

Issue Brief

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CBO Needs Resources & Reforms to Fulfill Its Role

Introduction

Since the onset of the pandemic, the federal government has accumulated debt at a rate that makes trillion-dollar deficits appear fiscally responsible. Even after the fiscal crises had largely abated, continued “emergency” spending bills drove the deficit above \$3 trillion for each of fiscal years 2020 and 2021.

The scope of the bills being drafted and enacted has had a direct impact in driving the federal debt to historic highs. Along with the rest of the legislative workload, it has also had an indirect impact on the budgetary process in Congress. The pace of legislative work has increased the Congressional Budget Office’s (CBO) workload in producing cost estimates of policy proposals. The demand for budgetary analysis has even delayed one of CBO’s core products: its annual budgetary projection of federal spending and revenues over the next ten years. This data is used as the baseline against which legislation is scored. The delay in producing the baseline has meant that recent cost estimates are being measured against an older, out of date baseline from CBO’s previous update released in July 2021.

Key Facts:



CBO plays an important role for lawmakers by providing budgetary analysis and cost estimates of legislation.



Congress’s overall workload plus the delay in passing appropriations for the next fiscal year, caused CBO to delay production of its core product: the budget baseline.



Congress should provide CBO the resources it needs to fulfill its role in the budget and scorekeeping process. There are many options for offsetting this with actual savings.

If Congress wants CBO to be able to keep up with the pace of its legislative work and provide timely cost estimates and budgetary analyses, Congress should provide CBO with the necessary resources. CBO has made strides to improve its responsiveness and transparency, but there are reforms that lawmakers should consider to help the agency produce more accurate budget figures. In conjunction with this, lawmakers should make use of proposed spending reforms in CBO's Budget Options report to shrink the deficit.

CBO's Important Role in Shaping Legislation and Its Increasing Workload

CBO plays a crucial role in shaping federal policy. Its cost estimates play an important factor in determining whether legislation is signed into law or stopped cold in its tracks. Bills passed by committees to the main floor of each chamber generally include a formal CBO analysis of how the provisions of the text would impact spending and revenues relative to CBO's baseline. To get a favorable score, lawmakers frequently request informal estimates and technical assistance from CBO while texts are being drafted. This way, unexpected costs can be addressed before CBO produces its formal, official score.

This can amount to a lot of work for CBO's analysts. For example, CBO [reports](#) that it completed 401 formal cost estimates during 2021 and forecasts it will complete 700 formal estimates this year.¹ In addition to this, CBO fulfilled thousands of requests for technical assistance from individual members and committees "seeking a clear picture of the budgetary impact of proposals before they introduce or formally consider legislation."

In certain cases, the formal estimates can be quite complex. For example, the Build Back Better (BBB) reconciliation package considered in the House of Representatives in 2021 was composed of several different titles drafted separately that together amounted to over 2,200 pages. House leadership had planned to consider and pass the bill in early November, but a group of Democrat representatives declared that they wanted to see a CBO score for the package before voting on it. In response, CBO Director Philip Swagel [announced](#) that CBO would publish the estimate as soon as practicable.² The [complete score](#) was delayed until November 18 because of the complexity of parts of the package that had interacting effects on other parts.³

CBO's workload from winter through spring led to an unprecedented delay in producing its annual baseline projection. After posting the BBB score, several members asked for [clarifying information](#) about the findings and requested that CBO reanalyze the score using alternative assumptions regarding many of the temporary provisions in the bill and to also incorporate the package's impact on debt interest payments.⁴ CBO was also responsible for assessing the cost of the Senate's version of BBB as well as the other legislation working through Congress, such as the defense authorization bill and FY 2022 appropriations.

Based on the archive of [budget outlook reports](#) since 2000 available on CBO's website, the publication is normally released in January or February and is then updated in the spring and summer.⁵ The previous latest publication date in a given year was April 9, 2018. In the introduction of that

¹ Congressional Budget Office. *The Congressional Budget Office's Request for Appropriations for Fiscal Year 2023*. February 2022. <https://www.cbo.gov/system/files/2022-02/57700-BudgetRequest.pdf>.

² Swagel, Phillip. "CBO to Release a Complete Cost Estimate for H.R. 5376, the Build Back Better Act, by November 19." Congressional Budget Office. November 15, 2021. <https://www.cbo.gov/publication/57616>.

