



## Testimony

# CBO's Appropriation Request for Fiscal Year 2014

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**United States Senate**

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Madam Chair, Senator Hoeven, and Members of the Subcommittee, thank you for the opportunity to present the Congressional Budget Office's (CBO's) budget request.

CBO requests an appropriation of \$45.7 million for fiscal year 2014. That amount represents an increase of \$1.6 million, or 3.7 percent, from the \$44.1 million (on an annualized basis) that was provided to CBO under the continuing resolution in place during the first part of fiscal year 2013. It represents a larger increase—of about 10 percent—relative to CBO's budget of \$41.5 million after final appropriations for fiscal year 2013 were enacted and the sequestration was implemented.

The increase would enable CBO to support 235 full-time-equivalent positions (FTEs), which would be roughly 7 percent fewer than the 254 FTEs funded in 2010 and in line with the number of FTEs funded between 2004 and 2008. The increase also would enable the agency to catch up on critical purchases of information technology (IT) and other items that are being deferred this year.

The proposed budget represents the amount that CBO believes will be necessary to avoid a further reduction in the information and analysis that the agency provides to the Congress. If CBO received a smaller amount of funding for 2014, the agency would need to reduce its number of FTEs further. For example, an appropriation of \$42.3 million—2 percent above this year's funding—would support only about 225 FTEs, on average, for the year, even if the agency continued to defer some needed IT investments and other items. Reaching that number of FTEs, on average, for the year would require CBO to shrink to about 221 FTEs by the end of that year.

Funding in 2014 at the \$41.5 million now available for this year would require a much more drastic staffing reduction, to about 213 by the end of that year—even with the continued deferral of some needed purchases of IT and other items. That number is far smaller than the number of FTEs being supported by the same funding this year because costs per FTE are increasing and some purchases of IT and other items cannot be put off for another year. Although CBO would continue to make every effort to serve the Congress as effectively as possible, cuts in staffing of that sort would unavoidably diminish the number and extent of estimates and other analyses that the agency could produce.

## **CBO's Funding History and Its Effects on Staffing and Output**

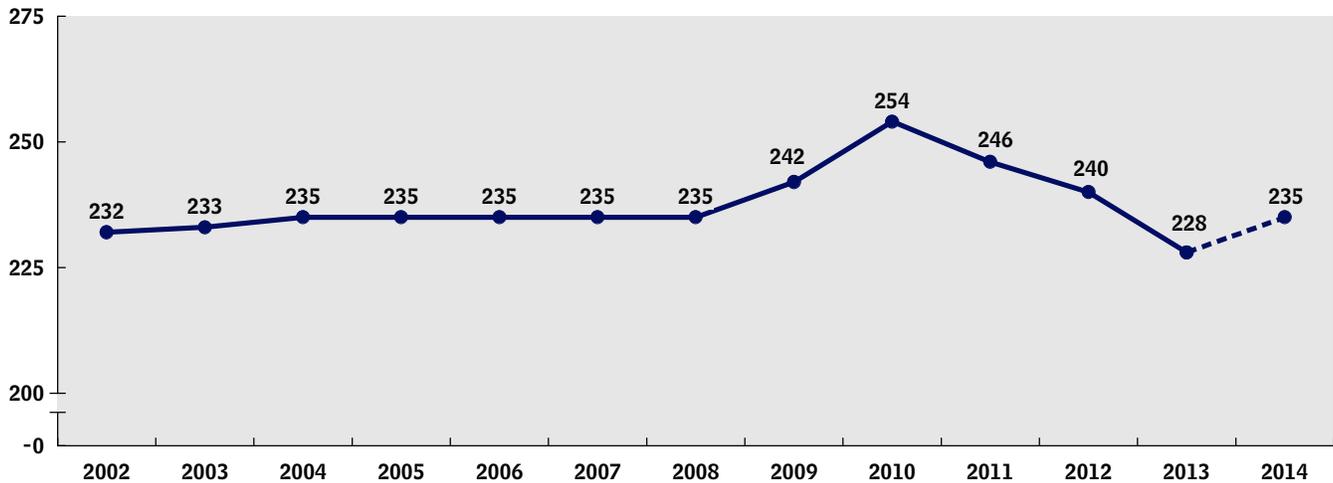
In a typical year, about 91 percent of CBO's budget represents compensation; another 6 percent is for IT equipment and services; and the remaining 3 percent goes to purchases of data, training, office supplies, and other items. As a result, the contours of CBO's budget and the staffing levels of the agency have been and will continue to be closely linked.

