

**Statement of
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before the

**Subcommittee on Legislative Branch
Committee on Appropriations
United States Senate**

Appropriation Request for Fiscal Year 1987

June 26, 1986

Mr. Chairman and Members of the Subcommittee, I am pleased to present the fiscal year 1987 budget request for the Congressional Budget Office (CBO). As you know, CBO is a nonpartisan analytic organization that furnishes the Congress with information and analyses on issues relating to the U.S. economy, the federal budget, and federal programs. The CBO does not make policy recommendations, but presents the Congress with options and the possible budgetary and economic consequences.

With the enactment of the Balanced Budget and Emergency Deficit Control Act of 1985, the Congressional Budget Office has been assigned added duties and responsibilities of such a nature as to have a significant impact on the workload of the agency. The fiscal year 1987 budget request we submit to you today reflects this impact and the need for additional resources.

BUDGET REQUEST

Mr. Chairman, our request for fiscal year 1987 is \$19,060,000, which includes 10 new positions. This is the first request for new positions in four years. We have not requested positions in previous years unless new duties and responsibilities were assigned to us as a result of Congressional action. These 10 positions are earmarked for three of our divisions: Budget Analy-

sis, Fiscal Analysis, and Tax Analysis. My detailed justification statement will deal with the nature of these positions and how we propose to spread them among the three divisions.

It is important to stress at the outset that CBO's increased workload, as a result of the Balanced Budget Act, will not be lightened whatever action the Supreme Court takes in ruling on the lower court's decision. Even if the Supreme Court upholds that decision, there is a mechanism in the law that would replace the role of the General Accounting Office with a joint committee of the Congress. CBO's role will remain as outlined in the legislation.

The Balanced Budget Act will have a substantial impact this year on costs at CBO. The additional computer time and computer printouts necessary to perform the analysis mandated by the act are significant. Printing costs related to the publication of the Sequestration Report also are substantial. And there has been an enormous strain on the staff, who regularly worked overtime to complete the report. Moreover, the new duties resulted in additional requests for testimony and briefings and added to the number of queries from Members of the Congress, agencies, and the general public.

Of course, we will do our best to absorb such costs, but these increases come at a time when our fiscal year 1986 appropriation was reduced substantially. In real terms, our fiscal year 1986 budget is almost 7 percent below that of 1984. The increase we request comprises the following items:

- o \$1,032,000 for personnel costs;
- o \$1,482,000 for increased costs related to our automated data processing, including new work and upgrading and maintaining the systems;
- o \$240,000 for systems data and model development; and
- o \$146,000 for other administrative costs.

Mr. Chairman, I reiterate that, as in the past, we have taken a most prudent funding approach in our fiscal year 1987 budget request. At the same time, the new tasks we face are enormous. In order that CBO continue to operate at the level of efficiency and professionalism the Congress has come to expect, we are calling for an increase in resources. Before going into detail about our request, I would like to review for the Committee the principal services that CBO provided to the Congress in the past fiscal year.

NEW CBO SERVICES TO THE CONGRESS.

Once again in fiscal year 1985, budget issues dominated the legislative agenda of the Congress. As a result, the work of the CBO figured promi-

nently in many Congressional deliberations. Nowhere were the efforts of the CBO more evident than during the debate of the Balanced Budget Act.

From the opening round of debate, CBO was called upon to provide detailed estimates of the bill's consequences. Conference sessions were often long and arduous, conducted under imposing deadlines. The CBO was routinely required to provide detailed calculations of complex proposals and alternatives in very short order. This work came at the end of the fiscal year when the agency's workload was already heavy and it was under pressure to keep pace with the usual end-of-session flurry of Congressional activity. CBO personnel regularly worked overtime to meet the needs of the Congress for budgetary information. I cite this to underscore how very proud I am of the staff and the results of the labors of so many.

First and foremost among the new tasks mandated of the CBO by the Balanced Budget Act is the Sequestration Report. This report is jointly prepared by the CBO with the Office of Management and Budget (OMB) of the Executive Branch. As required by law, the joint report:

- o Estimates budget base levels, including the amount by which the projected deficit exceeds the maximum deficit amount for the fiscal year;
- o Provides OMB and CBO economic assumptions, including the estimated rate of real economic growth; and

- o Calculates the amounts and percentages by which various budgetary resources must be sequestered in order to eliminate any deficit excess.

