

STATEMENT OF ALICE M. RIVLIN
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BEFORE THE
TASK FORCE ON THE BUDGET PROCESS
COMMITTEE ON THE BUDGET
U. S. HOUSE OF REPRESENTATIVES
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Mr. Chairman and Members of the Committee: I am pleased to appear before you today to provide an update of the activities of the Congressional Budget Office. When I last appeared before the Committee, the Fiscal Year 1977 budget cycle had not yet been completed. We are now well along in the Fiscal Year 1978 cycle, and I will take this opportunity to review CBO's activities since our last meeting.

I believe we have made significant progress in our service to the Congress over the last year and I will outline briefly some of our major work accomplishments.

Budget Estimates

One of the primary responsibilities of CBO is to provide Congress with detailed budget estimates. Our budget score-keeping tabulations play a key role in the formulation and monitoring of budget resolutions. The use of our five-year budget projections is growing and they will be, I hope, of increasing importance for the Budget Committees. Our five-year cost estimates of bills reported from the legislative committees are also serving as a vital part of the Congressional budget process.

One of our most important accomplishments has been the development of an automated data base for producing a variety of score-keeping reports as well as for responding quickly to committee requests for special budget tabulations. The volume of CBO computer tabulations has grown enormously during the past year in response to committee requests and we are constantly working to improve our performance in meeting committee needs.

We have been working closely with the staffs of the Budget and Appropriations Committees to ensure that the development and utilization of our Congressional scorekeeping system is done in a coordinated manner that will avoid needless duplication of effort. This includes the development and maintenance of a common set of scorekeeping rules.

The House Budget Committee staff now uses our automated scorekeeping system to record Committee decisions on budget resolutions and to make allocations of the budget resolutions spending levels to the various House Committees. We also provide weekly scorekeeping tabulations for the House Budget Committee. Another significant step which we now have underway will be the integration of the CBO automated scorekeeping system and a similar system developed by the staff of the House Appropriations Committee.

We have also made substantial progress in implementing our responsibilities under Section 403 of the Congressional Budget Act to prepare, to the extent practicable, a five-year cost estimate for each bill or resolution of a public character reported by any committee of the House or Senate. During 1976, CBO prepared 344 formal cost estimates. More than 250 of these estimates were included in committee reports accompanying the reported bills. About 70 of these cost estimates were made for bills that were not reported or for different versions of bills that eventually were reported. We also prepared many informal cost estimates of bills and amendments for use at the subcommittee level or in the early stages of committee deliberations.

For the 95th Congress, we are running ahead of last year's effort. As of May 20th, we have prepared 257 formal bill cost estimates and another 83 informal estimates for committee use. This is about 82 percent more than we prepared during the same period for the second session of the 94th Congress. In the two-week period of May 2-16, we prepared over 100 formal estimates in the natural resources area alone.

Last year we depended largely upon the committees to notify us when a cost estimate was needed. Not all committees did this, and sometimes we were notified so late in the process that there was not sufficient time to prepare an estimate. As a consequence, we did not prepare cost estimates for as many bills as we would have liked to.

This year we have made a concerted effort to improve our batting average significantly. We have written committee chairmen outlining our responsibilities and capabilities in the bill costing area and requesting their assistance in carrying out this function. With your permission Mr. Chairman, I would like to submit a copy of this letter for the record.

As a result of these efforts, our batting average for the 95th Congress has increased considerably. As of May 16, CBO cost estimates were included in 69 percent of all relevant bills reported by committees in both Houses. Our track record for the Senate is way above last year's (65 percent versus 29 percent) and we have also improved our performance for bills reported in the House (72 percent this year compared to 59 percent last year).

We have also made significant progress in our capabilities to prepare five-year projections of the entire budget. Section 308(c) of the Budget Act directs the CBO to issue a five-year budget projections report as soon as practicable after the beginning of each fiscal year. We use a "current policy" concept for making these projections. This means that we assume that all current programs will continue except for those that are clearly temporary and that open-ended claims on the federal treasury, such as interest on the public debt and social security payments, will respond to assumed economic and population changes in essentially the same way they have responded to such changes in the past. For federal programs in which funding levels appear to be discretionary, we project funding levels both with and without adjustments for inflation.

