

Statement of  
Robert D. Reischauer  
Director  
Congressional Budget Office

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

**March 9, 1990**

Mr. Chairman and Members of the Subcommittee, I am pleased to present the fiscal year 1991 budget request for the Congressional Budget Office (CBO). 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. CBO does not make policy recommendations, but presents the Congress with options and alternatives in a wide range of subject areas, all of which have economic and budget impact.

This year marks CBO's 15th year of support to the U.S. Congress. For a decade and one-half, CBO has served the Congress in a professional manner and has, I believe, performed its duties with distinction. But the hallmark of CBO's **success--clear**, concise economic and budget analysis delivered in a timely **manner--has** resulted in an increasing demand for its products. So that, while the components of our budget have not **changed--basically** people and **computers--CBO's** need for additional resources to meet Congressional demands continues to increase. The budget I am seeking today is, however, what I believe to be the minimum necessary to perform adequately the tasks requested of us by the Congress.

## BUDGET REQUEST

For fiscal year 1991, we are requesting \$21,723,000, an increase of 13 percent, or \$2,494,000, over our estimated fiscal year 1990 operating level of \$19,229,000. The increase is not attributable to any new discretionary spending. It does give the agency the resources necessary to staff to its authorized level of 226 positions. However, let me emphasize, Mr. Chairman, that this request is sufficiently lean that CBO will probably have to absorb a number of costs it previously did not have to bear. CBO is not requesting any additional staff **positions**.

Of CBO's requested increase, \$1,809,000, or 73 percent, is for personnel-related expenses. Our current appropriation supports 218 positions and, as Congressional demand for CBO work continues to be strong, we believe it is important to fund to our authorized ceiling level **of** 226 positions.

Our request also includes an additional \$202,000 for ADP and an additional \$289,000 for systems, data and model development work in fiscal year 1991. Our 1991 budget request for ADP is still 5 percent below our actual spending in fiscal year 1988 and more than 26 percent less in nominal terms than what we spent in this area in 1983. The systems, data, and model development increase, while appearing significant, does no more than restore spending in this critical area to

more appropriate levels after a year in which spending was constrained as a result of sequestration. Spending for systems, data, and model development is still only 1.8 percent of our total budget. The remainder of our requested increase, \$194,000, is spread across a broad array of areas, including travel, printing, supplies, and training, and is the result of increase in both prices and workload.

Before discussing our request in detail, I will review for the Committee the principal services that CBO provided the Congress during this past fiscal year.

#### CURRENT CBO SERVICES TO THE CONGRESS\_\_\_\_\_

Once again, in fiscal year 1989, CBO played a key role in supporting Congressional action. Last spring, CBO provided analytic support to the bipartisan committee of Congressional leaders in the budget summit negotiations with the Executive Branch. Much as we did during the first budget summit in the fall of 1987, CBO produced cost estimates and projections of the budgetary **effects** of various spending and revenue proposals throughout the summit and CBO numbers were used to fashion the final agreement.

Two other issues highlighted CBO's work for Congress in 1989: the S&L bailout legislation and the Medicare Catastrophic Coverage Act debate. In both instances, CBO provided the Congress with extensive cost and policy analyses of exceedingly complex issues and in both instances **CBO's** analysis had an important impact on the outcome of the debates.

As always, Mr. Chairman, CBO studies are done at the written request of chairman 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 and economic implications.

#### The Balanced Budget Reaffirmation Act

The Balanced Budget and Emergency Deficit Control Reaffirmation Act of **1987** (Public Law **100-119**) continued many of the tasks assigned to CBO by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). Although CBO's role in the current sequestration process is advisory, the agency must still prepare very detailed reports estimating whether or not the proposed budget conforms to the Reaffirmation Act's deficit targets.

In fiscal year 1991, CBO will compile two sequestration reports. Preparing these sequestration reports remains a major undertaking. CBO analysts review over 1,000 budget accounts and apply cuts, as specified in the law, where necessary. In addition, the report must be prepared for publication in the Federal Register, all within a five-day deadline.