CBO analysts reviewed over one thousand budget accounts and applied percentage cuts in hundreds of them to complete the required report. Personnel resources were strained by the task and we anticipate the workload will be even more demanding in August when last-minute Congressional action could dictate changes in the budget picture.

In addition to the Sequestration Report, the Director of CBO is given the responsibility for alerting the Congress to a recession or downturn in the economy that might warrant the suspension of the Balanced Budget Act's deficit targets. In order to do this, the CBO will have to maintain constant readiness to provide up-to-date, near-term forecasts of the economy. This sort of forecasting is currently done semiannually, but the new legislation calls for a type of monitoring that will increase both our manpower and computer needs in the area.

Finally, the Balanced Budget Act requires CBO to provide the Congress with a report on unauthorized appropriations and expiring legislation. For the most part, this is information that CBO has been collecting and providing on request to the House and Senate Budget Committees. Now,

however, CBO will have to file a report by January 15; identify therein programs and activities that were funded--appropriations made--for which authorizations have not been enacted; list the programs and activities in greater detail than is currently maintained; and, after consulting with the appropriate committees, make its report to the Congress rather than just the Budget Committees. I will provide the Committee with a copy of the report we submitted on January 15th.

CURRENT CBO SERVICES TO THE CONGRESS

The Congressional Budget Act of 1974, as amended, mandates that CBO prepare certain reports on a regular basis and other studies in response to Congressional requests. Specifically, CBO carries out the following tasks: maintains current tabulations of Congressional revenue and spending actions (scorekeeping); prepares five-year cost estimates for bills reported by authorizing committees; prepares outlay estimates for bills providing new budget authority; supplies tax expenditure and revenue information; annually reports projections of new budget authority, outlays, and revenues for the coming five fiscal years; estimates the cost to state and local governments of carrying out or complying with federal legislation; prepares periodic forecasts of economic trends and alternative fiscal policies; and analyzes issues that affect the federal budget.

Scorekeeping

CBO provides the Congress with up-to-date tabulations of Congressional actions on revenue and spending bills. These tabulations are used, particularly by the Budget and Appropriations Committees, to measure the status of Congressional budget actions relative to the targets or limits specified in the concurrent resolutions on the budget.

The bulk of CBO scorekeeping activities involves spending actions. The spending side of the federal budget is complex, consisting of more than 1,000 separate accounts. Furthermore, the Congress acts each year on a large number of individual legislative bills that affect spending, including 13 appropriation bills. CBO's scorekeeping system keeps track of Congressional action on all these bills from the time they are reported from committee to the time when they are enacted into law. As a result, the CBO scorekeeping data base for budget authority and outlays is very large, and keeping it current represents a major effort.

CBO scorekeeping estimates are derived from its analysis of the President's budget, baseline budget projections, and bill cost estimates, as well as from the economic assumptions used for the concurrent budget resolution. CBO reviews its scorekeeping estimates on a comprehensive basis at least

twice a year to incorporate new information provided by the Office of Management and Budget (OMB) and other federal agencies, revised economic assumptions that may be adopted by the Budget Committees, and other relevant data. Any reestimates resulting from these reviews are considered by the staffs of the Budget and Appropriations Committees before they are adopted as official scorekeeping estimates.

Specially designed computer scorekeeping reports are provided weekly, and sometimes daily, to the Budget and Appropriations Committees. Frequent letters are also sent to the Chairmen of the two Budget Committees to advise them on current budgetary levels. Advisory letters also have been sent on request to the Chairman of the House Appropriations Committee on the budgetary impact of individual appropriation actions, such as a supplemental appropriation bill or a continuing resolution.

The CBO automated scorekeeping data base is used to provide special computer reports to the Appropriations Committees for use in preparing their March 15 reports and in dividing budget resolution allocations among subcommittees. In addition, the Budget Committees use the data base to formulate budget resolutions.

