

✓ CONGRESSIONAL BUDGET OFFICE

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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 (CBO).

Authorization

The Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344) created CBO and provided that its expenses should be paid from the contingent fund of the Senate until there could be a formal appropriation for the office. The contingent fund arrangement is limited by Section 201(f) of the Act to a period not exceeding twelve months following the date of my appointment, which was 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 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 needs to know how closely it is adhering to its own budget 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 appropriation 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.

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

The Act requires that CBO prepare an annual report (and update it from time to time) 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."

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 also makes clear that CBO is to provide information and special 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 (and producing a special weekly report for the Senate), 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.

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, all at the request of the Senate Budget Committee: "Inflation and Unemployment: A Report on the Economy," issued June 30; "Temporary Measures to Stimulate Employment: An Evaluation of Some Alternatives," issued September 2; and, "Recovery: How Fast and How Far?" issued September 17.

Many of the professional staff have begun to work with the budget committees and increasingly, with other committees as well. For example:

- (1) The CBO National Security staff produced a report on price changes in the Defense Department budget in response to a request from the Senate and House budget Committee Chairmen.
- (2) The CBO Human Resources Division has been asked by the House Agriculture Committee for analytical material

- in connection with the Food Stamp Program, and
- (3) The CBO general government staff did a study for the Senate Commerce Committee on the cost savings to the Federal government if national no-fault insurance standards were enacted.

#### Planned Projects

In addition to such 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. Our first report of this kind will be issued early in December.

CBO has diverse and complex responsibilities in the establishment of an automated system for meeting the budget information needs of the Congress. Planning for such a system

is underway, but it will take several years to fully develop. We do not expect to acquire our own computer, and no funds for one are in the budget request before you---or in our FY 1977 request which you will be looking at next spring.

CBO is engaged in a joint project 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 statutory annual report on the budget, the first of which will be furnished to the Budget Committees early in 1976. This work will mainly be the product of our three program divisions.

Finally, we are staffing for the immensely important bill-costing assignment which the statute gives us starting with the FY 1977 cycle. CBO must be able to furnish the authorizing committees with five-year cost projections for carrying out every proposed bill coming from committee. (There were about 2900 such bills in the 93rd Congress.) Here is where the professionals in the program divisions will be teamed with the costing technicians. Costs cannot be arrived at in the abstract. Realistic costing requires inputs of analysts knowledgeable about programs. The CBO costing teams, working with the committee staffs, should be able to provide estimates to the committees which will be as sound and reliable as is possible--- a service which has not heretofore been available to the Congress.

Staff and Other Numbers

Mr. Chairman, the request before you includes 259 positions. This figure represents a most careful and detailed study of what we feel would be an adequate staffing level to fully meet our statutory responsibilities and to provide responsive service to the Members of Congress. This 259 level---190 professional and 69 support personnel---represents what I believe to be the maximum size of the Congressional Budget Office. I do not anticipate any growth in the immediate years ahead unless there are additional statutory requirements or significant increases in workloads imposed by the committees to whom we must answer.

As you are aware, the House Appropriations Committee reduced our staffing request by 66 positions and authorized an overall level of 193. Right now we are at that figure with 185 permanent employees on board and 8 positions committed.

Holding the Congressional Budget Office to its present level would create a serious imbalance within our operation because the recruiting pace has varied from skill to skill and from division to division. Of special concern is that we find ourselves short by 20 in the number of people to do the score-keeping and bill costing work; and our national security division is 11 under its planned strength.

We believe the 259 figure is most consistent with our needs as outlined, and several adjustments will be necessary if Congress



funds a lesser number. The House ceiling of 193, however, would impair severely our ability to carry out some of our functions effectively, especially in defense analysis, scorekeeping and bill costing. The most serious of these imbalances would be corrected and a sensible mix of skills obtained if the Congress would authorize the Congressional Budget Office a staff ceiling of 228---the minimum number I believe necessary to carry out the statutory requirements. This would mean 35 more people than the House figure. If these positions were restored, eight professionals would be added to our national defense staff, 14 would be used for score-keeping and bill costing, six would fill specific critical vacancies in other divisions---for example, a computer programmer to help produce the revenue estimates we are required by law to provide--and seven would be associated clerical and support personnel. We must have these 35 people and their skills to fill out and complement the capabilities of the 193 who happened to have been recruited when the House committee acted.

Even with a staff of 228 (rather than 259) it would obviously be necessary to make some adjustments in the planned work of CBO. The Budget Act clearly contemplates that CBO would provide services to individual members as well as to committees, and we have been providing such Member service---in increasing volume. But the Act also clearly contemplates that our work for committees, particularly the Budget Committees,

the Appropriations Committees, and the revenue-raising committees, takes precedence over responsiveness to Member requests. And so, with a smaller staff than planned, we would have no choices, we must limit and reduce our work for individual Members. We will be discussing procedures to that end with the two Budget Committees.

With a staff of 228, I will also have to make some different organizational alignments. CBO does not control its own agenda. The statute commands bill-costing and scorekeeping; it commands a major annual report before the First Concurrent Resolution; it commands a late-fall 5-year projections of federal budget aggregates; and it commands us to meet every request from the budget-related committees. We are instructed by law to answer to all other committees "to the extent practicable". When the Congress has decided what funding level it will provide CBO, and if that level is below our request of 259, I will realign my staff accordingly.

The House also cut our travel budget request from \$281,700 (for a 12 month period) to \$56,250 for a nine month period. We had programmed \$165,500 for CBO staff travel and \$116,200 to bring consultants to Washington. The staff travel assumed an average of two trips annually by each CBO professional, mostly for field trips to observe government programs in action and to attend meetings and conferences. If our full request cannot be granted, staff travel can be based on one trip per year rather

than two, and consultant travel can be cut to \$43,600 for a nine month period. Consultants are needed to provide expertise not available on Capitol Hill and to scrutinize the quality and objectivity of CBO work.

Another House cut was to take out \$2,700 we had included for renting a standard size car to transport CBO staff to the Hill and to various government agencies from our offices at 2nd and D Southwest. The House Appropriations Committee has instructed the Architect of the Capitol to examine the possibility of starting a shuttle service for CBO and other occupants of our building. Such a service would obviate the need for the rented car we had proposed. Mr. Chairman, as a personal note for the record, please allow me to make clear that at no time did I request a limousine or driver for myself.

The House also cut out our furniture request, but only on the basis that our furniture needs will be covered by the Clerk of the House from funds available to him. This is a satisfactory alternative.

Finally, the House Appropriations Committee has amended our request to cover a nine month period starting January 1, 1976 rather than for a twelve month period which we originally requested. We have no objection to this funding period since our present source of funding is the Senate Contingent Fund and that fund can carry us until January.

Conclusion

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, the Joint Economic Committee or of the General Accounting Office. Indeed, we have attempted to create an organizational structure which complements and draws upon the unique resources of the CRS and GAO, with whom we have been working closely.

But I want to emphasize that we think CBO is a unique resource for the Congress. The new budget process calls upon the Congress to make explicit and difficult decisions on fiscal and budget policy. The legislature is entitled to be armed with thorough, objective, non-partisan analysis of costs and a range of options consistent with fiscal responsibility. If CBO does its job well, the Congress will have just such information. I urge the subcommittee to approve the funds we need to do our job well. The dollar investment in CBO should be repaid many times over every year as Congress makes its policy decisions on an annual budget now approaching \$400 billion.