In addition to the sequestration report, the Balanced Budget Act gives the Director of CBO responsibility for alerting the Congress to a recession or downturn in the economy that might warrant suspending the deficit targets. CBO did not see the need to make such a report in 1989, and our current economic forecast does not envision a recession.

The Balanced Budget Act also requires CBO to provide the **Con-**gress with a report on unauthorized appropriations and expiring authorizations. This year, we filed that report with the Congress on January 16.

Finally, the **Reaffirmation** Act directs CBO, in consultation with the General Accounting Office, to study and report to the Congress on federal credit programs. In December, CBO published *Credit **Reform:** Comparable Budget Costs for Cash and Credit*, which addresses a number of credit reform issues and makes specific recommendations, as required by the Reaffirmation Act.

## The Budget Act of 1974

The Congressional Budget Act of 1974, as amended, mandates that CBO prepare certain reports on a regular basis and that it undertake other studies in response to Congressional requests. Specifically, CBO carries out the following tasks: it maintains current tabulations of Congressional revenue and spending actions (scorekeeping); prepares five-year cost estimates for bills reported by the authorizing committees; prepares outlay estimates for bills providing new budget authority; supplies information on tax expenditure and revenues; 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 resolution 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 complex, 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.

Specially designed computer scorekeeping reports are provided weekly, and sometimes daily, to the Budget and Appropriations Committees. Frequent letters are also sent to the Chairmen of the two Budget Committees to advise them on current budgetary levels. In



addition, advisory letters have also been sent on request to the Chairman of the Senate and 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 also used to provide special computer reports to the Appropriations Committees to use in preparing their February 25th reports, and in dividing budget resolution allocations among subcommittees.

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.

### 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 does 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, since these decisions sometimes have little impact on the budget in the short run. They do, however, significantly influence relative budget priorities over a period of several years. Because the annual budget resolution now includes a credit budget component, CBO also prepares baseline budget projections for federal credit activities.

CBO's capability to do budget projections has enabled the Congress to move more and more in the direction of multiyear budgeting. In the past, both Budget Committees have used **CBO's** baseline budget projections as a starting point for formulating their **recommen-**dations for the annual budget resolution. The CBO baseline spending projections are distributed to the Appropriations Committees and the authorizing committees as background information for preparing their "views and estimates" reports to the Budget Committees, now required by February 25th. The Budget Committees then use the CBO baseline projections in their budget resolution markup materials to assess how spending and revenues should be altered in the future to meet fiscal

policy goals and national needs. Both Budget Committees include three-year targets in their recommended budget resolutions.

The CBO budget projections took on an added role in the 1980s. They now serve 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 process 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 at the beginning of each session of the Congress and updates it each August.

CBO's current baseline projects a deficit of \$159 billion in fiscal year 1990 and \$161 billion in fiscal year 1991, declining to \$110 billion by 1995.

The concept of a budget baseline was incorporated in the **Balanced Budget Act** for determining the need for and magnitude of across-the-board spending reductions to meet specific deficit targets. When the act was amended to correct the constitutional defect, in 1987, the baseline concept was also modified to approximate more closely the methodology we use in our baseline projections. The major change was to include a factor for inflation and pay adjustment in projecting discretionary appropriations.

Again this year, as last, the CBO baseline is virtually identical to the budget base as specified in the **Balanced Budget Act**. For 1991, therefore, the CBO baseline deficit estimate is identical to CBO's estimate used for computing the excess deficit as part of the sequestration process. Having a single baseline is intended to help focus attention on the fundamentals of the budget situation and reduce any confusion stemming from minor conceptual differences in our budget projections.

### Analysis of the **President's Budget**

The Congressional Budget Office carefully reviews the budget estimates that the Administration submits to the Congress. Where necessary and appropriate, CBO **reestimates** the Administration's bud-

getary proposals using its own economic assumptions and technical estimating methods.

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

CBO has an independent capability for estimating the impact of various budget proposals on budget outlays. 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 provide information on recent trends in the use of federal benefits and services, the growth in beneficiary populations, and other factors affecting federal spending. 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 analysis of the President's

budgetary proposals. This publication is requested annually 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 **reestimates** of the budget impact of these proposals based on alternative economic assumptions and on CBO's estimating techniques and methods.

