

Congressional Budget Office (CBO)

10 Things to Know About CBO

1 Lawmakers created CBO to give the Congress a stronger role in budget matters. CBO was established under the Congressional Budget Act of 1974 to

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provide objective, nonpartisan information that would support the budget process. CBO's mission is to help the Congress make effective budget and economic policy. In carrying out that mission, the agency offers an alternative to the information provided by the Office of Management and Budget in the executive branch.

2 The Congress sets CBO's priorities. CBO follows processes specified in statute or developed by the agency in concert with the Budget Committees and Congressional leadership. CBO's chief responsibility under the Budget Act is to help the Budget Committees with the matters under their jurisdiction. The agency also supports other committees—particularly the Appropriations, Ways and Means, and Finance Committees—and the leadership.

Among CBO's statutory requirements is producing certain reports, the best known of which is the annual *Budget and Economic Outlook*. That report includes CBO's baseline budgetary and economic projections. CBO is also required by law to produce a formal cost estimate for nearly every bill that is approved by a full committee of either the House or the Senate. Those cost estimates are only

advisory. They can—but do not have to—be used to enforce budgetary rules or targets. Moreover, CBO does not enforce such budgetary rules; the Budget Committees do.

3 CBO produces a lot of work each year. For example, in 2018, the agency published 947 formal cost estimates; provided technical assistance to Congressional staff as they developed thousands of legislative proposals and amendments; and published many reports about the budget, the economy, and related issues. Nevertheless, because of limited resources, the number of estimates and analyses that CBO can produce falls short of Congressional requests. Moreover, the agency must balance its commitment to respond quickly to the Congress with its professional responsibility to release estimates and analyses only when their quality is high enough.

4 In order to provide the Congress with the high-quality analysis that it needs, CBO's staff has expertise in many areas. Among CBO's roughly 245 people, the largest concentration of expertise is in the area of health. Other areas of focus include national security, labor, taxes, energy, and macroeconomics. Maintaining a broad array of expertise allows CBO to respond to policymakers' needs quickly. Analysts are organized into a number of divisions, but much of CBO's work requires work from more than one division.

CBO's analysts always pursue high quality and accuracy. They approach issues with a detailed understanding of federal programs and the tax code. They carefully and critically read the relevant research literature. They painstakingly analyze data collected by the government's statistical agencies and by private organizations. And they regularly consult with a diverse range of outside experts, including professors, analysts at think tanks, representatives of industry groups, other private-sector experts, and government employees at the federal, state, and local levels. Some of the consultations occur during periodic meetings with CBO's Panel of Economic Advisers and Panel of Health Advisers.

5 CBO's analysis is objective, impartial, and nonpartisan. The agency maintains its objectivity in a number of ways. One is that it makes no policy

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recommendations. Another is that it hires people on the basis of their expertise—nearly 80 percent of CBO’s employees have advanced degrees—and without regard to political affiliation. The agency carefully considers whether potential analysts can perform objective analysis, regardless of their own personal views, and it enforces strict rules to prevent employees from having financial conflicts of interest and to limit their political activities.

CBO aims to reflect the full range of experts’ views as it presents the likely consequences of proposals being considered by the Congress. The agency’s estimates are inherently uncertain, but its goal is to produce estimates that are in the middle of the distribution of potential outcomes. For more information about our work, see *Seven Things to Know About CBO’s Analyses*.

6 Models do not produce CBO’s estimates; CBO does. CBO’s estimates often require projections of how people and institutions would respond to proposed changes in law. A computer model is one tool that analysts may use to make such a projection. There are various kinds of models, such as complex simulation models, regression models, and calculations in spreadsheets. CBO’s models are constantly being enriched and improved.

Nonetheless, models often cannot show the full scope of the effects of a legislative proposal. Analysts must routinely go farther, combining what can be learned from a model with other information so that the estimates correspond as closely as possible to what the best available research suggests.

7 CBO has a rigorous system of checks and balances. ^{21.} All of CBO’s cost estimates and reports are reviewed internally for objectivity, analytical soundness, and clarity. That process involves many people at various levels in the agency. Analysts’ consultations with outside experts help them hear all perspectives on an issue. And the agency continually revisits its past work to evaluate its accuracy. It also compares its analysis to others’ work and incorporates outside feedback into its projects.

8 CBO prioritizes transparency. ^{?!.} Since its inception, the agency has used many

approaches to be transparent. To begin with, CBO's cost estimates and publications include documentation of the basis of their findings. In addition, the agency documents the revisions to its budget projections and estimates. It reports on the accuracy of its projections, including its projections about the economy, spending, revenues, and health insurance subsidies. It publishes analyses of how sensitive its estimates are to key parameters. And it seeks external review of its reports before they are released and of the methods on which its products are based.

CBO also promotes transparency by providing broad access. When CBO completes a formal cost estimate, it is made available immediately to all Members of Congress, their staff, and the public on CBO's website. Furthermore, CBO's analysts regularly explain their analyses to Congressional staff. For instance, in early 2019, in collaboration with the Congressional Research Service, members of CBO's staff gave presentations to more than 100 Congressional staff members about CBO's baseline budget projections and economic forecast.

Unfortunately, the pace of Congressional action sometimes limits the time available for providing extensive explanations of estimates. And because the overall demand for CBO's work is high and its resources are constrained, the agency needs to balance requests to explain more about finished analyses with requests for new analyses and with its other responsibilities, such as regularly updating its baseline projections.

9 CBO evolves as the needs of the Congress evolve. Though CBO has remained true to its original mission, it works with the Congress in ways probably not envisioned when it was first created. For example, as legislation has grown more complex, CBO has found itself spending more time providing preliminary analyses and technical assistance during the drafting stage. And it is being asked more often to prepare cost estimates for bills that are heading for votes without being marked up by committees first.

To accommodate the Congress's changing needs and agenda, CBO shifts staffing and develops new analytical tools. For example, the agency devoted significant resources to strengthening its ability to analyze health care issues so that it would be prepared for large-scale legislative proposals on that front. Similarly, CBO

improved its capability to study how legislative proposals would affect the economy and thus the budget as the Congress's desire for such "dynamic analysis" intensified.

10 CBO is always looking for ways to do things better. To give just one example: CBO is updating every aspect of its simulation model of health insurance coverage, which forms the backbone of its budget projections related to federal health care spending for people younger than 65. In the spring, the agency will publish detailed information about the new model's specifications and input data, as well as segments of its computer code.

* Because responsiveness and transparency are top priorities at CBO, the agency is especially invested in bolstering them further. For instance, CBO is preparing a new format for cost estimates to make important information easier to find and read. More broadly, the agency plans to make greater use of team approaches to handle surges in demand for analysis of particular issues. It will publish more overviews of its major models; more documentation of those models; and more detailed information, including computer code, about key aspects of those models. It will also continue to evaluate its previous estimates, when possible, in order to improve its future ones.

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