

CBO TESTIMONY

**Statement of
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Director**

Appropriation Request for Fiscal Year 2004

**before the
Subcommittee on Legislative
Committee on Appropriations
U.S. House of Representatives**

April 9, 2003

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**CONGRESSIONAL BUDGET OFFICE
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WASHINGTON, D.C. 20515**

Mr. Chairman and Members of the Subcommittee, I am pleased to present the fiscal year 2004 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 2004

The Congressional Budget Office's fiscal year 2004 budget continues to be driven by the need to be competitive in a specialized labor market with the added challenge of completing and maintaining an effective disaster recovery process. We are requesting \$33,628,000 for CBO's operations during fiscal year 2004, an increase of 5.5 percent over 2003. In addition, funding CBO's portion of the cost of operating the Federal Accounting Standards Advisory Board (FASAB) adds 1.1 percent (or \$365,000) to our request, but this expense should be offset by cost reductions for other sponsoring agencies—Treasury, GAO and OMB—whose annual contributions will decrease. Together, these requirements total \$33,993,000 or a 6.6 percent increase over our appropriation for fiscal year 2003.

Of the 5.5 percent increase needed for CBO operations, 3.8 percentage points represent a current services baseline, while the remaining 1.7 percentage point increase would fund three new positions and allow us to focus more resources on improving our economic forecasts and baseline projections of tax receipts. Mandatory personnel cost increases alone would have required a 5.2 percent baseline budget increase, but these were offset somewhat by a 1.4 percent decrease resulting from savings in technology spending and other operating costs.

In fiscal year 2004, CBO will focus on its core functions of scorekeeping, budget analysis and economic and revenue forecasting. Our request will allow us to fund 236 positions—the same level originally requested for 2003. The three additional positions along with some reallocation of existing positions will allow us to increase the level of effort applied to improving our receipts baseline and enhancing our responsiveness to the Congress. We will also continue our visiting scholars program for post doctoral fellows and mid-career academics with expertise in areas such as health economics, financial analysis, and macroeconomics. And we will continue to pursue a number of internal management initiatives to improve our human resources management, technology, publication quality, facilities and business processes.

Specifically, the fiscal year 2004 budget would:

- C Support a workload estimated at 2,300 legislative cost estimates and mandate cost statements, 30 major analytical reports, and 40 other publications, and allow us to meet our obligations for Congressional testimony.
- C Fund 236 FTEs, adding three positions for staff and visiting scholars to improve our ability to make economic forecasts and project tax receipts.
- C Provide a pay adjustment of 3.7 percent for staff below the level of senior analyst, consistent with the increase requested by other legislative branch agencies and providing parity with the military pay raise.
- C Fund a combination of promotions and merit increases for staff; and provide performance-based pay increases for managers and senior analysts who no longer receive automatic annual across-the-board increases.
- C Continue to support process redesign and automation initiatives in publishing, human resources, financial management, and other areas.
- C Enable us to complete tasks related to our disaster recovery strategy, including purchasing some equipment and moving mission critical servers and other IT infrastructure to the Legislative Branch Alternative Computing Facility early in fiscal year 2004.

This request also includes a change in our legislative authority that would allow our appropriation to be available to pay an appropriate share (\$365,000) of the costs of operating the Federal Accounting Standards Advisory Board.

Summary of CBO's Budget Request for Fiscal Year 2004

	Staff	Amount (\$ in 000's)
Calculation of Base		
Appropriation, FY 2003	233	32,101
Plus Supplementals		0
Minus Recissions		(209)
Budget Base, FY 2003	233	31,892
Proposed Changes for FY 2004		
Mandatory Pay and Related Costs		1,668
Price Level Changes		89
Program Type Changes		
Legislation:	0	0
Workload:		
Improve revenue estimates	3	519
FASAB expenses		365
Net of other changes		(518)
Equipment, Alterations, Maintenance, Repairs, etc.		(22)
Total Proposed Changes	3	2,101
FY 2004 Budget Request	236	33,993

Note: Columns and rows may not add up to totals because of rounding.

The total fiscal year 2004 budget request in this table is \$543,000 higher than the amount submitted to OMB for inclusion in the President's budget as a result of information available after the OMB deadline. CBO will submit an amendment to OMB to reflect the change in our request.