CBO's latest version of this report, *An Analysis of the President's Budgetary Proposals for Fiscal Year 1991*, estimates that the Bush Administration's budget proposals would cut more than \$30 billion from the projected 1991 deficit, bringing it down to \$131 billion. CBO's deficit estimate is almost \$70 billion higher than the Administration's, largely because the Administration's budget makes no allowance for the sizable needs of the Resolution Trust Corporation (RTC) for working capital and because of the use of more optimistic economic assumptions.

### Bill Cost Estimates

CBO prepares cost estimates for virtually every public bill reported by legislative committees in the House or Senate that would have a bud-

getary 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, and they have an impact on the final outcome of legislation.

The number of such bill cost estimates prepared each year varies, depending on the amount of legislation being considered and reported by legislative committees. For 1989, the number of individual cost estimates was 603, as shown in Table 1.

A large part of **CBO's** bill costing in previous years was for the House and Senate Committees receiving reconciliation instructions in the budget resolution. **CBO's** tracking system for bill cost estimates has treated work on the reconciliation proposals as if they were a few

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TABLE 1. BILL COST ESTIMATES (Formal and informal)

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	1982	1983	1984	1985	1986	1987	1988	1989
Federal <b>Estimates</b>	747	676	687	601	667	743	771	603
State and Local Estimates	4	573	641	533	588	531	675	470

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large bills. **As** a result, this system understates the true workload shown in the figures in Table 1 for 1982 through 1989. Work on a reconciliation bill alone is equivalent to several hundred bill cost estimates.

In addition to cost estimates for bills reported by legislative committees, CBO also provides the Appropriations Committees with estimates on outlays 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. Judging by the number of inquiries that CBO receives, it is fair to say that our estimating function is, by far, the most extensive of any legislative body in the world. CBO is always pleased to furnish technical assistance to other bodies interested in following the U.S. Congress as a model.

#### State and Local Government Cost Estimates

The State and Local Government Cost Estimate Act, enacted in late 1981, temporarily expanded CBO's responsibilities for bill costing by requiring estimates of the cost that would be incurred by state and



local governments as a result of proposed federal legislation. The **Reaffirmation** Act made this requirement permanent.

CBO reviews as many bills as possible to identify their potential impacts on state and local government costs. We focus on bills that, in our judgement, 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 1989, CBO prepared state and local cost estimates for 470 bills. Of these bills, CBO estimated that 7 bills had an aggregate annual cost exceeding the \$200 million threshold, 59 were below the threshold but had some potential effect on the budgets of state or local governments, while 404 had no impact.

### Economic Forecasts and Fiscal Analysis

Each fiscal year, CBO provides the Congress with two reports on the economic forecast. The first is issued early in the legislative session to coincide with Congressional consideration of the concurrent resolution on the budget. The second report, issued in mid-August, provides the economic basis for **CBO's** advisory sequestration reports in August and October.

CBO does not maintain its own macroeconomic model of the economy. Instead, it uses the major commercially available econometric models: Data Resources, Inc., the WEFA Inc., Washington University Macroeconomic Model, and Ray Fair Economic Model. Moreover, CBO has developed, in conjunction with the International Monetary Fund, an international econometric model to help track this increasingly important aspect of the nation's economy. We also rely on the advice of a distinguished panel of advisers who represent a wide spectrum of economic views. The panel meets semiannually, before a new forecast is issued, and 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 January and August of 1989 focused on recent economic developments, discussed fiscal and monetary policy, forecast short-term economic trends, projected long-term trends, and detailed the federal budget outlook under these economic assumptions. CBO must continuously use various models of the economy to comply with the requirements of the Balanced Budget Act that it report to the Congress if it foresees a recession. With the growing internationalization of the U.S. economy, the task has become more complex, since it is increasingly important to monitor developments abroad as well as in the United States.

More and more, the Congress is concerned with the way in which fiscal policy, as well as specific federal programs, affects the overall economy. Recently, CBO has enhanced its analytic capabilities in such areas of Congressional interest as the financial condition of thrift institutions, international debt, national savings, and U.S. living standards. Studies currently under way include an analysis of the Brady Plan, the outlook for national savings, and issues and measurements of the budget deficit.

