Congressional Budget Office

Testimony on CBO's Appropriation Request for Fiscal Year 2013

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Mr. Chairman, Ranking Member Honda, and Members of the Subcommittee, thank you for the opportunity to present the Congressional Budget Office's (CBO's) budget request for fiscal year 2013.

CBO's mission is to provide the Congress with objective, impartial, and nonpartisan analyses of budget and economic issues, including the information and cost estimates needed for the Congressional budget process. In fulfilling that mission, CBO depends on a highly skilled workforce. About 92 percent of CBO's budget represents compensation for the agency's staff; another 5 percent is for information technology (IT) equipment and services; and the remainder is for 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.

CBO's proposed budget for fiscal year 2013 is $44.6 million. In light of the budget constraints facing the federal government, this request represents an increase of only 1.9 percent ($850,000) from the $43.8 million provided to CBO in fiscal year 2012 and an increase of only 1.2 percent ($555,000) from the regular appropriation of $44.1 million provided to CBO in fiscal year 2009.

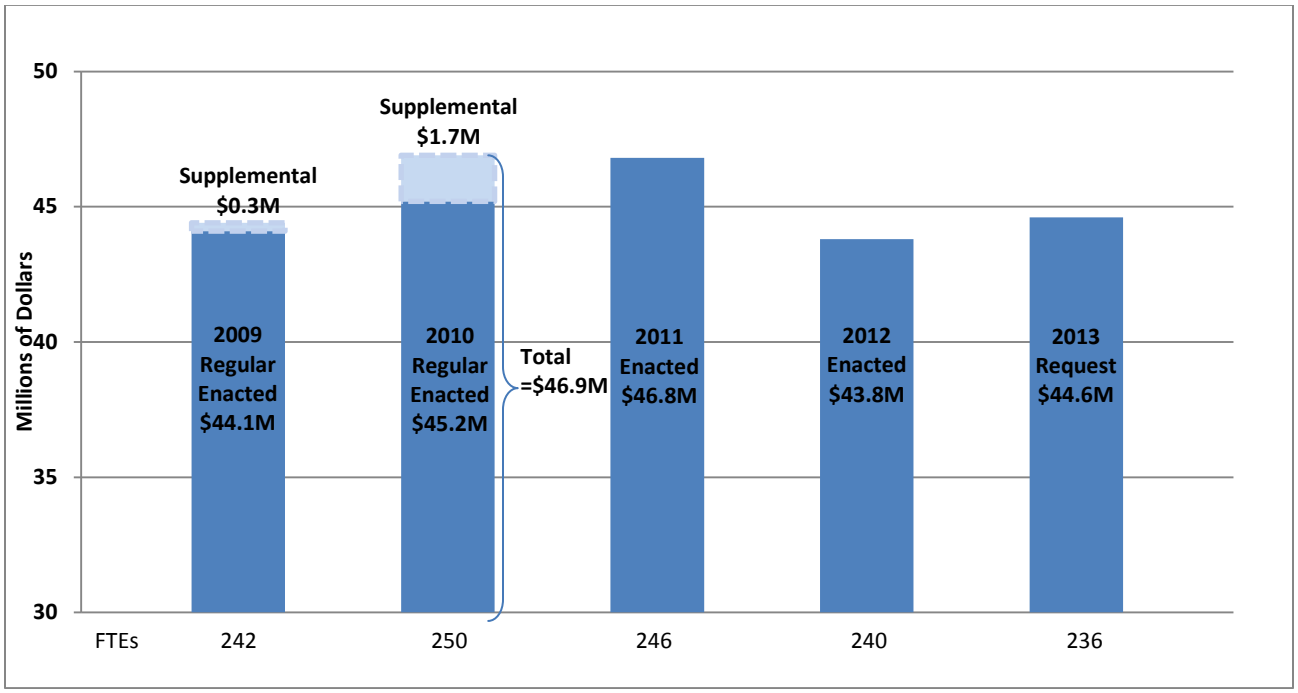
Operating the agency in fiscal year 2013 with only slightly more funding than was provided for this fiscal year and little more than was obligated four years earlier would be possible only through a further reduction in the number of CBO analysts; minimal increases in salaries; and sharp cutbacks in spending on IT, data, training, and other items. Although CBO will continue to make every effort to serve the Congress as effectively as possible, the changes that would be required under the proposed budget would unavoidably diminish the number of estimates and analyses of budget and economic policies that CBO was able to provide.

Funding History

Between fiscal year 2001 and fiscal year 2008, the number of full-time-equivalent positions (FTEs) at CBO averaged 230, and the number varied little from year to year. During that period, CBO's budget rose slowly, on balance, as federal employees received salary increases and the cost of federal benefits increased.

In 2008, CBO became concerned that it did not have sufficient resources to analyze policy changes regarding the delivery and financing of health care that were emerging as a critical issue in the Congress. In addition, the agency was delivering an increasing number of testimonies and formal cost estimates, providing a rapidly growing volume of informal estimates, and engaging in more frequent communications with Hill staff on a wide range of topics, so shifting a significant number of staff positions from other areas to the health area did not seem feasible.

Figure 1.
CBO's Funding and Staffing for Fiscal Years 2009 Through 2013



Accordingly, CBO proposed to the Congress a multiyear plan to boost the size of the agency to nearly 260 FTEs, an increase of a little more than 10 percent. The Congress approved the first leg of that proposed increase in CBO's budget for fiscal year 2009. Analyses of competing health care proposals absorbed a huge share of CBO's resources, and the financial crisis and severe recession led to a jump in Congressional requests for analyses, budget projections, and cost estimates in many other areas. Consequently, the Congress approved a two-year supplemental appropriation for CBO during 2009 and also approved an increase in the agency's regular appropriation for fiscal year 2010. Making use of that additional funding, CBO averaged about 250 FTEs during 2010 (see Figure 1).

