

CBO TESTIMONY

**Statement of
Dan L. Crippen
Director**

Appropriation Request for Fiscal Year 2003

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

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**CONGRESSIONAL BUDGET OFFICE
SECOND AND D STREETS, S.W.
WASHINGTON, D.C. 20515**

Mr. Chairman and Members of the Subcommittee, I am pleased to present the fiscal year 2003 budget request for the Congressional Budget Office. The mission of CBO is to provide the Congress with the objective, timely, nonpartisan analysis it needs about the economy and the budget and to furnish the information and cost estimates required for the Congressional budget process.

Overview of CBO's Budget Request for Fiscal Year 2003

Excluding the cost of the Administration's proposal to charge each agency the full cost of federal retirees, we are requesting \$32,390,000 for fiscal year 2003—roughly 5.2 percent over the agency's fiscal year 2002 appropriation. Our budget continues to be driven by the need to be competitive in a specialized labor market, with nearly all of the increase going to mandatory increases in personnel costs. Specifically, we are asking for a 5.8 percent increase in mandatory pay and benefits, which will allow us to remain competitive in our recruitment and retention efforts. Other increases—for four additional positions, inflation in administrative spending, and maintaining a disaster recovery capability—are largely offset by savings in time-sharing costs and a year-to-year reduction in technology purchases.

Adding four additional positions would allow us to expand our visiting scholars' program, with which we appoint postdoctoral and midcareer economists with highly specialized expertise in areas such as health, finance, tax, and macroeconomics. This program has proven to be highly cost-effective in attracting specialists for assignments of 12 to 18 months in areas where we have great difficulty recruiting permanent employees. In the last three years, the contributions of such scholars to CBO have been considerable.

We also want to (1) increase slightly our budget for recruitment bonuses, which is currently limited by report language; (2) begin using our student loan repayment authority; and (3) establish a new professional development program to enhance the abilities and effectiveness of CBO employees through extended study or external work experiences in specialized areas where we have difficulty recruiting staff.

As noted above, technology spending will decrease (by \$491,000) as we realize savings in time-sharing costs from replatforming major analytical programs—the Budget Analysis Data System, SAS, and APT—and as expenses for software and hardware drop to a more normal level after increases in 2002 in response to potential data security threats and disaster recovery needs.

Specifically, the fiscal year 2003 request would do the following:

- Support a workload estimated at 1,960 legislative cost estimates and mandates cost statements, 30 major reports, 43 other publications, and a heavy schedule of congressional testimony.
- Provide a pay adjustment of 4.1 percent for staff below the level of senior analyst, consistent with the increase requested by other legislative branch agencies.
- Raise our staffing ceiling to 236 full-time-equivalent positions (FTEs), four more than in fiscal year 2002, to allow us to appoint academic experts for limited-term research fellowships in technical areas where we have difficulty attracting permanent employees. The cost of these positions would be largely offset by savings in time-sharing and other administrative expenses, as noted above.
- Fund a combination of within-grades, promotions, and merit increases for staff below the level of senior analyst and provide performance-based raises for managers and senior analysts who no longer receive automatic annual salary increases.
- Allow us to increase our budget for bonuses (recruitment and performance) to 1.25 percent of the pay base. This budget has been limited by report language to 1 percent of the pay base since we received the authority in fiscal year 2000. Recruitment bonuses have been helpful in hiring specialists, but the funding limitation has constrained their use.
- Fund price increases of \$131,000 for technology and administrative support spending and maintain the disaster recovery capability we are now working to develop in 2002, assuming we receive a transfer of funds from the emergency supplemental.

We are also requesting two changes in our legislative authority. The first would allow us to provide employees with advanced training in difficult-to-acquire specialties, through study or work experiences at other government agencies or in the private sector. This approach would allow us to build our capacity in highly competitive disciplines where recruitment alone has proven insufficient. Such assignments (which

are authorized for all executive branch agencies) would be accompanied by a substantial service commitment. The other authority would restore an expired provision that exempted CBO from a burdensome and obsolete procurement statute, originally enacted in 1861 and from which the executive branch has been exempted for 50 years. These changes are explained in greater detail in an appendix at the end of my statement.

