilities at HHS and as long as I feel that I can make a positive contribution to HHS

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

Agilent	IBM
Alcatel	Infospace
American Home Products	JDS Uniphase
Avaya	Lifepoint
Bank of America	Lucent
CISCO	McDATA
Citigroup	MCI WorldCom
Conseco	Merck
Constellation Energy	Microsoft
Cytec	Motorola
Dell Computer	Oracle
Disney	PNC
EMC Corp	Sealed Air
Fresenius	Time Warner AOL
HCA	TRIAD Hospitals
Health Management Associates	Verizon Communications
Hewlett Packard	WR Grace

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

In 1999, I consulted briefly for Intracel – a company with a drug approval pending FDA.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

As Vice President of United States Telephone Association, lobbied on behalf of local exchange carriers on numerous pieces of legislation effecting the industry – i.e. passage of 1996 Telecom Act and taxes matters particularly estate taxes repeal.

As Executive Vice President of University of Pennsylvania sought federal appropriations for a new science building. The university's Medical Center lobbied on issues relating to teaching, hospitals and Medicare and Medicaid reimbursements.

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with **two** copies of any trust or other agreements.)

I will divest any potential financial conflicts as discussed in the ethics officer's letter. If others arise, I shall take appropriate steps to insure that there is no conflict of interest – either by recusing myself or divesting of the asset.

5. **Two** copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.

6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

No

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

No

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.

No

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel, should be considered in connection with your nomination.

None

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

Yes

PREPARED STATEMENT OF KENNETH LAWSON

Thank you Chairman Baucus, Senator Grassley, and Members of the Committee. It is an honor and privilege to be here today to testify in support of my nomination to serve as the next Assistant Secretary of the Treasury for Enforcement.

I would like to thank President Bush for the opportunity to serve my country. I further would like to thank Secretary Paul O'Neill for his support and confidence. I am humbled and honored about the possibility of serving the Nation at this unique time in history.

Before proceeding any further, I would like to take the opportunity to thank my family for their love and support. Although they could not be here today, their love and guidance are always with me. Further, for the past ten years, I have been blessed with a loving and supportive wife. Please allow me to introduce my wife, partner, and best friend, Sonia Lawson. I am a richer man because of her.

I look forward to the challenges, opportunities, and responsibilities that await me if confirmed as the next Assistant Secretary for Enforcement. I believe that I am qualified to hold this important Treasury post. For the last decade, I have been privileged to serve our country as both a Marine officer and a federal prosecutor. Ten years ago, I began my government service as a United States Marine prosecutor. During my military service, I was appointed as a Special Assistant United States Attorney in the Eastern District of North Carolina. As a SAUSA, I traveled the Eastern District prosecuting cases in federal court on behalf of the United States. At this time, I must recognize Major Brian Jackson, United States Marine Corps, my fellow Marine who had served with me then. He is here in the audience to support me today.

After my military service, I was privileged to serve as an Assistant United States Attorney in the Middle District of Florida. As an AUSA, I worked closely with each of Enforcement's bureaus: the Bureau of Alcohol, Tobacco and Firearms, Customs Service, Secret Service, and IRS-CI. Together, we worked closely in investigating and prosecuting financial crimes that ravaged the Middle District of Florida. From my seven years as an Assistant, I have learned that dedicated professionals are housed in Enforcement's bureaus. Although each bureau's mission is as separate as fingers on a hand, when brought together as like a fist, Enforcement's bureaus are a dynamic force in the war against crime.

However, the tragic events of September 11th have galvanized our Enforcement bureaus to focus their skills and talents to identify, disrupt and dismantle the terrorists' financial networks that have funded our enemies. If confirmed to serve as the Assistant Secretary of Enforcement, I pledge to use all my energy and skills to lead this mission, and to work hand in hand with our bureaus. With all respect, I am here before you today because this is my war and I want to be part of the battle.

Thank you Mr. Chairman. It would be my honor to answer any questions.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)
Kenneth Eric Lawson
2. Position to which nominated:
Assistant Secretary of Enforcement, Department of Treasury.
3. Date of nomination: October 31, 2001
4. Address: (List current residence, office, and mailing addresses.)
Office: 400 North Tampa Street, Suite 3200, Tampa, Florida, 33602
Home: 3618 South Hubert Avenue, Tampa, Florida, 33629
5. Date and place of birth:
Date: December 15, 1964
Place: Gainesville, Florida
6. Marital status: (include maiden name of wife or husband's name.)
Married. Sonia Carrine Lewis Lawson
7. Names and ages of children:
No children
8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)
Law School:
Florida State University College of Law, 1987-1991, J.D. granted 1991;
Colleges:
Florida State University, 1985-1987, B.A. granted 1987;

Santa Fe Community College, 1983-1985, A.A. granted in 1985; and
University of Florida, 1982-1983, attended.

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

a. **United States Attorney's Office, Middle District of Florida, 400 North Tampa Street, Tampa, Florida.** I currently serve as an Assistant United States Attorney. I have worked at the U.S. Attorney's Office from November 1994 to the present.

b. **United States Marine Corps.** I served in the United States Marines from October 1991 until November 1994. As a Marine officer, I was assigned as both a military prosecutor and as a Special Assistant United States Attorney in the Eastern District of North Carolina.

From January 1993-November 1994, I was assigned to Camp Le Jeune, North Carolina where I served as a judge advocate. Prior to 1993, I attended Naval Justice School in Newport, Rhode Island and attended the Basic School in Quantico, Virginia.

During law school, I worked as a law clerk at federal, state and local agencies and at several law firms.

c. **City Attorney's Office, Gainesville, Florida.** I worked as a law clerk from January 1991 until October 1991.

d. **Messer, Vickers, Caparello and Madsen, Tallahassee, Florida.** I worked as a law clerk from August 1990-December 1990.

e. **Katz, Kutter law firm, Tallahassee, Florida.** I worked as a law clerk from June 1990 until August 1990.

f. **Florida Supreme Court, Racial and Ethnic Bias Commission, Tallahassee, Florida.** I worked as a law clerk from January 1990 until June 1990.

g. **Messer, Vickers, Caparello, French and Madsen, Tallahassee, Florida.** I worked as a law clerk from January 1989 until January 1990.

h. **Florida Supreme Court, Gender Bias Commission, Tallahassee, Florida.** I worked as a law clerk from August 1988 until January 1989.

i. **United States Attorney's Office, Tallahassee, Florida.** I worked as a volunteer law clerk from June 1988 until August 1988.

j. **Education Standards Commission, Florida Department of Education, Tallahassee, Florida.** I worked as a law clerk from May 1988 until June 1988.

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

All of my government employment is listed in question 9.

11. Business relationships: (List all positions held [for the past 10 years] as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

Other than serving as a volunteer on my local YMCA board of directors, I have had no such business relationships.

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

a. United States Senator Bob Graham's Air Force Academy selection board, Tampa, Florida.

b. Interbay YMCA, Board of Directors, Tampa, Florida.

c. Herb Goldberg Inns of Court, Tampa, Florida.

d. Tampa Bay Chapter of the Committee on Foreign Relations.

e. Federal Bar Association-National and Tampa chapter. National chapter-Long Range Planning committee member, Criminal Law Committee member, and Litigation Section member.

Local Chapter-President 1999-2000, President-Elect 1998-1999, Vice-President 1997-1998, Secretary 1996-1997, Treasurer 1995-1996.

f. Hillsborough County Bar Association: Trial Lawyers Section, board of directors, 1995, Young Lawyers' Division, board of directors, 1997-1998, and, Government Lawyers Section chair, 1995, co-chair, 1996.

g. Florida Chapter National Bar Association, member, 2001

h. Ferguson White Inns of Court, member, 1995-2000.

i. Noonshiner's Toastmasters Club, president, 1997-1998

j. In college I joined the Alpha Phi Alpha Fraternity.

k. I have also been a member of Encore Theater 1998-2001. This is a community theater group where I have acted in two summer musicals.

l. 13th Circuit Judicial Nominating Committee-I am a committee member who evaluates and interviews applicants for Tampa, Florida county and circuit court judgeships.

13. Political affiliations and activities:

a. List all public offices for which you have been a candidate.

I have never run for elected office. However, I did submit an application to serve as the United States Attorney for the Northern District of Florida. I was not selected as a finalist.

b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

I am a member of the Florida Republican Party.

c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.

In 2000, I gave \$50 to Katherine Castor's Florida Senate campaign. Moreover, each year, from 1999-2001, I have paid \$50 to be a member of the Florida Republican Party.

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

Law School: I received a Virgil Hawkins fellowship to attend law school.

Military: I received the Naval Achievement Medal for my work as a military prosecutor.

Professional: As an Assistant United States Attorney, I have received both the Federal Bureau of Investigation's Director's Award and the Department of Justice's Director's Award for my work.

15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

In Spring 1995, I wrote a 500 word article for the Hillsborough County Bar Association's Lawyer magazine about lawyers using the internet.

In Spring 2000, I wrote a 500 word article in the ABA Young Lawyer's newsletter on treating court support staff professionally.

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)

None.

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

My entire professional career has been dedicated to public service. Whether as a Marine officer or as an Assistant U.S. Attorney, it has been my privilege to represent the United States of America. As a Marine, I have been fortunate to have been a part of our fine military heritage and to personally develop a greater understanding of our national security interest. Moreover, as an Assistant United States Attorney, I have been on the battle field seeking to protect our Nation from domestic and international criminals who seek to erode our national well-being.

As a federal prosecutor, I have worked closely with the Secret Service, United States Customs and the Bureau of Alcohol, Tobacco and Firearms in prosecuting criminals. Whether it has been prosecuting identify theft, drug or violent firearm cases, my experience has given me the insight and the necessary "field" training to effectively assist the Department of Treasury in attacking and eradicating crime. I believe that this experience is necessary in serving as the Assistant Secretary of Enforcement.

