

CONGRESSIONAL BUDGET OFFICE

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House Committee on Legislative
Committee on Appropriations
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Before

The Subcommittee on Legislative
Branch Appropriations on Supplemental
Appropriation Request for Fiscal Year 1976

Mr. Chairman and members of the subcommittee, we appreciate the opportunity to present the first appropriation request for the new Congressional Budget Office.

Authorization

As you know, the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344) sets a new foundation for budget decisions in the Congress by reorganizing the budget cycle and creating three new institutions: the budget committees of the House and Senate and the Congressional Budget Office. The Act provided that the expenses of the Congressional Budget Office should be paid from the contingent fund of the Senate until funds necessary to enable it to carry out its duties and functions could be appropriated. Since February 24, 1975, when I was appointed Director by the Speaker of the House and the President pro tempore of the Senate, we have been operating under this arrangement. The contingent fund arrangement is limited by Section 202(f) of the Act to a period not exceeding twelve months following the effective date of the subsection 202(f) which we interpret to be twelve months following my appointment on February 24, 1975.

Therefore, we are requesting a supplemental appropriation now for the remainder of Fiscal Year 1976 and the transition quarter covering the period July 1, 1976 through September 30, 1976.

CBO's Mission and Functions

CBO's mission is to provide to the Congress detailed and accurate budget information and studies of the impact of alternative policies and, thereby, to help Congress implement the new budget process and make informed budget decisions. The law makes clear that the CBO is to have a non-partisan, highly professional staff; that it is to provide a wide range of fiscal and budget information and analysis; and that its services are to be available to the budget committees and all other committees and members as well.

The Act spells out some general and specific tasks for CBO which are listed in the justification material furnished earlier to the subcommittee. Generally, these tasks fall into three categories:

- (1) Monitoring the economy and estimating the impact on it of government actions.

The Act puts the Congress squarely in the business of making decisions on fiscal policy--of deciding the amount of government surplus or deficit appropriate to the state of the economy in the next fiscal year. The CBO is to provide background for these fiscal policy

decisions in the form of frequently updated forecasts of economic activity and the best possible estimates of the impact of alternative levels of surplus or deficit on the price level, the unemployment rate and other economic indicators.

(2) Improving the flow and quality of budget information.

Under the new process, the Congress sets its own budget targets in the First Concurrent Resolution on the Budget and needs to know thereafter how closely it is adhering to these targets. Hence, an important job of the CBO is "scorekeeping"---providing frequent reports on how actual actions of the Congress relate to the targets and what the effect of potential actions would be.

The Act also requires the CBO to provide four kinds of fiscal forecasts:

- (a) Annually, "as soon as practicable after the beginning of each fiscal year," a 5-year projection of budget authority and outlays, revenues and tax expenditures, plus the projected deficit or surplus, year by year.
- (b) For every committee bill providing new budget authority (typically, an appropriation bill), a 5-year projection of the outlays which will result.

(c) For every committee bill providing new or increased tax expenditures (e.g., an increase in the dividend exclusion), a 5-year projection of the resulting losses of revenue. Both in this and in the case of outlay estimates under (b), the actual projection is to be made by the reporting committee "after consultation" with CBO.

(d) For every other public bill reported from committee (except from the appropriations committees), a 5-year estimate of the costs to carry out that bill. In this case, the CBO estimate must be included in the committee report if furnished in time.

We expect eventually to include 5-year forecasts with the periodic scorekeeping reports, so that the Congress will have before it, in aggregated form, both the short and long term budget implications of enacted and pending legislation.

(3) Analyzing the costs and effects of alternative budget choices.

The new budget process anticipates that Congressional decisions on budget matters will be improved if they are made with as much information as possible about the alternatives available and the future consequences of

each. Hence, an important job of CBO is to provide staff capable of analyzing budget choices and arraying the costs and probable effects of each in comprehensible fashion. The Act requires that CBO prepare an annual report analyzing not only the alternative levels of outlays, revenues, and tax expenditures, but also "alternative ways of allocating budget authority ... among major programs and functional categories, taking into account how such alternative allocations will meet major national needs and affect balanced growth in the United States."

We hope this annual report will be useful to the budget committees in formulating the First Concurrent Resolution on the Budget. We hope that it will also be useful to the other committees in formulating their budget views which are submitted annually to the budget committees. We plan to make it a readable public document which will illuminate the major budget choices that the Congress will face.

The Act also makes clear that CBO is to provide information and analysis of budget choices at the request of the budget committees, the committees on appropriations, ways and means, and finance, and also to other committees and members.

