Testimony

CBO's Appropriation Request for Fiscal Year 2019

Keith Hall
Director

Before the
**Subcommittee on the Legislative Branch
Committee on Appropriations
United States Senate**

April 25, 2018

Chairman Daines, Ranking Member Murphy, and Members of the Subcommittee, thank you for the opportunity to present the Congressional Budget Office's budget request. CBO is asking for appropriations of $50.7 million for fiscal year 2019. That amount represents an increase of $0.8 million, or 1.6 percent, from the $49.9 million provided to CBO for 2018. Of the total amount, nearly 91 percent would be used for personnel costs.

Reasons for the Requested Increase in Funding

Increases of $2.6 million for three priorities—to pay for current staffing, to bolster responsiveness and transparency, and to expand analytical capacity—would be significantly offset by onetime savings of $1.8 million this year. With the requested funding, CBO would be able to add 13 new employees to augment its capabilities.

Paying for Current Staffing

CBO requests an increase of $1.2 million to fund current staffing levels in 2019. That amount would be used for a small increase in employees' average salary and benefits to keep pace with inflation. If such funding is not provided, CBO will need to shrink its staff and consequently provide less information and analysis to the Congress in 2019.

Bolstering Responsiveness and Transparency

CBO proposes to hire 20 new staff members by 2021 to bolster its responsiveness and transparency. In 2019, the agency would hire 10 of those new employees at a total cost of $1.0 million, mainly for salary and benefits. (The additional staff members would be hired partway through fiscal year 2019, so the addition in terms of full-time-equivalent positions, or FTEs, would be 8 rather than 10.) The new staff would help CBO respond to requests for information more quickly when there is a surge in demand. They would also allow CBO to supply more information about its analysis and models without reducing the valuable services that it provides to the Congress at its current staffing. The agency has shifted resources already to undertake such activities and has plans for further shifts, but many initiatives of great interest to the Congress could be undertaken only with more employees.

(The amount in CBO's original budget request for 2019, submitted before the recently established appropriation for 2018, was $0.8 million.)

Expanding Analytical Capacity

CBO proposes to expand its analytical capacity primarily by adding three new health care analysts (a number equivalent to two FTEs) in 2019. The total cost would be $0.4 million ($0.3 million in personnel costs and $0.1 million in nonpersonnel costs, mostly for interagency agreements). Congressional interest remains high in modifying or replacing the Affordable Care Act and changing Medicare or Medicaid, and the new analysts would help the agency examine new approaches to do so.

(In CBO's original budget request, the amount for "Expanding Analytical Capacity" was $0.6 million, but a portion of the requirement has been funded from the 2018 appropriation. So CBO has redirected $0.2 million from the originally proposed amount to address the priority "Bolstering Responsiveness and Transparency.")

Applying Offsetting Savings

The increases for the three priorities are offset by $1.8 million in savings resulting from being able to use fiscal year 2018 funding to cover onetime costs for the migration of the agency's data center and contractors' support of transparency efforts and to pay for some multiyear contracts to acquire data and to install new communication lines.

CBO's Budget Request and Its Consequences for Staffing and Output

In fiscal year 2019, CBO will continue its mission of providing objective, insightful, timely, and clearly presented budgetary and economic information to the Congress. To fulfill that mission, the requested funding of $50.7 million would be used for personnel costs (that is, salaries and benefits) and nonpersonnel costs for IT (information technology) and other items, such as training, as follows:

Funding Request for Personnel Costs and Consequences for Staffing

CBO requests $45.9 million for salary and benefits, which equals 91 percent of its funding request. Those funds would support 249 FTEs. The requested amount represents an increase of $2.5 million, or 6 percent. The total requested amount would break out this way:

- $34 million would cover salaries for personnel— an increase of $1.8 million, or 6 percent, from the amount that will be spent in fiscal year 2018. The increase would include $0.9 million in pay

for 13 new staff members, 10 of them to bolster CBO's responsiveness and transparency and 3 to expand analytical capacity. (The addition in terms of FTEs would be 10.) The increase would also cover performance-based salary increases for current staff and an across-the-board increase of 2.6 percent for employees earning less than $100,000.