The primary purpose of these projections is to provide a neutral baseline against which the Congress can consider potential changes during its deliberations on the annual budget. The Senate Budget Committee uses current policy projections, for example, as its starting point in formulating the first budget resolution for a fiscal year. We also prepare five-year budget projections for the House Budget Committee for inclusion in its reports on budget resolutions. During the past year, we have improved the level of detail and shortened the time necessary to produce a comprehensive set of budget projections.

Looking ahead, I see two major areas where further developments will be made in budget estimates. First, we need to develop better

outlay estimating procedures. The outlay shortfall that occurred in Fiscal Year 1976 and the transition quarter is continuing in 1977 and may also continue in 1978. The primary problem appears to be a general upward bias in agency outlay estimates. We are working now to develop a better capability for reviewing OMB and agency outlay estimates and for generating our own independent estimates.

Secondly, I believe it is important to extend the time frame within which budget planning is done. We recently submitted a report to the Congress, as required by Section 502(c) of the Act, which recommended that the two Budget Committees formulate and the Congress adopt a plan for stating and voting on advance budget targets, or multiyear budget resolutions. I believe a long-term framework is needed for making annual budget choices because these decisions frequently have little impact on the budget in the short run but can significantly influence relative budget priorities over a period of several years. The CBO would be prepared to assist this Task Force in developing the concept and practice of advance budgeting in whatever way you may feel appropriate.

In summary, Mr. Chairman, I believe we have built a good record during the past two years in launching and improving our budget estimate activities. We have greatly expanded the volume of information and, at the same time, maintained high standards of quality and timeliness. The test of these activities is of course their usefulness to Members of Congress. I would welcome, therefore, any comments or suggestions from this Task Force on areas where we may improve our service.

Fiscal and Program Analysis

I now turn Mr. Chairman to a brief summary of our work in the areas of program and fiscal analyses. Since January 1976, we have completed over 100 studies. We currently have over 40 underway. These reports represent varying levels of commitment in terms of original research and staff time. Therefore, while all are publically available, not all are published. Of those studies completed 39 were published in 1976. We have already published an equal number in the first five months of this year.

While I will not attempt to discuss all of these reports, I would like to highlight several significant efforts.

We have continued to issue periodic updates on the economy, outlining the outlook for the future and the impact of alternative fiscal policies. These reports are timed in such a way as to be useful to the Budget Committees as they consider the concurrent resolutions on the budget. Our most recent analysis, The Disappointing Recovery, was issued in January. We will update these projections in time for consideration of the second concurrent resolution on the Fiscal Year 1978 budget.

This past February we issued a second annual report on budget options as required under Section 202 of the Budget Act. The effort this year was substantially different than last. Part I of our Fiscal Year 1978 report focused on both short-and long-run budgetary goals. Taking four primary goals for the next five years -- balancing the budget, maintaining overall economic growth,

financing new federal initiatives such as national health insurance, and restraining the size of the federal sector -- we examined the conflicts between them and the circumstances under which it would be possible to attain them. We believed this examination would be helpful to the Budget Committees because of the relationship of present budgetary decisions and future directions; i.e. in making short-run decisions, the Congress needs to consider its long-run budget and economic goals.

Part II of the annual report was a discussion of the major programmatic decisions the Congress is likely to consider in connection with the Fiscal Year 1978 budget. Supplementing this discussion of programmatic issues in the annual report was a series of Budget Issue Papers issued from December through the spring of this year. This again represented a significant change from the format of the previous year when we attempted an inclusive discussion of the issues in a single volume. The Budget Issue Papers offered a more in-depth treatment of issues than was possible under the previous format. Program areas covered in these Budget Issue Papers included catastrophic health insurance, elementary and secondary education, housing assistance for low and moderate income families, energy, urban mass transportation and a five-part series on general purpose military forces. With your permission, Mr. Chairman, I would like to submit as part of the record a complete list of CBO's Budget Issue Papers.

We believe these papers served as a useful tool not only to the Budget Committees but to others in the Congress as well. For example, included in the series was a major analysis of the food stamp program. Both the Senate Agriculture, Nutrition and Forestry Committee and the House Agriculture Committee used this report to analyze the costs of "cashing out" the food stamp program and the distributional impact associated with proposals for modifying the program. Another example is our study on home-ownership affordability which was used by the Senate Banking, Housing and Urban Affairs Committee in reviewing financing and tax credit proposals.

