

Statement of Rudolph G. Penner
Director of the
Congressional Budget Office

before the

Subcommittee on Legislative Branch
Committee on Appropriations
United States Senate

Appropriation Request for Fiscal Year 1986

May 21, 1985

Mr. Chairman and Members of the Subcommittee, I am pleased to present the fiscal year 1986 budget request for the Congressional Budget Office (CBO). I have been Director of the CBO for 18 months now and have had an opportunity to scrutinize the **agency's** budgetary needs. Accordingly, the fiscal year 1986 request we submit today has been carefully planned.

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 of **those** options.

BUDGET REQUEST

For fiscal year 1986, CBO is requesting \$18,455,000, an increase of 4.5 percent (or \$792,000) over our anticipated operating level for fiscal year 1985 of \$17,663,000.^{1/} This increase differs little from the rate of inflation CBO **projects** for 1985, making this a current services budget. We are requesting no additional staff positions for fiscal year 1986, but will maintain staffing at the current authorized level of 222.

1. The fiscal year 1985 appropriation for CBO is \$17,418,000. We have submitted a supplemental request for \$245,000. This request represents the January 1, 1985 **cost-of-living** adjustment (COLA).

The increase of \$792,000 comprises the following items:

- o \$291,000 for personnel costs;
- o \$351,000 for increased costs, **upgrading** and maintenance, and new work relating to our automated data processing (ADP operations and systems);
- o \$150,000 for other administrative office services costs.

Mr. Chairman, I would like to reiterate, this is a current services budget, and in preparing our request we have maintained a most prudent funding approach. I will discuss these areas in more detail later. First, however, I would like to review for the Committee the principal services CBO provided to the Congress in the past **fiscal** year.

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 are prepared 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 reviewed 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 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 data base is used by the Budget Committees 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 circumstances. 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. These annual budget decisions sometimes have little impact on the budget in the short run, although they can significantly influence relative 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 the Senate Budget Committee has 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 Senate Appropriations Committee and the authorizing committees as background information for preparing their March 15 reports to the Budget Committee. The Senate Budget Committee then uses the CBO baseline projections in its budget resolution markup materials to assess how spending and revenues should be altered in the future to meet fiscal policy goals and national needs. The House Budget Committee also uses the

CBO budget projections to provide background information to House committees for the preparation of March 15 reports and to show the outyear effects of Budget Committee recommendations for the first budget resolution. Since 1982, the House Budget Committee has also used the baseline projections as a basis for formulating the first budget resolution. Both Budget Committees include three-year targets in their recommended budget resolutions.

The CBO budget projections took on added importance in the years from 1981 to 1984 when they served as the baseline for computing the spending reductions to be achieved in the budget reconciliation process. 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 Congress. CBO also publishes a separate report presenting five-year projections of tax expenditures.

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 typically 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.

Over the past several years, CBO has developed 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. In 1984, this publication was 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. Since 1980, at the request of the two Budget Committees, CBO has also prepared a report providing an overview analysis of the President's proposed budget for federal credit activities.

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. During 1984, the number of individual cost estimates was 687, as shown in Table 1. A large part of CBO's bill costing activity in 1984 was for the House and Senate Committees receiving reconciliation instructions in the first budget resolution for 1985.

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 1981-1984.

TABLE 1. BILL COST ESTIMATES (FORMAL AND INFORMAL)

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

In addition to cost estimates for bills **reported** by legislative committees, the 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 1984, CBO prepared state and local cost estimates for 641 bills. Of these bills, CBO estimated that 57 had some potential effect on the budgets of state or local governments and 584 had none.

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

- o Cost estimates for H.R. 1510, the Immigration Reform and Control Act of 1983 which makes 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 budgets. Additional state and local expenditures were estimated at \$281 million for fiscal year 1988.

- o Cost estimates of the Hazardous Waste Control and Enforcement Act of 1983, which amends the Solid Waste Disposal Act. CBO estimated that the amendments would result in state expenditures of \$30 million from 1984 to 1988, but would also allow state clean-up action at state-owned sites sooner and at a lower cost to states than would otherwise have occurred.

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, it uses the major commercially available econometric models (Data Resources, Inc., Wharton Associates, Chase Econometrics, Townsend-Greenspan, and Ray Fair Economic Model). It also relies 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. Appendix A to this statement lists the current members of the panel.

The reports issued in February and August of 1984 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.

Tax Analysis

This year for the first time, CBO provided 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 biweekly, or 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.