- $11.9 million would fund benefits for personnel—an increase of $0.7 million, or 6 percent, from the amount projected to be spent in 2018. The increase would cover an increase in the cost of federal benefits, as well as benefits for the 13 new staff members.

Funding Request for Nonpersonnel Costs

CBO requests $4.9 million for nonpersonnel costs, which equals about 10 percent of its funding request. Those funds would cover current IT operations—such as software and hardware maintenance, software development, purchases of commercial data, communications, and equipment purchases—and would pay for travel, training, interagency agreements, facilities support, printing and editorial support, expert consultants, financial management auditing support, and subscriptions to library services. The requested amount represents a net decrease of $1.7 million, or 26 percent, but would allow CBO to fund support costs for the 13 new staff members, covering travel, training, furniture, and IT for them ($65,000).

Consequences for Output

The requested amount of funding would allow CBO to provide estimates and other analyses to the Congress in roughly these quantities:

- More than 600 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 a clear picture of the budgetary impact of proposals and variants of proposals before they formally consider legislation;

- More than 100 scorekeeping tabulations, including account-level detail for individual appropriation acts at all stages of the legislative process, as well as

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

- About 80 analytic reports and papers—generally required by law or prepared in response to requests from the Chairmen and Ranking Members of key committees—about the outlook for the budget and the economy, major issues affecting that outlook under current law, the budgetary effects of policy proposals that could change the outlook, and a broad range of related budget and economic topics in such areas as defense policy, infrastructure, Social Security, and housing;

- Numerous files of data documenting detailed 10-year baseline budget projections, 10-year economic projections, long-term budget projections (spanning 30 years), and other information underlying analytic reports—all of them posted on CBO's website; and

- Descriptions of policy options that would reduce budget deficits, as well as publications that increase the transparency of CBO's work and communicate that work graphically.

Despite high productivity by a dedicated staff, CBO expects that the anticipated volume of estimates and other analyses will fall considerably short of the number of Congressional requests. The demands on the agency remain intense. For example, the workload associated with the analysis of appropriations has been heavy, and the Congress remains acutely interested in analyses of proposals affecting health insurance. Other issues arise frequently and create a heavy demand for analysis; for example, over the past year, CBO analyzed legislation related to immigration, veterans' health, water rights, opioid abuse, education, and nutrition. Analyzing the possibilities and proposals has strained the agency's resources in many areas. CBO regularly consults with committees and Congressional leadership to ensure that its resources are focused on the work that is of highest priority to the Congress.

How Additional Funding Could Improve CBO's Responsiveness, Transparency, and Analytical Capacity

In response to proposals that CBO provide information more quickly and transparently than is possible with its current staffing—while continuing to meet its goal

of providing objective, insightful, high-quality infor-
mation—the agency proposes to dedicate additional
resources to doing so. As explained, CBO proposes to
hire 13 new employees in 2019, and it proposes bring-
ing on a total of 20 new employees over the next three
years—or more quickly, if the Congress chooses to
appropriate the necessary funding more quickly than
CBO is asking. Some proposals related to CBO's speed
and transparency would require even more resources
than the agency is requesting.

Responsiveness
Last year marked the highest number of formal cost
estimates in a decade: 740. Over 70 percent of those
estimates were published within 30 days of markup, and
over 40 percent of those estimates were published within
two weeks. The overall average for completing a cost
estimate was 25 calendar days after markup.

In 2017, CBO enhanced its tracking system for cost
estimates, including focusing more on identifying why
some cost estimates take longer to complete. (Fewer than
10 percent of estimates took longer than 60 days to com-
plete in 2017.) The reasons vary. In many cases, the legis-
lation or the required analysis is particularly complex. In
some cases, legislative language is not in final form when
received, or CBO is waiting for data from agencies or rel-
evant stakeholders. In any case, CBO's goal is to improve
the turnaround time when it can, and identifying those
roadblocks is one of the first steps toward that goal. The
agency aims to use the expanded tracking system to
improve on its performance in terms of timeliness, which
already ensures that almost all reported bills receive a cost
estimate before final consideration on the floor of either
chamber.