The CBO also prepares a weekly automated report on the legislative status of selected entitlement and other bills that would directly affect budgetary requirements. Similar reports provide information on the legislative status of bills affecting credit activities, bills providing required authorizations for requested appropriations, and proposed revisions of the Budget Act. Copies of these reports are provided to the staffs of the Appropriations and Budget Committees of both Houses. These automated reports originate from a request by the House Appropriations Committee.

In addition, CBO has developed a scorekeeping capability for tracking Congressional action on the federal credit budget. This separate, automated data system is used primarily by the two Budget Committees.

Baseline Budget Projections

Each year CBO prepares a new set of baseline budget projections. The projections take as their starting point the budgetary decisions made by the Congress through its most recently completed session and show what would happen to the budget if no new policy decisions were made during the next five fiscal years. These projections do not represent a forecast of future budgets, because the Congress undoubtedly will make numerous new policy decisions in response to changing national needs and economic circum-

stances. They do provide, however, a useful baseline or benchmark against which proposed changes in taxes or spending policies may be measured and assessed. A longer-term framework is helpful in making annual budget choices. Policy decisions sometimes have little impact on the budget in the short run, but significantly influence budget priorities over a period of several years. Because the annual budget resolutions now include a credit budget component, the Budget Committees have asked CBO to develop baseline budget projections for federal credit activities.

CBO's budget projections capability has enabled the Congress to move more and more in the direction of multiyear budgeting. For example, for several years both Budget Committees have used the CBO baseline budget projections as a starting point for formulating its recommendations for the first budget resolution. The CBO baseline spending projections are distributed to the Appropriations Committees and the authorizing committees of both Houses as background information for preparing their "views and estimates" reports to the Budget Committees, now required by February 25. The Budget Committees then use the CBO baseline projections in their budget resolution markup materials to assess how spending and revenues should be altered in the future to meet fiscal policy goals and national needs. Both Budget Committees include three-year targets in their recommended budget resolutions.

The CBO budget projections took on added importance in 1981 when they served as the baseline for computing the spending reductions to be achieved in the budget reconciliation process. They have served this purpose for every reconciliation bill since. Moreover, CBO has made similar use of baseline budget projections in its bill cost estimates for calculating the costs or savings that would result from legislative proposals to change existing law. This is particularly important for calculating the budgetary effects of changes in various entitlement programs.

The growing use of budget projections requires CBO to maintain a large multiyear data base on a year-round basis. CBO now provides both Budget Committees with numerous sets of five-year projections of revenues and spending throughout the year, usually in the form of computer tabulations. In addition, CBO publishes annually a five-year budget projections report, usually at the beginning of each session of the Congress.

Analysis of the President's Budget

The Congressional Budget Office carefully reviews the budget estimates that the Administration submits to the Congress. These reviews evaluate

the Administration's budget estimates and, where necessary and appropriate, reestimate the Administration's budget estimates using different economic assumptions and CBO's estimating techniques and methods.

The economic assumptions used by the Budget Committees to formulate the annual budget resolutions usually are different from the assumptions the Administration uses in preparing the President's budget. A different set of economic assumptions may significantly alter the budgetary impact of the President's proposals. Both Budget Committees periodically ask CBO to reestimate the President's budget using different economic assumptions.

CBO has an independent capability for estimating the impact on budget outlays of various budget proposals. To keep these techniques and methods as accurate as possible, CBO staff carefully monitor both actual spending trends as reported monthly by the Treasury and various program data series that show trends in the use of federal benefits and services, the growth in beneficiary populations, and other factors affecting federal spending. The CBO uses these independent methods to reestimate the effect of the President's budgetary proposals. In recent years, these so-called "technical reestimates" have been significant.

In addition to reviewing carefully the Administration's budget estimates, each year CBO prepares an overview analysis of the President's budgetary proposals. Since 1984, this publication has been requested by the Senate Committee on Appropriations to assist Members and staff in preparing for overview hearings on the Administration's annual budget. The report discusses the economic outlook for the next several years and the possible economic impact of the President's proposals. It also presents CBO's preliminary reestimates of the budget impact of these proposals based on alternative economic assumptions and on CBO's estimating techniques and methods.