Moreover, as a Floridian, I have seen how international drug dealers have imported drugs into my state, attempting to destroy my state's integrity. In neighborhoods, such as my own hometown in Gainesville, Florida, I have personally seen how the drug trade has brought down a former solid community to the level of destitution and pain. It is my goal to serve the United States by protecting our people from these dangerous substances and other criminal acts which evolve from this evil trade. Relying upon my education and professional training, I pledge to give my best that my spirit, mind and body can produce to carry out this task.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

Yes.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

No.

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

No.

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

Any potential conflicts of interest have been identified and resolved in accordance with the terms and conditions set forth in my ethics agreement with the Department of Treasury, which is documented in my letter to Kenneth Schmalzbach, Designated Agency Ethics Official and Assistant General Counsel for General Law and Ethics.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

None.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

None.

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with **two** copies of any trust or other agreements.)

Any potential conflicts of interest have been identified and resolved in accordance with the terms and conditions set forth in my ethics agreement with the Department of Treasury, which is documented in my letter to Kenneth Schmalzbach, Designated Agency Ethics Official and Assistant General Counsel for General Law and Ethics. Should any actual or potential conflict arise in the future, I will consult with Treasury ethics officials.

5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.
6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.
No.
2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.
No.
3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.
No.
4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.

No.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be, reasonably requested to do so?

Yes, it would be my honor.

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

Yes.

RESPONSES TO QUESTIONS FROM SENATOR BAUCUS

Question: Would you support giving Customs the authority to search outbound mails sealed against inspection upon reasonable cause to suspect that such mail contains controlled substances, weapons of mass destruction, or other material prohibited by U.S. law from being sent through the mails? Please explain.

Answer: Yes, I would. Customs currently conducts warrantless searches of inbound mail for unreported monetary instruments, weapons of mass destruction, firearms, and other contraband used by terrorists. Similarly, Customs conducts warrantless searches of outbound mail sent via private carrier (such as FedEx) for such items. However, the Postal Service refuses to grant Customs access to search outbound mail or mail transiting the US mail carried by the Postal Service. The attached provision would resolve the legal debate with the Postal Service over Customs' authority to examine outbound mail, and ensure that all outbound mail is subject to warrantless searches for such items. This provision was included in a Customs appropriations bill that was passed out of the House Ways and Means Committee last month.

Statutory Language:

SEC. 144. BORDER SEARCH AUTHORITY FOR CERTAIN CONTRABAND IN OUTBOUND MAIL.

The Tariff Act of 1930 is amended by inserting after section 582 the following:

“SEC. 583. EXAMINATION OF OUTBOUND MAIL

“(a) EXAMINATION.—

“(1) IN GENERAL.—For purposes of ensuring compliance with the Customs laws of the United States and other laws enforced by the Customs Service, including the provisions of law described in paragraph (2), a Customs officer may, subject to the provisions of this section, stop and search at the border, without a search warrant, mail of domestic origin transmitted for export by the United States Postal Service and foreign mail transiting the United States that is being imported or exported by the United States Postal Service.

“(2) PROVISIONS OF LAW DESCRIBED.—The provisions of law described in this paragraph are the following:

“(A) Section 5316 of title 31, United States Code (relating to reports on exporting and importing monetary instruments).

“(B) Sections 1461, 1463, 1465, and 1466 and chapter 110 of title 18, United States Code (relating to obscenity and child pornography).

“(C) Section 1003 of the Controlled Substances Import and Export Act (21 U.S.C. 953; relating to exportation of controlled substances).

“(D) The Export Administration Act of 1979 (50 U.S.C. app. 2401 et seq.).

“(E) Section 38 of the Arms Export Control Act (22 U.S.C. 2778).

“(F) The International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.).

“(b) SEARCH OF MAIL NOT SEALED AGAINST INSPECTION AND OTHER MAIL.—Mail not sealed against inspection under the postal laws and regulations of the United States, mail which bears a customs declaration, and mail with respect to which the sender or addressee has consented in writing to search, may be searched by a Customs officer.

“(c) SEARCH OF MAIL SEALED AGAINST INSPECTION.—(1) Mail sealed against inspection under the postal laws and regulations of the United States may be searched by a Customs officer, subject to paragraphs (2) and (3), upon reasonable cause to suspect that such mail contains one or more of the following:

“(A) Monetary instruments, as defined in section 1956 of title 18, United States Code.

“(B) A weapon of mass destruction, as defined in section 2332a(b) of title 18, United States Code.

“(C) A drug or other substance listed in schedule I, II, III, or IV in section 202 of the Controlled Substances Act (21 U.S.C. 812).

“(D) National defense and related information transmitted in violation of any of sections 793 through 798 of title 18, United States Code.

“(E) Merchandise mailed in violation of section 1715 or 1716 of title 18, United States Code.

“(F) Merchandise mailed in violation of any provision of chapter 71 (relating to obscenity) or chapter 110 (relating to sexual exploitation and other abuse of children) of title 18, United States Code.

“(G) Merchandise mailed in violation of the Export Administration Act of 1979 (50 U.S.C. app. 2401 et seq.).

“(H) Merchandise mailed in violation of section 38 of the Arms Export Control Act (22 U.S.C. 2778).

“(I) Merchandise mailed in violation of the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.).

“(J) Merchandise mailed in violation of the Trading with the Enemy Act (50 U.S.C. app. 1 et seq.).

“(K) Merchandise subject to any other law enforced by the Customs Service.

“(2) No person acting under authority of paragraph (1) shall read, or authorize any other person to read, any correspondence contained in mail sealed against inspection unless prior to so reading—

“(A) a search warrant has been issued pursuant to Rule 41, Federal Rules of Criminal Procedure; or

“(B) the sender or addressee has given written authorization for such reading.

RESPONSES TO QUESTIONS FROM SENATOR GRASSLEY

Question 1: Explain how you will personally make sure the Office of Foreign Assets Control (OFAC) more quickly freezes accounts and seizes the assets of suspected terrorists. We learned last month that our allies in the European Union and United Nations for months had made public a list of suspected terrorists whose assets should be frozen, but OFAC waited until well after September 11 to do the same. Your answer should include ideas on how to streamline the process of identifying suspected terrorists and their assets, and the reason for the belated action against terrorists’ financial networks.

Answer: If I am confirmed as the Assistant Secretary, it is my goal to ensure that OFAC properly and swiftly execute its duties in freezing suspected terrorist assets. In my view, this can be done by increased information sharing and decreasing coordination time with other departments, agencies and bureaus. With respect to prior OFAC lists, I am advised as follows:

As background, on August 22, 1998, the President issued an Executive Order under the International Emergency Economic Powers Act (“IEEPA”) freezing the assets of Usama bin Ladin and the Al-Qaida network by adding their names to those targeted under a 1995 IEEPA-based Executive Order freezing the assets of terrorists who threaten the Middle East peace process. On July 6, 1999, the President issued an IEEPA-based Executive Order freezing the assets of the Taliban and (1) persons determined to be owned or controlled by, or to act for or on behalf of, the Taliban; or (2) to provide financial, material, or technological support for, or services in support of, any of the foregoing.

On October 15, 1999, the UN Security Council passed Resolution 1267, requiring states to freeze assets of the Taliban, as designated by a UN Committee setup under the Resolution. On December 19, 2000, the Security Council passed Resolution 1333, requiring states to freeze the assets of Usama bin Laden and individuals and entities associated with him as designated by the Committee, including those of Al-Qaida. In March 2001, the Committee issued a consolidated list of Taliban officials identified by the Committee. It was this list of Taliban officials, not a list of suspected terrorists, that was made public by the European Union and the UN. Thus OFAC already had in place IEEPA-based freeze orders targeting Usama bin Ladin, the Al-Qaida organization, and the Taliban before the UN passed Resolutions 1267 and 1333.

In January 2001, immediately after the UN passed Resolution 1333, OFAC prepared two Executive Orders explicitly implementing Resolutions 1267 and 1333 under authority of both IEEPA and the United Nations Participation Act (“UNPA”). The packages were immediately provided to the NSC for interagency clearance. As a result of significant foreign policy concerns, the inter-agency consultation process was prolonged.

The President’s Executive Order issued on September 24 invoked authority under both IEEPA and the UNPA and explicitly implemented Security Council Resolutions 1267 and 1333.

Question 2: The Bureau of Alcohol, Tobacco and Firearms (ATF) merged its regulatory and law enforcement components in October 1998, essentially inserting civilian control into the details of law enforcement operations. What is your opinion of this merger and its effect on ATF’s law enforcement mission, particularly in the realm of firearms and explosive crimes? Do you think ATF’s mission would be better served if its structure was changed back or the regulatory and law enforcement components were split? What is ATF’s role in the nation’s counter-terrorism efforts in

the wake of September 11 attacks, and is the bureau's present structure suitable for that role?

Answer: ATF's current structure is a result of a series of organizational and structural changes, designed to improve execution of its mission. The final piece of this restructuring process was reflected in the field structure changes in 1998. Although ATF supports its current structure, if I am confirmed as the Assistant Secretary of Enforcement, it is my intent to review ATF's organizational structure to ensure that I exercise proper leadership and oversight over it.

Moreover, in my view, if I am confirmed as the Assistant Secretary of Enforcement, I believe that ATF must continue to maximize its core skills in firearm and explosive investigations in its role in the war against terrorism. As demonstrated in a North Carolina ATF tobacco investigation, ATF has the ability to use its skills in identifying terrorist efforts to raise and launder money in tobacco or other regulated items. I believe that ATF's core skills make it an invaluable player in the war against terrorism.