With additional resources, CBO would be able to pursue
three main strategies to produce cost estimates more
quickly. First, the agency would hire more assistant
analysts, who could move from one topic to another and
provide support to more senior analysts when demand
surged for analysis of a particular topic, such as health
care, natural resources, or banking. Second, CBO would
hire analysts to develop deeper expertise in certain topics,
such as cybersecurity and higher education policy, so that
the agency was better positioned to analyze new propos-
als in those areas. Third, the agency would hire analysts
to expand its use of team approaches, in which work on
large and complicated proposals is shared.

CBO's proposed expansion of its analytical capacity
would also bolster the agency's responsiveness in the long
term by creating a stronger base on which to build when
starting new analyses.

Transparency
CBO is actively exploring ways to provide additional
information about its modeling that would be useful to
the Congress. The agency has released new publications
this year describing its processes for producing economic
forecasts, budget baselines, and cost estimates.[1] Key staff
are making presentations to Congressional staff about
those processes.[2] In the coming months, efforts to bolster
transparency will include the following:

- Exploring ways to make more supporting
  documentation of the methods used in baseline
  projections and cost estimates publicly available;

- Publishing detailed information about key aspects
  of CBO's updated model for simulating health
  insurance coverage—including computer code—
  and about how analysts use the model in preparing
  estimates;

- Developing a version of CBO's model for projecting
  spending on discretionary programs to allow for
  replicating roughly 40 percent of the agency's formal
  cost estimates;

---

1. See Robert W. Arnold, *How CBO Produces Its 10-Year Economic
    Forecast*, Working Paper 2018-02 (Congressional Budget
    Office, February 2018), www.cbo.gov/publication/53537; and
    Congressional Budget Office, *How CBO Prepares Baseline Budget
    Projections* (February 2018), www.cbo.gov/publication/53532,
    How CBO Prepares Cost Estimates (February 2018), www.cbo.
    gov/publication/53519, and *How CBO and JCT Analyze Major
    Proposals That Would Affect Health Insurance Coverage* (February
    2018), www.cbo.gov/publication/53571.

2. For example, see Jessica Banthin, Deputy Assistant Director,
    Health, Retirement, and Long-Term Analysis Division,
    Congressional Budget Office, "An Overview of CBO's Estimates
    of Federal Subsidies for Health Insurance for People Under Age
    65: 2017 to 2027" (presentation at a Congressional Research
    Service seminar, Washington, D.C., January 10, 2018), www.cbo.
    gov/publication/53447; and Sarah Masi, Analyst, Budget Analysis
    Division, Congressional Budget Office, "Estimating the Costs
    of Proposals Affecting Health Insurance Coverage" (presentation
    at a Congressional Research Service seminar, Washington, D.C.,
    January 10, 2018), www.cbo.gov/publication/53448.

- Releasing technical documentation and computer code explaining how key parts of CBO's long-term budget model work and how they contribute to the agency's analyses;[3]

- Providing information online that enables users to examine how a large variety of changes in baseline economic projections can affect projections of the federal budget;

- Publishing revised estimates of how certain changes to laws governing medical malpractice would affect medical spending, explaining the reasons behind revisions to the methodology used, documenting the model used to project how those changes to laws would affect medical costs, and making computer code for that model available;

- Posting on the agency's website a tool for examining the costs of different military force structures; and

- Providing computer code that generates results discussed in a working paper about CBO's model of the economy's maximum sustainable output.[4]

In many cases, CBO produces cost estimates and baseline projections through complex processes that integrate information from numerous models and other analytical tools. Additional resources would allow CBO to explain more about those processes in presentations, slide decks, working papers, and reports.[5] Such explanations would show how computer programs used in CBO's modeling

fit into the broader scope of the agency's analysis, which consists mainly of identifying how proposed legislation would affect the budget; assessing which types of effects would be substantial enough to quantify; and integrating different types of research, on the basis of historical data, to project people's and institutions' responses to legislative changes. The processes differ from estimate to estimate so that CBO can make the best use of different types of research. The complexity of CBO's analysis and the different analytical tools that are often brought to bear make documentation time-consuming and resource-intensive.