Accomplishments in Fiscal Year 2001

Fiscal year 2001 presented major challenges for the Congress as it worked to mitigate the effects of a slumping economy and protect the country from terrorist attacks. We assisted the Congress as it debated a variety of legislative responses to the economic and terrorist threats while we also carried out our core duties under the Budget Act and continued to build on our long-term estimating capability.

CBO produced 450 bill cost estimates and more than 800 estimates of the impact of unfunded mandates on state and local governments and the private sector, experiencing the usual cyclical dip in mandated workload while the first session of the 107th Congress organized. Major legislative initiatives in fiscal year 2001 with a significant budgetary impact included The Economic Growth and Tax Relief Reconciliation Act of 2001, the authorization of new education programs, the Bipartisan Patients' Bill of Rights Act, the National Defense Authorization Act for Fiscal Year 2002, the Farm Security Act of 2001, aviation security measures, federal insurance for future terrorist attacks, prescription drug coverage for the elderly, and the taxation of Internet sales.

An important part of the agency's mandate is the preparation of regular economic forecasts and detailed analyses of the state of the economy and of the Administration's economic forecast. This effort is supported by the advice of a distinguished panel of advisers who represent a wide spectrum of economic views. As the economy slowed in 2001, we devoted significant resources to collecting and analyzing data bearing on the rate at which the economy was growing and the impact that would have on the federal budget. We also provided testimony on reforming the federal budget process and on extending the Budget Enforcement Act provisions that expire at the end of fiscal year 2002.

Overall, we testified before the Congress 16 times in fiscal year 2001 on a variety of significant budget and economic issues, and we expect the number of appearances to grow in 2002.

Responding to requests from Congressional committees for analyses of budgetary and programmatic issues is an important function of the agency. As the following discussion shows, CBO studied a broad range of policy initiatives and proposals in 2001.

Social Security - During fiscal year 2001, a major effort was the construction of an analytical framework for examining proposals to restructure Social Security. That framework was utilized in preparing *Social Security: A Primer*, which was released early in fiscal year 2002 and which we hope will be useful to the Congress and the public in understanding the issues and debate regarding Social Security reform. We also produced estimates of the costs of proposals to eliminate the retirement earnings test and to make other changes to the program.

During the year, we used our long-term actuarial model of Social Security to produce new long-term budget projections (75 years) for CBO's *Budget and Economic Outlook*. We also devoted significant resources to a second long-term modeling project—namely, a dynamic microsimulation model that projects outcomes for a representative sample of the population. It takes into account how the population changes over time and could provide more realistic cost projections. We also extended our long-term models to include the impacts of Medicare and other significant federal benefit programs, as well as macroeconomic feedback.

Medicare and Other Health Issues - Major CBO work efforts provided analyses and extensive testimony on proposals to add prescription drug benefits to Medicare. Our staff also worked closely with the House Ways and Means, Senate Finance, and House Energy and Commerce Committees in formulating proposed drug benefit bills, providing extensive feedback and technical advice. With the help of an expert panel of researchers and private industry experts, we undertook a thorough review of our methodology for examining and estimating the potential costs of drug proposals. We also analyzed dozens of specific legislative proposals to alter how Medicare providers (hospitals and doctors) are reimbursed.

Finally, we analyzed a variety of approaches to increasing the number of Americans with health insurance coverage and provided estimates of the budgetary and private sector costs of proposals for a patients' bill of rights, including analyzing the private health insurance cost impacts of every provision of all four major bills.