Between fiscal years 2002 and 2008, the number of authorized FTEs at CBO held between 232 and 235 (see Figure 1). During that period, CBO's budget generally rose slowly, as federal employees received salary increases and the cost of federal benefits increased.

For fiscal years 2009 and 2010, the Congress approved larger increases in CBO's budget to support a step-up in staffing. That step-up was intended primarily to increase the agency's ability to analyze potential changes in federal health care policy while maintaining its capacity to provide cost estimates and reports on other topics. In addition, some Members of Congress proposed a two-year supplemental appropriation for CBO in 2009, which the Congress approved. All told, CBO had sufficient funding for 254 FTEs in 2010.

However, constraints on CBO's funding (and on discretionary appropriations as a whole) caused the agency's staffing to shrink in fiscal years 2011 through 2013. The agency's appropriation for 2011 was roughly in line with the total amount available to the agency for 2010, and the appropriation for 2012 represented a 6 percent cut from the 2011 amount (see Figure 2). The agency's appropriation for 2013, after the sequestration, represents a further 5 percent decrease relative to the funding in 2012.

Thus, CBO's funding in 2013—\$41.5 million—is about 11 percent below CBO's total funding in 2010, which was \$46.9 million. That cut, combined with small increases in average pay and rising costs of benefits and other items during the past three years, has required a drop in the number of FTEs to below the level seen before the step-up in 2009 as well as the deferral of critical purchases of IT equipment and services and other things.

**Figure 1.****FTEs Funded for Fiscal Years 2002 Through 2014**

Notes: The 2014 figure reflects CBO's request for funding.

FTE = full-time-equivalent position.

CBO's temporarily higher staffing in 2009 through 2012 enabled the agency to engage in analyses of particularly complex issues and to provide substantially more estimates and other analyses to the Congress. Among the accomplishments that were facilitated by the increase in staffing were the following:

- Significant expansion of health care analysis, including greatly enhancing the agency's cutting-edge model of the nation's health insurance system and estimating the effects of dozens of proposals to fundamentally change that system;
- Substantial enhancement of financial analysis, including making estimates of the budgetary effects of the Troubled Asset Relief Program, the activities of Fannie Mae and Freddie Mac, and (on a fair-value basis) all major federal credit programs;
- Considerable improvement in modeling the economic effects of fiscal policy, including reviewing key parameters of the agency's models with outside experts and producing numerous estimates of the effects of proposed policy changes;
- Issuance of several reports with options for changing transfer programs—including Disability Insurance, Supplemental Security Income, the Supplemental Nutrition Assistance Program, and unemployment

insurance—and analysis of the effects of taxes and transfers on people's incentives to work;