Added resources would also allow CBO to produce other kinds of information that would aid transparency. For instance, CBO could provide more information about the basis for key parameters that underlie the results of models.[6] Additional funding would also help the agency turn its internal comparisons of projections and actual results—for the economy, revenues, spending, deficits, and debt—into public documents.[7]

Input from outside experts and extensive external review will remain an important component of transparency:

- CBO will continue to solicit external professional review of its work so that the agency's analyses reflect both the consensus and diversity of views of experts from around the country. For example, in updating its simulation model of health insurance coverage, CBO will get systematic feedback from the research community by making presentations about different aspects of the model as they are developed.

- The agency's cost estimates will often draw on consultation with outside experts.

---

3. For the first of those explanations providing a general description of that model, see Congressional Budget Office, *An Overview of CBOLT: The Congressional Budget Office Long-Term Model* (April 2018), www.cbo.gov/publication/53667.

4. See Robert Shackleton, *Estimating and Projecting Potential Output Using CBO's Forecasting Growth Model*, Working Paper 2018-03 (Congressional Budget Office, February 2018), www.cbo.gov/publication/53558.

5. For several recent examples, see Joshua Montes, *CBO's Projection of Labor Force Participation Rates*, Working Paper 2018-04 (Congressional Budget Office, March 2018), www.cbo.gov/publication/53616; Congressional Budget Office, "Modeling the Subsidy Rate for Federal Single-Family Mortgage Insurance Programs" (January 2018), www.cbo.gov/publication/53402; and Wendy Kiska, Jason Levine, and Damien Moore, *Modeling the Costs of the Pension Benefit Guaranty Corporation's Multiemployer Program*, Working Paper 2017-04 (Congressional Budget Office, June 2017), www.cbo.gov/publication/52749.

6. For example, see Congressional Budget Office, "Key Methods That CBO Used to Estimate the Macroeconomic Effects of the 2017 Tax Act" (supplemental material for *The Budget and Economic Outlook: 2018 to 2028*, April 2018), https://go.usa.gov/xQcZD.

7. For examples of such comparisons, see Congressional Budget Office, *CBO's Record of Projecting Subsidies for Health Insurance Under the Affordable Care Act: 2014 to 2016* (December 2017), www.cbo.gov/publication/53094, *An Evaluation of CBO's Past Outlay Projections* (November 2017), www.cbo.gov/publication/53328, *CBO's Economic Forecasting Record: 2017 Update* (October 2017), www.cbo.gov/publication/53090, and *CBO's Revenue Forecasting Record* (November 2015), www.cbo.gov/publication/50831.

- CBO's Panel of Economic Advisers will meet twice a year to provide input on the agency's latest economic forecast and other issues, and CBO's Panel of Health Advisers will meet to discuss key issues affecting the agency's baseline projections and analyses of proposals and to examine new research in health care and health care financing.

- CBO will also regularly consult with those distinguished experts on its panels and other experts for guidance on the agency's work on a broad range of topics.

Analytical Capacity

Interest in legislative proposals related to health care—on the part of committees of jurisdiction, the Congressional leadership, and the budget committees—remains very great. The enactment of the Affordable Care Act in 2010 was followed by strong Congressional interest in analysis of that legislation and possible modifications to it, as well as in potential changes to Medicare or Medicaid. Recently, the Congress has devoted substantial time to discussing proposals to repeal and replace the Affordable Care Act. Those developments boosted CBO's workload, and the agency anticipates that the Congress will request much more analysis of such proposals, related executive actions, and other potential changes. Adding health care analysts would help the agency keep up with those interests and developments and produce a greater range and volume of analysis.

In addition to responding to those immediate concerns, CBO is engaged in longer-term projects, analyzing various aspects of the health care system and enhancing the agency's future analytical capacity to assess the effects of legislation on that system and on the federal budget. Additional staff would enable CBO to make more rapid progress on the important effort of updating its simulation model of health insurance coverage without constraining its work on current legislative proposals.

In closing, I would like to thank the Committee for its long-standing support of CBO. That support has allowed CBO to provide budget and economic analysis that is timely, thoughtful, and nonpartisan as the Congress addresses issues of critical importance.

Keith Hall
Director