Bill Cost Estimates

The CBO prepares cost estimates for virtually every public bill reported by legislative committees in the House or Senate that would have a budget impact. CBO also prepares numerous cost estimates at committee request for use in earlier stages of the legislative process. CBO's bill cost estimates have become an integral part of the legislative process. Committees refer to them increasingly at every stage of bill drafting; indeed they are having an impact on the final outcome of legislation.

The number of such bill cost estimates prepared each year varies, depending on the amount of legislation being considered and reported by legislative committees. For 1985, the number of individual cost estimates was 601, as shown in Table 1.

TABLE 1. BILL COST ESTIMATES
(FORMAL AND INFORMAL)

Year	1978	1979	1980	1981	1982	1983	1984	1985
Federal Estimates	995	830	861	553	747	676	687	601
State and Local Estimates	N/A	N/A	N/A	N/A	4	573	641	533

A large part of CBO's bill costing activity in 1985 was for the House and Senate Committees receiving reconciliation instructions in the budget resolution for fiscal 1986. When combined with corresponding work on reconciliation proposals in 1981-1984, these efforts are equivalent to several hundred bill cost estimates. Because CBO's bill-cost estimate tracking system has treated work on all the reconciliation proposals as if they were a few large bills, this workload is not reflected fully in the figures shown in Table 1 for 1981-1985.

In addition to cost estimates for bills reported by legislative committees, CBO also provides the Appropriations Committees with outlay estimates for all appropriation bills. These outlay estimates are prepared for each appropriation account and are transmitted to the staffs of the committees largely in the form of computer tabulations. For example, many reports display both budget authority and outlay data in the Comparative Statement of Budget Authority (CSBA) formats used by the Appropriations Committees.

State and Local Government Cost Estimates

The State and Local Government Cost Estimate Act (Public Law 97-108) enacted in late 1981 expanded CBO's bill costing responsibilities by requiring estimates of the cost that would be incurred by state and local governments in carrying out or complying with legislation that is reported in the House or the Senate.

CBO's policy is to review as many bills as possible to identify their potential impacts on state and local government costs. These cost estimates may be limited to bills that, in the judgment of CBO, are likely to result in an aggregate annual cost to state and local governments of at least \$200 million or to have exceptional fiscal consequences for a geographic

region or particular level of government. During 1985, CBO prepared state and local cost estimates for 533 bills. Of these bills, CBO estimated that 45 had some potential effect on the budgets of state or local governments and 488 had none.

Two examples of CBO analyses of state and local cost impacts are:

- o Cost estimates for S. 1200, the Immigration Reform and Control Act of 1985, which would make some major revisions and reforms to the Immigration and Naturalization Act. CBO's analyses indicated that the provisions of the bill legalizing certain unauthorized aliens currently residing in the United States could have sizable effects on state and local government public assistance. Additional state and local public assistance expenditures were estimated at over \$200 million per year after fiscal year 1992.
- o Cost estimates of H.R. 1650, Safe Drinking Water Act Amendments of 1985. CBO estimated that the amendments would result in state capital expenditures of \$2.5 billion to \$3.5 billion (in 1985 dollars) and operating costs of \$200 million to \$300 million annually (in 1985 dollars). Most of these costs are associated with the filtration requirements in the bill and would begin several years after enactment of the bill.

Economic Forecasts

Each fiscal year, CBO provides the Congress with two economic forecast reports. They are issued to coincide with Congressional consideration of the concurrent resolutions on the budget.

CBO does not maintain its own macroeconomic model of the economy. Instead, we use the major commercially available econometric models (Data Resources, Inc., Wharton Associates, Townsend-Greenspan, and Ray Fair Economic Model). We also rely on the advice of a distinguished panel of advisers representing a wide spectrum of economic views. The panel is supplemented from time to time with guests possessing expertise in particular areas of interest. The panel meets twice a year in advance of the release of our forecasts. Appendix A to this statement lists the current members of the panel.

The reports issued in February and August of 1985 focused on recent economic developments, discussed fiscal and monetary policy, forecast short-term economic trends, and detailed the federal budget outlook under these economic assumptions. As has been previously mentioned, CBO will have to run continuously its models of the economy in the future as we monitor the economy on a frequent basis, thus conforming to the requirements of the Balanced Budget Act. With the growing internationalization of the U.S. economy, the task has become more complex, since it is even more important to monitor economic developments abroad as well as in the United States.

