



Congressional Budget Office

Testimony

**Statement of
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Director**

Appropriation Request for Fiscal Year 2010

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

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Mr. Chairman, Senator Murkowski, and Members of the Subcommittee, thank you for the opportunity to present the fiscal year 2010 budget request for the Congressional Budget Office (CBO).

CBO's mission is to provide the Congress with timely, objective, nonpartisan analyses of the budget, the economy, and other policy issues and to furnish the information and cost estimates required for the Congressional budget process. In fulfilling that mission, CBO depends on a highly skilled workforce. Approximately 88 percent of the agency's appropriation is devoted to personnel, with the remaining 12 percent for information technology (IT) and other equipment, supplies, and purchases of other items.

The proposed budget for fiscal year 2010 totals \$46,365,000, a \$2.3 million or 5.2 percent increase over the funding for fiscal year 2009. The net increase is the result of offsetting factors:

- An additional \$2.2 million for rising mandatory pay and related costs for existing staff;
- An additional \$1.4 million to expand CBO's staff by 12 full-time-equivalent positions (FTEs), from 242 to 254; and
- A reduction of \$1.3 million in nonpay resources, partly because CBO plans to use some of its additional FTEs instead of contractors to analyze the Troubled Asset Relief Program and other government actions in response to turmoil in the financial markets.

Growing Demand for CBO's Analyses

The substantial budgetary and economic challenges facing the nation, both short-term and long-term, and the major policy issues currently before the Congress have created a growing demand for CBO's analyses. Some of the issues—like health care and climate change—are very complicated and require intensive analysis involving many staff members. Often, committees and Members seek CBO's analyses very early in the process of developing legislation and then engage in an iterative process to refine the legislation in light of its projected budgetary impact. For significant legislation, simultaneous work may be required on multiple proposals—for example, ones by both the majority and the minority, the House and the Senate, or multiple committees of jurisdiction.

The 12 additional FTEs (representing a 5 percent increase) that CBO requests for fiscal year 2010 would be used to help meet increased demand for analyses in several areas:

Health Care Issues

Growing costs for health care continue to be a key contributor to the nation's fiscal imbalance, and major health care legislation is on the agenda for the 111th Congress. However, the agency's current staffing in this area is insufficient to provide all of the analyses sought by the Congress, which are often needed on a very compressed schedule. CBO is increasing its work on options to expand health insurance coverage, long-term trends in the growth of health care costs, and potential areas of cost savings. It anticipates substantial work analyzing the impact on the federal budget and on health care spending generally of several broad proposals to modify federal health care programs and the broader health care system—a process that is well under way already. (The CBO staff is currently engaged in an intensive effort in support of the Senate Committees on Finance and on Health, Education, Labor, and Pensions as they begin the process of developing broad health legislation.)

Four of the additional FTEs would continue an expansion of the agency's capabilities to analyze health care issues. That expansion began in fiscal year 2009, but because of the duration of the continuing resolution, CBO was not able to increase its staffing at the rate originally anticipated in the fiscal year 2009 budget request. As a result, CBO is reflecting these FTEs as new in the fiscal year 2010 budget request.

A number of Members of Congress have inquired as to what steps CBO might take to improve its ability to provide timely and accurate estimates to the Congress on major health legislation if additional funding was made available in fiscal year 2009. In response to those inquiries, CBO identified several steps that could be taken to accomplish that objective: acquiring additional high-speed computer hardware and software; purchasing actuarial and other expert consulting services; purchasing additional data on prescription drugs; providing additional compensation to certain CBO staff; and increasing the size of CBO's full-time staff by six more people than the number currently planned. In total, implementing those steps would cost about \$2.5 million over fiscal years 2009 and 2010. If such supplemental funding was provided and made available through 2010, there would be no impact on the agency's fiscal year 2010 budget request. If additional funding was provided but made available only through September 30, 2009, the cost of additional staff (about \$1 million) would need to be added to the fiscal year 2010 budget request.