Question 3: If not you, then who at Treasury will be responsible for ensuring that law enforcement and financial agencies are sharing information both within Treasury and with other federal government departments, such as the Justice Department and the intelligence community? Do you plan to create accountability measures to ensure this happens? What are they?

Answer: If confirmed as the Assistant Secretary for Enforcement, it is my plan to continue the Office of Enforcement's aggressive steps in facilitating inter-bureau information sharing. An example of this sharing is Operation Greenquest. Greenquest is a multi-agency task force consisting of Treasury and DOJ law enforcement bureaus, which work closely in identifying and disrupting hawalas and financial accounts connected with terrorist organizations. With intelligence obtained from the Office of Foreign Asset Control (OFAC), Greenquest has executed search warrants, blocked accounts and stopped millions of dollars from flowing into the Al-Qaeda network.

Secondly, Enforcement has continued this process by providing Treasury law enforcement agents to the FBI's Joint Terrorist Task Force. Customs, Secret Service, and ATF special agents have been detailed to assist the FBI's task force in order to share intelligence to identify and locate members of the hidden terrorist cells. By providing these Treasury assets to the FBI, this has further encouraged information sharing between law enforcement bureaus.

Moreover, the Foreign Terrorist Asset Tracking Center (FTAT) which is staffed by Treasury, Justice and state law enforcement agents, shares information to identify foreign terrorist groups which may threaten the United States' national security. Moreover, FTAT identifies suspected terrorist funding sources and concomitant movement of funds. The FTAT uses this information to conceptualize, coordinate, and implement strategies within the U.S. government to deny these target groups access to the international financial system; impair their fund raising abilities; expose, isolate and freeze their financial holdings; and work with other friendly governments to take similar measures.

Finally, through the 2001 Money Laundering Strategy, the Office of Enforcement is congressionally tasked with the formation and execution of the High Intensity Money Laundering and related Financial Crimes Area (HIFCAs) task forces. The HIFCAs are focused upon enforcement efforts on large-impact cases, professional money launders, and the financial systems, which exploit them. Per the Strategy, the HIFCAs are composed of Treasury, Justice and local law enforcement authorities that will, along with suspicious activity report analysis from FinCEN, use this shared information to investigate possible terrorist and drug related money-laundering activity.

Utilizing these tools to promote information sharing between law enforcement bureaus, the best measurement standard will be identifying suspects and financial accounts and then blocking these accounts through cooperative law enforcement actions.

RESPONSE TO A QUESTION FROM SENATOR CONRAD

Question: I am concerned that the Treasury adequately shares information it has about the tobacco industry with state Attorneys General and state revenue administrators. Will you be willing to work with the Senate in devising a legislative approach that would provide for the sharing of appropriate IRS and Customs information with the states for the purpose of: (1) assisting the states in enforcement of settlement agreements the states have signed with various tobacco manufacturers; and (2) assisting the states in enforcement of state statutes that require tobacco manu-

facturers that have not participated in a settlement agreement to deposit money into escrow accounts?

Answer: It is my understanding that Treasury officials have met with the National Association of Attorneys General on this issue. I am further aware that Treasury is currently awaiting a business case from NAAG. If confirmed, I look forward to working with the Senate and the attorneys general on developing a legislative approach to enabling the States to get the information they need.

PREPARED STATEMENT OF JAMES B. LOCKHART III

Mr. Chairman, members of the Committee, it is an honor to appear before you today as President Bush's nominee for Deputy Commissioner of Social Security. I would be honored to have the opportunity to serve the millions of Americans who depend on Social Security. I welcome the opportunity to work with Commissioner Jo Anne Barnhart to help meet the challenges that she discussed with this committee during her confirmation hearing and I ask for your support.

Although my career has been mainly in the private sector, this position would be my third opportunity for public service. The first was as an officer in the Navy on a ballistic missile submarine and the second was as Executive Director of the Pension Benefit Guaranty Corporation (PBGC).

When I joined the PBGC, I was greeted with a newspaper cartoon, which had a "Renovations Completed" sign being placed in front of a house labeled PBGC. As some members of the Finance Committee may remember, the renovations were not even close to being completed. It took years and the help of this committee and many others, but PBGC is now a government success story.

Despite the hard work of Social Security's dedicated team of over 63,000 employees, renovations are not completed there either. The good news is that the Social Security Administration is in a much better state than the PBGC was in 1989. As Comptroller General David Walker stated in GAO's report of January 2001, Social Security is "a leader in federal service delivery" and "a leader among government agencies for its accountability reports". Importantly, however, the GAO report says that there are serious issues that must be addressed.

The scale of Social Security is colossal, representing a quarter of the Federal Budget, paying benefits to almost 50 million Americans and protecting virtually every American family. The successes have also been great. Almost a half of today's retirees would be in poverty without it. Not surprisingly, the agency's challenges are also large:

- The first challenge is to ensure long term financial *solvency* for future generations. A central function of Social Security is retirement security. Retirement in the U.S. is often described as a three-legged stool with Social Security, pension plans and personal savings being the legs. I do not like image of retirees sitting on wobbly three-legged stools. Working together to address savings and solvency issues, we should try to make retirement an easy chair for every American.
- The second challenge is to provide better and more timely *service* to beneficiaries. The disability process takes much too long. The future service demands will increase dramatically as we, baby boomers, begin to retire. Service also means doing a better job of educating the public about Social Security's programs and retirement planning.
- The third challenge is to improve program integrity through sound fiscal *stewardship*. The agency has a fiduciary responsibility to all Americans to ensure that Trust Fund assets are used only to pay proper benefits and to ensure only eligible people are given Social Security numbers. There is also a strong economic incentive for doing so. In several areas a dollar well spent on stewardship will produce up to ten dollars in savings.
- The fourth challenge is to face Social Security's own retirement wave through recruiting and training *staff*. The agency recognized this challenge early, but the other three challenges cannot be met without a replenished, talented team.

As Commissioner Barnhart said to you in September, these issues cannot wait. I look forward to working with the members of this Committee, Commissioner Barnhart and the experienced, dedicated, and caring members of the Social Security team to begin addressing these challenges immediately. Although the agency's "renovations" may never be fully completed, our goal and duty must be to create not just a government success story, but a success story for every American family.

SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE

A. BIOGRAPHICAL INFORMATION

1. Name:
James Bicknell Lockhart III
2. Position to which nominated:
Deputy Commissioner, Social Security Administration
3. Date of nomination:
September 14, 2001
4. Address: (List current residence, office, and mailing address)
Home: 5 Alden Road, Greenwich, CT 06831
Office: NetRisk, Inc., 1 East Weaver Street, Greenwich, CT 06831
5. Date and place of birth:
May 13, 1946; White Plains, NY
6. Marital status: (Include maiden name of wife or husband's name)
Married, Carolyn Strahan Zoepfel (maiden name)
7. Names and ages of children:
 - James Bicknell Lockhart IV, 24
 - Grace Strahan Lockhart, 20
8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted)
 - Phillips Academy, Andover September 1960 – June 1964
 - Yale University, BA, 1968 September 1964 – June 1968
 - Harvard University, MBA, 1974 September 1972 – June 1974
9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment)

- First National Bank of St. Paul, MN (now part of US Bancorporation) 1968 – 1969, Commercial Banking Analyst
 - U.S. Navy, Lieutenant (Junior grade) 1969 – 1972
Officer Candidate School; Supply Corps School; Submarine School; Supply Officer, USS George Washington Carver (SSBN 656), New London, CT
 - Gulf Oil Corporation (now part of Chevron), 1974 – 1983
Analyst, Treasury Department, Pittsburgh, PA
Manager & Assistant Treasurer, Gulf Oil Eastern Hemisphere, London, UK
Finance Director, Gulf Oil Belgium, Brussels, Belgium
Senior Manager & Assistant Treasurer, Finance & Investments, Pittsburgh, PA
 - Alexander & Alexander Services (now part of AON), New York, NY 1983 – 1989
Vice President and Treasurer; Chairman, TIFCO
 - Pension Benefit Guaranty Corporation, Washington, DC 1989 – 1993
Executive Director
 - Smith Barney (now part of Citigroup), New York, NY 1993 – 1995
Managing Director, Insurance Investment Banking; Head of Private Placements
 - National Re Corporation (now part of Berkshire Hathaway), Stamford, CT 1996
Senior Vice President, Finance
 - NetRisk, Inc., Greenwich, CT 1997 – Present
Co-Founder and Managing Director.
10. Government experience: (List any advisory, consultative honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above)
- None
11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of an corporation, company, firm, partnership, other business enterprise, or educational or other institution)
- Managing Director, NetRisk, Inc.
 - Director, OpVantage LLC (NetRisk subsidiary)
 - Trustee, Lockhart Revocable Trust 1992
12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations)
- Treasurer & Secretary, Edgar Manor Association
 - Member, Financial Executives International and member of its Committee on Benefits Finance

- Co-Agent, Class of 1964, Phillips Academy
- Member, Duke Parents' Association
- Member, Mayflower Society of New York
- Member, Yale Club of New York
- Member, Sankaty Head Beach & Tennis Club, Nantucket
- Member, 'Sconset Casino (tennis club), Nantucket

13. Political affiliations and activities:

- a. List all public offices and which you have been a candidate.

None

- b. List all memberships and offices held in services rendered to all political parties or election committees during the last 10 years.

- Member, Republican National Committees President Club
- Vice Chair, Victory 2000 (CT) dinner for Vice President Cheney (September 2000)
- Co-Host, Governor Bush Benefit Dinner (September 1999)
- Co-Agent, Phillips Academy Class of 1964 Bush for President Fund

- c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.

