

**Summary Statement of
Robert Reischauer
Director
Congressional Budget Office**

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

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Mr. Chairman and Members of the Subcommittee, I am pleased to present the fiscal year 1990 budget request for the Congressional Budget Office (CBO). This is my first appearance before the subcommittee as newly appointed Director of the Congressional Budget Office. As with my predecessors, I am seeking to keep our budget request to the minimum necessary to perform the tasks requested of us by the Congress.

CURRENT CBO SERVICES TO THE CONGRESS

Fiscal year 1988 was an exceedingly productive year for CBO. We were involved in the events that drove the national agenda, beginning with the Budget Summit in the fall of 1987. During those crucial negotiations between the Congress and the Executive Branch, CBO provided the Congress with estimates of the budgetary effects of the various spending and revenue changes that were being contemplated.

More recently, beginning in fiscal year 1988 and continuing into fiscal year 1989, CBO provided its expertise to the National Economic Commission. CBO testified before the commission on such topics as how much defense spending is needed to maintain current levels of readiness, the effects of the deficits on the economy, and the projected

levels of the deficit. CBO baseline projections, its economic forecast, and its deficit reduction options provided much of the basis for the commission's deliberations on ways to reduce the deficit.

These tasks have been accomplished in addition to CBO's regular annual workload, which continues to increase. We are doing more cost and revenue estimates, tracking more economic variables, and analyzing more policy options and alternatives than at any time in CBO's 14-year history.

A number of executive level vacancies at CBO have been filled since our last visit before this committee. Frederick Ribe was appointed Assistant Director for Fiscal Analysis, the division that develops CBO's economic forecasts. Dr. Ribe, an economist, was formerly with the International Monetary Fund and the Federal Reserve Bank of New York, and he will bring a new emphasis to the international aspect of our forecasts. Also, W. David Montgomery was named to the position of Assistant Director, Natural Resources and Commerce Division. Dr. Montgomery, an economist, comes to CBO from the Defense Department and the Department of Energy. He has a strong background in energy policy and resource management, areas of increasing significance to the budget and the economy. I am including copies of their resumes with my testimony.

Let me add here, Mr. Chairman, that the Congressional Budget Office continues to live by its self-imposed rule of not initiating reports. CBO studies are done at the written request of chairmen of full committees, subcommittees, and budget task forces, the ranking minority member of full committees, and the leadership on both sides of the aisle. In keeping with the intent of the Congressional Budget Act of 1974, we do not undertake studies that do not have clear budgetary or economic implications.

BUDGET REQUEST

For fiscal year 1990, we are requesting \$19,950,000, an increase of 8.7 percent, or \$1,589,000, over our estimated fiscal year 1989 operating level of \$18,361,000. The increase does not include any new discretionary spending, but it does give the agency the resources necessary to staff to its authorized level. I want to emphasize, Mr. Chairman, that CBO is not requesting any additional staff positions.

Of CBO's requested increase, two-thirds is for personnel-related expenses. Seven-eighths of this increase is needed simply to cover the 1990 costs of our 1989 personnel levels. Our current authorized staff ceiling is 226 positions, but we are funded for only 221. As

Congressional demand for CBO work continues to escalate, and the position of Director and Deputy Director are filled, we would like to return once again to our authorized ceiling and fully fund our semester intern program.

Thirty percent of our requested increase reflects additional funds for ADP and systems development work in fiscal year 1990. These areas were cut in 1989. The 1990 requested level represents an average annual increase of less than inflation since 1988. The remaining 4 percent of our requested budget increase represents primarily price increases in a variety of areas including printing, miscellaneous services, and supplies.

Personnel Costs

Rising personnel costs are the driving force behind most of CBO's requested increase. The personnel component of our 1990 request has grown to 73 percent of the total, up from 59 percent of the total as recently as fiscal year 1985. Escalating benefit costs and absorption of pay increases explain most of this increase. Benefits rise to 24 percent of payroll in 1990, double the pre-FERS rate of 12 percent. In fiscal year 1989, we estimate that CBO will absorb pay increases totaling more than \$390,000, including the 4.1 percent cost-of-living

adjustment. Funding these mandatory increases in personnel costs has placed increasing pressures on the other portions of CBO's budget.

To fund to the full staff level of 226, and to fund fully the semester intern program, CBO will need an additional \$438,000, 42 percent of the requested personnel-cost increase of \$1,045,000. Merit pay increases average 2.4 percent in the 1990 request. The semester intern program has been a most productive undertaking for CBO, and we propose to return this activity to its historical level of 10 interns.

ADP and Systems Development Costs

As I have stated, the combined areas of ADP and systems development were reduced 6 percent in fiscal year 1989 from 1988 levels. The \$473,000 increase we are requesting in these areas is just 7.1 percent above the 1988 level, an annual increase of 3.5 percent, less than the rate of inflation. Most of the \$250,000 increase being requested in ADP is for systems maintenance. Even with this increase, projected ADP costs in 1990 are still below the nominal 1982 level. The systems development and enhancement component of our budget, which includes data updates and model development, was cut 64 percent in 1989, allowing for only the most critical updates. The \$223,000 increase requested for 1990 will return this area to its historical level.

CBO is very proud of the way it has been able to reduce ADP costs over the years while increasing productivity. Aided by HIS price reductions, and our creative use of microcomputers, CBO has been able to reduce significantly the relatively expensive timesharing component of total ADP costs. In fiscal year 1990, timesharing is budgeted for \$2,931,000, while microcomputers are budgeted at \$551,000.

Other Costs

After falling by 11 percent in 1989, other administrative expenses increase by 4.7 percent in fiscal year 1990. This reflects increases from inflation. The \$71,000 increase in this area comprises such things as higher printing costs, as well as higher expenses for maintaining and repairing equipment, and higher costs associated with the administrative support provided us by the Library of Congress.

CONCLUSION

Mr. Chairman, as I stated at the opening of this justification, I believe this to be a most prudent budget for CBO. Our budget request is driven by mounting personnel costs, the need to staff to our authorized ceiling, and a need to return to historical spending levels the very cost-productive areas of computer systems development and automated data processing. It is, I believe, a budget that will allow CBO to continue to serve the Congress at a high professional level. Thank you, Mr. Chairman.