

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

**Appropriation Request for Fiscal Year 1989**

**March 17, 1988**

Mr. Chairman and Members of the Subcommittee, I am pleased to present the fiscal year 1989 budget request for the Congressional Budget Office (CBO). As you know, 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. The CBO does not make policy recommendations, but presents the Congress with options and their possible budgetary and economic consequences.

As Acting Director of the Congressional Budget Office, I am committed to keeping our budget request to the minimum necessary to perform adequately the tasks assigned to us by the Congress. We are all aware of the restrained fiscal times in which we find ourselves. In recent years, the CBO has been able to achieve significant economies in its operation by keeping careful track of costs and by productivity gains from automation. This year, as in the past, our budget request maintains the same level of fiscal responsibility. Indeed, CBO's request for 1989 is virtually identical with its baseline projection: It reflects no real growth, but only adjustments for mandatory pay items and inflation.

## BUDGET REQUEST

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For fiscal year 1989, we are requesting \$18,900,000, an increase of 5.7 percent (or \$1,014,000) over our estimated fiscal year 1988 operating level of \$17,886,000. The vast majority of this increase, however, is to cover mandated personnel expenses and not attributable to new discretionary spending.

Nearly 82 percent of the total increase, \$829,000, is to fund CBO fully at its authorized staff level of 226. This represents an increase in personnel costs of 6.7 percent from fiscal year 1988, fueled primarily by CBO's need to fill important staff vacancies. These vacancies have helped CBO absorb this year's pay increase and escalating retirement costs with a minimum of disruption. However, congressional demand for CBO work has not diminished, and it is becoming critical that CBO fill these vacancies if it is to continue serving the Congress at its current level of professionalism.

I would like to note, Mr. Chairman, that CBO is not requesting any additional staff positions.

The remaining \$185,000--an increase of just 1 percent over fiscal year 1988 levels--is primarily to cover cost increases for a variety of

items and for the purchase, leasing, and maintenance of our automated data systems.

As in the past, Mr. Chairman, we have taken a most prudent funding approach in our fiscal year 1989 budget request. As a support agency, we are indeed aware of the difficult fiscal task facing the Congress and we intend this request to be supportive of its needs as the Congress faces that task. Before discussing our request in detail, I would like to review for the Committee the principal services that CBO provided the Congress this past fiscal year.

#### **THE BALANCED BUDGET REAFFIRMATION ACT**

Last September, Congress passed the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 (Public Law 100-119), to shore up provisions in the 1985 Balanced Budget Act that were found unconstitutional by the Supreme Court. As with its predecessor, the Balanced Budget Reaffirmation Act is intended to balance the budget, now by 1993. The act reinstates the automatic across-the-board spending cuts in most federal programs when the Congress fails to meet annual deficit targets through legislative action.

The Balanced Budget Act of 1985 assigned numerous new tasks to the CBO. The Reaffirmation Act continues that work for CBO and expands it. First and foremost among our responsibilities under these laws is the Sequestration Report. This report, formerly jointly prepared with the Office of Management and Budget (OMB) of the Executive Branch, as required by law:

- o Estimates budget base levels, including the amount by which the projected deficit exceeds the maximum deficit amount for the fiscal year;
- o Provides CBO economic assumptions, including rate of real economic growth; and
- o Calculates the amounts and percentages by which various budgetary resources must be sequestered in order to eliminate any deficit excess.

CBO's Sequestration Report is due to Congress on August 20 and is revised to account for subsequent legislative action on October 10. To conform to constitutional requirements of separation of powers, CBO's report is largely informational and is primarily a legislative check on the Executive Branch. Actual sequestration of appropriated funds, if needed, is triggered by OMB's report of October 15, which is

virtually identical to CBO's report, but uses the economic assumptions of OMB's July 15 Mid-Session Review.

In fiscal year 1989, CBO will prepare two Sequestration Reports, as compared with three in fiscal year 1988. Preparing the Sequestration Report remains a major undertaking. CBO analysts review over one thousand budget accounts and apply cuts in hundreds of them to complete it. In addition, the report must be prepared for publication in the Federal Register, all within a five-day deadline.

Despite the imposing time constraints involved with this process, CBO staff have regularly performed their duties with distinction, and I would like to underscore how appreciative I am of the work of the CBO staff in this and all of our other endeavors.