At the request of both Budget Committees, as well as some other Members of Congress, the CBO staff provided estimates of the revenue effects of many alternative deficit reduction plans. Some of these estimates were done during the October-November 1983 period when the tax-writing committees were attempting to respond to the Budget Committees' reconciliation instructions on the fiscal 1984 budget resolution. Many of the estimates of deficit reduction plans were done in support of the effort to pass a budget resolution for fiscal year 1985.

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 the Treasury proposal, the Bradley-Gephardt, Kemp-Kasten, Stark, and Roth-Moore proposals. Several other proposals, such as the Brookings cash-flow tax and the Heftel proposals, can also be displayed in the table. The

core staffs of both Budget Committees continue to find these very useful references. CBO periodically supplies updates.

CBO also supplied information on the use of tax-exempt industrial revenue bonds and mortgage bonds to both tax-writing committees and to individual Members of Congress throughout 1983 and 1984, up to the passage of the Deficit Reduction Act. This included analyses--generally in memorandum form--of the potential effects of bills drafted in the House and the Senate on the volume of tax-exempt bonds and on federal revenues. In addition, CBO provided the House Budget Committee with information on the effects on state and local revenues of the tax-exempt bond and the leasing provisions of the Deficit Reduction Act.

Program Analysis

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 1984, CBO completed 54 such reports. The 54 reports were for 18 Congressional committees--9 of the House, 8 of the Senate, and 1 joint Congressional committee. Two reports were done at the request of the Senate Minority Leader and one report was done for the Environmental and Energy Study Conference. Appendix B of this statement shows the

distribution of reports requested by House and Senate committees in fiscal year 1984.

The subject areas of these reports have typically reflected the major budgetary issues before the Congress and the nation. Fiscal year 1984 proved no exception in that regard. Let me cite some examples of important CBO reports completed in fiscal year 1984.

One of the major debates currently under way is over the effects of foreign imports on U.S. industries and the U.S. economy. CBO analyzed what the overall effects would be of granting one industry sought-after import **restriction** relief in its study, The Effects of Import Quotas on the Steel Industry. The report was used by the Subcommittee on Trade of the House Ways and Means Committee in its consideration of H.R. 5081 and S. 2380--two bills that would impose quotas on steel imports. It was widely cited by government, academia, and the media, and was the only source of independent estimates of the prospective **quota's** effects. In **addition to this** report, CBO testified on the subject, and is continuing to provide the Committee with follow-up analysis as requested.

Another important and recited issue is whether or not the United States needs a general industrial policy. The Industrial Policy Debate, a study published by CBO for the Office of the Senate

Minority Leader, provides the background for understanding the current debate, the economic changes that precipitated it, and alternative policy options.

In addition, several studies analyzed the federal role in supporting industrial development. Federal Support of U.S. Business, requested by the House Budget Committee, analyzed the magnitude of federal aid to business and projected its growth under current policies. The Committee has recently asked for an update, which is now under way. The study anticipated many of the issues in then Secretary **Regan's** tax reform proposal. The Federal Role in State Industrial Development Programs, requested by the House Banking, Finance and Urban Affairs Committee, provided an analysis of state programs aimed at stimulating local economic growth, the federal role in these state programs, and options for modifying federal support.

CBO also helped form the analytic basis for discussion of the 1985 farm bill in several papers it published on agriculture. Crop Price Support Programs; Options for Contemporary Agriculture reviewed the changing national farm sector and the way that federal programs mesh with current realities. This report has been used by the staff of the Agriculture and Budget Committees in both Houses as a basic reference work in preparing

for the 1985 farm bill. The report has also been used widely by others, including agribusiness, universities, and agricultural groups. Two additional studies--Farm Revenue Insurance: An Alternative Risk Management Option for Crop Farms and Canada's Western Grain Stabilization Program; An Option for U.S. Farm Policy?--explored individual options in greater depth.

The CBO continues to do analyses of the costs and condition of infrastructure systems, an area of national concern. The financial condition of the Highway Trust Fund was the subject of three CBO testimonies--House Public Works and Transportation, Senate Environment and Public Works, and House Ways and Means Committees. Our analysis is being used by both public works committees and the Administration in their preparation for next year's highway bill.

The CBO work on infrastructure banks for the House Public Works Committee, though not yet published, has been of significant value to Committee staffs in developing proposals for public works financing. CBO has conducted several staff and member briefings and analyzed many prototypical banks at the request of interested committees.

