

STATEMENT OF

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BEFORE THE

HOUSE COMMITTEE ON **RULES**

UNITED STATES HOUSE OF REPRESENTATIVES

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Mr. Chairman. I am pleased to appear before this Committee to discuss the State and Local Cost Estimate Act of 1981, H.R. 1465. The Committee has copies of a report prepared by the Congressional Budget Office (CBO) at the request of Chairman Boiling presenting our assessment of the feasibility of **CBO's** preparing state and local cost estimates. My statement **this** morning will summarize that report and highlight a number of concerns raised by our review of H.R. 1465.

CBO strongly supports the objective of bringing to the **Congress'** attention the anticipated costs to state and local governments of carrying out proposed federal programs. In some cases, the burden of federal initiatives on state and local **governments** is very heavy, and focusing only on federal costs can be misleading. Estimating the **nonfederal** costs of such proposed actions would inform the Congress of the concerns of state and local governments. It would move us one step closer to assembling all the information a **decisionmaker** would need to make a fully informed judgment on a legislative proposal.

Preparing estimates of state and local costs would be more complicated than preparing federal cost estimates, and in general, it would take longer. Costs that would have occurred anyway without the new legislation would have to be determined and **purposefully** set apart from the estimate. Similarly, variations in impact from one jurisdiction to another would have to be identified. Assumptions would have to be made about many details of **implementation** that would

later be determined by **program** regulations. Available data are limited, and **obtaining** necessary information could be both difficult and time consuming.

CBO's response to these complications would vary according to the nature and scope of the **requirements** and the language of each bill. In many **cases**, the factors to be considered could be so numerous that a sample of affected jurisdictions would have to be used in developing the estimates. In other **instances, though**, CBC could turn to existing national organizations or state and local officials to assist us in identifying costs. For state-administered entitlement programs and other major intergovernmental **programs**, CBO would develop and maintain data bases of major program characteristics for use in its estimates. For estimates of pending bills with **exceptional** costs to particular regions, analysts would have to contact federal agencies and/or local officials to identify potential costs.

While the focus of **H.R.** 1465 has been on costs to state and local **governments**, the impact of some federal requirements could be a saving rather than a cost. CBO would assume that a significant saving would also be estimated.

While details would have to be worked out as to the procedure for making state and local cost estimates **involved**, four general points about the nature of these estimates should be noted:

- (1) Estimates would generally be limited to the aggregate **state** and local costs of the legislation.

It would not be possible for CBO to **produce** state-**by-state** analyses except in unusual cases where **such** estimates were a **by-product** of the overall estimate. CBO would neither be able to support requests from individual Members nor from state and local governments themselves for estimates of the costs to **their** particular jurisdictions.

- (2) Only direct budgetary costs would **be** estimated.

CBO's current responsibility for **estimating** costs to the federal government has been defined to include only direct budgetary costs, not indirect or secondary costs. Similarly, we would expect to estimate the impact of federal legislation that directly affects state and local budgets, but we would not **attempt** to estimate the impact of legislation that may affect state and local governments through changes in the economy **or other factors**.

- (3) Estimates would be made of the incremental costs associated with the **legislation**.

CBO would attempt to measure the impact of **federal** legislation in terms of the incremental **costs--those** additional costs to state and local governments brought about by the bill being considered but excluding **programs'** ongoing current costs. This interpretation would require CBO to identify costs that would have occurred **anyway--potentially** a difficult **undertaking--but** should give the Congress a truer understanding of the implications of the legislation under **consideration**.

- (4) Estimates would be made of the extent of the state or local voluntary participation in a program.

For legislation covering programs in which states or localities may elect to participate on a voluntary basis and to differing degrees, CBO would develop estimates allowing for partial participation or responses to a federal requirement. An example is Medicaid, in which only Arizona now chooses not to participate. Estimates of such bills would require CBO to develop and constantly reevaluate assumptions about state and/or local participation rates and program variations.

CBO would require additional resources to **fulfill** this responsibility. We have estimated that the minimum additional resources would be **\$700,000** for fiscal year 1983. (Our cost estimate is attached to our **report.**) **This** sum would allow us to add five analysts and one new support person. It would provide for the establishment of essential benchmark data bases of state and local budget information and for the collection of data on the budgetary and programmatic characteristics of major intergovernmental **programs**. It would also pay for the communications costs necessary to establish and maintain sources of information across the country.

H.R. 1465 would provide the necessary authority for CBO to develop state and local cost estimates. The bill would give CBO the flexibility needed to respond to the wide variety in requirements and estimating conditions we foresee. Initially, **CBO's** estimates **would** require more assumptions and could be based less upon hard data. With time, we expect we would be able to fulfill the task mandated by the bill effectively. We support the enactment of this legislation.

I will **be** happy to answer any questions you may have.