Initial Actions and Projects

Fortunately, CBO inherited the small but able staff of the Joint Committee on Reduction of Federal Expenditures which has been putting out scorekeeping reports for many years. While continuing these reports, CBO has been working with the budget and appropriations committees to develop a revised format to meet the needs of the new budget process. The essential change is that the score must now be kept with respect to the Congressional budget (by major functions) rather than with respect to the President's budget. The first CBO scorekeeping report covering actions of the House and the Senate using the new format was issued in July. An update to this first report was issued in September; these updates will continue at frequent intervals. In addition, we have continued to issue weekly updates of the Senate Scorekeeping Report covering actions in the Senate only.

A staff of economists with experience in economic forecasting and fiscal and monetary analysis has been assembled to assess the conditions of the economy. This staff has already produced three reports: "Inflation and Unemployment: A Report on the Economy," issued June 30; "Temporary Measures to Stimulate Employment: An Evaluation of Some Alternative," issued September 2; and, "Recovery: How Fast and How Far," issued September 17.

Another staff group of economists, policy analysts and defense program experts produced a report on the price changes in Defense Department budget requests in response to a request from the Senate and House Budget Committee Chairmen.

Many of the professional staff have begun to work with the budget committees' task forces, and increasingly, with other committees as well. For example, our Human Resources and Community Development Division is assisting the Human Resource Task Force of the House Budget Committee in developing program analyses of manpower training and unemployment insurance programs. Our small general government analytical staff in cooperation with cost analysts from our Budget Analysis Division has produced a cost estimate for the proposed Agency for Consumer Protection at the request of the Chairman of the House Government Operations Committee.

Planned Projects

In addition to these immediate tasks, CBO is gearing up to produce information and analysis for the FY 1977 budget cycle--the first cycle in which the Act will be completely implemented and the CBO fully operational. The budget cycle begins on November 10, 1975, when the President sends to Congress the current services budget required by the Act. The current services budget will be a base-line budget that assumes no new policies are implemented. CBO, in consultation with the budget committees and the Joint Economic Committee and others, has been working

with the OMB in an attempt to see that the current services budget is as useful as possible to the Congress.

CBO is required to develop in the fall five-year projections of budget authority and outlays, revenues and tax expenditures, plus the projected deficit or surplus, year by year. We expect to structure the projections so that they will permit easy comparison with both the Second Concurrent Resolution ending the previous budget cycle, and the President's current services budget.

CBO has diverse and complex responsibilities in the establishment of an automated system for meeting the budget information needs of the Congress. Such a system will take several years to fully develop, but we have thought it important to get started immediately. The American Management Systems Corporation (AMS) has completed a study for CBO to develop preliminary specifications for an automated budget information system. While the Congressional Budget Act of 1974 authorizes CBO to acquire its own computer equipment, we have no intention of doing so if other Congressional facilities prove sufficient.

CBO also is cooperating with GAO to develop a legislative classification system that will relate the budget to authorization statutes. This effort will build upon work previously undertaken by the GAO.

We are also staffing to provide the analysis for CBO's annual report on the budget, the first of which will be issued

early in 1976. Initial efforts to define the scope and content of that report are underway.

Organization, Staffing, and Facilities

The CBO has a variety of related responsibilities requiring a staff with a mix of analytical expertise and practical budget experience. It needs economists, lawyers, and other professionals who know how government programs work (or don't work). Above all, it needs people who think clearly, write comprehensibly, and are able to present different points of view fairly and without bias.

The request before you includes 259 positions. We believe the proposed staff of 190 professional and 69 support personnel would be adequate to fully meet our statutory responsibilities and provide responsive service to the members of Congress. I would like to stress that I see this staffing level as the maximum size of the CBO. I do not anticipate any growth in the foreseeable future unless there are additional statutory requirements or very significant increases in workloads imposed by the Members of Congress.

The CBO staff presently numbers about 170. You will find a staffing summary in the justification material at Appendix C which compares our present strength by major organization with the requested staffing levels. As the organization chart on page 14 of the justification material and the staffing summary

show, we have organized CBO to accomplish the tasks specified in the law and avoid a complicated structure. In Appendix D of the justification material we also have included a roster of the on-board professional staff indicating skills and background.

Until mid-September the staff of CBO had been housed in half a dozen different buildings. Since that time we have relocated virtually all of the staff in the House Annex #2 at Second and "D" Streets, S.W. (previously the FBI Identification Division building) where we are housed on the renovated fourth floor and, temporarily, portions of the fifth floor.

Relationship to Other Congressional Offices

We are mindful of the fact that CBO is by no means the only staff resource available to the Congress. CBO has been carefully designed not to duplicate the functions of the standing committee staffs, the Congressional Research Service of the Library of Congress and General Accounting Office. Indeed, we have attempted to create an organizational structure which complements and draws from the unique resources of the CRS and GAO, with whom we are working closely.

The justification material which we have submitted in support of this request includes detailed analyses of obligations by object, by program purpose, and by CBO organizational element.

I will be happy to answer questions which you or members of the committee may have.