Tax Analysis

In 1985, Members of the Congress were provided with background analysis on important tax reform issues, such as the effects of major proposals on the oil and gas industries and the likely long-term revenue effects of the proposals. The CBO also supplied Members with many estimates of the effects of specific proposals on those taxpayers with incomes near or below the poverty level.

The CBO tracked the major tax revision proposals, by specific provision, regularly supplying committee staff with spread sheets comparing the major proposals in great detail. Throughout the process, CBO responded to a significant number of questions from Congressional staff on virtually every aspect of the tax reform legislation.

CBO also continued to provide to the Budget Committees a set of standardized tables showing considerable background detail on CBO's baseline revenues and estimates of recent tax legislation. The CBO received favorable comments about the usefulness of the tables from the Budget Committee staff members and will provide these tables each time CBO presents a new economic and budget baseline forecast.

CBO also provides several sets of five-year baseline revenue estimates based on alternative economic forecasts developed by the staffs of both Budget Committees. Most of these are done to aid the staffs in their preparation of the budget resolution.

Revenue scorekeeping reports, with bill-by-bill detail, are sent as needed to the staffs of the Ways and Means, Finance, and the Budget Committees. The reports provide five-year revenue effect estimates of each tax bill in the legislative process, and compare the cumulative revenue effects of enacted legislation with the targets set in the budget resolution. The revenue estimates shown in the reports are drawn from CBO cost estimate letters and are furnished to the tax-writing committees when each tax bill is reported. The Balanced Budget Act provides that these reports be made at least monthly, further increasing CBO's list of required services to the Congress.

In addition, CBO continued its close association with the Joint Committee on Taxation (JCT). The JCT remains responsible for providing the tax writing committees with revenue estimates of tax reform proposals. The CBO is responsible for providing budgetary revenue proposals, as well as revenue estimates in legislation other than tax proposals. The JCT bases its revenue estimates on CBO's economic assumptions as well.

The CBO staff also continued to provide estimates of the revenue effects of many alternative deficit reduction plans, a service that is becoming increasingly important to Members as they look for new ways to deal with the budget deficit.

The CBO has prepared and continues to maintain a detailed provision-by-provision comparison table of recent major reform proposals. The table includes current-law status by major provision, including the relevant section of the tax code, and the alternative treatment under all major recent proposals, including the House passed bill. CBO periodically supplies updates.

In addition, last year, CBO completed a major study looking at the history of the corporate income tax and possible alternatives and options for revision of the current system. As the Senate considers tax reform, we expect a particularly heavy volume of requests in the coming year.

Programmatic Analysis

The CBO's four analytic programmatic divisions--Human Resources, Natural Resources, National Security, and General Government--respond to requests from Congressional committees for analyses of issues and options that help

the Congress anticipate the consequences of legislative proposals. Four types of products illustrate the range of efforts carried out by the program divisions:

- o Formal and informal cost estimates and other budget analytic work directly analogous to, or in support of, the efforts of the Budget Analysis Division. Often this work involves developing simulation models to estimate the impacts of changes to technical parameters in legislation.
- o Short-term policy analyses, often involving estimating the likely effects--other than costs--of proposed legislation. This covers a wide range of brief, but timely, informal statements that have proved most helpful to legislative committees.
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- o Testimony at Congressional hearings, which often follows from other work we have done.
- o Longer-term analyses of broad issue areas, considering a full range of policy options. These projects typically result in published papers.

The principal responsibility of these divisions is to assist the committees of the Congress in considering current legislative issues. Over the years, CBO has responded to requests for analyses of key program issues from almost every committee of both Houses of Congress.

In fiscal year 1985, CBO completed 37 such reports. The reports were for 10 Congressional committees--four of the House, five of the Senate, and one joint Congressional committee. Appendix B of this statement includes a complete list of CBO projects in fiscal year 1985. Part I of the list shows the projects in progress. Part II lists the studies completed in fiscal year 1985. This list gives the CBO division responsible for the report, its title, a summary of its content, the requesting Congressional committee or statutory authority and, when applicable, its completion date. In addition, a list showing the distribution of reports by House and Senate committees in fiscal year 1985 is also provided.