Financing U.S. Airports in the 1980s, another CBO report published last year, will have its biggest impact on the next airport bill, probably in 1986.

In the areas of energy and the environment, CBO has adapted an analytic model to test the budgetary and economic effects of Congressional proposals to reduce "acid rain". These analyses, published in the Congressional Record, are being used by the Senate Committee on Environment and Public Works and the House Budget Committee to assess the effects of alternative proposals.

Moreover, CBO has analyzed the economics of key programs in nuclear energy. In Uranium Enrichment; Investment Options for the Long Term, CBO prepared, for the House Science and Technology Committee, a comparative cost analysis of the candidate technologies to replace the current gaseous diffusion process. This work has been updated in a separate report to the House Energy and Commerce Committee. Similarly, CBO has published two analyses of the appropriate electricity fee that might be charged to electricity users to pay for DOE's radioactive waste disposal program. These analyses were used by the House Interior and Insular Affairs and Rules Committees.

A number of committees and Members continue to make extensive use of our analyses of national security issues. During 1984, CBO provided studies and testimony on national security issues at the request of the Senate and House Armed Services Committees, the Senate and House Appropriations Committees, and the Senate Foreign Relations Committee.

Studies produced for these Committees were cited by the House Committee on Merchant Marine and Fisheries, the Senate Veterans' Affairs Committee, and in floor debates.

The preliminary results of the study, Equipping the Total Army and Pomcous Sets 5 and 6, done at the request of the Defense Subcommittee of the Senate Appropriations Committee, formed the basis for Senate questioning of the Army during procurement hearings in April. The final report was cited in both the House and Senate Defense Appropriations Reports for fiscal year 1985 and was the basis for Congressional language that maintained 1984 restrictions on Army equipment. The report was also cited as the basis for directing the Army to reexamine the appropriate levels of equipment for its units.

With our unpublished report, Costs of the Administration's Strategic Defense Initiative, CBO provided the Congress with an analysis of one of the most controversial of the Administration's defense policy proposals. Requested by the Subcommittee on Arms Control, Oceans, International Operations, and Environment of the Senate Foreign Relations Committee, the summary was cited and introduced as part of the record. During the floor debate, Members of both the House and the Senate frequently referred to it as having provided invaluable information and

useful analysis. It was used in framing authorization bill language requiring specific reporting by DoD on SDI, particularly with respect to the budget structure.

In the area of arms control, CBO prepared a comprehensive analysis of the effects of the Administration's arms control proposals entitled, An Analysis of Administration Strategic Arms Reduction and Modernization Proposals. The study was cited during floor debate in the Senate. Our continuing analyses of G.I. issues for the House Armed Services Committee contributed **significantly** to the modifications of the new G.I. Bill program passed last year. Estimates of costs and recruiting effects were also cited by the Senate Armed Services and Veterans' Affairs Committees. A staff working paper examining alternative versions of a G.I. Bill was used by House and Senate staff personnel during the authorization **conference**.

And finally, early last year, I **testified** before the House Armed Services Committee on the effects of defense spending on the economy. The Committee quoted from this testimony and relied on it extensively in its discussion of this issue. The discussion was part of the report on the 1985 defense authorization bill.

Human resources and community development was another area in which CBO contributed greatly to Congressional debate in 1984. In April of

last year, the CBO testified on the effects of the **Targeted Jobs Tax Credit** (TJTC) before a subcommittee of the Ways and Means Committee that was considering reauthorization of the **program**. The testimony was based on a study CBO had just completed at the request of Committee Chairman Rostenkowski, in which we analyzed the employment effects of the credit. Our study discussed several options for altering the TJTC, while noting that **additional** time might be useful to develop more **definitive estimates** of the current **program's** effectiveness. The Congress resolved the **issue** by reauthorizing the TJTC for one year, postponing consideration of further program **alterations** until 1985.

During much of 1984, CBO assisted staff of the Senate and House Banking Committees in developing eligibility criteria for cities under the recently enacted (rental) Housing Development Grant Program. Responding to requests to examine alternatives to a preliminary proposal by the Department of Housing and Urban Development, CBO staff prepared a series of options for judging which cities are in need of **additional** rental housing. These alternatives served as the basis for proposed regulations and helped to structure discussions between Congressional and **Administration** personnel leading to a resolution of the issue and to the timely funding of housing units under the program.