The format for the annual report and the Budget Issue Papers was worked out in consultation with both Committees. As each paper moved through the draft stages, specialists on each Committee commented and offered suggestions. These papers were conceived as a finite series and we are not necessarily committed to a similar course for the Fiscal Year 1979 report. We are seeking a format which will be of optimal use to the Budget Committees and would therefore welcome any suggestions which Members may have on changes.

As a means of summarizing our other efforts in the fiscal and programmatic areas, I have included the following table indicating the number of reports both underway and completed by topic area.

Program Area	CBO Reports	Budget Issue Papers	Background Papers	Other Studies
Federal Budget	1	0	0	11
Economic Forecasts and Fiscal Policy	5	0	2	5
Tax Expenditures	1	0	1	7
National Defense and International Affairs	0	12	5	26
Human Resources and Community Development	1	11	13	38
Natural and Physical Resources	1	4	10	15
General Government	0	1	4	3
TOTAL	<u>9</u>	<u>28</u>	<u>35</u>	<u>105</u>

I would also like to submit for the record a chart which summarizes our workload by source of request or legislative authority. The Committee will note that we have responded to approximately an equal number of requests from the House (26.5%), the Senate (28.2%) and joint request by both Houses (25.4%). The remainder of our studies (19.9%) have been done under the mandate of the Congressional Budget Act of 1974 and do not require a specific request from either House.

In addition to written reports, we have provided assistance to the Congress through other channels. CBO staff members have testified before numerous committees of the House and Senate in the past year. In addition, I have testified on over 20 occasions before various committees.

As we complete the Fiscal Year 1978 budget cycle and move into preparation for Fiscal Year 1979, we will of course continue to provide assistance along the lines I have described. In addition, we are continuing our efforts to improve our support services and, over the next year, we will be working on several important activities. For example, we hope to increase the accuracy and usefulness of our analyses in the areas of fiscal and tax analysis through the development of improved econometric models and expansion of our already extensive knowledge concerning models available through outside sources. To improve our analyses we are continuing to develop simulation techniques of costing out such important programs as welfare reform, health insurance and food stamps.

Organization and Staffing

Finally, Mr. Chairman, I would like to turn to the organization and staffing of CBO over the past year. With the approval of our internal budget for Fiscal Year 1977, CBO's staffing level was authorized at 208 positions. This represented an increase of 15 positions over the previous year. This past year has been extremely busy for us, but I believe the level of 208 is adequate to meet our current responsibilities. I, therefore, requested the same staffing for Fiscal Year 1978 in our February appropriations submission. In the process of assigning the new positions under the Fiscal Year 1977 appropriations, I also reassessed our allocation of the 193 positions previously authorized. As a result, I increased the staffing level in the areas of budget analysis, fiscal analysis and tax analysis.

Despite some shifts in staff, the organization of CBO has changed little in the past year. Three of our Assistant Directors have accepted positions with the Executive Branch. Two of those vacancies have been filled by promotion of CBO staff. Robert D. Reischauer, formerly my special assistant, has been made Assistant Director for Human Resources and Community Development. Raymond Scheppach, who headed the Natural and Physical Resources Cost Estimates Unit in the Budget Analysis Division, is now Assistant Director for Natural Resources and Commerce.

The third executive position was eliminated by transferring the internal administration and program analysis functions of the former Management Programs Division to our Office of Intergovernmental Relations under Stanley L. Greigg. Because those functions were to a great extent staff support to the Office of the Director, I felt the merger with the Office of Intergovernmental Relations was most appropriate. The merger required no changes in staff assignments and resulted in a cost saving by abolishing an executive level position.

One further development in the area of management and organization that I feel the Committee should note is the study of CBO organizational effectiveness done by the House Commission on Information and Facilities. The Commission conducted an in-depth analysis of our staffing, organization, and management and made specific recommendations for improved operation and management.

We have responded to these recommendations and are currently implementing several of the Commission's suggestions. I hope that Members of this Committee will have the opportunity to read this Commission's informative analysis in its entirety.

Conclusion

Mr. Chairman, I have not attempted in this short time to give an exhaustive account of all CBO activities. I would be pleased to answer any questions on matters I have discussed or on other areas that may be of interest to you.