Accomplishments in Fiscal Year 2002

In fiscal year 2002, as part of its contributions to the Congressional budget process, CBO issued in January, our annual report on the budget and economic outlook which was based on the first of three sets of baseline budget projections prepared during the year. The outlook was followed by an analysis of the President's budget proposals.

CBO also prepared about 750 formal cost estimates during 2002 and an even larger number of informal estimates for proposals or options being considered by the Congress. Legislation with a significant budgetary impact included the Economic Security and Assistance for American Workers Act of 2001; the Farm Security and Rural Investment Act of 2002; the Bob Stump National Defense Authorization Act for Fiscal Year 2003; the Medicare Modernization and Prescription Drug Act of 2002; the Terrorism Risk Insurance Act of 2002; and the Energy Policy Act of 2002.

At the request of the Senate Budget Committee, we prepared a special analysis of the estimated cost of activities related to the military operations in Afghanistan. In addition, we developed estimates of the cost of possible military operations in Iraq. We assisted the budget committees in their development of proposals for a Congressional budget resolution for fiscal year 2003.

Our staff also responded to numerous committee requests during 2002 on the status of obligations and outlays for funding provided in 2001 for homeland security and for assistance to New York in the aftermath of the September 11, 2001, terrorist attack.

We also provided regular economic forecasts and detailed analyses of the state of the economy and of the Administration's economic forecast to the House and Senate Budget Committees as well as to other committees. A major focus was on how changes in taxes affect the economy.

CBO testified before the Congress 16 times in fiscal year 2002 on a variety of budget and economic issues. A few examples are the *Budget and Economic Outlook* for the House Budget Committee; *Projections of Medicare and Prescription Drug Spending* for the Senate Finance Committee; and *Social Security: The Challenges of an Aging Population* for the Senate Special Committee on Aging.

Responding to requests from Congressional committees for analyses of budgetary, economic, and programmatic issues is an important function of the agency. CBO studied a broad range of policy initiatives and legislative proposals in 2002 and issued 23 program analysis reports and more than 40 other publications.

Medicare and Other Health Issues - This area continues to put great demands on CBO, particularly work related to Medicare reform and prescription drug benefit for seniors and low-income individuals. To respond, we have reallocated resources from elsewhere in CBO. In 2002, we increased the number of analysts working full-time on health care from 19 to 21 and concentrated more effort on Medicare reform and prescription drug issues. We also increased contractual support and spending for data. We now have 24 analysts devoted to health care and are working to increase this number to 27 (a net gain of eight analysts over 2001). We will also continue to shift more of the health staff to Medicare and drug-related work and by year-end will have nearly doubled the resources devoted to these priority areas as compared to 2001.

In fiscal year 2002, a major effort was the examination of several complex proposals to add a new prescription drug benefit to Medicare, “modernize” other features of Medicare’s benefit package, and promote competition among providers of Medicare services. Information was provided to committee staffs in both the House and Senate on the impacts of these options on both federal costs and the consequences for other parties. CBO also presented testimony on prescription drug spending and prepared an important study on *Issues in Designing a Prescription Drug Benefit in Medicare*, which was released in early 2003.

We also analyzed several other important health issues including 1) proposals to reform market exclusivity rules in the prescription drug market to promote quicker entry by generic drugs; 2) the federal costs and revenues and the effects on malpractice and health insurance premiums of options to reform the nation’s medical malpractice tort system; and 3) the federal budgetary and private-sector effects of proposals to regulate the operation of private health plans and health insurance providers (e.g., “patients’ bill of rights” legislation and parity in the coverage of mental health and medical/surgical benefits.)

Social Security - In fiscal year 2002, CBO continued to develop an analytical framework for examining proposals to restructure and partially privatize Social Security. In addition to using standard actuarial projection techniques (such as those employed by the Social Security Administration), we made significant progress in constructing a dynamic micro-simulation model to produce long-term budget projections. The model contributed to the preparation of several *Fiscal Policy Briefs*, to prepare Congressional testimony on the long-run budget outlook, and to analyze long-term options for CBO’s 2003 *Budget Options* volume.