### Tax Analysis

With each new economic and budget baseline forecast, CBO provides the Budget Committees with a set of standardized tables providing considerable background detail on CBO's baseline revenues and estimates of recent tax legislation. The Budget Committee staff members have found these tables very useful.

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 preparing 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 Budget Committees. The reports provide five-year estimates of the revenue effects of each tax bill on the legislative process, and compare the cumulative revenue effects of enacted legislation with the targets set in the budget resolution. The revenue estimates shown in the reports are drawn from CBO cost estimate letters and are furnished to the tax-writing committees when each tax bill is reported.

The CBO staff continued to provide estimates of the revenue effects of many alternative deficit reduction plans. CBO is also working on a number of aspects of the capital gains tax issue and expects shortly to publish reports on the distributional benefits from a reduction in the capital gain tax rate, different methods of reducing the rate, and prospective versus retrospective capital gains cuts. In addition, CBO has under way a study of tax changes that might stimulate private savings.

### Program Analysis

The CBO's program **divisions--Human** Resources, Natural Resources, National Security, and the General Government unit in the Office of Intergovernmental **Relations--respond** to requests from Congressional

committees to analyze issues and options that help the Congress anticipate the consequences of legislative proposals. Four types of products illustrate the range of efforts carried out by the program divisions:

- o Formal and informal cost estimates and other budget analytic work analogous to, or in support of, the efforts of the Budget Analysis Division. Often this work involves developing simulation models to estimate the impacts of technical and other changes in legislation;
- o Short-term policy analyses, usually to estimate the likely **effects--other** than costs—of proposed legislation;
- o Longer-term analyses of broad issue areas, considering a full range of policy options. These projects typically result in published papers; and
- o Testimony at Congressional hearings, which often follows from other work we have done.

The principal responsibility of the program divisions is to assist Congressional committees in examining the effects of legislative policy options on the budget. Over the years, CBO has responded to requests

for analyses of key program issues from almost every committee of both Houses of the Congress.

In fiscal year 1989, CBO's program divisions completed 17 such reports for 8 Congressional **committees--4** in the House and 4 in the Senate. Appendix B of this statement shows the distribution of all reports completed by CBO for Congressional **committees** in fiscal year 1989.

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

Some recent studies of this type are *Current Housing Problems and Possible Federal Responses* and *Agricultural Progress in the Third World and its Effect on U.S. Farm Exports*.

Much legislation with purposes not closely related to the federal budget nevertheless has important budgetary and economic consequences. Many committees have shown a strong interest in the

analysis of the effects of such legislation. These analyses often expand and complement information provided in a CBO cost estimate.

In 1989, CBO provided Congress with several such reports, including: *The Outlook for Farm Commodity Program **Spending**, Fiscal Years 1989-1994* and *Alternative Compensation Plans for Improving Retention of Air Force Pilots*.

In terms of direct support of the budget process by the program divisions, CBO studies often address the budgetary implications of changes in program emphasis or direction or changes in the carrying out of new initiatives. Committee interest in such analyses may be prompted by budget constraints or by the perception that existing programs may be inefficient or have outlived their original intent.

Recent CBO studies along these lines include: *Risks and Benefits of Building the Superconducting Super Collider*, *The Status of the Airport and Airway Trust Fund*; *Strategic Defenses: Alternative Missions and Their Costs*; and *Subsidies Under Medicare and the Potential for **Disenrollment** Under a Voluntary Catastrophic Program*.

Based on current committee requests, CBO expects to complete a large number of reports this fiscal year. We further assume that our level of activity in fiscal year 1991 will be similar to that in fiscal year

1990. CBO's program divisions 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.

Published reports are only the most obvious example of the analytic support that the program divisions **provide** to the Congress. Regularly, short-term analysis in the form of staff **memoranda** and letters is provided to committee staffs by the program divisions. In addition, CBO is frequently called on by committees to testify. During the last fiscal year, CBO was called upon to testify on 27 separate occasions. This testimony is often in connection with an ongoing or completed report, though we sometimes prepare **new** analyses for such appearances.