The subject areas of these reports have typically reflected the major budgetary issues before the Congress and the nation. Our program divisions have helped focus debate by organizing and presenting policy goals that are often scattered among different budget functions and tax provisions into a single analysis. In this way, the Congress can see more clearly whether its policies are having the intended effect.

Some recent studies of this type are: *Research and Development Funding in the Proposed Fiscal Year 1985 Budget*; *The Budget of the Environmental Protection Agency: An Overview of Selected Programs for Fiscal Year 1985*; *Federal Support for U.S. Business*; *Federal*

Financial Support for High Technology Industries; and, The Federal Budget for Public Works Infrastructure.

In addition, this past spring, in conjunction with the Congressional Research Service, CBO completed a major study on poverty entitled *Reducing Poverty Among Children*. Our contribution included measuring poverty under alternative definitions and assessing more than 40 specific options for reducing the incidence of childhood poverty. Recently, this study proved most valuable to the Senate Children's Caucus where extensive hearings were conducted by Senators Dodd and Specter. Another report published this year, *Reducing Grades of the General Schedule Work Force*, provided an analysis of the effectiveness of federal job classification.

Much legislation with purposes not closely related to the federal budget nevertheless has important budgetary and economic consequences. Many committees have shown a strong interest in the analysis of the effects of such legislation, which often expands and complements information provided in a CBO cost estimate.

Recent published examples of such work by the CBO include: *Hazardous Waste Management: Recent Changes and Policy Alternatives*;

Promoting Employment and Maintaining Incomes with Unemployment Insurance; Future Budgetary Requirements for the 600-Ship Navy; Tactical Combat Forces of the United States Air Force: Issues and Alternatives; and, Curtailing Indirect Federal Subsidies to the U.S. Postal Service.

Finally, in terms of direct support of the budgetary process by these divisions, there are studies that address the budgetary implications of changes in program emphasis or direction. Committee interest in such analyses is prompted by budgetary constraints and the perception that existing programs are inefficient and have outlived their original intent.

Recent CBO studies along these lines include: *Federal Support for R&D and Innovation; Pricing Options for the Space Shuttle; An Analysis of Selected Deficit Reduction Options Affecting the Elderly and Disabled; Veterans Administration Health Care: Planning for Future Years; Modifying Military Retirement: Alternative Approaches; and Options for Change in Military Medical Care.*

Based on current committee requests, the CBO expects to complete at least the same number of reports in fiscal year 1986 as in fiscal year 1985.

We further assume that our level of activity in fiscal year 1987 will be similar to that in previous fiscal years.

Published reports are only the most obvious example of the analytic support provided to the Congress by these divisions. Regularly, short-term analysis in the form of unpublished papers, staff memoranda, and letters is provided to committee staffs. Because Congress has increasing need for updated and timely information in policy areas, CBO's programmatic divisions are doing more and more of the "quick turn-around" type of analysis.

In addition, CBO maintains a heavy agenda of testimony. We have testified on 32 separate occasions during the last fiscal year before a variety of Congressional committees. This testimony is often in connection with an ongoing or completed report, though we sometimes prepare new analyses for such appearances. Preparing testimony constitutes a significant portion of the workload of all of our divisions.

Finally, these divisions have developed a number of sophisticated analytic computer models of federal programs. The output from these models is provided to our Budget Analysis Division for use in their cost estimates, and our analysts frequently revise or improve existing BAD models. This expertise in the use of computers allows our programmatic

analysis units to respond to requests that require sophisticated analytic treatment, such as simulating the effects of options on beneficiaries of federal programs. Similarly, these divisions have developed models, both for the Budget Committees and authorizing committees, that estimate the costs and revenues of specific programs. The models are used by the committees to respond to proposals made during the markup of legislation.

The requests and demands made of these units will not lessen under the Balanced Budget Act, but will increase. The Congress, in carrying out its policy objectives during these times of severe fiscal constraint, will be considering large numbers of new and innovative approaches to a myriad of programs. The CBO will be called on, and stands ready to assist, in the evaluation and analyses of all such proposals so that the Congress will be assured of having the best possible information on which to base its decisions. In addition, the Congress will continue to want and need to assess the programmatic and policy implications of the budget reductions. The CBO analytic programmatic divisions have the resources in place to make these important reassessments.