National Security - Defense-related accomplishments included support to the Congress through direct assistance and published reports, including: 1) an analysis of *The Long-*

Term Implications of Current Defense Plans for the Senate Defense Appropriations Subcommittee; 2) an analysis of the *Estimated Costs and Technical Characteristics of Selected National Missile Defense Systems*; 3) a study responding to a request from the Senate Armed Services Committee on alternatives for *Increasing the Mission Capability of the Attack Submarine Force*; 4) a paper for the House Budget Committee assessed alternatives for implementing *Accrual Budgeting for Military Retirees' Health Care*; 5) an analysis of *Estimated Costs of a Potential Conflict with Iraq* for Senator Conrad and Congressman Spratt; and 6) a concepts paper on *The Budgetary Treatment of Leases and Public/Private Ventures*.

Domestic Economic, Tax, and Financial Issues - Significant publications in this area included, 1) a policy brief examining the sharp drop in revenue collections experienced in 2002; 2) two reports that reviewed effects of the September 11, 2001, terrorist attacks on the insurance industry, and analyzed proposals for federal reinsurance risks from both terrorism and natural disasters; 3) a review of recent productivity growth in the economy, its relationship to improvements in computer technology, and the prospects for such growth in the future; 4) estimates of future investment needs for drinking water and wastewater infrastructure; 5) the risks facing U.S. banks from their exposure to foreign financial losses; and 6) the implications for banks and depositors of raising the limit on federal deposit insurance coverage.

Priorities for Fiscal Years 2003 and 2004

CBO's primary objectives will, as always, be to provide technical assistance and analytical support to the Congress in its work on annual budgets. That effort will include the preparation of baseline spending and revenue projections, analyses of the condition of the economy, cost estimates for authorization and direct spending legislation, and outlay estimates for appropriation bills. CBO will undertake studies of budgetary, economic, and programmatic issues that meet the needs of individual committees. During the next two years, CBO will also undertake major efforts to improve its baseline projections of tax receipts, to become more responsive to our Congressional clients, and to continue internal management improvements, including strengthening our planning process.

Improving Economic Forecasts and Baseline Projections of Tax Receipts - The drastic swings in federal revenues over the past decade have placed a premium on improving the state-of-the-art in receipts forecasting. Over the second half of the 1990s, as receipts rose faster than anticipated, and in the early 2000s, when the opposite occurred, CBO labored, along with other forecasters, to revise its revenue models and estimating methods. But, we were hampered, along with others, by the long lags

between revenue collections and the availability of useful data on the nature of these collections, and by the fact that relationships between incomes and tax collections are more complex than previously appreciated. During 2003 and 2004, we plan further efforts toward improvement and will add at least three staff years in 2004, through permanent hiring, adding expert consultants, reallocating resources, and utilizing visiting scholars. We will:

- Review our current revenue models and estimating methods to determine if better procedures are available and identify areas for further development.
- Acquire additional expertise in the areas of revenue estimating and related macroeconomic issues through additional hiring, visiting scholars and consulting with outside experts.
- Attempt to get better and quicker access to IRS tax data, and utilize private-sector financial information to improve our understanding of how changes in the economy and the markets influence federal receipts.
- Consult broadly with federal, state, and private forecasters who are working on the same problem. For example, we will explore bringing in a visiting scholar who has experience with projecting tax receipts in a large state such as New York or California.

We will emphasize transparency in all our analyses, estimates and projections, but particularly in the revenue area, so that external experts can understand and critique our methods.

Responsiveness and Communications With Congressional Committees - Another area we will begin to emphasize in 2003 will be our direct assistance to the Congress. We plan to do this in several ways:

- C Assigning a senior analyst with a broad knowledge of budget analysis and the budget process to provide liaison to the Congressional committees with whom CBO works.
- C Involving the Budget, Appropriations, House Ways and Means, and Senate Finance Committees, as well as other frequent users of CBO's services, in substantive discussions during our planning process.

- C More generally, taking careful note of the timing and information needs of all our customers, working very hard to meet delivery dates, and keeping all committees for whom we work advised of the status and progress of projects of interest to them.

Strategic Planning - During the past few years we have experimented with a variety of planning approaches for our mission work, as well as for our internal management agenda. The results of those planning efforts, as well as the resulting accomplishments, have been reflected in internal plans and to some extent in our annual budgets, appropriation testimony, and the fiscal year 2002 operating plan. During the next six months, we will begin a more deliberate strategic planning process that will involve (1) a comprehensive and careful assessment of customer needs, (2) a deliberate weighing of customer priorities in relationship to CBO's mission and capabilities, (3) the selection of broad work areas and individual projects, and (4) the setting of supportive internal management goals. We expect to have our plan available for inclusion with the submission of our 2005 budget.