³ Congressional Budget Office. *Summary of Cost Estimate for H.R. 5376, the Build Back Better Act*. November 18, 2021. <https://www.cbo.gov/publication/57627>.

⁴ Congressional Budget Office. *Reconciliation*. <https://www.cbo.gov/topics/budget/reconciliation>.

⁵ Congressional Budget Office. *Recurring Reports: Outlook for the Budget and the Economy*. <https://www.cbo.gov/taxonomy/term/26/recurring-reports>.

[report](#), CBO noted that the delay was necessary in order to “analyze and incorporate some of the effects of recent major legislation,” including the Tax Cuts and Jobs Act enacted on December 22, 2017, the Bipartisan Budget Act of 2018 enacted that February, and the 2018 Consolidated Appropriations Act passed on March 23, 2018.

This year’s publication is expected later in May. The delay is due to the late passage of FY 2022 appropriations, which were not signed into law until March 10. On April 1, the Director [wrote](#), “Producing the projections on the typical schedule would have prevented CBO from carrying out other pressing work for the Congress, and pending legislation might have made the projections outdated shortly after they were published.”

This makes practical sense. Under the normal order of the budget timeline, Congress should have wrapped up the FY 2022 funding levels before the fiscal year started last October 1 and CBO would have been able to report the budget early in 2022. Congress should have the most reliable possible data, but producing a baseline before Congress has enacted pending legislation for the current fiscal year would have caused CBO to have to do a lot of duplicative work to significantly revise and update the budget baseline if the agency had adhered to its regular reporting schedule.

CBO’s FY 2023 Budget Request

CBO recently submitted its [budget request for FY 2023](#).⁶ It is asking for \$64.6 million in funding – \$3.7 million or 6 percent higher than last year. 90 percent is for pay and benefits. CBO currently has 270 employees on staff, three-quarters of whom are policy analysts. With the increase, it plans on hiring seven new analysts. CBO tries to anticipate the types of issues that will be considered in Congress and expects more activity in health care, climate change, and energy policies and plans to bolster its expertise in those areas.

In addition to the cost estimates and budget outlooks noted above, CBO’s analysts have numerous additional responsibilities, such as producing regular scorekeeping reports for the House and Senate budget committees with up-to-date tabulations of the levels of spending and revenues approved by Congress.

In addition, some may be surprised to learn that spending from the 2008 Troubled Asset Relief Program (TARP) lives on in the federal budget all these years later. The law that created the emergency program in response to the 2008 financial crisis also required CBO to regularly analyze its impact on the budget. In its most recent [report](#), CBO estimates that TARP still has \$200 million in projected future disbursements.⁷

CBO also plans to continue to focus on transparency to explain the rules and laws it operates under, which are set by laws passed by Congress and additional guidance from budget committees. It also sheds light on the processes and methodologies it uses to develop its cost estimates through explainer publications and more detailed technical dives such as a working paper titled “[How CBO Estimates the Market Risk of Federal Credit Programs](#).”

The agency has also improved its cost estimates by discussing sources of uncertainty in its analyses that could lead to different outcomes than the agency projected. CBO regularly reviews the accuracy of its work by comparing its initial estimates with actual budgetary outcomes to explain

⁶ Congressional Budget Office. *The Congressional Budget Office’s Request for Appropriations for Fiscal Year 2023*. February 2022. <https://www.cbo.gov/system/files/2022-02/57700-BudgetRequest.pdf>.

⁷ Congressional Budget Office. *Report on the Troubled Asset Relief Program—May 2022*. May 2022. <https://www.cbo.gov/system/files/2022-05/58029-TARP.pdf>.

how the results differed. Additionally, it engages in outreach with congressional staff as well as parties outside of Congress to respond to questions and get feedback on its work. Breaking out the rest of the budget, 7 percent is for IT and 3 percent is for other expenses, such as training and supplies. Because CBO's work is labor intensive, Swagel warns that if its funding is much less than requested, it would have to downsize its staff which would impede the agency's responsiveness and transparency.

CBO seeks to make its work transparent, and to that end it sets a gold standard in its budget request through the level of granular detail and clarity of the information. Appendix A of the document includes the tables by program area that are generally included in other agencies' budget justifications.

Appendix B, however, includes a "Detailed Object Class Analysis." The Office of Management and Budget uses numeric codes to classify types of spending, for example 11.1 is used by federal agencies to track outlays for full-time permanent workers, while 24.0 is used for all printing and reproduction expenses.