National Security - In fiscal year 2001, defense-related accomplishments included support to the Congress through direct assistance and significant published reports. For example, an overview study summarized trends in spending by type of operation and maintenance (O&M) cost, and a related study analyzed the effects of aging on the O&M costs of maintaining military equipment; a project on *Alternatives for the Future U.S. Navy* identified a shortfall between the long-term costs to support the Navy and present and projected budgets. In June 2001, we also convened a symposium of experts on how we could best contribute to the homeland security debate. We were subsequently asked by the House Committee on Intelligence to identify the resources being spent on counterterrorism and critical infrastructure protection by each federal agency and trace those resources back to the authorizing and appropriating committees. In addition, we completed two reports on NATO—*Integrating New Allies Into NATO* and *NATO Burdensharing After Enlargement*. Finally, we provided informal support and information to the Armed Services, Budget, and Foreign Affairs/International Relations Committees.

Domestic Economic, Tax, and Financial Issues - Our efforts to better understand the economy and the economic impact of legislation included work on the “New Economy” and how it has changed the economic outlook, the effect of an aging population on the long-term outlook for the budget and the economy, and the effect of taxes on the macroeconomy. We also published analyses of (1) the multibillion-dollar financial benefits conferred on Fannie Mae and Freddie Mac by their federal affiliation; (2) H.R. 2329, the High-Speed Rail Investment Act of 2001, which would provide assistance to Amtrak; (3) four proposals for reducing carbon emissions; (4) the need for better price indices for communications equipment; and (5) industry estimates of future investment requirements for waste and drinking water systems.

Work Priorities for Fiscal Years 2002 and 2003

Significant priorities in fiscal years 2002 and 2003 are (1) strengthening the resources and level of effort devoted to health care issues; (2) sharpening our focus in the national security area; (3) redeploying staff to address budget issues on anti-terrorism and homeland security; (4) continuing to emphasize our long-term modeling for Social Security and Medicare; and (5) generally focusing more attention on how we select, plan for, and manage our major projects.

The year began under difficult circumstances, as CBO staff had to work in alternate locations and from their homes for about three weeks during the closure of the Ford

House Office Building. During that shutdown, we were able to continue providing daily assistance to the appropriations committees during consideration of several fiscal year 2002 funding bills and to continue work on a new projection of the economy. We also completed many formal cost estimates during the closure, including those for the Aviation Security Act and the Best Pharmaceuticals for Children Act.

As always, our primary objectives will be to provide technical assistance and analytical support to the Congress in its work on annual budgets and to prepare estimates for legislative proposals with budgetary impact. This will, of course, include the annual preparation of baseline spending and revenue projections, projections of the condition of the economy, cost estimates for authorization and direct spending legislation, and outlay estimates for appropriation bills. We also plan to issue a comprehensive analysis of budget options in 2003.

Other priorities for the remainder of this year and next will include work on fiscal stimulus proposals, the extension of farm and nutrition assistance programs, and the reauthorization of the Temporary Assistance to Needy Families program and the Individuals with Disabilities Education Act. We also expect to analyze proposals to change the Medicare program that include its handling of prescription drugs, managed care, and providers' reimbursement, as well as proposals for a patients' bill of rights and Medicaid reform.

Another major project on Medicare is examining "high-cost beneficiaries"—the most expensive 5 percent—who account for nearly half of program spending. Using a large database on recipients and claims, which is now being assembled, we will improve our long-term estimates of both Medicare spending and the utilization of services by individuals over time.

Efforts to improve our methods for estimating will continue, as we reassess the uncertainty of budget projections and work with the Joint Committee on Taxation and the Department of the Treasury to develop and implement new methods for both estimating the effects of recently enacted tax legislation on receipts and projecting the flow of receipts under existing law.

We will continue development work on our long-term model for Social Security and Medicare and continue to produce long-term budget projections. And we expect to publish major studies on issues and options for funding long-term care for the elderly and trends in the number of households in the United States without health insurance.

