

# Issue Brief

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## CBO's Budget Request: A Work in Progress

### Introduction

The Legislative Branch Subcommittee of the House Appropriations Committee held a hearing earlier this year on the Congressional Budget Office's (CBO) [funding request](#). CBO is a relatively small federal agency whose work is central to policymaking discussions through its legislative cost estimates and regular reports on the economic and budgetary outlook. During the previous Congress, the House Budget Committee and the Senate Committee on Finance held a series of long-overdue hearings about CBO, providing the most comprehensive review of the budgetary score-keeper's work since it was established. The Committees focused on ways that CBO can improve its scoring methods and transparency.

It is vital that the current Congress maintain the momentum of its predecessor's effort. Although control of the chambers is divided, there should be bipartisan support to ensure that the data used to project the fiscal impact of policy proposals are based on models and assumptions that are as accurate as possible. Lawmakers should work together to help CBO achieve its goals of improving transparency and responsiveness to Members of Congress.

### Key Facts:



The Congressional Budget Office is a relatively small federal agency whose work is central to policymaking discussions through its legislative cost estimates that can make or break legislation.



After questions over the methodology used to score health care reform proposals, the previous Congress held long-overdue hearings about CBO, providing the most comprehensive review of the agency's work since it was established.



Many of the controversies swirling around CBO are due to the requirements and constraints that Congress has placed on it. Lawmakers should work together to help CBO achieve its goals of improving transparency and its methods.

## CBO Background

CBO was established in the Budget Reform Act of 1974. The law set in place the modern budget process and created CBO to provide Congress with independent fiscal analysis so that lawmakers would no longer be reliant on data from the White House's Office of Management and Budget. Each January, CBO publishes its annual budgetary and economic outlook which projects the budget baseline of programs under current law for the next ten years. CBO's analysts measure legislative proposals against this baseline to determine their net impact on outlays and revenues. CBO produces cost estimates for most legislation that will be going to the floor of either chamber for a vote. It also occasionally provides cost estimates of other legislation on request of Members of Congress, though these are often informal, "back of the envelope" estimates without a full formal analysis.

In 2018, the CBO produced [947](#) formal cost estimates. These reports can make or break the underlying legislation. The backlash against an unfavorable cost estimate can be fatal to chances of passage. Raising concerns that bills are drafted to the score, lawmakers frequently consult with CBO staff for technical assistance while in the process of creating or revising legislation so that they can gauge how changes to the text will impact the final budgetary score.

But sometimes, no amount of changes in the text can overcome faulty assumptions baked into the scoring methodology. The recent case of the Affordable Care Act's (ACA) individual mandate is prime example. Dating back to 2009, CBO's ACA estimates have assumed that the mandate would have a strong impact on health insurance enrollment, and the modeling was not updated even though the actual numbers showed that the projections were greatly exaggerated. CBO initially said that enrollment in the health insurance exchanges would reach 21 million by 2016. In reality, enrollment only reached 12.7 million that year. In 2017, when Republicans were trying to repeal and replace the ACA, CBO determined that repealing the mandate would reduce insurance enrollment by 14 million in the first year. The backlash caused by this analysis helped stop the legislative effort to reform health care.

The mandate was later repealed in the Tax Cuts and Jobs Act and a new report from the Centers for Medicare and Medicaid Services estimates that there would be 2.5 million fewer health insurance enrollees, underscoring how wrong CBO's projection was. There are many other examples where CBO's assumptions have been brought into question, from its [uneven history](#) on health care reform estimates, to [air traffic control reform](#), [uncertain farm bill scores](#), and the [magic asterisk](#) used to score the Center for Medicare and Medicaid Innovation.