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 the suspension of the deficit targets. The CBO did not see the need to make such a report in 1987, and our current economic forecast does not envision a recession.

The Balanced Budget Act also requires CBO to provide the Congress with a report on unauthorized appropriations and expiring

authorizations. For the most part, this is information the CBO has been collecting and providing on request to the House and Senate Budget Committees. We currently file this report with the Congress by January 15. A copy of our latest report is included in Appendix B.

Finally, the Balanced Budget Reaffirmation Act directs CBO, in consultation with the General Accounting Office, to study and report to the Congress on federal credit programs as soon as practical. This report is to address and make recommendations on the following areas: (1) more accurately measuring the costs of federal credit programs; (2) comparing the cost of federal credit programs with other forms of assistance; and, (3) improving the allocation of resources between credit programs and other programs. The report is also to consider how to include information on the cost of federal credit programs in the budget process.

## CURRENT CBO SERVICES TO THE CONGRESS

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: maintains current tabulations of

Congressional revenue and spending actions (scorekeeping); prepares five-year cost estimates for bills reported by authorizing committees; prepares outlay estimates for bills providing new budget authority; supplies tax expenditure and revenue information; 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 resolutions 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. Advisory letters have also been sent on request to the Chairman of the 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 for use in preparing their February 25th reports, and in dividing budget resolution allocations among subcommittees.

The 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. These automated reports originate from a request by the House Appropriations Committee.

In response to a request from the Senate Appropriations Committee, CBO is preparing a manual on scorekeeping rules and procedures. Robert Keith, a noted budget process analyst of the Congressional Research Service, is assisting us in this effort. The manual will explain in detail the scorekeeping procedures that are used under the Congressional Budget Act and the Balanced Budget Act. In preparing this manual, we will hold thorough discussions with the Committees on Appropriations on the procedures affecting appropriation bills.

## 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 undoubtedly will 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. These annual budgetary decisions sometimes have little impact on the budget in the short run, although they can significantly influence relative budget priorities over a period of several years. Because the annual budget resolution now includes a credit budget component, the CBO also prepares baseline budget projections for federal credit activities.

CBO's budget projections capability has enabled the Congress to move more and more in the direction of multiyear budgeting. For example, for several years both Budget Committees have used the CBO baseline budget projections as a starting point for formulating

their recommendations 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 added importance in 1981, when they served as the baseline for computing the spending reductions to be achieved in the budget reconciliation process. They have served this purpose for every reconciliation bill since. 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 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.

The concept of a budget baseline was incorporated in the Balanced Budget and Emergency Deficit Control Act of 1985 for determining the need for and magnitude of across-the-board spending reductions to meet specific deficit targets. Last year, when the act was amended to correct the constitutional defect, the baseline concept was also modified to approximate more closely the methodology used by CBO in our baseline projections. The major change was to include an inflation and pay adjustment factor in projecting discretionary appropriations.

This year, the CBO baseline is identical to the budget base as specified in the Balanced Budget Reaffirmation Act. For 1989, 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 budgetary proposals using different economic assumptions and CBO's estimating techniques and methods.

The economic assumptions used by the Budget Committees to formulate the annual budget resolutions usually are different from the assumptions the Administration uses in preparing 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 on budget outlays of various budget proposals. 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 delineating recent trends in the use of federal benefits and services, the growth in beneficiary populations, and other factors affecting federal spending. The 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 overview 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.

### Bill Cost Estimates

The CBO prepares cost estimates for virtually every public bill reported by legislative committees in the House or Senate that would have a budgetary 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; indeed, they are having 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 1987, the number of individual cost estimates was 743, as shown in Table 1.

A large part of CBO's bill costing activity in 1987 was for the House and Senate Committees receiving reconciliation instructions in the budget resolution for fiscal year 1988. When combined with corresponding work on reconciliation proposals in 1981-1986, these efforts are equivalent to several hundred bill cost estimates. Because CBO's tracking system for bill cost estimates has treated work on all

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TABLE 1. CBO BILL COST ESTIMATES (Formal and informal)

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	1980	1981	1982	1983	1984	1985	1986	1987
Federal Estimates	861	553	747	676	687	601	667	743
State and Local Estimates	n.a.	n.a.	4	573	641	533	588	531

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NOTE: n.a. = not applicable.

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the reconciliation proposals as if they were a few large bills, this workload is not reflected fully in the figures shown in Table 1 for 1981-1987.