Continuing its extensive work on Medicare's reimbursement of hospitals, the CBO testified at hearings of the House Ways and Means Committee, describing how Medicare's reimbursements rise when investor-owned hospital chains purchase existing hospitals, and analyzing several options that could limit these increased costs. Following this testimony, the House Energy and Commerce Committee requested that the CBO analyze, and estimate savings from, similar options to limit increases in Medicaid's reimbursements to nursing homes for capital costs, such as depreciation, that occur when nursing homes are sold. Related work provided estimates of the cost of expanding Medicaid to cover two groups from families with incomes below the states' needs standards as established under the Aid to Families with Dependent Children program--children age five or less and pregnant women. This work served as the basis for two legislative changes that were enacted in the Deficit Reduction Act of 1984--restricting reimbursements for depreciation after hospitals and nursing homes are sold and gradually expanding eligibility for Medicaid.

Further, one of CBO's widely requested reports this year examined the impact that an aging veteran population will have on health care provided by the Veterans Administration. Veterans Administration Health Care: Planning for Future Years analyzes short- and long-range problems facing the Veterans Administration system, and discusses some cost-effective alternatives for meeting the demand for major Veterans Administration medical care in future years.

All divisions of CBO participated in writing Reducing the Deficit: Spending and Revenue Options. This report provides a menu of options for reducing the federal deficit. The CBO has issued this report each year since 1980 and the current edition will be completed in February 1985.

Other key issues addressed by CBO during fiscal year 1984 included federal support for research and development and innovation, military medical costs, military retirement, veterans' health care, budgetary treatment of federal credit assistance, the Supplemental Security Income program, the telephone industry since the breakup of AT&T, federal subsidies to the U.S. Postal Service, trends and policy choices in U.S. shipping and shipbuilding, reducing grades of the general schedule work force, and federal debt and interest costs.

Based on current committee requests, CBO expects to complete at least the same number of reports in fiscal year 1985. We further assume that our level of activity in fiscal year 1986 will be similar to that in previous fiscal years. CBO's program areas have remained remarkably stable in terms of staffing and funding since the inception of CBO. Through the years they have accounted for approximately one-third of CBO's staff positions and a little more than one-quarter of the funding.

A complete list of CBO reports requested during fiscal year 1984 has been included as part of our justification. Part I of the list shows the projects in progress. Part II lists the studies completed in fiscal year 1984. The list gives the CBO divisions responsible for the report, its title, a summary of its content, the requesting Congressional committee or statutory authority and, when applicable, the completion date.

In addition to our written reports, I or a member of the CBO staff have testified on 45 separate occasions during the last fiscal year before a variety of Congressional committees. Topics on which we have testified this past year range from the state of the budget and economy to the health of the highway trust fund; from the outlook for the domestic steel industry to the shape of the Hospital Insurance Trust Fund, and all the way to the Grace Commission's report.

ORGANIZATION OF THE CBO

From time to time, questions arise about the 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 functions of each division are somewhat unique, 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 are often dependent on methodological studies done in the program divisions. Finally, all numbers developed in connection with analytical 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 FISCAL YEAR 1986 REQUEST

As I previously indicated, the increment over the 1985 operating level reflects CBO's needs in three areas: automated data processing, personnel, and other support services.

Automated Data Processing

The funds for the ADP category support CBO's use of commercial timesharing services, government computers (mainly the House Information Systems), and microcomputers, as well as our development of systems. The fiscal year 1986 budget request for computer-related costs is \$5,423,000--an increase of \$338,000 over the anticipated fiscal year 1985 operating level.

We have been able to hold our requested increase to this level because we have taken a number of steps to check the rising costs of our essential computer work. Some of these steps are:

- o Completed moving our large applications to a new data base management system that is more efficient than the previously used timesharing;

- o Continued use of less expensive Congressional computer services;
- o Expanded use of microcomputers in lieu of timesharing;
- o Replaced leased terminal equipment with purchased microcomputers which are less expensive.

The major factors contributing to the requested \$338,000 increase for ADP in fiscal year 1986 are:

- o Price increases from our timesharing suppliers that will amount to \$320,000; 2/
- o Maintenance and upgrading of existing systems at a cost of \$185,000;
- o New work and expansion to allow direct committee access to selected data bases amounting to \$98,000.

These increases are being offset in part by a \$265,000 reduction in current costs as a result of the productivity gains outlined above.