Specific Work Priorities for Fiscal Years 2003 and 2004

Medicare and Other Health Issues - Reforming the Medicare program appears to be a continuing focus of Congressional interest. We expect to analyze a wide range of legislative proposals both to expand Medicare benefits and to modify existing program rules. Topics are likely to include adding a prescription drug benefit to Medicare, promoting greater competition among health plans in the program, and modifying Medicare's payments to providers in the traditional fee-for-service sector. With Medicare's long-term budgetary difficulties gaining greater prominence, we also plan to focus efforts on developing a long-range model for estimating Medicare's future costs.

Options for expanding health insurance coverage are likely to be a major focus of legislative interest. We will issue a report providing alternative estimates of the number of people without coverage, and we expect to be called upon to analyze a range of specific proposals in the areas of tax inducements for insurance coverage, expanding Medicaid and the State Children's Health Insurance Program, reforming rules regulating private health insurance, and requiring employers to offer coverage.

Social Security and Employment Policy - CBO continues to develop its capacity to produce cost estimates and impact analyses of Social Security for both current law and reform proposals. With recent extensions of temporary unemployment benefits and the scheduled reauthorization of the Workforce Investment Act, CBO expects to continue

to provide the Congress with analyses of legislative options to extend unemployment insurance (UI) benefits.

Homeland Security - Providing for homeland security and the creation of the Department of Homeland Security remain challenges faced by the Congress and priorities at CBO. We will continue to track homeland security spending through the budget and appropriations processes and will assist the Congress in making such spending transparent. We will also examine a number of issues related to public spending for homeland security and the provision of incentives to the private sector to mitigate risks associated with terrorist attacks.

National Security - Current work is focused on several broad themes and individual projects as follows:

- C *Expeditionary Forces* - Analyze alternative approaches to replacing current overseas forward basing of U.S. forces with so-called expeditionary forces.
- C *Aftermath of a Conflict with Iraq* - Assess the implications of a long-term occupation of Iraq for active- and reserve-duty U.S. military force structure.
- C *Army Transformation* - Examine the Army's plans to transform its forces to meet 21st-century threats and alternatives that might mitigate technical and budgetary risks.
- C *Long-Range Strike Capacity* - Analyze the cost-effectiveness of alternatives to improving the ability to strike large numbers of targets at long range.

We will also study the effects of reform initiatives on aircraft logistics management and analyze the budgetary implications of trends in the use of contractors to perform military support functions.

Tax Issues - Work on federal tax policies will examine and report on a wide variety of issues in the efficiency, complexity, and equity of the income tax system, including the growing effect of the alternative minimum tax, and the use of tuition tax credits versus other alternatives for supporting higher education.

Other Domestic Economic and Financial Issues - Examples of current and planned work are:

- C *Climate Change* - A report on the economics of climate change will be issued soon, while on-going work examines the macroeconomic effects of reducing greenhouse gas emissions.
- C *Resources for Baby Boomers in Retirement* - This report will describe sources of funds available to this group in retirement and put in context concerns over Social Security and Medicaid cost.
- C *Transportation* - A report is being prepared on passenger rail options. Work will support Congressional committees as they reauthorize federal highway, transit, and aviation programs.
- C *Administrative Costs of Private Retirement Accounts* - Nearing completion, this paper analyzes how program design can raise or lower the administrative costs of private accounts intended to supplement or replace Social Security.
- C *The Internet and Intellectual Property* - Two studies are on-going. The first analyzes policy proposals to speed deployment of high-speed Internet connections. The second looks at possible changes to copyright law in light of the growth of digital technology.
- C *Tort Reform* - Study topics include the economic costs and benefits of the tort system, the implications of tort reform for economic growth, and an assessment of the economic effects of state-level tort reforms undertaken from the mid-1980s to the present.

Internal Management Strategy: Progress and Priorities for Fiscal Years 2003 and 2004

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 and capitalize on technology whenever possible.

Enhancing Recruitment and Retention

During fiscal years 2003 and 2004, we will continue to pursue the same goals and initiatives in order 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.***

Our emphasis here stems from the general difficulty of filling very specialized positions with highly qualified staff, and from the experience of the late 1990's, when the agency experienced an unusual number of vacancies and was unable to quickly replace employees. As a result, we devised a recruitment and retention strategy that allowed us to fill vacancies more quickly and begin meeting our annual staffing goals. To achieve this we raised offering salaries for new Ph.D. and Master's candidates; simplified our application process and drastically shortened the time from application to job offer; more aggressively advertised critical vacancies; began the use of recruitment bonuses in hard-to-fill specialities; and implemented an awards program for outstanding performers.