		<u>Amount</u>
1991	RNC	\$800
	Bush Quayle	500
1992	RNC	1000
	Bush Quayle	500
1994	RNC	500
	Shays for Congress	200
	Bush for Governor	500
	CT Republicans	100
1995	RNC	956
	Dole for President	2000
1996	RNC	1250
	Shays for Congress	100
	Victory 1996 CT	1000
	Republican Club of Darien	105
1997	CT Republicans	250
	Bush for Governor	500
	Shays for Congress	50
	Franks for Senate	100
1998	RNC	1000

1999	RNC	1000
	Bush for President	2000
	Shays for Congress	100
	Greenwich	100
	Republicans	
2000	RNC	6750
	Victory 2000 CT	4000
	Bush Cheney	1000
	Compliance	
	Bush Cheney Recount	500
	Santorum 2000	500
	Lazio 2000	300
	Shays for Congress	250
	Nielson for Congress	100
	Rep. Town Ctte	50
	Greenwich	
2001	RNC	1000
	RNC Inaugural	465

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

- Supply Corps Honor Graduate, Officer Candidate School
- Supply Corps Dolphins, qualification in submarines
- Polaris Nuclear Submarine Patrol Pin, 2 patrols
- National Defense Medal

15. Published writings: (List all the titles, publishers, and dates of all books, articles, reports, or other published materials you have written)

"Gulf Oil: a Case History", The Essentials of Treasury Management, Euromoney, 1981

"International Liquidity Management and the 'Pipeline' Principle", The Treasurer, October, 1981

"How to Minimize the Cost of Borrowing", Euromoney, August, 1980

"PBGC Advocates Defined Benefit Plan Growth", Pension World, February, 1990

"Nurturing Defined Benefit Plans", Contingencies, March 4, 1990

"PBGC Enters the Nineties", Compensation and Benefits Management, June, 1990

"The Hidden Pacman in Washington", The National Association of Corporate Treasurers.

August, 1990

"To a Solvent Future". Employee Benefits Journal, December, 1990

"Bankruptcy Issues and the PBGC", WebNetwork, November, 1991

"Securing the Pension Promise". Labor Law Journal, April, 1992

"Reform the Federal Pension System", Providence Journal-Bulletin, St. Petersburg Times, and others, May, 1992

"Toward a Strong Federal Pension Insurance Corporation", Journal of American Society of CLU and CHFC, November-December 1992

"Comments" on "Pension Benefit Guarantees in the United States: A Functional Analysis" by Zvi Bodie and Robert C. Merton in The Future of Pensions in the United States, Pension Research Counsel of the Wharton School, 1993

"An Insurance Company, Not a Pension Fund", Plan Sponsor, August, 1996

"Time to Privatize the PBGC", Pensions and Investments, September, 1997

"The Trouble with PBGC's 'Government Guarantee'", Plan Sponsor, April, 1999

"Heroes May Not Be the Best Reformers", Op-Ed March 3, 2000, Greenwich Time

"Operating an Insurance Company" (PBGC), Pensions and Investments, May 15, 2000

"Gore's Philosophy Gives Bureaucrats Keys to Programs", Op-Ed October 8, 2000, Greenwich Time, and Stamford Advocate

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)

"Pension Benefit Guaranty Corporation: Insurer of US Private Sector Pensions", International Seminar of Supplementary Pension of China's Enterprises, Ministry of Labor and Social Security PRC and MetLife, Beijing, China, 10/20/99

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

I believe that my 26 plus years of successful private and public sector experience working for and advising major financial institutions and corporations qualifies

me for the Deputy Commissioner of Social Security position. My successful track record includes almost four years leading the Pension Benefit Guaranty Corporation during a very turbulent time. We made sure that beneficiaries received their pension checks on time despite a two billion dollar deficit and the bankruptcies of major airlines and steel companies. At the same time we engineered the start of a dramatic turnaround in the agency which now has almost a \$10 billion surplus. Steps that were taken included encouraging corporations to better fund their pension plans, protecting participants of terminated plans, revamping systems and internal controls, completing the first audit in the agency's history, testifying before Congress many times and working with them on legislative changes, installing a corporate planning system, winning critical Supreme Court cases, settling successfully major bankruptcies and repositioning the investment portfolio.

My private sector experience also well positions me to provide leadership at SSA. I have had challenging senior level positions at insurance companies, a top investment bank and a major oil company dealing with some of the of the same issues that Social Security faces including technology, pensions, financial management, investments, insurance, planning and risk management. For the last four and a half years I have co-lead a firm that provides risk management software, advice and solutions to major financial institutions worldwide.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not provide details.

All management ties will be severed, but I will continue to own shares, bonds and options as they are non-marketable, private securities.
2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

No
3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

No
4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

Yes

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

None

2. Describe any business relationship dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

None

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

- Testified in House in 1993 three times concerning Pension Benefit Guaranty Corporation (PBGC) legislation: Ways & Means, Education & Labor and Judiciary Committees
- Wrote letters in 1995 to Chairmen Roth and Archer and also attended a press conference concerning pending PBGC legislation.

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.)

I will resign from NetRisk and its subsidiary, OpVantage, upon confirmation. I will not participate in any Federal matter, unless waived, relating to NetRisk or OpVantage as long as I own stock or other financial interest in NetRisk and for a year after they are sold; the Lockhart Irrevocable Insurance Trust; or Edgar Manor Association.

5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.

6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g. March to December 1995), and the number of hours spent on the representation.

Not Applicable

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint being investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

No

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

My only involvement in administrative agency proceedings or civil litigation was in my position as the Executive Director of the Pension Benefit Guaranty Corporation.

4. Have you ever been convicted (including plea of guilty or nolo contendere) of any criminal violation other than a minor traffic offense? If so, provide details

No

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nominations.

None

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

Yes

RESPONSES TO QUESTIONS FROM SENATOR BAUCUS

Question 1: According to press reports you support the President's plan to replace part of Social Security's defined benefits with individual investment accounts. In 1989, as Executive Director of the Pension Benefit Guaranty Corporation, you argued forcefully that "defined benefit plans continue to offer considerable advantages over other types of retirement plans." Among the advantages you enumerated were that a defined benefit plan "provides predictable retirement income with protection against the uncertainty and volatility of investment risk associated with defined contribution plans." (Remarks to the APPWP Quarterly Board Meeting, September 19, 1989) As you know, a much smaller share of the workforce is protected by defined benefit pension plans at work than when you made those arguments in 1989, making Social Security's defined benefit protections even more significant than in the past. In the case of Social Security, why have you concluded that it is okay to substitute defined contribution individual accounts for defined benefits and their protection against market risk and volatility?

Answer: As the nation ages and the baby boomers begin to retire, a critical challenge will be to ensure that there are adequate Social Security, pensions, and savings assets to ensure all Americans are comfortable in their retirement. Both defined benefit and defined contribution pension plans play an important role in retirement security. Defined benefit plans generally provide more stability than defined contribution plans which on the other hand offer more upside potential. Of course, in the corporate pension world most of the defined benefit pension plans were fully funded, and I was very active in encouraging the sponsors of underfunded plans to improve their financial position. Unfortunately, participants of some underfunded pension plans discovered that they lost some of their promised benefits when their plans suffered distress terminations.

A mix of both defined benefit and contribution plans are better than either alone. Likewise, moving to private accounts for a portion of one's Social Security benefit may give a better balance, diversification, and a chance for higher benefits. A lot will depend on how the private accounts are structured and invested. It should be possible overtime, for instance, to offer investment options that provide more stability as an individual gets closer to retirement. I am looking forward to reading the alternatives from the President's Commission and working with Congress to achieve bi-partisan reforms.

Question 2: In recent reports, the Social Security Advisory Board and the General Accounting Office have identified serious funding and staffing challenges that need to be addressed if the agency's important service responsibilities are to be fulfilled (especially in the Disability program). What steps do you see that can be taken to address this problem in the near term and in the long term?

Answer: Clearly, improving the level of service being provided to the disabled is one of the major challenges that confront the Social Security Administration. Three years is too long to determine a person's eligibility for a disability benefit. If confirmed as Deputy Commissioner, I will work with Commissioner Barnhart to improve the Agency's performance in this area. As Commissioner Barnhart indicated, she did not—and neither have I—sought leadership positions at the Social Security Administration in order to preside over the status quo. At her confirmation hearing, Commissioner Barnhart described the process she will use to determine levels of service the American public has a right to expect, and the resources that would be required to provide that service. I understand that she already has put this process in motion and will report her findings as you and she discussed. I look forward to working with the Commissioner to complete this important evaluation. Looking out over a longer horizon, we need to better position the Agency to handle the increase in benefit applications that will flow from the aging of the baby boom generation. SSA needs to begin now to put in place the infrastructure needed to handle the workloads anticipated from this cohort of beneficiaries, and I look forward to working on these issues if I am confirmed as Deputy Commissioner.

RESPONSES TO QUESTIONS FROM SENATOR GRASSLEY

Question 1: The SSA Inspector General has reported that “SSA controls to detect or prevent undocumented immigrants from obtaining a false or stolen SSN do not always work as intended and are not always used. Moreover, these mechanisms do not indicate whether the misuse is connected with possible terrorist activity.”

The Inspector General has also stated that “The tragedies of [September 11] demonstrate that SSN misuse and identity theft are ‘breeder’ offenses with the ability to facilitate crimes beyond our imaginations.”

It has been widely reported that the hijackers and their suspected accomplices committed identity theft, including at least one documented case of using a false SSN, to infiltrate the United States while planning the September 11 attacks.

Given the connection between Social Security Number misuse and possible terrorism acts, how do you intend to improve SSA’s performance to identify illegal aliens and prevent them from obtaining false or stolen SSNs?