CBO's analysis lists its funding request for all of its object classes along with a description or explanation for each. For example, CBO is requesting \$30,000 for overtime pay for certain workers involved in preparing, printing, and delivering products "in the rare cases when the timely support of the Congress would be impaired if the work was not performed."

Other federal agencies should follow this example set by the CBO so that taxpayers can easily see and understand exactly how their money is being used. For example, the Internal Revenue Service's [FY 2023 budget justification](#) lists a table of spending by object class but it does not include an explanation for each.⁸ For its enforcement division, the IRS requests \$21 million for "Transportation of Things" — nearly a three-fold increase from amounts appropriated for this the previous year. Unfortunately, there is no explanation included.

Funding and Reforming CBO and Scorekeeping

As a result of the pace and scope of Congress's workload, there is a lot of demand for budgetary analysis from CBO. The tendency of lawmakers to miss deadlines for approving appropriations and to roll multiple pieces of legislation together into mammoth omnibus packages adds complexity to the scorekeeping process. Adhering to regular timetables would help ease the production of cost estimates and the baseline. Short of Congress reforming its budget process and scaling back its workload, lawmakers should provide the CBO with the necessary resources to keep up with the workload it demands from the agency so that it can produce timely fiscal analysis.

Congress should also be mindful of the recent historic levels of federal debt and find legitimate spending reductions for any spending increases. One source is available from NTUF and US PIRG Education Fund's [Common Ground](#) report, a detailed list of recommended savings in wasteful and duplicative programs.⁹ Another source of ideas comes from CBO. Every other year it produces a menu of [Budget Options](#) of reforms to reduce the deficit.¹⁰

⁸ Internal Revenue Service. *Fiscal Year 2023: Congressional Budget Justification & Annual Performance Report and Plan*. 2022. <https://home.treasury.gov/system/files/266/Internal-Revenue-Service-FY-2023-CJ.pdf>.

⁹ Brady, Demian and Cross, R.J. *Toward Common Ground 2020: Bridging the Political Divide with Deficit Reduction Recommendations for Congress*. National Taxpayers Union Foundation and U.S. PIRG Education Fund. April 23, 2020. <https://www.ntu.org/publications/page/toward-common-ground-bridging-the-political-divide-with-deficit-reduction-recommendations-for-congress>.

¹⁰ Congressional Budget Office. *Budget Options*. <https://www.cbo.gov/topics/budget/budget-options>.

At the same time, there are reforms that lawmakers could enact to improve CBO and scorekeeping.

Shift from a Current-law Baseline to a More Realistic Policy Baseline

CBO is required to construct its baseline largely on how spending and revenues would continue under current law. This can skew budget projections because some programs are set to expire under current law but are typically extended. Accounting for the types of policies Congress tends to enact would provide for a more realistic baseline.

One illustration of the problem of a current-law baseline is the treatment of nuclear waste fees. The revenue was supposed to be used to finance the construction of a nuclear waste repository. Because the government has completed a plan for that, a 2013 court decision essentially blocked the Department of Energy from collecting the fees. Nevertheless, the revenues are still counted in CBO's baseline because they are law and help to understate the deficit by \$380 million per year.

Before the pandemic hit, CBO's budget outlooks would include a section analyzing Alternative Fiscal Scenarios of the budget baseline using different assumptions than those CBO is required to use. CBO should resume producing these alternate views to better inform policymakers. A stronger reform would be for Congress to require CBO to produce its baseline on current policies. The budget reality of programs that are regularly extended should be built into the baseline for a more accurate fiscal picture. It would also reduce the tendency to write legislation to the score of the bill, resulting in temporary provisions and the use of dubious offsets.

Eliminate Three of the Worst Budget Gimmicks

At the very least, the budget committees can instruct CBO to implement a targeted current-policy baseline to address three common budget gimmicks used to “pay for” higher spending. For example, Congress will extend customs user fees and the Medicare sequester nine or ten years out in the future to pay for immediate spending. Customs user fees are already meant to pay for the Department of Homeland Security's custom enforcement program so these should not be used as offsets for other activities.

The sequester extensions are meant to achieve actual savings, but it is cynical to extend them piecemeal at the end of the budget window to “pay for” current spending. The budget committees should require CBO to assume these are permanent programs so that Congress can't keep tacking these on to spending bills.