Our work on national security is focused on several broad themes, including enhancing homeland security, better utilizing defense resources, achieving defense efficiencies, and transforming forces to meet 21st century needs. We also anticipate providing support to the Congress in its consideration of the annual defense authorization bill and potential additions to foreign assistance spending (for example, aid to Afghanistan).

Other important work will analyze proposed tax law changes; federal reinsurance for terrorism insurance; water infrastructure needs; foreign exposure of U.S. banks; regulation and government intervention in sectors such as aviation, agriculture, banking and finance, energy; and the effects of technical progress in computers and communications on the national economy.

Internal Management Strategy, Progress, and Priorities for Fiscal Years 2002 and 2003

In addition to focusing directly on its mission, CBO, like any successful organization, must devote resources to attracting talented people, developing their skills, and properly equipping them. It must also organize its key work processes to be as efficient as possible.

Enhancing Recruitment and Retention

During fiscal years 2002 and 2003, we will continue to pursue the goals and initiatives undertaken in the last two years to identify, hire, and retain a highly talented and diverse workforce.

1. **Strengthen Recruitment Strategy - *Our goal has been to focus our efforts on quickly filling key vacancies, particularly in hard-to-attract disciplines, while building a more diverse workforce.***

In 1998, the agency experienced an unusual number of vacancies and was unable to quickly replace the individuals lost. Consequently, staffing dropped from 227 full-time-equivalent positions in 1997 to 205 in December 1998, even though 232 FTEs were funded. We began to recover in 1999 but still ended the year short of our staffing needs. We met our mandates, but the shortfall created a hardship for our staff, and it meant that our ability to produce nonstatutory cost estimates and major studies suffered. To address this, we developed a comprehensive recruitment strategy, and specific actions to implement. This strategy has allowed us to fill vacancies more quickly and

to reach our staffing goals of 225 and 228 in 2000 and 2001, respectively. To achieve this we:

- Simplified our application process, shortened the time from application to job offer, and developed new automated systems to track both job applicants and recruitment contacts;
- Created a high-quality recruitment brochure for our college recruitment program, strengthened the employment pages on our Web site, and expanded the number of schools where we actively recruit, including many with significant minority populations;
- Began the use of recruitment bonuses in hard-to-fill specialities (these bonuses have been particularly useful, but funding for this purpose is very limited as compared to what the private sector and the executive branch can spend);
- Raised offering salaries for new Ph.D. and Master's candidates and enhanced our internship programs to reach more candidates with relevant skills, including more minority applicants;
- Attended conferences, symposia, and other functions aimed specifically at encouraging, developing, and recruiting minority economists; and
- Implemented an awards program for outstanding performers, which recognizes roughly a third of our permanent employees each year.

In fiscal years 2002 and 2003, we will further expand our campus visits to include more schools with diverse student populations and provide additional training on effective recruitment techniques. We also wish to:

- Formalize our effort to attract technical experts in high-demand disciplines with a competitive visiting scholars' program for postdoctoral fellows and midcareer academics, and
- Expand our use of recruitment bonuses and develop procedures for our student loan repayment program as additional recruitment and retention tools.

2. **Improve CBO's Training Program - *Our goal is to improve management and job skills by investing in our people through training, education, and professional development.***

CBO has always invested in the job skills of its employees, but the amount spent on job training and professional development has been far less than that of other high-impact organizations, and much less than recommended by management experts. CBO spent less than 0.5 percent of its personnel costs on training in 1999, compared with the 2 to 4 percent typical of high-performing private firms we recruit against. In fiscal year 2000, we increased our training expenditures by nearly 30 percent while eliminating less cost-effective training and providing skill training to a much higher percentage of our staff. Training of CBO employees increased again in fiscal year 2001, with expenditures up another 10 percent, resulting in 61 percent of CBO employees receiving training. We also began training managers in leadership and communications skills. To date, we have provided leadership training to 60 percent of our managers.