Congressional demand for CBO's estimates and other analysis has remained extremely high in the past few years. The enactment of major health care legislation in 2010 has increased, rather than diminished, the number of other proposals for changes in federal health care programs, and it has made CBO's analysis of such proposals much more complex. In addition, the depth and duration of the economic downturn have generated significant demand for analyses of the effects of both enacted and proposed responses to those economic conditions. Moreover, the surge in federal debt and projected deficits has led to ongoing Congressional efforts to enact fundamental changes in budget policy, which have strained CBO's resources in many areas. CBO provided a tremendous number of estimates during the debate over appropriations for fiscal year 2011 that extended into the spring of the year, the bipartisan negotiations last spring and summer about larger changes in policies linked to an increase in the debt limit, the work of the Joint Select Committee on Deficit

Reduction last fall, and the continuing debate about extending various provisions of law through the rest of 2012.

Despite that heavy workload, CBO's appropriation for fiscal year 2011 was below the total funding available to the agency in 2010, and its funding for fiscal year 2012 is below the amount provided in 2011. To reduce expenses in fiscal year 2012, CBO has significantly curtailed salary increases and sharply cut spending on IT, data, training, and other items. Given the large share of the agency's budget devoted to compensation, however, those changes do not, by themselves, reduce spending sufficiently. Therefore, CBO has also stopped most hiring of new staff to replace those who leave, and attrition has reduced the number of FTEs at the agency to about 242 currently; by the end of this fiscal year, CBO aims to be operating with 237 FTEs (generating an average for this year of 240 FTEs).

Some Details of CBO's Fiscal Year 2013 Budget Request

CBO expects that Congressional demand for the agency's estimates and other analyses will remain high in fiscal year 2013. The agency's mission of providing nonpartisan budgetary and economic information to the Congress will remain the same. Fulfilling that mission will require providing reports on the budget and economic outlook, an analysis of the President's budget, long-term budget projections, options for reducing budget deficits, cost estimates, mandate statements, and scorekeeping tabulations. Fulfilling the agency's mission will also require providing in-depth analyses of a broad range of program and policy issues requested by committees.

The specific issues that the Congress will be addressing in 2013 are difficult to predict, but CBO's analyses are likely to include work on health care, policies for increasing economic growth and employment, energy policy, tax reform, reform of entitlement programs, infrastructure, defense policy, the government's role in financial markets, and a wide variety of budget policy options. Altogether, CBO anticipates a workload of:

- Roughly 525 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 growing as committees seek to have a clearer picture of the budgetary impact of proposals and variants of proposals before they formally consider legislation;

- Roughly 200 scorekeeping tabulations, including status reports for discretionary appropriations, estimates for individual appropriation acts, and compilations of direct spending and revenue effects for budget enforcement purposes; and

- About 130 analytical reports, testimonies, and other publications, which are generally required by law or prepared in response to requests from the Chairmen and Ranking Members of key committees.

The demand for CBO's analyses currently exceeds, by a substantial margin, what the agency can produce with its current staff. Unfortunately, CBO is unable to analyze many legislative proposals that are sent by Members of Congress, unable to promptly complete in-depth analyses of many issues that are requested by committees, and unable to improve its modeling as much as would be desirable to capture the many channels through which proposals can affect the federal budget, the economy, and the well-being of citizens. Further reductions in the size of CBO's staff would make those problems worse.

Nonetheless, recognizing the stringency of the federal budget situation, CBO proposes to cut back to about 235 FTEs by the end of fiscal year 2013, about 6 percent fewer than the average staffing in 2010. That cut (which would give CBO an average for the year of 236 FTEs) would have several key consequences:

- First, a reduction to that staffing level by next year could probably be achieved by attrition, but that is not certain. If CBO does not experience sufficient attrition, then reaching that staffing level could require furloughs or layoffs—this year, next year, or both.

- Second, to have 235 FTEs by the end of next year would mean that most of the increase in CBO staffing set in motion in 2008 would be reversed. Yet the increase in demands on CBO related to analyzing health care costs and the burgeoning federal debt has not been reversed.

- Third, because losses through attrition will undoubtedly not line up well with the places where the agency can most afford to lose resources, CBO may have some noticeable weak spots in its capabilities during the next few years.

In addition, CBO is not planning any across-the-board increase in salaries for employees in calendar year 2013, matching what it did in 2011 and is doing in 2012. The agency is also reducing further the size of performance-based pay raises it gives to employees who are not eligible for across-the-board increases.

CBO also proposes stark cuts in nonpay areas of its budget in fiscal year 2013. Relative to CBO's average outlays in fiscal years 2009 through 2011, IT spending next year would be about 40 percent less, spending on training would be one-third smaller, purchases of data would be reduced by more than 15 percent, and spending for other purposes would be cut significantly as well.

CBO's request supports the following:

- $31.0 million for pay of personnel compensation;

- $10.3 million for personnel benefits; and

- $3.3 million for IT, data, services, equipment, training, and other items.

The severe limits on salary increases and spending in the nonpay areas of the budget that CBO is proposing for fiscal year 2013 cannot be sustained through fiscal year 2014 without significantly sacrificing the quality of the CBO staff and the tools with which they work. Consequently, unless a larger increase in funding is made available to CBO in fiscal year 2014, the agency expects that it will implement further cutbacks in staffing that year and be forced to limit further the support that it provides to the Congress.

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