

CBO TESTIMONY

**Statement of
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Director**

Appropriation Request for Fiscal Year 2009

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

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Madam Chair and Members of the Subcommittee, thank you for the opportunity to present the fiscal year 2009 budget request for the Congressional Budget Office (CBO). I recognize that the agency's request this year embodies a somewhat unusual increase in funding. I spent my first year as director learning more about the various parts of the organization, and I appreciate the opportunity to explain why I have become convinced that the proposed increase is essential to CBO's ability to serve the Congress effectively and efficiently.

CBO's mission is to provide the Congress with timely, objective, nonpartisan analyses of the budget and the economy and to furnish the information and cost estimates required for the Congressional budget process. In fulfilling that mission, CBO relies heavily on a highly skilled workforce. Approximately 90 percent of the agency's appropriation is devoted to personnel (and the remaining 10 percent is for information technology (IT), equipment, supplies, and small purchases of other items).

Over the past four years, CBO's budget has risen by an average of less than 3 percent per year, making it difficult to keep pace with rising personnel costs, especially in the face of increasingly attractive outside opportunities for skilled economists and policy analysts. In addition, the Congress has recently been asking CBO to play a substantially expanded role, particularly in providing options and analyses related to health care spending.

To help CBO fulfill its mission in supporting the Congress and to allow the agency to better meet the needs that Congressional committees have identified, the proposed budget for fiscal year 2009 totals \$42,740,000, a \$5.4 million or 14.6 percent increase over the fiscal year 2008 funding level. Roughly \$2 million of that increase would be dedicated to a modest expansion in CBO's staffing, which would remain significantly less than the staffing of other agencies performing similar functions. In particular, CBO is requesting 24 new full-time-equivalent positions (FTEs) over two fiscal years, along with funding for the related support costs. In the fiscal year 2009 budget request, the agency is asking for 15 new FTEs, an increase of 6 percent over the existing level. If the Congress supports CBO's strategy, the agency will request the additional nine FTEs in its fiscal year 2010 budget request.

The Motivation for CBO's Fiscal Year 2009 Request

A convergence of growing Congressional demand for work by CBO and rising personnel costs, along with the need to sustain the agency's IT capabilities, motivates CBO's request.

Growing Demand for CBO's Estimates and Analyses. The requested 6 percent increase in FTEs for fiscal year 2009 would help CBO meet the demands associated with new pay-as-you-go rules and growing Congressional interest in having the agency provide additional analyses of policy areas such as health care

costs and global climate change—along with the Senate’s new point of order that can be raised against legislation that increases the deficit over the long term.

Specifically, the additional FTEs would be used to support increased requests for scoring under an expanded set of circumstances from committees, the Congressional leadership, and individual Members. In addition to scoring reported bills, CBO is now often asked to score proposals before markup, as well as possible amendments during the committee, floor, and conference stages. It is also asked to score managers’ amendments and motions to recommit for the Rules Committee.

As one measure of the increased demand for the agency’s analyses, CBO officials testified 38 times in calendar year 2007, compared with 18 times in calendar year 2006. At the same time, the quantity of scoring requests that CBO analysts received rose sharply. In 2007, the agency produced about 770 formal cost estimates, well above the average of about 600 estimates produced in the first sessions of the previous five Congresses. Substantially more information was communicated via phone and e-mail contacts between Hill staff and CBO staff. Furthermore, much of the work being requested has become more complex and time-consuming—including analyses regarding defense funding, veterans’ health care, federal incentives and programs related to energy, health insurance for children, the environment and climate change, the structure of and funding for education programs, and a variety of other federal programs. Moreover, the desire of Members and committees to move legislation relatively quickly has put a significant strain on CBO. The agency has attempted to meet the timing demands, but it cannot continue to do so without some additional personnel.

Because rising health care costs constitute the key determinant of the nation’s long-term fiscal imbalance, various Congressional committees are looking to CBO for more assistance in analyzing health care issues. The agency is expanding work on long-term trends in the growth of health care costs and potential areas of cost savings. For example, some of CBO’s just-completed or ongoing work includes analyses of potential ways of reducing health care costs without reducing quality, the long-term outlook for health care spending, causes of regional variation in health care costs, the impact of public health insurance on private health insurance, options for constraining growth in the costs of veterans’ health care, and consumer incentives to limit cost growth.

Rising Personnel Costs. Over the past four years, CBO’s appropriation has risen by a total of 11.0 percent—an average of 2.6 percent per year. That increase has not kept pace with rising personnel costs, which constitute most of CBO’s budget. For example, across-the-board salary increases for federal employees, which either directly or indirectly affect the pay raises of most of CBO’s staff, have totaled 15.1 percent over the past four years—an average of 3.6 percent per year.

The cost of personnel benefits has risen even faster. CBO is now spending 29 percent more on benefits than it did four years ago, largely because of substantial increases in retirement contributions (averaging 6.5 percent per year) and health insurance costs (averaging 6.3 percent per year). Benefits now account for 22 percent of CBO's budget, up from 19 percent four years ago. Thus, CBO is now spending \$1 million more a year on benefits than it would have been spending if benefits had grown at the same rate as the agency's appropriations.

CBO's Budget Request. Of the requested increase, \$4 million would be for increases in staff salaries and benefits, which are estimated to grow by 11.6 percent in 2009; \$1.6 million of that amount would support the agency's new FTEs, and \$2.4 million would support merit increases, promotions, and across-the-board pay increases for current staff.