In addition to cost estimates for bills reported by legislative committees, CBO also provides the Appropriations Committees with outlay estimates 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.

#### State and Local Government Cost Estimates

The State and Local Government Cost Estimate Act (Public Law 97-108), enacted in late 1981, expanded CBO's bill costing responsibilities by requiring estimates of the cost that would be incurred by state and local governments in carrying out or complying with legislation that is reported in the House or the Senate. This requirement was made permanent by the Balanced Budget Reaffirmation Act.

CBO's policy is to review as many bills as possible to identify their potential impacts on state and local government costs. These cost estimates may be limited to bills that, in the judgment of CBO, 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 1987, CBO prepared state and local cost estimates for 531 bills. Of these bills, CBO estimated that 83 had some potential effect on the budgets of state or local governments and 448 had none.

### Economic Forecasts

Each fiscal year, CBO provides the Congress with two economic forecast reports. They are issued to coincide with Congressional consideration of the concurrent resolutions on the budget.

CBO does not maintain its own macroeconomic model of the economy. Instead, it uses the major commercially available econometric models: Data Resources, Inc., Wharton Associates, Washington University Macroeconomic Model, and Ray Fair Economic Model. We also rely on the advice of a distinguished panel of advisers who represent a wide spectrum of economic views. 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 February and August of 1987 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. As has been previously mentioned, CBO will continuously have to use various models of the economy in the future to conform with the requirements of the Balanced Budget Act. 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.

### Tax Analysis

With each new economic and budget baseline forecast, CBO provides the Budget Committees with a set of standardized tables showing 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 their preparation of 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 also continued to provide estimates of the revenue effects of many alternative deficit reduction plans. In addition, last year, the CBO completed a major study of tax policies for pensions and other retirement savings.

### Program Analysis

The CBO's program divisions--Human Resources, Natural Resources, National Security, and the small General Government unit in

**Intergovernmental Relations--respond to requests from Congressional committees for analyses of issues and options that help 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.**
- o Testimony at Congressional hearings, which often follows from other work we have done.**

**The principal responsibility of the program divisions is to assist the committees of the Congress in drawing the link between legislative**

policy options and their budget effects. 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 1987, CBO completed 26 such reports for 13 Congressional committees--6 in the House and 7 in the Senate. Appendix C of this statement shows the distribution of reports completed for House and Senate committees in fiscal year 1987.

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: *Has Trade Protection Revitalized Domestic Industries?*; *How Federal Policies Affect the Steel Industry*; *The GATT Negotiations*; and *U.S. Trade Policy*; *Educational Achievement: Explanations and Implications of Recent Trends*; and *Setting Space Transportation Policy for the 1990s*.

In terms of direct support of the budget process by the program divisions, there are studies that address the budgetary implications of changes in program emphasis or direction or in the implementation 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: *The Army of the Nineties: How Much Will It Cost?*; *Work-Related Programs for Welfare Recipients*; *Financing Municipal Water Supply Systems*; *Contracting Out: Potential for Reducing Federal Costs*; *Assessing the Effectiveness of Milestone Budgeting*; *The Benefits and Risks of Federal Funding for Sematech*; and *Setting Personnel Strength Levels: Experience and Productivity in the Military*.

Based on current committee requests, CBO expects to complete more reports in fiscal year 1988 than in fiscal year 1987. We further assume that our level of activity in fiscal year 1989 will be similar to that in fiscal year 1988. CBO's program areas 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 provided to the Congress by the program divisions. Regularly, short-term analysis in the form of unpublished papers, staff memoranda, and letters is provided to committee staffs by the program divisions. During Congressional deliberations on the new Federal Employees Retirement System, for example, CBO staff provided extensive technical assistance to the Budget and Authorizing Committees concerning the budgetary impacts of numerous proposals.

In addition, CBO maintains a heavy agenda of testimony. CBO was called upon to testify on 31 separate occasions during the last fiscal year before a variety of Congressional committees. 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 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 will not lessen under the Balanced Budget Act. The Congress, to carry out its policy objectives during these times of severe fiscal constraint, will consider a large number of new and innovative approaches in a myriad of programs. CBO will be called on, and stands ready to assist, in the evaluation and analyses of all such proposals, assuring the Congress of the best possible information on which to base its decisions. In addition, the Congress will 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 THE CBO**

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

For example, the economic assumptions developed by the Fiscal Analysis Division serve as the basis for our cost estimating, projections, and issue analysis. The budget numbers developed by Budget Analysis 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*. (Inci-

dentally, Mr. Chairman, over the years, 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 tax 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.