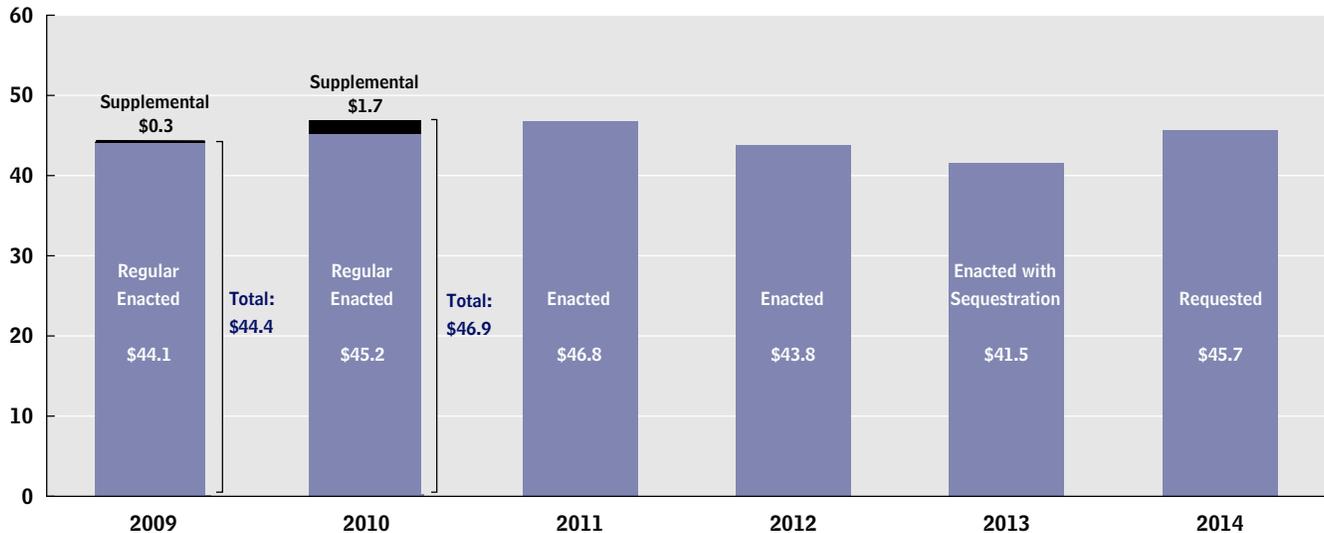
- Significant gains in the transparency of CBO's analysis, including reports on the agency's estimates regarding oil and gas leasing, the compensation of federal workers, the impact of tax rates on the labor supply, and the effects of health care subsidies; and
- Continued high quality of the agency's analysis of numerous other topics, including economic and budget projections, hundreds of formal cost estimates, and thousands of informal cost estimates.

### **CBO's Funding Request and Its Consequences for Staffing and Output**

In fiscal year 2014, CBO will continue its mission of providing objective, insightful, timely, and clearly presented budgetary and economic information to the Congress. To fulfill that mission, CBO requests \$45.7 million in funding—an increase of \$1.6 million (3.7 percent) from the \$44.1 million (on an annualized basis) provided under the continuing resolution in place during the first half of fiscal year 2013 and an increase of about 10 percent from CBO's 2013 funding after the sequestration. The requested amount would allow CBO to return to the number of FTEs authorized between 2004 and 2008,

**Figure 2.****Funding for Fiscal Years 2009 Through 2014**

(Millions of dollars)



which is still 7 percent below the peak in the authorized number reached in 2010. That amount of funding would also allow the agency to catch up on purchases of IT and other items that are being deferred this year, although spending on nonpay items would still be 15 percent less than the agency spent, on average, from 2008 through 2012.

The requested amount of funding would allow CBO to provide the following estimates and other analyses to the Congress:

- Reports on the economic and budget outlook, analyses of the President's budget, long-term budget projections, and options for reducing budget deficits;
- Roughly 500 formal cost estimates, most of which will include not only estimates of federal costs but also assessments of the cost of mandates imposed on state, local, and tribal governments or the private sector;
- Thousands of preliminary, informal cost estimates, the demand for which is very high as committees seek to have a clearer picture of the budgetary impact of proposals and variants of proposals before they formally consider legislation;
- About 150 scorekeeping tabulations, including account-level detail for individual appropriation acts

at all stages of the legislative process and summary tables showing the status of discretionary appropriations (by appropriations subcommittee) and running totals on a year-to-date basis; and

- Roughly 80 analytical reports and other publications—generally required by law or prepared in response to requests from the Chairmen and Ranking Members of key committees—on a broad range of topics, including health care, policies for increasing economic growth and employment, energy policy, changes in benefit programs, infrastructure, defense policy, and the government's role in the financial system.<sup>1</sup>

Those products would be the result of very hard work by CBO's highly dedicated staff. Nevertheless, the agency expects that this anticipated volume of estimates and other analyses will fall considerably short of the number of Congressional requests. The increase in CBO's staffing set in motion several years ago has now been completely reversed, and it would not be reinstated under this budget request. Meanwhile, the demands on CBO have not declined: The enactment of major health care legislation

1. In each of the past few years, CBO has produced nearly 100 analytical reports and other publications. However, the cutback in staffing that has occurred since 2010 means that the agency expects to publish fewer reports in the future.

in 2010 has been followed by a large number of other proposals for changes in federal health care programs, and it has made the agency's analysis of many such proposals more complex. In addition, the slow recovery from the economic downturn has generated great interest in the agency's economic forecasts and in policies that might boost economic growth and employment in the near term and the longer term. Moreover, the surge in federal debt and the high level of projected deficits have led to ongoing Congressional efforts to enact fundamental changes in spending and tax policies, which have strained the agency's resources in many areas.