Answer: The activities of the September 11 terrorists certainly point to the serious problems associated with identity theft, Social Security number misuse, and false Social Security numbers. I understand that, even before the September 11 attacks, SSA had begun a review of its enumeration process. We also need to strengthen our liaison with both the Department of State and the Immigration and Naturalization Service. If confirmed as Deputy Commissioner, I will work with the Agency to strengthen the integrity of the enumeration process.

Question 2: SSA policy allows individuals to obtain up to 52 replacement Social Security cards in a year. Clearly, this number seems high and prone to allow opportunities for identity theft.

The SSA Inspector General has determined that 192 individuals obtained six or more replacement SSN cards during a 1-year period.

Identity theft was a prime modus operandi of the September 11 terrorists.

What are your plans to regulate Social Security cards to prevent these cards and Social Security numbers from falling into the hands of possible criminals or—infinity worse—terrorists?

Answer: I am deeply concerned by the problems you describe. Clearly, the Agency needs a process for replacing lost Social Security cards that meets the legitimate needs of workers while at the same time preventing the abuses you describe. Many long-established processes and procedures are undergoing review in light of the terrible tragedy of September 11, and certainly issuance of Social Security cards should be part of this review. If confirmed as Deputy Commissioner, I will make sure that this process is completely reviewed and needed changes are implemented quickly.

Question 3: In the past five years, the Social Security Administration Inspector General has investigated 61 SSA employees who have disclosed, sold or released Social Security number information. These criminal allegations include submission or processing of false SSN applications, selling legitimate SSNs, and selling counterfeit SSN cards. Forty-five of these cases resulted in criminal convictions, approximately half of which resulted in incarceration.

How do you intend to stop SSA employees from stealing or otherwise misusing Social Security numbers?

Answer: The abuses you describe are very serious, and demand constant vigilance on the part of Agency managers to prevent them in the future. As your question indicates, these actions are criminal violations of Federal law and must be prosecuted to the fullest extent of the law. I understand that there are already a number of procedures employed by the Agency to prevent these abuses, but clearly, the Agency must do more. If confirmed as Deputy Commissioner, I will work with Agency managers to review existing procedures to prevent such offenses in the future.

RESPONSES TO QUESTIONS FROM SENATOR ROCKEFELLER

Question 1: According to the law, the Deputy Commissioner’s duties are designed by the Commissioner, Jo Anne Barnhart. Based on your discussions with Commissioner Barnhart and other administration officials, do you have a sense of your role and what issues the Commissioner intends to designate to you? Do you know what, if any, role you will play in the debates about Social Security’s long term solvency?

Answer: As Commissioner Barnhart, herself, is very new to her job, we have only had a brief discussion about the role I will play at Social Security, if confirmed. As the number two at SSA, I would expect to be working with Commissioner Barnhart in all the important issues that the Agency faces including the debates on long-term solvency. A key role I would expect Social Security to play in this debate would be to provide factual analysis of alternative reform proposals. I would also expect to have some responsibilities in the areas of the other three challenges that I men-

tioned in my statement—service, stewardship, and future staffing and training needs.

Question 2: I believe that one of the strengths of Social Security, is that it is a guaranteed benefit that is indexed for inflation to protect the living standards of the elderly and disabled. It is a social insurance program where individuals contribute and then receive benefits based on their contributions and needs for retirement and disability. Unlike a lump sum payment, these benefits do not expire. Seniors are ensured benefits throughout their lives. Do you believe this is an appropriate role for government to protect families? If not, what role do you envision for Social Security?

Answer: Social Security is a critically important program for all working Americans and families as well as the disabled and elderly poor. I agree that an important strength of Social Security is the inflation indexed retirement and disability annuity that it provides. As I said in my statement, I strongly believe in Social Security's mission to protect American families. It is certainly a key reason why I accepted the nomination to serve as Deputy Commissioner. To continue to do so, reforms will be necessary to ensure the program's long-term solvency. Working with Congress, Commissioner Barnhart and Social Security's team, I am hopeful that bi-partisan reforms will be enacted to ensure that Social Security continues to protect American families for many generations to come.

Question 3: According to press reports, the President has made clear that he wants Social Security reform to include individual investment accounts. The transition from the existing system to individual investment accounts will take years and it will include major transition costs. The President has said that he does not intend to raise taxes to pay for the transition costs. Based on your understanding of the President's initiative, how does he intend to cover the costs. If you do not know the President's views, could you discuss the options to pay for transition costs besides increasing taxes.

Answer: Any reforms in such a large and important national retirement program as Social Security will take many years to have an impact. Social Security is now out of long-term actuarial balance, which means that there will not be sufficient Social Security Trust Fund and payroll tax resources to meet our obligations unless changes are made. One calculation puts the cost to restore the balance of \$3.4 trillion in present day dollars. Transition costs should be compared to this present shortfall. At this point, I am awaiting the proposals of the President's Commission which I assume will address the transition costs of the various alternatives. From these proposals, I hope bi-partisan reforms will be enacted because the sooner the reforms are in place the lower the long-term costs will be.

Question 4: You advocated privatizing PBGC. Would you recommend the same for Social Security programs including disability and the survivor insurance, and explain why.

Answer: PBGC plays a very important role as a guarantor of private sector, funded corporate pension plans—but a significantly different role than Social Security's disability and survivorship programs. Social Security's disability and survivors programs are critical to some of the most vulnerable Americans. President Bush has made it clear in the principles that he established when creating the Social Security Commission that modernization of the Social Security program must preserve Social Security's disability and survivors insurance programs.

PREPARED STATEMENT OF JOAN E. OHL

Mr. Chairman and Members of the Committee, my name is Joan Eschenbach Ohl. It is an honor to appear before you this morning as President Bush's nominee for Commissioner, Administration on Children, Youth and Families (ACYF) in the Department of Health and Human Services (HHS). I am also very pleased to be given the opportunity to work with Secretary Tommy Thompson who has been a recognized national leader in both welfare reform and social services for children and families and with Assistant Secretary Wade Horn who served as Commissioner in the administration of President George Herbert Walker Bush.

Over a 33-year career, I have focused extensively on improving the lives of children and youth—be it their health, their education or human services needs. If confirmed, I will bring to this position a broad range of experiences that I believe have prepared me for this important position. I have experience in both the public and private sectors and have demonstrated strength in management, program development, program implementation, fiscal management and budget development. One of the hallmarks of my career has been establishing effective organizational structures, programs and services. I am a very strong community-based person in that I believe

the solutions to the needs of children and families are at the community level and not in State and Federal capitals. Through government partnerships—at Federal, State and local levels—we must ensure that the infrastructure and accountability system is in place for the delivery of quality health and human services.

From 1997 until early 2001, I served as Cabinet Secretary of the West Virginia Department of Health and Human Resources (DHHR). When Governor Underwood appointed me to this position, he charged me with making DHHR modern, professional and accountable. DHHR was drowning in red ink, understaffed and had disallowances in most Federal program areas. In my four-year tenure, I worked with Governor Underwood and the Legislature to strengthen the Department by extensive focus on employees, their training, access to technology, compensation and work environments. Because of insisting on strong fiscal management, the Bureau of Medical Services—Medicaid ran in the black for fiscal years 1999, 2000 and 2001 for the first time since 1978. All past disallowances and penalties (some were from the late 80s) were paid off or settled. When I left West Virginia State government earlier this year, virtually all of the programs eligible for enhanced funding or high performance bonus funding were receiving that funding. This included adoption incentive funds, TANF high performance bonuses for job retention and success in the workforce, and enhanced funding from USDA for food stamp payment accuracy. And it is important to note that West Virginia's food stamp program gets benefits to 93% of all eligibles—the highest percentage rate of any State in the country. In the foster care program under title IV-E of the Social Security Act, we went from disallowances with the case error rate in excess of 30%, to a year 2000 audit where 80 cases were reviewed and 79 were without error and one had a judicial determination error.

I oversaw the completion and implementation of two technology systems including the West Virginia Statewide Adoption and Child Welfare Information System (SACWIS) and the child support information system "OSCAR." West Virginia is one of 22 States that currently has a fully operational SACWIS system and has submitted all of its adoption and foster care reports without error or penalty. Its child support system was the sixth in the country to receive certification.

I also worked in order to vacate two Federal court orders under which the Department was operating—one in child support enforcement and another regarding the office of health facilities licensure and certification. Substantial progress was made on two long-standing mental health court orders. I sought to see that the substance of all of these court orders were met and therefore could be vacated.

During my four years at DHHR, we achieved a 40% increase in finalized adoptions as part of the "Every Child Deserves a Family" program and last year, West Virginia received an award for the most diligent use of the Adoption Resource Network—an internet-based program.

We also worked with the Governor and the Legislature to greatly expand the continuum of community-based family support and family preservation services. In 1997, there were almost 500 West Virginia children in out-of-state placements. As a part of the "Bringing Our Children Home" program we reduced the number of children in out-of-state placements by 50% and used the funds that had been paid to out-of-state placements to increase West Virginia's infrastructure for community-based, children's residential, behavioral health and MR/DD services. We sought and received additional funding for early intervention programs because we knew we must intervene early on with children and families in their communities and in their homes.

Finally, let me touch on child care as it is an integral component to the success of welfare reform. In West Virginia many families had found it very difficult to access subsidized child care. Thus we established programs of enhanced funding in areas where we wanted to see quality improvements in the child care program. We paid more per day per child in any center or program which was nationally accredited or served children and families in non-traditional hours; and we paid more per day per child for programs that served infants and toddlers and completed a 40 hour training program.

In 1997, I met then Governor Thompson when he came to West Virginia to meet with business groups regarding welfare reform. During his visit he gave me one bit of advice which I took to heart, he said to be sure to invest in child care. And we did. We utilized the Child Care Development Block Grant, and made TANF transfers, and did TANF direct payments for child care and in 1999 and 2000 West Virginia was recognized by HHS as having the highest percentage of utilization of subsidized child care of any State in the country. West Virginia provides child care subsidies to 25% of those eligible as compared to 12% nationally and has done it with no waiting list.