As you are aware, Mr. Chairman, Dr. Rudolph G. Penner, the second Director of the Congressional Budget Office, did not seek reappointment to a second term and left on March 1, 1987. Dr. Edward M. Gramlich, Deputy Director, became Acting Director. When it became necessary for Dr. Gramlich to return to the University of Michigan in December 1987, I was named Acting Director. I am also the Assistant Director of our Budget Analysis Division, a position I have held since CBO's inception in 1975.

Under the Congressional Budget Act of 1974, the Director of CBO is appointed for a four-year renewable term by the Speaker of the House and the President Pro Tempore of the Senate, after they have considered the recommendations of both Committees on the Budget.

The other organizational change made in fiscal year 1987 was to transfer five staff positions from the Budget Analysis Division to the Office of Intergovernmental Relations (OIGR). The Systems Development and Research Unit provides microcomputer and technical ADP support to all CBO divisions. OIGR handles the daily internal administrative activity of CBO and this transfer of personnel was consistent with such functions.

#### THE FISCAL YEAR 1989 REQUEST

As I indicated previously, Mr. Chairman, the incremental increase over the 1988 operating level is comprised mostly of mandatory spending to fund CBO at the authorized staff level. Of the \$1,014,000 increase being requested, \$829,000, or nearly 82 percent, is to cover these personnel costs. The remaining \$185,000--an increase of just 1 percent over fiscal year 1988 levels--is primarily to cover cost increases for a variety of items and for the purchase, leasing and

maintenance of our automated data systems. Again, CBO is not seeking any new positions.

### Personnel Costs

The bulk of the increase in expenditures that CBO must make in fiscal year 1989 is to bring its staff up to full strength. For much of 1987 and through the first half of fiscal 1988, CBO has operated with a number of important vacancies, including at the Assistant Director level. Although the vacancies helped us absorb many costs, such as 65 percent of last year's supplemental and all of fiscal year 1988's cost-of-living adjustment, we cannot continue to keep these slots vacant in the future. We are most anxious to fill these essential positions.

Of the \$829,000 in increased personnel costs, \$475,000 is attributable to staffing at the authorized level. The remaining \$354,000 is for merit increases and related benefits and for annualization of the last quarter of the 1988 cost-of-living adjustment, as well as the cost of other benefits.

## Other Costs

As with past years, much of the requested increase in other spending is the result of price increases. The remainder is primarily for ADP applications, including the replacement, upgrade, redesign, and maintenance of computer hardware and software. As much as one-half of the requested increase, however, is offset by the ADP savings that CBO expects to derive from a variety of sources.

Total price increases amount to \$122,000. The major increase is in the cost of printing, up 9 percent or \$38,000. Other areas with sizable increases are ADP timesharing from commercial vendors, 4 percent or \$18,000; telecommunications and utilities, 5 percent or \$17,000; and microcomputers, 3 percent or \$16,000.

The other increases we have requested are ADP-related and are in support of CBO's current operations. Among the amounts requested are:

- o \$94,000 to replace aging microcomputers with faster, more efficient models;
- o \$83,000 to purchase newly compiled data to update existing models and data bases;

- o \$40,000 in support of the needed changes and updates to mainframe applications.

In recent years, CBO has engendered significant savings in ADP related costs from increased use of microcomputers and from transferring its major mainframe system to HIS from commercial vendors. CBO continues to investigate new ways to save on ADP costs and in fiscal year 1989 expects to realize ADP savings of \$233,000.

These savings, when combined with the requested spending increases, makes the net requested increase in areas other than personnel just \$185,000, 1 percent over fiscal year 1988 levels and well below CBO's anticipated rate of inflation for 1989.

## CONCLUSION

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Mr. Chairman, as I stated at the opening of this justification, I have tried to maintain a most prudent approach in budgeting for CBO. We have submitted a budget that, in its discretionary spending, is well below the expected rate of inflation and which, overall, conforms to the amount allocated to CBO in its own baseline projections. It is, I

believe, a budget that will allow CBO to continue to serve the Congress at the professional level it has come to expect. Thank you, Mr. Chairman.