As a result, even if the requested amount of funding is provided for fiscal year 2014, CBO expects that it will continue to be unable to analyze many legislative proposals that are sent to it by Members of Congress, to promptly complete all of the in-depth analyses of issues that are requested by committees, and to improve its modeling as much as would be desirable to capture the many channels through which legislative proposals can affect the federal budget and the economy. CBO regularly consults with committees and Congressional leadership to ensure that its limited resources are focused on the work that is of highest priority to the Congress.

If the funding provided to CBO for 2014 fell short of the requested amount, then the agency's ability to satisfy Congressional demands would be weakened further. For example, if CBO's appropriation for 2014 equaled its funding for 2013, the agency would need to reduce its FTEs to about 220, on average, for the year. That number is smaller than what can be supported by that same funding this year because costs per FTE are increasing and some purchases of IT and other items cannot be deferred again in the coming year. Moreover, because the agency would begin the fiscal year with a larger number of FTEs, averaging 220 FTEs for the year would require cutting FTEs to about 213 by year-end. By comparison, the agency has had more than 225 FTEs in nearly every year since the mid-1990s. If the funding provided to CBO for 2014 was significantly less than the requested amount, the agency would become smaller than it has been for any sustained period in more than 15 years.

Although CBO would do its best to minimize the impact on the Congress of a drop in staffing, a further decline from the current level would inevitably lead to a reduction in the number and extent of estimates and other

analyses that the agency could provide. Depending on future staffing levels, CBO, in consultation with the Congress, might need to make some or all of the following changes:

- Scale back some regular products—by, for instance, producing the long-term budget outlook less often than annually (and thereby returning to the less frequent cycle that had been in place before the past few years);
- Limit further the number of alternative legislative proposals for which estimates can be provided to committee staff on a timely basis;
- Limit the number of estimates of the long-term effects of policies, especially the effects of changes in health care programs on the budget and on beneficiaries;
- Delay estimates of alternative approaches to controlling federal health care spending, including the effects of restructuring payments to providers in the fee-for-service portion of Medicare and of converting Medicare to a defined-contribution system;
- Defer indefinitely analysis that the agency has just begun of the effects of changes in payments to health care providers—under current law and legislative proposals—on the amount and nature of health care that is received;
- Delay or limit estimates of the cost of federal credit programs on a fair-value basis;
- Limit analysis of the macroeconomic effects of changes in fiscal policy, including tax reform and alternative ways of reducing projected federal debt;
- Delay improvements in the agency's estimates of the effects of tax and transfer programs on people's participation in the labor force and on earnings;
- Defer indefinitely analysis of some key international economic issues, such as the implications that globalization and expanding foreign economies have for U.S. policy;
- Limit analysis of the implications of cuts in the defense budget for the capabilities of the armed forces;

- Delay analysis of policies to promote long-term economic growth and income mobility; and
- Limit opportunities for training and other professional development for CBO staff, which would hinder the agency's ability to attract and retain a highly skilled workforce.

Moreover, if CBO continued to be forced to reduce its staffing quickly, then the agency might have some noticeable weak spots in its basic capabilities during the next few years. Some key positions are already going unfilled, and additional losses through attrition would undoubtedly not line up well with the places where the agency could most afford diminished resources.

The requested funds would be used as follows:

- \$31.3 million for pay of personnel;
- \$10.4 million for benefits of personnel; and
- \$4.0 million for other purposes, to fund purchases of IT, data, training, and other items.

In closing, I would like to thank the Committee for the support it has provided CBO over many years, enabling the agency to carry out its responsibilities to provide budgetary and economic information to the Congress.