I decided in this brief presentation to focus on my last four years as West Virginia Secretary of Health and Human Resources because it best exemplifies the skills and abilities I would bring to the position of Commissioner of the Administration on Children, Youth and Families. I will continue to work to assure that the various levels of Federal, State and local government work together to ensure that a strong community-based infrastructure delivery system is established, maintained and accountable for its outcome. We must continue to focus on prevention and early intervention programs and services. And I will look forward to being an active participant in the Child and Family Service Reviews.

In Head Start, we need to assure the comprehensive nature of the Head Start program with special emphasis given to ensure that children receive the EPSDT screen and all subsequent follow up services both for their physical and behavioral health needs. There needs to be special attention given to literacy programs that ensure children are prepared and ready to enter kindergarten. We will work to coordinate with the Department of Education on a number of other early childhood programs. Under enrollment issues exist in some parts of this country and I will work with regional offices and grantees to address this issue, especially in outreach to special populations.

One area I want to give special attention to are the needs of our nation's youth. Since 1996 we have focused extensively on the needs of young children through efforts such as adoption, Head Start and child care. Some of the initial welfare reform research is showing that the needs of young children are being met, but the group which is experiencing problems are those youth entering their teenage years. We cannot neglect the needs of these youth. We need to focus on positive youth development programs. We are all well aware of the high rates of teenage drug and alcohol use, on school failure, violence, pregnancy and most tragically suicide. If confirmed, I will work extensively with Assistant Secretary Horn on a special initiative within ACF and look at ways to effectively link youth programs across all Federal agencies.

I will work closely with Secretary Thompson's Rural Initiative. Being from a rural State, I am well aware of many of the barriers which must be overcome for effective program and service delivery. I will work on initiatives which help to strengthen programs and services for rural children and families, as well as strengthen rural communities.

The goal of ACF and ACYF is to improve the well being of children and to strengthen families. I hope that through my comments today, as well as the other materials I have submitted to your Committee, that I have shown my deep commitment to these goals. Mr. Chairman, if I am confirmed, I pledge to work on a bipartisan basis with you, the members of this Committee and the Congress to insure that ACYF reaches these goals.

I thank you for the opportunity to testify before you today and I would be pleased to answer any questions you might have.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)
Joan Ann Eschenbach Ohl
2. Position to which nominated:
**Commissioner, Administration on Children, Youth and Families(ACYF)
Administration for Children and Families(ACF)
United States Department of Health & Human Services(DHHS)**
3. Date of nomination:
July 11, 2001
4. Address: (List current residence, office, and mailing addresses.)
HOME: 603 Horizon Way Martinsburg, WV 25401
OFFICE: 330 C Street, Room 2120 Washington, DC 20447
5. Date and place of birth: **May 16, 1946 Harrisburg, PA**
6. Marital status: (Include maiden name of wife or husband's name.) **married to Dr. Ronald E. Ohl**
7. Names and ages of children: **None**
8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)
Lewes High School 1960-1964 Diploma - June, 1964
University of Delaware 1964-1967 BS - June, 1968
SUNY at Buffalo 1967-1969 EdM - June, 1968
Pennsylvania State University 1972-1975 Advanced Graduate Work

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)
****Cabinet Secretary, WV Dept. of Health & Human Services 1/97-1/01 Charleston, WV**
****Board Member, WV Health Care Cost Review Authority 9/93-1/97 Charleston, WV**
****Consultant to C.E."Jim" Compton of Five-J Energy and Grafton Coal Companies in Bridgeport, WV and did special projects in school health, nutrition education & research and handled philanthropic activity. 1/84-9/93**
****Vice President, Independent College Fund of New Jersey and Association of Independent Colleges of New Jersey 1982 & 1983 Summit, NJ**
****Assistant to the Vice President, Fairleigh Dickinson University 1975-82 Rutherford, NJ**
****Area Coordinator, Penn State University 1972-74 State College, PA**
****Assistant Dean of Students, University of Arkansas 1971 & 1972 Fayetteville, Ark.**
****Director of Women's Housing, Colorado College 1969-71 Colorado Springs, CO**
****Head Resident, SUNY-Buffalo 1967-69 Buffalo, NY**
10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)**** Chair, WV School Health Committee 1991-94; ** Member, WV Health Care Planning Commission 1991-93;** Advisory Board, WV Public Employees Insurance Agency 1990-94;** Co-Chair Area 2 Partnership for Progress Council 1990-93;** Member, Council on Professional Education 1990-92; **Member, Mon Valley Tri-State Leadership Academy Board 1990-93; **Member WV Human Resources Investment Council 1997-2000;** Member, Private Industry Council of West Virginia 1997-99.**
11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.) **My husband and I had had a small consulting company – Taliter – which was incorporated in New Jersey in July, 1976. I serve as President. The company is wholly inactive and has received no income since 1994. We are in the midst of dissolving Taliter: the final tax returns for the fiscal year ended 6/30/01 have been filed and we have begun to file the dissolution papers.**

11. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)**Co-Chair, WV Juvenile Justice/Child Welfare Coord. Council 1998-2001; Member, Family Violence Coord. Council 1999-2001; Board Member, Governor's Cabinet for Children & Families 1997-2001; Board Member, Jobs for WV Graduates 1999-2001; Member, Southern Regional Task Force on Child Care 1999-2001; Advisory Board Member, WVU School of Social Work 1995-1998; Vice President, Health Access 1991-1994; Advisory Board Member, WVU School of Medicine 1990-1995; and Honorary Member, Alpha Delta Kappa 1988 to present.
13. Political affiliations and activities:
- List all public offices for which you have been a candidate **None**
 - List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years. **Berkeley County Committee for re-election of Congresswoman Shelley Moore Capito and Re-election Committee for Governor Cecil Underwood.**
 - Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years. **2001: \$250 to Shelley Moore Capito Re-election Campaign; 2000: \$500 to Bush Presidential Campaign; \$500 to Republican National Committee; \$1000 to Underwood Re-election Campaign. 1996: \$1000 for Underwood for Governor Campaign; 1995: \$100 to John Perdue for State Treasurer campaign.**
14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.) **Dupont Scholarship – University of Delaware(1964); Outstanding Young Women In America(1978); Alpha Delta Kappa – honorary member (1988 –); Multi-Cap Leadership Award(4/00); WV Hospital Association Bateman Award(9/00); Distinguished West Virginian Award (3/00); WV Rural Health Association – inaugural presentation of the Joan E. Ohi Rural Health Leadership Award(9/00); Purple Ribbon Award – WV Coalition Against Domestic Violence(10/00); WV Public Health Association Leadership Award(9/00); Italian Heritage Festival, 2000 Honorary Italian Woman of the Year(9/00); Shinnston News – 2001 Woman of the Year (2/01)**
15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.) **“No Services will be Cut – DHHR's Salary Equity Plan Ethically Sound, Well-Deserved” – The Charleston Gazette 2/15/99; “Improving Child Care and its Availability in West Virginia” Views & Visions 8/31/00**

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)
See attached list of presentations from 1997 to 2001. From the list, I selected presentations which I feel have relevance to ACYF position and they are attached. If additional presentations are desired, please advise me and I will get them to you immediately.
17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.) **I have had thirty-three years of experience and achievement in both the public and private sectors. My career has focused extensively on improving the lives of children and youth - be it their health, their education or human service needs. I am a very strong community-based person - in that I believe that the solutions to needs of children and families are at the community level - not in state and federal capitols. Through government partnerships - federal, state and local - we must see that infrastructure is in place for the delivery of quality health and human services. In my work in West Virginia, there was extensive focus on programs and services for children and families. The continuum of community-based family support and family preservation services was expanded.(Note: I believe strongly in prevention and early intervention in both health and human service programs.) Foster Care recruitment and training was a major priority as was adoption promotion - through the initiative "*Every Child Deserves a Family*" and finalized adoptions increased by more than 40% in two years and West Virginia received adoption bonus funds in 1998, 1999 and 2000 and recognition for the most diligent use of the Adoption Resource Network. Though the "Bringing Our Children Home" Program, the numbers of children in out-of-state placements was reduced by more than 50%. These funds, now not being spent for out-of-state placements, were then used to increase West Virginia's infrastructure for community-based, children's residential behavioral health and MR/DD services. I worked with the Legislature to significantly expand the child care provider base - a necessity if a state is going to be successful in welfare reform - and we implemented numerous child care quality improvement measures including three reimbursement increases in two years - the first in the state in more than five years. In both 1999 and 2000, U.S. Department of Health & Human Services recognized West Virginia as having percentage of utilization of subsidized child care of any state in the country - WV provides child care subsidies to 25% of all those eligible as compared to 12% nationally and has done it with no waiting list. All my work over these past 30+ years has focused on children and youth. I believe that children in West Virginia were better off in 2001 than when I went to DHHR in 1997.**

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details. **Yes, already done.**
2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details. **None**
3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details. **No**
4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? **Yes** If not, explain.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated. **None**
2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated. **None**
3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed. **As a WV Cabinet Secretary, I oftentimes would contact our federal delegation and share perspective on potential impact of pending federal legislation.**
4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with **two** copies of any trust or other agreements.) **Not Applicable**
5. **Two** copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts

of interest or any legal impediments to your serving in this position. **See attached materials**

6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? **NO** If so, provide details.
2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? **NO** If so, provide details.
3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details. **As the Cabinet Secretary, West Virginia Department of Health & Human Resources(DHHR), my name was listed on any legal actions taken against DHHR. This included any existing court orders(federal and state) when I assumed the position in January, 1997. At that time, DHHR was operating under five(5) court orders. I worked to see that the substance of these court orders was addressed. Two federal court orders were vacated – and substantial progress was made in addressing two additional court orders which will hopefully be vacated in late 2001 or 2002. Some of these court orders had existed for ten(10) years or more and at that time were needed to see that quality services were delivered to specific populations. I sought to see that the substance of these court orders was met and therefore could be**

vacated. I believe that these programs and services should be under the purview of the Executive and Legislative branches, not the Judiciary.