CBO's request includes an increase of \$0.9 million for IT resources. After reducing its spending on such resources significantly in fiscal years 2007 and 2008 to live within its appropriations, CBO now has an IT infrastructure that is in a critical state. Major components of CBO's network are long overdue for upgrade (some servers and network components failed last year because they were obsolete), and the agency has not had the funds to replace older desktop computers for the past two years. Of the requested increase, \$0.6 million would restore IT funding to a normal level—for software development, desktop software, temporary support from contractors, and telecommunications, as well as the replacement of some PC equipment. The funding would also allow CBO to complete the implementation of IT security measures (to monitor for and prevent attacks) that were identified as essential in a network security evaluation in fiscal year 2007. The remaining portion of the increase for IT, \$250,000, would support the infrastructure requirements for the 15 new FTEs (at \$150,000) and purchases of data necessary for health care analyses (at \$100,000).

The remainder of CBO's nonpersonnel budget would increase by \$0.6 million. Of that amount, \$218,000 would restore funding for a number of items—equipment, furniture, office supplies, support services from contractors, and training—to fiscal year 2006 levels; \$232,000, would cover start-up requirements for the additional 15 FTEs, such as costs for new offices, workstations, office equipment and supplies, travel, and training; and \$150,000 would be used for expert consultants on health care.

CBO's Work

CBO assists the Congress in exercising its responsibilities for the budget of the U.S. government and other legislation. Under the 1974 Congressional Budget Act, the agency's primary duty is to support the Committees on the Budget of both Houses. The agency also supports the Congressional budget process by providing analyses requested by those Committees; the Committees on Appropriations; the

House Committee on Ways and Means; the Senate Committee on Finance; other committees; and, to the extent that resources permit, individual Members. In particular, CBO:

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

- Helps the Congress make budgetary choices by providing policy options, but not policy recommendations, for how it might alter federal outlays and revenues in the near term and over the longer term; and
- Constructs statistical, behavioral, and computational models to project short- and long-term costs and revenues of government programs.

Some Details of CBO's Request

In fiscal year 2009, CBO's request would allow the agency to build on current efforts. Specifically, the request would fund the following:

- A workload of roughly 700 formal cost estimates (most of which include both estimates of federal costs of legislation and assessments of the cost of mandates included in the legislation that would affect state and local governments, Indian tribes, or the private sector) and hundreds of informal estimates, more than 100 analytical reports (18 percent more than in 2007), more than 80 other publications, and a heavy schedule of Congressional testimonies;
- CBO's analyses for use by the Congress in identifying and analyzing potential ways of controlling health care spending—drawing together research findings and providing other information that might allow policymakers to address the issues of both cost and quality in health care services (particularly because many of the health care proposals that are being made today involve reallocating costs among different sectors of the economy—from the federal government to households, state and local governments, and private businesses—and do not address the basic underlying trend in economywide spending);
- 250 FTEs, an increase of 15, including an across-the-board pay adjustment of 3.5 percent for staff earning a salary of \$100,000 or less, which is consistent with the pay adjustment requested by other legislative branch agencies;
- A projected 11 percent increase, or \$2.9 million, in base pay—of which \$1.2 million would support the 15 new FTEs and \$1.7 million, a combination of across-the-board increases, promotions, and merit increases for current staff;
- A projected 13.2 percent increase, or \$1.1 million, in the cost of benefits, which would support the 15 new FTEs at \$0.4 million and existing staff at \$0.7 million;
- The replacement of obsolete office equipment, desktop computers, and network servers at \$634,100—an increase of \$305,500, which would restore

the agency to the normal replacement cycle of equipment and devote \$150,000 to support the new FTEs;

- Furniture and construction requirements, at \$202,000, particularly to support the new FTEs;
- Payments to expert consultants, at \$236,700—an increase of \$162,300 to support anticipated requirements for analyses of health care (funds that were originally requested in fiscal year 2008 to support anticipated Congressional requirements);
- The acquisition of commercial data necessary for CBO analyses and studies, at \$345,300—an increase of \$207,800 (including \$100,000 originally requested in fiscal year 2008 for additional health care analyses, with the balance of the increase mainly restoring funding to the 2006 level);
- IT system development, at \$314,500—an increase of \$210,000, which would restore funding to the fiscal year 2006 level;
- Temporary IT and clerical support, at \$385,900—a decrease of \$15,800;
- Subscriptions and purchases of books, at \$397,500—an increase of \$61,500, mainly attributable to increases in the costs for online subscriptions;
- Management and professional training, at \$148,500—an increase of \$23,500, of which \$6,500 would be for the new FTEs, with the balance restoring training to roughly the fiscal year 2006 funding level;
- Office supplies totaling \$131,800—an increase of \$16,500, of which \$10,800 would be to support the new FTEs, with the balance restoring funding to the fiscal year 2006 level with inflation;
- Independent audit services, at \$111,200—an increase of \$10,600, based on the amount for the option year of the awarded contract;
- Travel, at \$173,500—an increase of \$10,500 because of the new FTEs;
- Essential purchases of software, at \$259,700—an increase of \$66,200, which would partially restore funding to the fiscal year 2006 level;
- Funding for CBO's support of the Federal Accounting Standards Advisory Board at the normal operating level of \$469,000—an increase of \$40,000 based on the Government Accountability Office's projection, which incorporates inflation;

- Financial management services, including support for payroll and financial systems, at \$246,200—an increase of \$12,900, which would restore funding to the fiscal year 2006 level with inflation;
- Telecommunications and telephone services, at \$196,800—an increase of \$12,800, which would restore funding to the fiscal year 2006 level;
- Equipment maintenance, at \$205,200—a decrease of \$14,800 based on current contracting data; and
- Reporting and printing, at \$61,400—incorporating an inflationary increase of \$2,700.

Finally, I am pleased to report that CBO received its fourth consecutive clean opinion on the latest audit of its financial statements. The agency's fifth audit (of fiscal year 2007 financial statements) is ongoing.