Finally, our program divisions have developed a number of sophisticated analytic computer models of federal programs. The output from these models is provided to our Budget Analysis Division for use in its cost estimates, and program analysts frequently help revise or improve existing BAD models. This capability allows our program units to respond to requests that require sophisticated analytic treatment, such as simulating the effects of options on beneficiaries of federal programs. Similarly, the program divisions have developed models, both for the budget committees and authorizing committees, that estimate



the costs and revenues of specific programs. The models are used by the committees to respond to proposals made during the markup of legislation.

The requests and demands made of our program units have not lessened under the Balanced Budget Act. The Congress, to carry out its policy objectives during these times of severe fiscal constraint, is considering numerous new and innovative approaches in an increasing number of program areas. CBO is being called on to evaluate and analyze many of these proposals and to put them in a budgetary context. In addition, the Congress will need to continue to assess the programmatic and policy implications of budget reductions. The CBO program divisions have the resources in place to provide information as the Congress makes these important reassessments.

## ORGANIZATION OF CBO

For management and administrative purposes, CBO is divided into seven divisions. While the functions of the divisions are 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--primarily** support 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 others.

For example, the economic assumptions developed by the Fiscal Analysis Division serve as the basis for our cost estimating, projections, and analysis of issues. The budget numbers developed by the Budget Analysis Division often depend on methodological studies done in the program divisions. Finally, all numbers developed in connection with analytic studies are reviewed by the cost analysts in the Budget Analysis Division. This crosswalk among our divisions is absolutely essential to our ability to provide accurate cost estimates and comprehensive analyses of alternative legislative strategies.

The interdependence of our organization is best exemplified by the report, *Reducing the Deficit: Spending and **Revenue** Options*. Over the

years, many Members of the Congress have told us they find this to be one of the most useful documents we produce. The study describes several broad strategies for reducing the federal deficit and analyzes numerous specific spending and taxing options for carrying out those strategies. Each option lists the outlay savings or revenue increases that would result from its enactment. The Fiscal Analysis Division prepares the economic assumptions used in the report. The Budget Analysis Division prepares the baseline **projections** using these economic assumptions. The program divisions develop strategies and options. The cost analysts in the Budget Analysis Division provide the savings estimates associated with each option. The Tax Analysis Division provides the analysis of revenue increases.

#### THE FISCAL YEAR 1991 REQUEST

As I indicated previously, Mr. Chairman, the increase being requested over the 1990 operating level consists mostly of mandatory personnel expenses needed to fund CBO at the authorized staff level. Of the \$2,494,000 increase being requested, \$1,809,000, or 73 percent, is increased personnel costs. Of the remainder, \$202,000 is for ADP purposes and \$289,000 for systems, data, and model development. Increases in prices and workload in a wide array of other administrative areas account for the remaining **\$194,000** being requested.

## Personnel Costs

Escalating personnel costs are the driving force behind most of CBO's requested increase. The steady rise in pay and benefit costs has driven the personnel component of CBO's budget up to 76 percent of the total 1991 request from 59 percent of CBO's total budget as recently as fiscal year 1985. Similarly, benefit costs in 1991 will reach nearly 25 percent of payroll, far above the pre-FERS rate of 12 percent. Increased funding for benefit costs puts pressure on other portions of CBO's budget.

An assumed merit pay increase of 3.6 percent accounts for an increase of \$423,000 in our request. The budget request makes no allowance, however, for a 1991 **cost-of-living** increase, which could force CBO to absorb \$400,000 or more in additional costs. Despite the use of conservative assumptions and eligibility criteria, the 1991 executive pay adjustments for senior CBO staff will still require an estimated \$609,000. This represents one-third of our requested cost increase for personnel. Moreover, CBO's budget does not include any additional resources for overtime pay. Required by recent amendments to the Fair Labor Standards Act, overtime costs will also have to be absorbed. CBO will follow the guidelines of the House, when they become available, regarding overtime pay and executive salary adjustments.