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? **NO** If so, provide details.
5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination. **When I went to DHHR in January 1997, the Department was adrowned in red ink, understaffed and had disallowances in many federal program areas. In my four- year tenure, I worked to bring focus to the Department, its programs and services. I worked to strengthen the Department by extensive focus on employees, their training, access to technology, compensation and work environments. Turnover rates in Department declined and overall Department morale increased significantly. Through strong fiscal management, the Bureau of Medical Services (Medicaid) ran in the black for SFY1999, 2000 & 2001 for the first time since 1978. Paid off or settled all past disallowances and penalties – some of which went back to the mid-80s – and when left in 1/01 the State had received bonus funds for adoption increases in 1998, 1999 and will soon receive for 2000; received TANF high performance bonuses in 1999 – ranked sixth in the nation in job entry performance improvement and 2000 – ranked first in the nation in improvement in job retention and third in overall success in the workforce; USDA Food Stamp Payment Accuracy – took a program that had been sanctioned in seven of the eight years prior to 1999 - in two years from sanctioned to enhanced funding and West Virginia serves in its Food Stamp program 93% of all eligibles – the highest percent rate in the country; Title IV-E Foster Care – took a program that had had disallowances in the past to one that when audited in 2000, of the eighty(80) cases reviewed, seventy-nine(79) were without error and one had a judicial determination error; completed and certification received on two technology systems: FACTS (Family and Children's Tracking System) - SACWIS system for West Virginia and OSCAR, the mainframe based information system for Child Support Enforcement; and successfully vacated two federal court orders in the program areas of children support enforcement and health certification and licensure. From a management perspective, I believe strongly in accountability and quality outcomes and have strived to bring that in all my work.**

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before

any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so? **YES**

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees? **YES**

RESPONSE TO A QUESTION FROM SENATOR GRASSLEY

Question: What is the status of the process to develop outcome measures? What are the next steps in the process?

Answer: For more than a year, the Department has engaged in several levels of activity to develop, refine and implement a performance assessment system for improving the outcomes for adolescents and young adults transitioning out of the foster care system. In line with the statutory requirements set forth in the Foster Care Independence Act of 1999, these activities focus on using a set of outcomes measures and data on youth services and services provided to assess State performance.

The Administration for Children and Families (ACF) has recently completed an extensive consultation process to collect input and feedback on draft outcome measures based on the eight indicators identified in the legislation. The consultation activities have included focus, advisory and technical work groups composed of a variety of stakeholders. Researchers, practitioners, foster care youth, parents, child welfare officials and caseworkers from all over the country have participated. Moreover, they convened an on-going Standing Work Group, individuals who served as key technical experts in the developmental process of identifying and refining measurable, achievable measures for assessing State performance in the Chafee Foster Care Independence Program.

ACF is presently finalizing the recommendations they have received from the Standing Work Group and other stakeholders regarding outcome measures, data elements, information system requirements, and the modification of data collection business procedures at the State level to accommodate the Chafee requirements. These recommendations will be submitted to senior staff within ACF for their consideration and approval.

Once the decisions are made, they will proceed with the implementation activities that will include the development and issuance of policy and programmatic guidance and technical assistance to the States.

PREPARED STATEMENT OF B. JOHN WILLIAMS

Good day, Mr. Chairman, Senator Grassley and Members of the Committee. I am very pleased to appear before the Committee as the President's nominee for Chief Counsel for the Internal Revenue Service. I would like to introduce my family to the Committee.

Mr. Chairman, I consider this opportunity for public service to be a great honor, and especially so at this time in our country's history. I would very much appreciate the opportunity to contribute to the efforts that Treasury is making in the war on terrorism and in helping Commissioner Rossotti develop a system of effective tax administration.

I would like to offer the Committee a brief summary of my thoughts on the role of the Chief Counsel in the administration of the tax laws.

The power to tax is exercised not only by enacting revenue laws but also by interpreting and enforcing them. In our democracy we must take special care to adhere faithfully to the law as enacted. Only a fair and impartial interpretation and application of the law can command the respect of our citizens, and in my view the Chief Counsel's principal duty is to assure that that respect is earned.

In fulfilling this duty, it is critical that the Service publish more guidance to the public, especially revenue rulings. I share Commissioner Rossotti's belief that the Chief Counsel's office needs to focus more on its advisory role to the public. Too often the public looks to informal advice given to specific taxpayers to discern the positions of the Service. This advice cannot, by statute, be relied on as precedential. If confirmed, one of my goals will be to increase this public guidance.

The Chief Counsel's advisory role on interpreting the law should not be confused with Counsel's enforcement role. Enforcement is a tool to assure even-handed application of the law, not a means to obtain new interpretations of unclear law. When interpretive uncertainties are clarified through public guidance, the central focus of enforcement, whether civil or criminal, is properly to maintain the integrity of the revenue laws. If fair application of the law does not, render an acceptable policy result, then legislative or regulatory change should be the way to effect the desired policy. I firmly believe that litigation should never be the means to advance policy choices. The public is entitled to know and rely on the law and the agency's interpretations before cases are developed. Counsel must make a renewed effort to develop those interpretations through public guidance.

The Chief Counsel must be dedicated to the operational success of the Service. Such dedication entails working closely with the client and offering good judgment to help inform the choices the agency must make. Most frequently that means thinking hard about feasible alternatives. Sometimes that means saying "no," but that never means taking too long to say it.

I would be pleased to answer any questions the Committee might have.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)
Bernard John Williams, Jr. (B. John)
2. Position to which nominated:
Chief Counsel of the Internal Revenue Service
3. Date of nomination:
4. Address:
Residence: **1221 Aldebaran Drive, McLean, VA 22101**

Office: **Shearman & Sterling
801 Pennsylvania Avenue, NW
Washington, D.C. 20004**

Mailing addresses: **either of above**
5. Date and place of birth: **12/13/49 Lancaster, Pennsylvania**
6. Marital status: **married to Martha Caroline Roberts Williams**
7. Names and ages of children: **Robert (22); Sarah (21); Anne (19); Bernie (17)**
8. Education:

Secondary: **Nether Providence High School (now known as Strathaven High School), Wallingford, PA, diploma, 1967, attended September, 1963-December, 1965 and September, 1966-June 1967. Forrest Sherman High School, Naples, Italy, January, 1966-June, 1966.**

College: **George Washington University, September, 1967-May, 1971, BA, 1971.**

Law School: **George Washington University, September, 1971-May, 1974, JD, 1974**
9. Employment record:
June, 1971-September, 1971, National Commission on State Workers' Compensation Laws, Washington, D.C. administrative assistant

September, 1971-May, 1974, Baker & McKenzie, Washington, D.C., legal assistant.

June, 1974-July, 1976, United States Tax Court, Hon. Bruce M. Forrester, Washington, D.C., attorney-advisor

August, 1976-September, 1981, Ballard, Spahr, Andrews & Ingersoll, Philadelphia, PA, tax associate

September, 1981-May, 1983, Internal Revenue Service, Washington, D.C., Special Assistant to the Chief Counsel

May, 1983-November, 1984, Tax Division, Department of Justice, Washington, D.C., Deputy Assistant Attorney General

November, 1984-December, 1985, Morgan, Lewis & Bockius, Washington, D.C., tax partner

December, 1985-March, 1990, United States Tax Court, Washington, D.C., Judge

March, 1990-January, 2000, Morgan, Lewis & Bockius, Washington, D.C., tax partner, Vice-Chair then Chair, Tax Section

January, 2000-present, Shearman & Sterling, Washington, D.C., tax partner

10. Government experience: member, **Advisory Committee to the U.S. Court of Appeals for the Federal Circuit**
11. Business relationships: (List all positions held [for the past 10 years] as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.) **Director, Northern Virginia Youth Symphony (American Youth Philharmonic Orchestras); Director and Chair, Immanuel Christian School Board; partner, Shearman & Sterling; partner, Morgan, Lewis & Bockius (Vice Chair then Chair of Tax Section)**
12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.) **Phi Beta Kappa, Omicron Delta Kappa, American Law Institute, American College of Tax Counsel, American Bar Association (Tax Section); Chair, Task Force on Temporary Regulations; Chair, Task Force on Tax Shelters; Director and counsel to Northern Virginia Youth Symphony Assn (American Youth Philharmonic); Director, and Chairman, Immanuel Christian School; deacon, Immanuel Bible Church**
13. Political affiliations and activities:
 - a. List all public offices for which you have been a candidate. **None**
 - b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years. **Member, Republican Party of Virginia**