During fiscal years 2002 and 2003, we will maintain the higher level of spending on training, education, and professional development; provide management training to the remainder of our senior staff; provide management development to analysts with strong leadership potential; expand our in-house educational conferences; provide additional computer training; and enhance our orientation program for new employees. As noted earlier, we also plan to develop a program for extended professional development through study or external work experiences in government or the private sector.

3. **Modernize and Revitalize the Working Environment - *Our goal is to reconfigure and, where necessary, renovate offices to better use our space and to provide a quality work environment for new employees and those currently in inadequate space.***

Most of CBO's space was configured shortly after the agency's creation 25 years ago—in a building designed primarily for file storage, not human occupancy. At that time, there were few desktop computers, many more support staff, less specialization, and a less competitive employment marketplace. Consequently, a significant percentage of our space was configured for clerical staff, and many analysts had work space that was in passageways or was otherwise undesirable. Conference space, which is critical to the collaborative nature of our work, was also in short supply.

In close cooperation with staff of the Architect of the Capitol and the Superintendent of House Office Buildings, we developed a range of strategies to address our space problems—primarily the demolition of existing partitions and replacement with prefabricated movable wall panels. By the end of December 2001, we had completed the reconfiguration of roughly 17 small office suites and other areas, constituting roughly 23 percent of our usable floor space. The result was about 53 offices renovated, with a net gain of 22 private offices and three additional conference areas. In the process, we were also able to reduce wasted space, including inefficient storage.

During fiscal years 2002 and 2003, we will still have a significant number of employees in unacceptable space. We plan to renovate another 20 small suites. In the process, we will eliminate approximately 25 additional substandard work spaces, while realizing a net gain of roughly 30 private offices. We will also improve the efficiency of smaller offices by using systems furniture more suitable to a modern work environment.

4. Access to Critical Data - *Expand CBO's access to, and use of, major data sets in its modeling and analytical endeavors.*

CBO's ability to carry out its mission relies heavily, and in some cases, almost entirely on having access to comprehensive programmatic and economic data. Such data is used to estimate the costs of bills, make 10-year (and long-term) budget and economic projections, and analyze other aspects of legislative proposals. In the last two years, we have more than doubled the amount of storage on our network to 1.5 terabytes, including at least 50 major databases and hundreds of individual data series. Two major additions to our data access in the last year have allowed us to:

- Begin using a huge Census "Matched Data Set" which combines Census and IRS data on a large sample of survey respondents to build a microsimulation which more accurately predicts future Social Security costs.
- Increased our use of additional Social Security earnings data and disability and retired worker beneficiary and benefit data.

And we have recently created an inventory of internal and external data sets which all of our analysts can use to identify information already available to CBO as they plan or begin new work.

During 2002 and 2003, we will continue to work with the Census Bureau and Congress in our effort to obtain permanent access to survey data critical to our ongoing modeling and analysis. We have also just obtained permission to receive Medicaid data on a recipient basis from the Centers for Medicare and Medicaid Services, to be used for the first time in analyzing proposed legislative changes.

Communications Priorities

The value of CBO's work to the Congress and the public derives from the quality, readability, and availability of its products. While the demand for CBO's printed publications remains strong, the use of electronic versions on the agency's Web site is growing significantly year to year.

5. **CBO's Web Site - *Our goals are to respond to the growing demand for electronic products and to enhance the site's functionality and accessibility.***

Usage of CBO's Web site is roughly doubling every year and reached more than 9 million hits and 2.3 million page requests in 2001. To accommodate the increase in traffic and provide better performance, we (1) upgraded our Web server; (2) simplified our cataloging of publications so that users can browse all documents by subject area without knowing the type of document; and (3) significantly improved the search function for publications. To determine what our customers need from our Web site, we conducted numerous interviews of Congressional staff, senior policy analysts in think tanks, and current employees, and we posted a survey on the site that elicited hundreds of responses.