### ADP Costs

ADP costs increase 7 percent in the current request, or by \$202,000. These funds will support needed changes and updates to critical main-frame applications as well as replace aging microcomputers. CBO is proud it has been able to reduce ADP costs over the years while increasing productivity. By using microcomputers, and aided by HIS price reductions, CBO has significantly reduced the relatively expensive timesharing component of total ADP costs. ADP is 14 percent of our 1991 request, as compared with 29 percent of our 1983 budget. Actual ADP costs in fiscal year 1989 were the lowest in 10 years. Fully funded, the requested ADP level for 1991 is still 26 percent below the 1983 level.

### Systems, Data, and Model Development Costs

The systems, data, and model development component of our budget is used primarily to purchase and modify data needed to update existing models. Spending in this area can vary widely, depending, as it does, on such things as the availability of data and the length of time since the previous update. Budget constraints in fiscal year 1990, including sequestration, require CBO to cut spending here nearly in half from 1989, which was already 29 percent lower than fiscal year

1988. The \$289,000 increase requested for 1991 returns spending in this category to more historical levels and would allow us to acquire critical data updates for the Budget Analysis and Human Resources divisions.

### Other Costs

Administrative expenses in our 1991 request, at \$1,790,000, are only \$90,000 more than similar expenses in fiscal year 1988, unadjusted for inflation. The bulk of the requested increase of \$194,000 over 1990 is attributable to increased printing and mailing costs of additional CBO reports. Other price increases for postage, travel, supplies, and miscellaneous services account for the remainder of the requested increase. Even so, administrative expenses as a percent of CBO's total budget declines slightly in our request from our 1990 appropriated level.

### CONCLUSION

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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 primarily by mounting personnel costs and the need to staff to our authorized ceiling. It is, I believe, a budget that will allow CBO to

continue to serve the Congress at the level of excellence it has come to expect. Thank you, Mr. Chairman.

## APPENDIX A

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### CBO PANEL OF ECONOMIC ADVISERS

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

Andrew Brimmer  
President  
Brimmer & **Co.**, Inc.

Robert **Dederick**  
Executive Vice President  
and Chief Economist  
Northern Trust Company

Martin **Feldstein**  
President  
National Bureau  
of Economic Research

Edward M. Gramlich  
University of Michigan  
Institute of Public Policy Studies

Lawrence R. Klein  
Benjamin Franklin  
Professor of **Economics**  
University of Pennsylvania  
Department of Economics

John Makin  
**Director**, Fiscal Policy Studies  
American Enterprise Institute for  
Policy Research

Paul W. McCracken  
Edmund Ezra Day  
Distinguished Professor of  
Business Administration

Rudolph Oswald  
Director, Research Department  
**AFL-CIO**

Rudolph G. **Penner**  
Senior Fellow  
The Urban Institute

George Perry  
Senior Fellow  
The Brookings Institution

William **Poole**  
Professor of Economics  
Department of Economics  
Brown University

Alice M. **Rivlin**  
Senior Fellow  
The Brookings Institution

Jeffrey Sachs  
Professor of Economics  
Department of Economics  
Harvard University

Paul Samuelson  
Institute Professor  
Department of Economics  
Massachusetts Institute  
of Technology

Charles **Schultze**  
Director, Economic Studies  
The Brookings Institution

Herbert Stein  
Senior Fellow  
American Enterprise Institute  
for Public Policy Research

Lawrence Summers  
Harvard University  
Department of Economics

James Tobin  
Sterling Professor of **Economics**  
Department of Economics  
Yale University

Murray **Weidenbaum**  
Director, Center for the Study  
of American Business  
Washington University



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APPENDIX B. SUMMARY OF COMPLETED CBO REPORTS BY  
REQUESTER (October 1, 1988 to September 30, 1989)

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Requester	Number of Reports
House Agriculture	1
House Armed <b>Services</b> Committee	3
House Banking, Finance and Urban Affairs	1
House Budget <b>Committee</b> <sup>a</sup>	2
House Ways and Means Committee	1
Senate Appropriations Committee	2
Senate Budget <b>Committee</b> <sup>a</sup>	5
Senate Environment and Public Works Committee	1
Senate Finance Committee	1
Senate Governmental Affairs Committee	1
Senate Labor and Human Resources	1
Mandated by the Congressional Budget Act of 1974	7
Mandated by the Balanced Budget Act of 1985	4
Total	30

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a. Dual requesters.

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