In fiscal years 2003 and 2004, our college and university recruitment program will remain focused on graduate students in economics, public policy, and related programs at a variety of schools and continue to add more schools with diverse student populations. We will also:

- continue to develop and expand our competitive "scholars" focusing on hard-to-staff areas such as macroeconomics, financial economics, tax, and health economics;
- provide training to managers and staff on effective recruitment techniques and interviewing skills; and
- add an online job application module and additional job information to our website.

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 and training experts. In recent years we increased our training expenditures by 30 to 40 percent, while eliminating less cost-effective training and providing skill training to a much higher percentage of our staff. In fiscal year 2002, roughly 70 percent of CBO employees

received training. And during the last three years we have provided more than two-thirds of our managers with leadership and communications skills training.

During fiscal years 2003 and 2004, we will:

- C continue to provide management training to our senior staff, and provide management development training to up to a dozen high-performing analysts with leadership potential;
 - C develop training plans for new employees, and develop ways to deliver critical skills training to newer employees, more quickly.
3. **Modernize and Revitalize the Working Environment - *Our goal has been to reconfigure and renovate much of our space to use it more efficiently and provide a quality work environment for new employees and those who were in inadequate space.***

Most of CBO's space was configured shortly after the agency's creation over 25 years ago - in a building designed primarily for file storage. At that time, there were no 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 open bays. In cooperation with staff of the Architect of the Capitol and the Superintendent of House Office Buildings, we developed strategies to address our space problems with modest expenditures. Thus by the end of December 2002, we had completed the reconfiguration of roughly 57 percent of our usable floor space. The result is about 134 offices renovated, with a net gain of 47 private offices and three additional conference rooms with modern audio/visual equipment.

During fiscal years 2003 and 2004, we plan to renovate another 50 offices, and in the process essentially eliminate remaining substandard offices while realizing a net gain of 10 additional private offices.

Streamlining Operations and Redesigning Key Processes

As mentioned above, we have also devoted significant attention to automating and modernizing our internal processes.

4. **Process Redesign and Automation - *Our goal has been to modernize and automate key internal processes to provide better services and information electronically, while reducing the time needed to use and support administrative functions.***

In fiscal year 2002, we began a major thrust to modernize our work processes, with a wide range of process redesign and automated system development efforts. Several new systems were completed during the year, including a project tracking system, a web-based supply ordering system, a conference room reservation system, and an applicant tracking system. We also implemented an innovative Intranet site which is now our primary information source for internal policy guidance, new application programs, internal services, data bases, and internet-based journals and research tools.

In fiscal years 2003 and 2004, we will:

- develop and implement a new publication distribution system;
- design and implement a Human Resources Information System (HRIS);
- install an asset management system;
- implement a service request software system for computer assistance; and
- upgrade our financial management system in co-operation with the Library of Congress.

Publishing and Communications Priorities

The value of CBO's work to the Congress and the public derives from the quality, readability, and availability of its publications. Although the demand for printed publications remains strong, the use of electronic versions is growing every year.

5. **CBO's Publications and Production Processes - *Our goal is to produce high-quality publications that are easily identifiable as CBO products and to reengineer our production processes to become more timely and efficient.***

As usage of CBO's Web site has increased, we have been able to print fewer copies of reports and reduce inventory costs. Increasingly, we are targeting the distribution of our reports to put them in the hands of policymakers and other interested readers, but avoid excess printing. Instead, we are relying more on electronic notification and

distribution. To provide Congressional offices with advance access, we began e-mailing them some shorter publications and Internet links to some longer documents. We also finished modernizing the format and production process for our reports so that they all have a consistent and professional look readily identified with CBO. We also designed and began issuing a new product line—Policy Briefs—which capture the important aspects of major policy issues, such as the budgetary impact of society’s aging population, in just a few pages, which can be read by busy staff and Members.

In fiscal years 2003 and 2004, we will implement a PC-based report distribution system to replace the current mainframe system. The new distribution system will target distribution more precisely, to those who want specific kinds of publications; improve staff productivity; and support e-mail notification and distribution of reports. We also plan to further improve our graphics production process, take advantage of the improved print quality made possible by printing directly from electronic files, and eliminate some production rework. We will also expand the use of Policy Briefs to cover more areas of CBO work and issue them more frequently. Finally, we plan to survey CBO document users to glean suggestions for additional improvements in our written products.