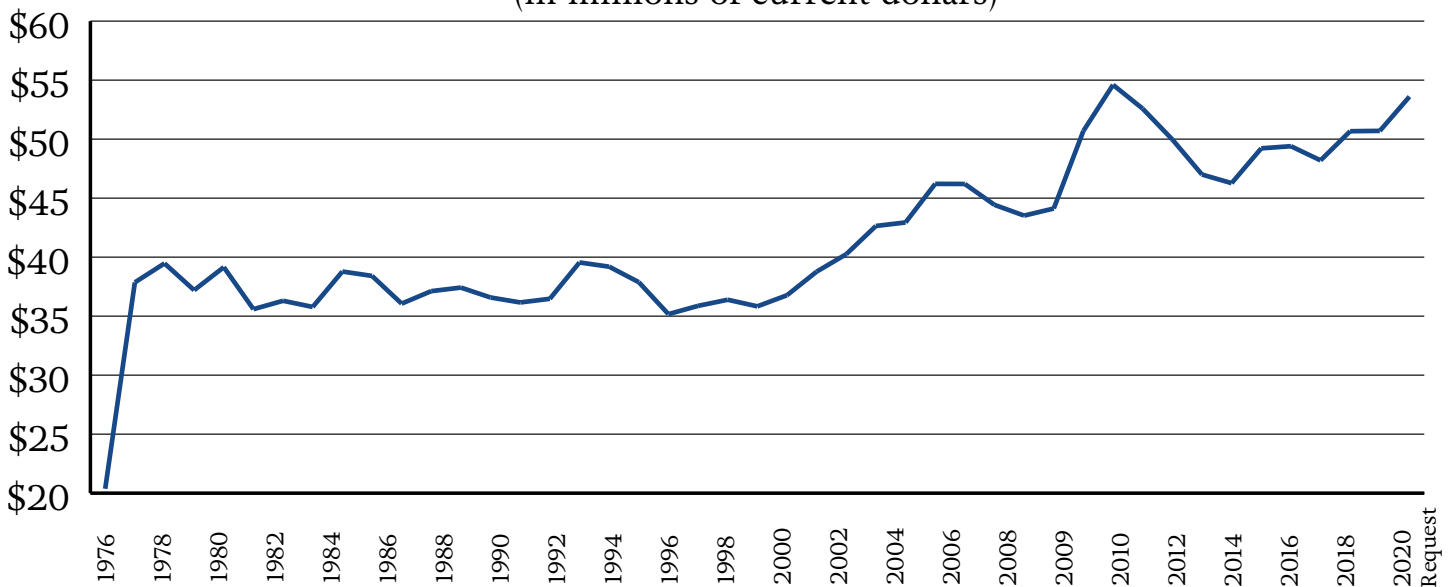
After the drive to repeal and replace the ACA failed – largely due to CBO's stubbornness regarding its untenable assumption about the individual mandate – votes were held on the House floor to [strip CBO's funding](#). Representative Scott Perry (R-PA) introduced an amendment to cut CBO's budget by 50.4 percent, a figure picked "to match the discrepancy between the CBO's predictions for how many people would gain health insurance under ObamaCare, and the number that actually did." A second amendment offered by Rep. Morgan Griffith (R-VA) would have essentially outsourced CBO's legislative scoring work.

The amendments failed but reflected the extent of the frustration and anger many rank-and-file Members felt towards CBO because of the assumptions it uses as well as the perceived unresponsiveness of the agency to requests for transparency and explanation of the processes involved in CBO's scorekeeping efforts.

## CBO's Budget Request

Recognizing that its credibility was at stake, CBO made improving transparency its top priority, with [increased efforts](#) to explain how it analyzes legislation, the processes involved in its cost estimates, conducting outreach on and off Capitol Hill, and improving visualization of its data. In its budget request for FY 2020, CBO is asking for \$53.4 million—an increase of \$2.8 million, or 5.6 percent, over 2019 levels. CBO Director Keith Hall testified that the increase would allow the agency to pay for its staffing and to continue to “bolster responsiveness and transparency.”

Congressional Budget Office: Historical Funding  
(in millions of current dollars)



\$48.7 million, 91 percent of the total request, is for personnel costs. In FY 2019, CBO received a 1.6 percent funding increase of \$800,000, which allowed for the hire of 14 additional staff members. The requested level would provide full funding for these new positions in 2020, and allow for a “small increase in employees’ average salary and benefits to provide merit-based pay raises and keep pace with inflation.” In addition, \$300,000 of the funding would be used to hire six new employees. Hall noted that the agency is planning on hiring analysts with overlapping skills, including expertise in particular high-demand policy areas such as transportation, immigration, and health care. staffing and to continue to “bolster responsiveness and transparency.”

## Improving CBO

The relatively modest budget increases would enhance CBO’s ability to bolster its goals. Given the debt-laden [budget outlook](#) reported by CBO last month – which is actually [trillions of dollars worse](#) than it looks when re-evaluated with more realistic assumptions about expected Congressional action – lawmakers must find ways to offset the cost. Thankfully CBO’s own list of [budget reform options](#) points to a number of spending programs that could be eliminated or reformed to more than “pay for” the increase to CBO’s bottom line.

There are additional steps that CBO and lawmakers could take to continue to enhance the agency and they would lead to more honest, accurate fiscal data. Last year, NTUF published a list of [fifteen ideas to improve CBO and scorekeeping](#), including:

- Revising the budget rules to replace the current law baseline with a more realistic current policy baseline.
- Make better use fair-value accounting to more fully assess the market risk of federal loan programs.
- In the hearing Hall noted that CBO would be rolling a new format for cost estimates this year “to highlight key parameters as well as information needed by the congress for budget enforcement procedures.” If the cost estimate that was released on March 1 for [H.R. 1](#) is any guide, this new template could use some work to increase the budgetary context of the program spending, and to clarify the assumptions and methodology used to score the provisions.

Many of the controversies swirling around CBO are due to the requirements and constraints that Congress has placed on it. Improving transparency could be accomplished by mandating the use of the most recent yearly baseline for all scoring, setting parameters for constructing a realistic policy baseline, or ensuring that CBO has sufficient time to complete cost estimates before votes are held. Because of CBO’s pivotal role in the development of legislation, it is crucial that the figures at the heart of policy debates are available, accurate, and clear.

### **About the Author**

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