- c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years. **\$850 (including spouse) to the Republican National State Elections Committee (1/12/01); \$5000 (including spouse) to The Republican National Committee "Presidential Trust" (11/5/00); \$2000 (including spouse) to George W. Bush Presidential Exploration Committee (5/14/99); \$500 to Friends of Bill Mims (9/13/99); \$500 to Mims for Senate (1/9/98); \$100 to Gilmore 97 (6/2/97); \$250 Republican National Committee (12/20/95); \$250 Phil Gramm for President (2/20/95); \$500 to Jim Miller for US Senate (4/5/94); \$200 to Kevin Vigilante for Congress (4/25/94); \$500 to Friends to Elect Ernie Harris (5/15/94); \$500 Barr for County Board (10/12/93); \$500 Citizens for Spector (9/30/92); \$500 Friends of Bill Mims (7/11/91); \$1000 to Re-elect Bob Packwood Committee (6/15/91)**
14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.) **Departmental Honors in History (GWU); University Honors(GWU); Omicron Delta Kappa; Phi Beta Kappa; Chief Counsel's Award (IRS); Outstanding Service (DOJ); American College of Tax Counsel; American Law Institute; Best Lawyers in America; Who's Who in America**
15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.) **An article published in 1978 in *Taxation for Lawyers* and *Taxation for Accountants on reclassification of independent contractors as employees.***
16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.) **Participation in panel discussions at Federal Bar Assn. No materials furnished.**
17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)
I believe my career has uniquely qualified me to serve the country and the President as Chief Counsel. The Chief Counsel is a position critical to the fair administration of the tax laws. The position should ideally be filled by a person with extensive tax administrative and litigation experience and who has a sound understanding of the Code and the appropriate role of the Internal Revenue Service in our Constitutional system. Overseeing the approximately 1600 attorneys in the representation of the Chief Counsel's principal client, the Commissioner of Internal Revenue, the Chief Counsel represents the Commissioner in litigation before the Tax Court, a court on which I have served both as a law clerk and as a judge. The Chief Counsel is also responsible for coordination with the Justice Department in both criminal justice and civil tax litigation matters. I have served as a Deputy Assistant Attorney General in the Tax Division and have participated in that office's relationship with the Chief Counsel. The Office also serves an important role in the development of Treasury regulations. As Special Assistant to the Chief Counsel, I was responsible for the coordination of

the development of rulings and regulations with the Office of Tax Policy. As a private practitioner, I have litigated cases against the Commissioner and have experience with the manner and means by which the Internal Revenue Service and the Chief Counsel's office develops positions in both examinations and litigation.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? **Yes.**
2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? **No.**
3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? **No.**
4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? **Yes.**

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated. **There are no conflicts of interest that need to be resolved. All conflicts have been disclosed on the required forms and resolved by agreement under the oversight of the Office of Government Ethics. Should any additional actual or potential conflicts of interest arise, I will consult with Treasury ethics officials.**
2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated. **None.**
3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed. **None.**
4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.) **Follow the advice of the ethics advisors and the agreement approved by the Office of Government Ethics.**

5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position. **Attached.**
6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? **No.**
2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? **No.**
3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? **Yes. Charles R. Connaughton and Mary Ann Connaughton v. Shell Petroleum Inc., Shell Oil Company, Charles Herpich, Jr., Morgan, Lewis & Bockius LLP, B. John Williams, Jr., Michael J. Russell and Legal Investigations, Inc., Doc. No. 96-47477, 165th Judicial District, Harris County, Houston, Texas, filed 9/27/96. I was a defendant in this action for defamation, invasion of privacy, intentional infliction of mental distress, intentional interference with business relationship. The case was settled in February, 1999, and dismissed by agreement of the parties.**
4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? **No.**
5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so? **Yes.**
2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees? **Yes, assuming that providing the information is lawful.**

RESPONSES TO QUESTIONS FROM SENATOR BAUCUS

Question 1:

- What is the best way to shut down shelter activity?
- How do you plan to address these transactions as Chief Counsel?
- What role does litigation play in resolving the tax shelter problem?
- How do you intend to make the IRS more successful in the courtroom?
- How do you plan to target tax shelter cases for litigation?
- What is the role of disclosure in addressing tax shelters? Can you elaborate on the reports of a new program to encourage disclosure by waiving penalties even on transactions that the IRS has listed as tax shelters subject to the reporting and registration requirements?
- What is the proper role of penalties in this area? Should the IRS impose penalties on taxpayers who engage in these aggressive transactions? How do we ensure uniform application of these penalties?
- You stated in your testimony that “one person’s tax shelter is another’s pension plan.” What did you mean by that statement? Are there “abusive” tax shelters and, if so, how would you characterize them?

Answer: By way of background, it is important, in my view, to distinguish transactions that reduce or defer net income based on sound application of legal principles and economic analysis from transactions that twist normal English usage in statutes and regulations, have no economic substance and lack business purpose, or are shams-in-fact. In writing a shelter definition that attacks the cancer of “abusive” shelters, it is important to avoid destroying legitimate transactions for which tax reduction or deferral is a legitimate and statutorily acknowledged objective.

I believe that the Chief Counsel can help the Commissioner use the tools available for enforcement and compliance more effectively. For example, the injunction provisions, I.R.C. §7408, and promoter penalty provisions, I.R.C. §§6700 and 6701, should be considered where appropriate. The Chief Counsel must assure that an impartial review of questionable transactions and applicable legal authority is undertaken to determine whether a transaction is abusive, and if so, whether a change in the law is required or clarifying guidance is sufficient. Prompt guidance to the Commissioner where the taxpayer’s legal position is not reasonable, followed by prompt development of the case is essential to successful enforcement. Further, if the legal position is not reasonable or involves misrepresentations of fact, appropriate sanctions should be sought against the advisers and promoters, if any. The Chief Counsel should assist the Commissioner in relaying concerns about specific transactions to promoters and in obtaining from promoters’ lists of other promoted transactions and lists of investors.

The Chief Counsel can help the Service to be more successful inside and outside of the courtroom by better development of the facts early on. This means a careful and thoughtful use of the broad information gathering tools the Service already possesses.

Narrowing the group of cases that should be pursued by the Service to litigation is important to success. Targeting tax shelters for litigation requires early identification and a careful and impartial evaluation of the case based on the specific facts and circumstances presented and the legal issues raised. Critical to this evaluation is an understanding of the real litigating hazards in a case.

Although I am not in a position to elaborate on the reported penalty waiver program, disclosure of information is critical to the Service’s compliance and enforcement efforts. Disclosure helps the Service determine at an earlier stage whether there is a need for changes in the law, clarifying guidance, or enforcement efforts.

Penalties must be applied to curb behavior that is abusive of the tax system. The punishment must be rationally related to the abusive behavior. The Chief Counsel

must be prepared to support the investigations of taxpayers, return preparers and promoters, and to recommend the imposition of penalties where appropriate.

What I meant by “one person’s tax shelter is another person’s pension plan” is that the law frequently permits deferral of tax, and whether that deferral is regarded as an “abusive” tax shelter or as a fair application of the law can often depend on the particular facts and circumstances. I believe there are “abusive” tax shelters. “Abusive” used as a qualifier of tax shelters was coined in the 1980’s as a descriptive shorthand for distinguishing legitimate tax shelters from shelters based on false or misleading information, valuations or economic assumptions. As I had noted earlier, I believe that there is a difference between legitimate transactions and those that either twist normal English usage in statutes and regulations, have no economic substance and lack business purpose, or are shams-in-fact.

Question 2: Will you commit to provide the Senate Finance Committee with a comprehensive and detailed report on tax shelters by early next year?

Answer: As I stated during my testimony before the Committee, if confirmed as Chief Counsel, I will make every effort to work with Commissioner Rossotti to provide timely the information sought by the Committee regarding the internal revenue laws and their administration. At this time, however, I simply do not have sufficient information to commit to a report in the time frame requested by the Committee. If confirmed I will commit to evaluating the issues identified as expeditiously as possible. In that regard, one of my priorities would be to insure that legal, compliance, and tax policy considerations with respect to tax shelters are promptly and effectively coordinated.

Question 3: Do you believe that the IRS and Treasury have an interest in ensuring that tax practitioners maintain certain levels of professionalism, particularly with respect to opinion writing? What changes, if any, would you make to the recently issued standards?

Answer: The Service, Treasury, and the public all have an abiding interest in high standards of professionalism, especially in opinion writing. I would need to study carefully the comments on the proposed changes to Circular 230 in order to make informed recommendations regarding these proposed changes. One issue that I know has been raised is the scope of opinions that will be subject to the proposed new standards. Some commentators have indicated that the scope of opinions subject to the proposed new standards should be narrowed. They indicate that the proposed new standards apply to the opinions on most legitimate tax planning, and not just to opinions on aggressive transactions. There are also federal preemption questions relating to state licensing and questions regarding the scope of the Secretary’s authority to regulate practice before the agency.

Question 4: Do you see yourself playing a role in the Government’s continuing efforts on [the Rite-Aid] issue? What steps do you believe should be taken, if any, to prevent duplication of losses, particularly if the Government loses the case?

Answer: In *Rite Aid Corp. v. U.S.*, 255 F.3d 1357 (Fed. Cir. 2001) (“Rite Aid”), the Federal Circuit held that the duplicated loss factor provisions of Section 1.1502-20 of the Treasury Regulations, which resulted in the denial of a single economic loss incurred by the taxpayer, were not within the statutory authority delegated by Congress under I.R.C. § 1502. On October 3, 2001, the Federal Circuit denied the Government’s motion for rehearing and rehearing en banc. To my knowledge, the Government has not sought certiorari, and I do not know whether the Government intends to do so. As the Committee is aware, I am the attorney for the taxpayer in *Rite Aid*. If confirmed as Chief Counsel for the Service, I would of course recuse myself from any continuing involvement in this case.

Question 5: Based upon your experience, what do you believe is the most serious problem facing the tax system and what steps would you recommend (or take) for correcting the problem.

Answer: Incomprehensibility of the tax law is the most serious problem facing the tax system. Simplification of both substance and procedure would help to correct the problem.

Question 6: What do you think of IRS’ new programs, and what (if any) specific steps would you take to ensure that guidance is provided on a timely basis?

Answer: The Commissioner’s efforts to resolve issues early on with taxpayers is a laudable goal which the Chief Counsel’s office should support. Guidance where the law is unclear is essential to voluntary compliance and enforcement. An important role of the Chief Counsel’s Office is to assist the Commissioner in the early identification of issues and the timely issuance of guidance.