ORGANIZATION OF THE CBO

From time to time, questions arise about CBO's organizational structure, the functions of each unit, and the interrelationship among them. For management and administrative purposes, our staff is divided into seven divisions. While the main functions of each division are clearly defined, the work of each is highly dependent on that of the other, and I would like to take time today to share with you how this "crosswalk" works.

Three of our divisions--the Budget Analysis, Fiscal Analysis and Tax Analysis Divisions--support primarily the needs of the House and Senate Budget and Appropriations Committees for accessible, comprehensive and technical budget and economic information. The other four divisions--Natural Resources and Commerce, National Security, Human Resources and Community Development, and the General Government unit of the Office of Intergovernmental Relations--provide key support, often early in the legislative process, to the budget and authorizing committees in analyzing various programmatic and policy options and their associated costs. To perform these tasks, each unit must collaborate with the other.

For example, the economic assumptions developed by the Fiscal Analysis Division serve as the basis for our cost estimating, projections, and

issue analysis. The budget numbers developed by Budget Analysis often depend on methodological studies done in the program divisions. Finally, all numbers developed in connection with analytic studies are reviewed by the cost analysts in the Budget Analysis Division. This crosswalk among our divisions is absolutely essential to our ability to provide accurate cost estimates and comprehensive analyses of alternative legislative strategies.

The interdependence of our organization is best exemplified by the report, *Reducing the Deficit: Spending and Revenue Options*. (Incidentally, Mr. Chairman, over the years, Members of the Congress have told us that they find this to be one of the most useful documents we produce.) The study describes several broad strategies for reducing the federal deficit and analyzes numerous specific spending and tax options for implementing those strategies. For each option, outlay savings or revenue increases relative to CBO's baseline projections are presented. The Fiscal Analysis Division prepares the economic assumptions used in the report. The Budget Analysis Division prepares the baseline projections using these economic assumptions. The program divisions develop strategies and options. The cost analysts in Budget Analysis provide the savings estimates associated with each option. The Tax Analysis Division provides the analysis of revenue increases.

THE FISCAL YEAR 1987 REQUEST

As I previously indicated, the increment over the 1986 operating level reflects CBO's needs in three areas: personnel, automated data processing, and other support services.

Personnel

Mr. Chairman, as I said at the outset, we have come here today asking for 10 additional positions above our authorized level of 222 positions. Full funding of our authorized level would allow us to carry out, in the most efficient and professional manner, duties previously assigned to us by the Congress. All 10 of the additional positions we are seeking are attributable to the work assigned us by the Balanced Budget Act.

The bulk of the new positions--six--will be for the Budget Analysis Division. They comprise a principal analyst, an associate and an assistant analyst, and three cost analysts. Total cost for the positions (pay and benefits) in fiscal year 1987 is estimated at \$238,000.

The other four positions would be split evenly between our Tax Analysis and Fiscal Analysis Divisions. As I have previously stated, the

Balanced Budget Act requires that we do rigorous forecasting and systematic monitoring of economic activity on a continuous basis, rather than twice annually as we do now. To help accomplish this, we have asked for an additional senior analyst and additional associate analyst for the Fiscal Analysis Division at a cost of \$89,000 in fiscal year 1987.

Before passage of the Balanced Budget Act, we were already anticipating the need for two more analysts in our Tax Analysis Division. The pressure our revenue estimating division was under during the compilation of the Sequestration Report only reaffirmed our need for increased resources here. We request two additional principal analysts at a total cost in fiscal year 1987 of \$124,000.

Automated Data Processing

Computers continue to be essential to our operation. In fiscal year 1986, due to sequestration, CBO's budget was cut by \$528,000 in this vital area. This action was necessary to avoid reducing our staff size. Steps taken included postponing enhancements to our projection and scorekeeping systems. We asked staff to run large jobs late at night or weekends to take advantage of cheaper computer rates. We moved a number of applications from mainframe computers to microcomputers to avoid timesharing costs.

Although these applications take longer to process, we have saved money. We cancelled the online services of a major econometric service, Chase Econometrics, to save resources. We have also discontinued all contracting of program development.