2. Figure assumes price increase by major supplier of no more than six percent, as per **supplier's** assurance.

Last year, at our request, this Committee agreed to make the sale or lease of property, supplies, or services to the Congressional Budget Office subject to Section 903 of Public Law 98-63. Basically, this means that any special contract terms obtained by CBO for items furnished to us may not be used as the basis for modifications to vendors' GSA schedule contracts or other contracts with federal agencies. The Senate and the House of Representatives already operate subject to this provision.

As requested in Report 98-811, we now wish to report that no contracts offering rates below the GSA quoted prices have been negotiated to date. Our contract with our largest timesharing supplier is for three years and it has not come up for renewal. Since we have dramatically reduced our use of this supplier, the firm is unlikely to offer us rates more favorable than those offered to GSA.

In addition to our ADP request, there is a \$13,000 increase for systems, data and model development. Example of such projects follows.

The CBO has found the use of microcomputers to be a very productive means of conducting data analysis. To date, all such work has been done in individual work stations. We believe that a comprehensive study of microcomputer networking will provide additional savings or gains

in productivity. A network or clustering of work stations will enable staff to share common data and equipment such as excess storage devices and printers. Such networking would reduce the per work-station costs. The estimated cost of the project is \$65,000.

Our program studies are based primarily on data developed and collected by executive agencies. Often, however, 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. While data from the survey are released every four months, they are linked with previously released data only once a year, a time lag that could hinder the efforts of Congressional staff. During fiscal year 1986, we propose to employ a contractor to link the new data with the old data as soon as it becomes available. The estimated cost of the project is \$150,000.

And finally, the CBO has relied on a Defense Resources Model for producing budget options for defense. This model must be updated annually for changes in the base and different weapons systems. Estimated cost of this year's update is \$45,000.

Personnel

Mr. Chairman, again I wish to underscore that this request does not seek additional staff positions. The increase of \$291,000 for personnel is a 2.8 percent increase over planned spending in fiscal year 1985. This amount is for merit increases and staff benefits at the full staffing level.

As I have previously stated, the Congressional Budget Office will continue its policy of not seeking additional staff positions unless our workload is increased by Congressional action.

Other Support Services

The increase of \$150,000--8.9 percent--in this category is attributable to higher-than-inflation rises in costs of postage, telephone service, and copier leases, printing, and repair and maintenance of microcomputers. Other items in this category include travel, training, and supplies and office equipment.

CONCLUSION

Mr. Chairman, as I stated at the opening of this justification, CBO's fiscal year 1986 budget request provides for a continuation of our basic,

legislatively mandated services to the Congress. We are requesting an increase of 4.5 percent over our anticipated operating level for fiscal year 1985. No increase in staff is included in this request. It is, in effect, a current services budget.

APPENDIX A.

CBO PANEL OF ECONOMIC ADVISERS

Barbara Bergmann
Professor of Economics
University of Maryland

Barry P. **Bosworth**
Senior Fellow
The Brookings Institution

Dewey J. Daane
Frank K. Houston Professor of Banking
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Douglas Greenwald
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Walter **W.** Heller
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Lawrence R. Klein
Benjamin Franklin Professor of Economics
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Paul W. McCracken
Edmund Ezra Day **Distinguished**
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Herbert Stein
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James Tobin
Sterling Professor of Economics
Yale University

Michael G. Wellman
Director, **Planning** and Research
K Mart Corporation

APPENDIX B. SUMMARY OF REQUESTED **CBO** REPORTS
(October 1, 1983 to September 30, 1984)

Requestor	Number of Reports
House Appropriations Committee	1
House Armed Services Committee	3
House Banking , Finance and Urban Affairs Committee	1
House Budget Committee	7
House Energy and Commerce Committee	2
House Public Works and Transportation Committee	1
House Science and Technology Committee	1
House Veterans' Affairs Committee	1
House Ways and Means Committee	3
Senate Agriculture, Nutrition and Forestry Committee	1
Senate Appropriations Committee	5
Senate Armed Services Committee	2
Senate Banking, Housing and Urban Affairs Committee	2
Senate Budget Committee	13
Senate Commerce Committee	2
Senate Energy and Natural Resources Committee	2
Senate Environment and Public Works Committee	3
Senate Finance Committee	2
Senate Foreign Relations Committee	1

(continued)

Requestor	Number of Reports
Senate Labor and Human Resources Committee	2
Senate Veterans' Affairs Committee	1
Senate Special Committee on Aging	1
Joint Economic Committee	1
Environmental and Energy Study Conference	1
Senate Minority Leader	1
Mandated by the Congressional Budget Act of 1974	<u>5</u>
TOTAL	65