Financial and Housing Markets

CBO will continue efforts begun in fiscal year 2009 to analyze the financial and housing markets, including analysis to meet requirements under the Economic Stabilization Act. That law authorizes the Treasury, through the Troubled Asset Relief Program, to acquire or insure up to \$700 billion in financial assets. The law stipulates that CBO report semiannually to the Congress with the agency's assessment of reports compiled by the Office of Management and Budget,

including a discussion of the costs of purchases and guarantees of troubled assets; the information and valuation methods used to calculate such costs; and the impact on the federal budget deficit and the debt. In addition, the Federal Reserve, the Treasury, the Federal Deposit Insurance Corporation, Fannie Mae, and Freddie Mac are engaged in a variety of complex financial transactions aimed at stabilizing the financial markets, the banking system, and the housing market. Those transactions involve trillions of dollars, and CBO does not currently have the capacity to fully monitor and assess the impact of those activities.

Analyzing complex financial transactions with a sufficient degree of rigor requires supplementing the agency's current staff with several analysts with expertise in financial modeling, some of whom will probably also have previous experience with institutions in the financial sector. Given the wide array of assets that may ultimately be purchased or guaranteed by the government and the difficulty of attracting highly skilled financial market analysts at government salaries, specialized outside consultants with experience in particular financial markets may also be necessary.

Five FTEs would be devoted to this additional work on the financial and housing markets, including the requirements associated with the Economic Stabilization Act. Some of that work was, of necessity, done by contractors in fiscal year 2009 because of the lead time that it takes to hire experts in the financial arena.

Related Mission Support

CBO's editorial and publications staff are important in making the results of the agency's analyses readily usable by the Congress and the public. With more output, additional staff in this area will be required to maintain the timely production of reports, testimonies, and other published materials. In addition, with the expansion of the agency, additional IT resources are required to meet greater needs for operational support.

Therefore, to support the expanding analytic staff and mission, three additional FTEs would be devoted to providing editorial and publishing services and meeting IT requirements.

CBO's Work

CBO assists the Congress in exercising its responsibilities for the budget of the U.S. government and for other legislation. Under the 1974 Congressional Budget Act, the agency's primary duty is to support the Committees on the Budget of both Houses. The agency also supports the Congressional budget process by providing analyses requested by those committees; the Committees on Appropriations; the House Committee on Ways and Means; the Senate Committee on Finance; other committees; and, to the extent that resources permit, individual Members. In particular, CBO:

- Reports on the outlook for the budget and the economy to help the Congress prepare for the legislative year;
- Constructs baseline budget projections to serve as neutral benchmarks for gauging the effects of spending and revenue proposals;
- Prepares long-term projections of federal spending and revenues to help the Congress assess the impact of rising health care costs and an aging population;
- Assists the Committees on the Budget in developing the Congressional budget resolution by providing alternative spending and revenue paths and estimating the effects of various policy options;
- Analyzes the likely direct effects that the President's budgetary proposals will have on outlays and revenues, their economic implications, and any effects that those economic changes will have on the budget;
- Provides estimates of the cost of all appropriation bills at each stage of the legislative process, including estimates for numerous amendments considered during that process;
- Reports on all programs and activities for which authorizations for appropriations were not enacted or are scheduled to expire;
- Provides estimates of the cost of many legislative proposals, including formal cost estimates for all bills reported by committees of the House and Senate and detailed explanations of components of cost estimates and the estimating methodology;
- Estimates the cost of intergovernmental and private-sector mandates in reported bills and other legislative proposals;
- Conducts policy studies of governmental activities having major economic and budgetary impacts;
- Provides testimonies on a broad range of budget and economic issues, addressing the agency's budget projections as well as specific issues related to national security, health care and climate change policy, alternative means of financing infrastructure spending, economic and financial conditions, and numerous other program areas;
- Helps the Congress make budgetary choices by providing policy options, but not policy recommendations, for how it might alter federal outlays and revenues in the near term and over the longer term;

- Analyzes federal spending and revenue totals each month; and
- Constructs statistical, behavioral, and computational models to project short- and long-term costs and revenues of government programs.