In fiscal years 2002 and 2003, we will undertake a more comprehensive redesign of the Web site on the basis of users' suggestions. The site will incorporate additional functions; more budget-related links, topical collections of publications and cost estimates; and research materials, including downloadable spreadsheets. Given the difficulty involved in promptly delivering our products to Congressional customers since September 11, we are also experimenting with e-mailing reports and testimony to Members and Congressional staff, while urging other recipients to access our products from our Web site. Meanwhile, a new ListServer is improving our notification to subscribers when new publications are issued. We will also:

- Complete an on-line archive of all CBO's earlier publications and

- Produce more publications that take advantage of the electronic environment, specifically, publications that are “interactive” and include advanced search capabilities and links to other information. For example, our last *Budget Options* report utilized this capability and we will use this approach in a study analyzing tax incentives for retirement savings.
6. **CBO’s Publications and Production Processes - *Our goals are to produce high-quality publications that are easily identified as CBO products and to improve production processes for efficiency.***

As usage of CBO’s Web site has increased, we have been able to print fewer reports and keep inventory costs in check. Demand for our printed reports nonetheless remains strong, so we are improving their quality and modernizing their look while seeking additional efficiencies. For example, in fiscal year 2001, we:

- Improved the appearance of reports produced in-house and graphics used in Congressional hearings to make them more professional looking and readily identifiable as CBO products and developed a better capability to produce graphics in-house, saving time and thousands of dollars;
- Took advantage of new reproduction technology to produce higher-quality reports more quickly; and
- Established the capability to reproduce high-quality reprints of most reports, allowing us to reduce the size of initial print runs and the space devoted to stocking reports.

In fiscal years 2002 and 2003, we will finish modernizing our remaining report formats and further improve the production processes underlying our reports. Moreover, we are upgrading our distribution system to provide a more customized delivery of every report—to put copies into the hands of policymakers and interested readers but avoid excess printing. We will also increase reliance on electronic publishing from CBO’s Web site and e-mailing reports to give Members of Congress earlier access. We also plan a customer survey to determine how our reports are used and how to improve them.

Technology

As noted earlier, highly effective organizations must provide staff with the technology they need to do their work. In exit interviews and focus groups with current staff, technology emerges as an area where CBO excels compared to other places people have worked. Technology is also critical to our ability to do the highly complex analyses that underpin much of CBO's work.

7. **Maintain Our Technological Edge - *Our goal is to continue to provide the best technology systems economically available to support the agency's mission while constantly improving the performance of those systems and employee satisfaction.***

During fiscal years 2000 and 2001, we upgraded most desktop computers and, for the first time, achieved an ideal hardware/software configuration for every employee. In 2001, we improved our network communications, tightened network security with a firewall and other hardware, added nearly a terabyte of needed data storage, and strengthened system reliability. We also began a multiyear project to reengineer and automate key work processes. This has resulted in the development or acquisition of many new automated systems, including ones for job applicant tracking, requisition and procurement, credit card management, and telecommunications management.

At the insistence of House Information Resources (HIR), we recently moved our Budget Analysis Data System from the HIR mainframe to the National Business Center in Denver, Colorado. We also began a major redesign of the system, which will improve its performance and usability and achieve significant cost savings. We are also replatforming our use of SAS, which will yield additional savings. Finally, we began a complete redesign of our intranet.

Thus, in fiscal year 2002, we will pursue the following:

- Continue design work on a PC-based replacement for our mission-critical Budget Analysis Data System to improve performance and further reduce costs.
- Complete automation efforts for project tracking, supply distribution, and equipment inventory.

- Further develop our intranet as a primary delivery mechanism for internal communication and service delivery. It will become the primary repository for policy and guidance, a major source for research materials, and a launching pad for all internal administrative systems.
- Update a limited number of network and desktop software packages, further improve computer system reliability and security, and bring other analytical time-sharing functions in-house to reduce costs.

Our major objectives for fiscal year 2003 will be to upgrade older desktop hardware and software systems; strengthen network security by updating software and equipment and periodically auditing for vulnerability; and improve infrastructure reliability by upgrading the network backbone and aging components.