6. ***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.***

Use of CBO’s Web site continues to increase dramatically year to year, from about 2.3 million page requests in 2001 to about 4.9 million last year. Although the site was quite serviceable. We undertook a comprehensive redesign. Based on users’ suggestions developed a better search function, recatalogued of publications, and improved navigation.

In fiscal years 2003 and 2004, www.cbo.gov will continue to evolve. Anticipated improvements include adding new sections, such as one with extensive information on the federal budget, a notification system for job applicants, and a comprehensive searchable archive of all CBO publications dating back to 1975. This archive will make available on-line and on CD, approximately 1,100 reports and nearly 900 testimonies, and will allow us to “print on demand” hard copies at the request of Members, staff, and the public. Our redesign of the on-line versions of our various publications will also be completed.

Technology

Highly effective organizations must build a skilled staff and then provide them with the technology they need to do their work. This is critical to CBO because the broad scope of our work and often quick turnaround requirements for our work necessitate modern information and computing tools.

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

In fiscal year 2002, we replaced the oldest desktop systems, upgraded network infrastructure, and improved network security. To reduce timesharing costs, we moved most statistical processing and data storage from the Library of Congress to an in-house platform. We also made substantial progress in replacing our more than 20-year old mission-critical Budget Analysis Data System with a PC-based application. This will provide improved capability and yield operating cost savings.

In fiscal years 2003 and 2004, we plan to:

- complete the redesign and implementation of the Budget Analysis Data System during 2003; and
- consolidate a variety of existing data backup processes into one enterprise-wide backup system.

We will also continue to replace our oldest workstation hardware and software, upgrade important routers and switches, replace some high speed printers, and continue to support process redesign and automation efforts with programming assistance.

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

The events of September 11, 2001, and the closure of the Ford House Office Building the following month, re-emphasized the importance of disaster recovery. This caused us to rethink our response strategy. The nature of the Ford building closing left our network, systems, and data intact, permitting us to quickly restore essential services to the Congress, but with considerable difficulty. In 2002, we improved our data system

backup, moved surplus IT equipment to off-site storage and devised a robust emergency recovery strategy.

In fiscal years 2003 and 2004, we will complete implementation of that strategy as we:

- mirror our CBO Web site, our internal intranet, and other mission-critical databases and programs at a secure off-site facility;
- provide staff with highly secure remote access to e-mail, application programs, analytical data, and the CBO Intranet which contains hundreds of journals, research tools and useful Internet links;
- strengthen our emergency wireless communication capabilities; and
- upgrade our email and network operating systems to be more fault-tolerant.

We will also complete planning for and make the move to the Legislative Branch Alternative Computing Facility, establish reciprocal agreements for emergency work centers with the Library of Congress and other federal entities, and increase the quantity of off-site emergency-use hardware we have available.

9. ***Enhance Network Security - Our goal is to strengthen network security for the core network and for the separate network established to store and process sensitive data from IRS, Social Security, and Health and Human Services.***

Some of the data CBO uses for its analysis and model development require access to sensitive government data. Generally this forces us to adhere to strict security procedures dictated by the providing agency. As our use of sensitive data has grown, so has our need to increase security measures.

In fiscal year 2003, we plan to substantially complete this effort by 1) implementing automated auditing of secure data access to assure that we are complying with all data use agreements; 2) completing an internal audit of network security and addressing any issues identified; and 3) verifying that remote work sites are adequately safeguarded. We will then periodically perform data security audits.

Conclusion

Mr. Chairman, during recent years CBO has worked very hard to meet the needs of the Congress and to rebuild its 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 recent budget increases this committee provided, along with our extensive efforts to reduce our nonpayroll costs, have allowed us to return to full strength, while modernizing our products, processes, technology and facilities.

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 neither easy or quick. Our new recruitment and retention initiatives for which we need your continued support—for the visiting scholars' program, performance and recruitment bonuses, training and professional development authority and student loan repayment—will provide us with additional tools we can use in our efforts to attract the best and the brightest to serve the Congress.

Finally, the additional staff resources requested are critical to my efforts to improve our economic forecasts and revenue estimating processes.