Some Details of CBO's FY 2010 Budget Request

CBO's request would allow the agency to build on current efforts. Specifically, the request would fund the following:

- A workload of roughly 700 formal cost estimates (most of which include both estimates of federal costs of legislation and assessments of the cost of mandates included in the legislation that would affect state and local governments, Indian tribes, or the private sector) and hundreds of informal estimates, approximately 100 analytical reports along with other publications, and a heavy schedule of Congressional testimony;
- 254 FTEs, an increase of 12 (4 to continue the expansion of the agency's capabilities to analyze health care issues; 5 to devote to CBO's additional analyses of the financial and housing markets, including new requirements under the Economic Stabilization Act; and 3 to support the expanded mission of the agency);
- A projected 8 percent (or \$2.3 million) increase in base pay, of which \$1.1 million would support the 12 new FTEs and the balance of \$1.2 million, a combination of across-the-board increases, promotions, performance bonuses, and merit increases for current staff (the across-the-board increase is budgeted at 2.9 percent for staff earning a salary less than \$100,000, which is consistent with the pay adjustment requested by other legislative branch agencies);
- A projected 14.7 percent (or \$1.3 million) increase in the cost of benefits, of which \$0.4 million would go toward the 12 new FTEs and the balance (\$0.9 million), toward existing staff and employees who will fill vacant positions;
- The replacement of obsolete office equipment, desktop computers, and network servers, at \$0.9 million—a decrease of \$154,000, made possible because start-up requirements for the new staff are funded in fiscal year 2009 and do not recur;
- Expert consulting, at \$0.7 million—a decrease of \$1.3 million, which is made possible in part by shifting from contractor support to full-time staff to meet new requirements under the Economic Stabilization Act and to conduct other analyses in the financial and housing markets;

- Purchases of office supplies and subscriptions, at \$0.6 million—a decrease of \$138,000, made possible because some costs in fiscal year 2009 are nonrecurring;
- A contribution toward the activities of the Federal Accounting Standards Advisory Board at a normal operating level of \$0.5 million—an increase of \$58,600 based on inflation, as projected by the Government Accountability Office;
- The acquisition of commercial data necessary for CBO’s analyses, at \$352,000—an increase of \$7,000;
- Financial management services, including support for payroll and financial systems, at \$318,000—an increase of \$39,900, primarily because of anticipated price hikes when renewing option-year contracts;
- IT system development, at \$304,000—a decrease of \$10,500 based on anticipated requirements;
- Essential software purchases, at \$268,000—an increase of \$8,000;
- Equipment maintenance, at \$237,200—an increase of \$2,000 based on current contracting data;
- Travel, at \$229,800—an increase of \$56,000, including costs to support new FTEs and added training;
- Telecommunications and telephone services, at \$203,600—an increase of \$8,100;
- Management and professional training, at \$170,000—an increase of \$21,500, of which \$14,000 would be for the new FTEs, with the balance restoring training to roughly the fiscal year 2006 funding level;
- The completion of the redesign of the agency’s Web-based information services and platforms, at \$125,000—a project to update the agency’s obsolete external and internal Web sites to enhance their usefulness, with improvements in content, functionality, and the timely delivery of various work products to the Congress; and
- Independent audit services, at \$102,900—an increase of \$4,900, which is based on contract award data.

I am pleased to report that CBO received its fifth consecutive clean opinion in the latest audit of its financial statements. The agency's sixth audit (of fiscal year 2008 financial statements) is ongoing.

Finally, I would like to thank the Committee for the funding provided this year, enabling CBO to carry out its responsibilities to provide information and analysis to the Congress as it grapples with the critical issues facing the nation.