8. **Prepare for Disaster Recovery - *Our goal is to develop plans and assets that would allow the prompt restoration of CBO's mission-critical support to the Congress.***

In fiscal year 2001, we took significant steps to prepare for disaster recovery. They included (1) moving CBO's mission-critical server room to the 6th floor of the Ford building, which has emergency power, air conditioning, and a higher level of physical security; (2) backing up network data to tape and storing it in fireproof safes; and (3) installing redundant computer, network, and communications equipment to eliminate single points of failure.

Although we were able to rapidly restore our critical functions when the Ford building closed, the events of September 11 reemphasized the importance of disaster recovery planning and caused us to reorient our thinking and reconsider threats that were previously deemed too remote to worry about.

As a result, we identified vulnerabilities and concluded that more effort and money needed to be devoted to protecting our mission-critical systems and data in fiscal years 2002 and 2003. Consequently, we plan to:

- In cooperation with HIR and a legislative branch working group, establish a secure off-site computer facility to mirror our most mission critical systems and formalize our off-site storage of backup data;

- Provide remote access to important application programs to allow staff to work at home or at work sites outside the Ford building; and
 - Negotiate reciprocal agreements with other legislative or executive branch agencies to provide emergency work space and data communications.
9. **Enhance Network Security - *Our goal is to strengthen network security and establish a separate network for the storage and processing of sensitive data from the Internal Revenue Service, Social Security, and Health and Human Services.***

Much of the government information that CBO uses for its analysis and model development is highly sensitive, and we adhere to the strict security procedures dictated by the agencies providing the data. As the use of such information has grown, so has our need for information security measures. As a result, this fiscal year we are installing a separate local area network to store and access our most sensitive data. To do so, we are:

- Deploying an independent network server, disk storage system, and wiring;
- Physically separating the secure network from the Internet to prevent dial-up or other external access, and encrypting all sensitive data using a secure algorithm that meets the Department of Defense's security standards;
- Developing detailed security procedures and internal audit controls and educating users; and
- Protecting secure workstations with an access control device that generates a randomly generated password that is virtually impossible to duplicate.

Streamlining Operations and Redesigning Key Processes

As mentioned before, we have also devoted significant attention to automating and modernizing our internal processes. Examples discussed earlier in some detail are our job applicant tracking system, which allows us to process applications more quickly and efficiently, and changes in our report production process.

10. **Process Redesign - *Our goal is to modernize and automate internal processes to provide services and information electronically while reducing the time needed to use and support administrative functions.***

In fiscal year 2001, we began work on a wide range of automated systems that in essence reengineer our key work processes. Many of those will provide internal services and information through the redesigned CBO intranet, including human resources information, library services and research support, conference room scheduling, technical assistance services, requisitioning, policy dissemination, travel administration, and many others. Much of this work will be completed in 2002.

We have also introduced (1) an applicant résumé tracking system that routes electronic résumés to CBO managers and e-mails feedback to job candidates; (2) a tele-communications database to control our phone costs, which helped us save \$30,000 in fiscal year 2001 and now generates paper and electronic phone directories and provides employee data for other systems; and (3) a credit card system used to track purchases as they are made and assist in fund management. We are now implementing an on-line project tracking system, which will revamp the way we select, plan, and manage major projects.

In fiscal year 2003, we plan to further automate administrative systems, including a human resources information system to manage personnel information and a service request tracking system to help manage all internal support services.

11. **Streamline Procurement - *Our goal is to modernize our procurement process so that it is a streamlined, paperless process with greater emphasis on cycle times, competition, and cost reduction.***

In fiscal year 2000, we undertook a major effort to reengineer our procurement process. We investigated the procedures and supporting software used by other organizations and redesigned and simplified our process.