Resources normally directed at improving and maintaining our computer applications have been used elsewhere instead. Although such systems' maintenance can be neglected for short periods of time, it cannot be done for extended periods.

The increase of \$1,482,000 this year includes restoring our base for maintaining and enhancing our current applications. It is only \$214,000 more than we requested last year. The Balanced Budget Act activities have resulted in significant growth in our computer data bases. We have had to add more detail to these data bases. This has resulted in increased processing costs not only for new reports, but for all existing reports. Therefore, when we produce projections and scorekeeping reports next year, it will cost more simply because we will have a larger volume of data to process.

For each staff person, there is a direct cost for equipment and performing analysis on mainframe computers. This year's increase allows for equipping any new staff members with the necessary resources.

We also expect our analysis to require greater use of micro data. There is a need for more detailed analysis as we produce numbers for the purpose of cutting existing activities. Such analysis consumes more computer resources. Also, in working with the Office of Management and Budget, we have a greater need to continually compare the estimates of the two organizations.

Finally, CBO was one of the leaders in using microcomputers on Capitol Hill. We began using this infant technology almost five years ago. We strive to keep our analytic staff as current as possible with both software and hardware. In many instances, this has helped us sustain the pace I mentioned earlier. We anticipate the need to upgrade further a number of our software packages in 1987 and to upgrade and replace some of our hardware.

Systems Data and Model Development

CBO programmatic studies are primarily based on data developed and collected by executive agencies. Often an extensive amount of work is needed to transform the data so that our staff can use it efficiently to address issues of interest to the Congress.

Data from the Survey of Income and Program Participation (SIPP) is an example, as is data to be released later this year by the Department of Labor about the extent to which the Job Training Partnership Act (JTPA) is aiding members of the target groups. In both cases, CBO is anxious to have file preparation and data manipulation, large complex jobs, done outside CBO so that staff can focus their efforts on the analysis of the data.

CBO also must update some models annually, such as its Defense Resources Model, which produces budget options for defense. The update accounts for changes in the base and different weapons systems.

The systems data and model development area of our budget absorbed the brunt of the cuts in fiscal year 1986. As with maintenance, costs in this area can be avoided for a period of time, but eventually must be made up or data will be out-of-date. The \$240,000 increase requested in this area will

raise the level of spending to \$375,000, still well below the fiscal year 1985 actual base of \$416,000.

Other Administrative Costs

The increase of \$146,000--9 percent--in this category is attributable to higher-than-inflation rises in costs of telephone service, printing, and repair and maintenance of office equipment and computers. Other items in this category include travel, training, and office supplies and equipment.

CONCLUSION

Mr. Chairman, as I stated at the opening of this justification, I have tried to maintain a most prudent approach in budgeting as Director of CBO. We are currently operating at a level only slightly in excess of our fiscal year 1984 appropriation. This past year, however, we have been assigned a myriad of new duties by the Balanced Budget Act. In addition, the first priority of the Congress continues to be getting answers to questions about the impact of various programmatic and budgetary proposals. The CBO has been in the front lines throughout these discussions, trying to supply the Congress with the information it needs to serve the nation. Now, the CBO finds its resources extremely taxed. We hope that you will be able to grant us this

increase. It will allow us to continue to provide the Congress with the kind of service it has come to expect. Thank you for your time and attention.

APPENDIX A. CBO PANEL OF ECONOMIC ADVISERS

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APPENDIX B. SUMMARY OF REQUESTED CBO REPORTS
(October 1, 1984 to September 30, 1985)

Requester	Number of Reports
House Appropriations Committee	2
House Armed Services Committee	3
House Budget Committee	4
House Energy and Commerce Committee	1
House Merchant Marine and Fisheries	1
House Ways and Means Committee	5
Senate Appropriations Committee	3
Senate Armed Services Committee	5
Senate Budget Committee	4
Senate Commerce, Science, and Transportation Committee	1
Senate Energy and Natural Resources Committee	1
Senate Environment and Public Works Committee	1
Senate Finance Committee	3
Senate Labor and Human Resources Committee	1
Mandated by the Congressional Budget Act of 1974	<u>4</u>
TOTAL	39