During fiscal year 2001, we reorganized and retrained our procurement staff and selected and began implementation of a new automated procurement system, PDT (Procurement Desktop), which is integrated with our accounting system at the Library of Congress (LoC). Because we now obligate our own funds, the system has also allowed us to reduce our payments to the LoC for administrative support while providing us with better control over financial transactions. We also streamlined many

aspects of our procurement process to save effort and reduce cycle times. **During fiscal year 2002**, we will:

- Expand the use of our Web site to communicate with current and potential vendors and contractors to encourage more competition;
- Design a system that will use detailed procurement data to assist in budget preparation and execution processes; and
- Implement an off-the-shelf asset management system to better track, safeguard, and depreciate fixed assets.

Conclusion

Mr. Chairman, during the last three years we have worked very hard to meet the needs of the Congress and to rebuild our staff during a period of great competition in the labor market. To do this, we have raised starting salaries for new graduates and undertaken a variety of efforts to make CBO a more desirable employer for talented economists and policy analysts. The budget increases provided in 2001 and 2002, along with extensive efforts to reduce our nonpayroll costs, have allowed us to return to full strength and make progress in attracting specialized staff, while modernizing our products, processes, and infrastructure.

Nonetheless, we continue to have the same concerns of all federal employers—our salaries are not always competitive, many new graduates shun government service, anticipated retirements are worrisome, and replacing staff in high-demand disciplines is not easy or quick. At CBO, we have particular difficulty attracting and retaining new Ph.D.s and experienced experts in areas such as finance, health, and macroeconomics. The new initiatives for which we need your support—for the visiting scholars' program, additional funding for recruitment bonuses, and the professional development authority—and our implementation of a student loan repayment program will provide us with additional tools we can use in our efforts to attract the best and the brightest to serve the Congress.

Request for Legislative Authorities

With the fiscal year 2003 budget request, CBO is also asking for legislative authority in the following administrative areas.

Employee Professional Development - This language would give CBO authority that executive branch agencies have to establish an educational program to enhance the abilities and effectiveness of CBO employees through study or work experiences, including periods of employment with private sector organizations. The executive branch has such authority for members of the Senior Executive Service under 5 U.S.C. §3396. CBO may currently fund with its annual appropriation a narrower group of activities authorized by the Intergovernmental Personnel Act, but that authority only applies to work for universities, nonprofit organizations, states, and local governments. For example, CBO cannot now adopt the executive branch practice of detailing employees to other agencies for learning and development. The provision would provide such authority.

SEC. 102. The Director may, by regulation, make applicable such provisions of section 3396 of title 5, United States Code, as the Director determines necessary to establish hereafter a program providing opportunities for employees of the Office to engage in details or other temporary assignments in other agencies, study, or uncompensated work experience which will contribute to the employees' development and effectiveness.

Reinstatement of Exemption from Advertising - This language restores a provision that had been included in the past as a regular appropriation provision and that CBO mistakenly believed had been enacted as permanent law. Following establishment of CBO in 1974, legislative branch appropriation acts for fiscal years 1976 and 1977 exempted CBO from an obsolete procurement statute, originally enacted in 1861, which effectively prohibits modern acquisition methods such as competitive negotiations. The executive branch has been exempted for over 50 years (5 U.S.C. §260; 10 U.S.C. §2314), and other legislative branch agencies, such as the General Accounting Office (31 U.S.C. §781(c)(1)), the Architect of the Capitol (41 U.S.C. §6a-1), and the Government Printing Office (44 U.S.C. §311(b)), are exempt. While CBO's exemption was included in the United States Code (2 U.S.C. §604), it did not contain language necessary to establish the exemption as permanent law. Consequently, after the exemption was omitted from the 1978 appropriation act, it was omitted from the code, although CBO continued to procure goods and services as previously authorized. This would restore the original language as a permanent provision.

SEC. 103. The Director is hereafter authorized to enter into agreements or contracts without regard to section 3709 of the Revised Statutes (41 U.S.C. 5).