Similarly, the 2021 infrastructure law, Build Back Better bill, and the Affordable Insulin Now Act (AINA) each included an offset by delaying a Trump-era regulatory rule that has not ever gone into effect. The rule pertains to rebates by pharmaceutical manufacturers to health plans and pharmacy benefit managers in Medicare Part D and Medicaid managed care. These rebates allow pharmaceutical manufacturers to provide discounts as long as the amount is properly disclosed and appropriately reflects the charges for the reimbursed services. Arguing that this causes manufacturers to increase the list price of medication, the Trump administration proposed to add restrictions on the use of these rebates. Under scoring rules, major regulatory rules get included in the baseline and CBO estimated that it would cost [\\$177 billion](#) over ten years.¹¹

¹¹ Congressional Budget Office. Incorporating the Effects of the Proposed Rule on Safe Harbors for Pharmaceutical Rebates in CBO's Budget Projections. May 2019. <https://www.cbo.gov/system/files/2019-05/55151-SupplementalMaterial.pdf>.

Different legislation has provided for short term delays in its start date, thus resulting in billions of savings on paper. Most recently, the AINA delays the rule for another year. CBO estimated this part of the bill would “save” [\\$20 billion](#), miraculously helping to zero out the bill’s net deficit impact over ten years.¹² For scoring purposes, the budget committees should require CBO to assume that this rule will not go into effect.

Use Fair-value Accounting for Federal Credit Programs

Congress requires CBO to analyze federal loan and credit programs using an accounting method that does not adequately account for the financial risk involved. These estimates tend to underestimate the likelihood of a portion of the loans not being paid back. To its credit, CBO regularly re-evaluates federal programs using the fair-value accounting method. Last October, CBO [reported](#) that, using the prescribed methods, federal loan and credit activities expected to take place this year look like they would save \$40 billion.¹³ Taking into account the market risk of default, however, they would instead incur a liability of \$59 billion over their lifetime.

Lawmakers should enact fair-value accounting reform for scoring loan and credit activities to use the same method used by the private sector. Representative Ralph Norman’s (R-SC) Fair Value Accounting and Budget Act, [H.R. 3785](#), would make this the standard.¹⁴

Include Estimates of Debt Interest Payments in Cost Estimates

Debt interest payments are one of the fastest growing areas of federal spending, yet are often excluded from CBO’s cost estimates of major legislation. CBO estimated that the House-passed BBB Act would increase outlays by \$1.6 trillion and increase taxes by nearly \$1.5 trillion (including the effects of tax enforcement that are excluded from the official score under scorekeeping guidelines but are included in future baselines if enacted), for a net increase in the deficit of \$160 billion. The Ranking Member of the Senate Budget Committee, Lindsey Graham (R-SC), requested that CBO estimate how the bill would affect debt interest payments. In reply, CBO produced a letter finding that this would add [\\$79 billion](#) to the cost.¹⁵ A similar request last year for a more complete accounting of the \$1.8 trillion American Rescue Plan Act found that interest costs would add [\\$208 billion](#) to its price tag.¹⁶

Representative Ed Case (D-HI) asked CBO what it would entail to include debt service impacts in cost estimates. Director Swagel [explained](#) that doing so would be feasible and require few additional resources.¹⁷ As a scoring rule of thumb, he also noted that each \$100 million increase in the FY 2023 deficit would also incur \$27 million in debt interest payments over the decade.

CBO should be required to account for debt interest impacts in its official scores of legislation. [H.R. 638](#), the Cost Estimates Improvement Act introduced by Representative Michael Cloud (R-

¹² Congressional Budget Office. *Estimated Budgetary Effects of H.R. 6833, the Affordable Insulin Now Act, as posted on the Website of the House Committee on Rules on March 28, 2022.* March 30, 2022. <https://www.cbo.gov/system/files/2022-03/hr6833.pdf>.

¹³ Congressional Budget Office. *Estimates of the Cost of Federal Credit Programs in 2022.* October 6, 2021. <https://www.cbo.gov/publication/57412>.

¹⁴ Representative Ralph Norman. H.R.3785 - Fair-Value Accounting and Budget Act. June 8, 2021. <https://www.congress.gov/bill/117th-congress/house-bill/3785>.

¹⁵ Congressional Budget Office. *Re: Budgetary Effects of Making Specified Policies in the Build Back Better Act Permanent.* December 10, 2021, <https://www.cbo.gov/system/files/2021-12/57673-BBBA-GrahamSmith-Letter.pdf>.

¹⁶ Congressional Budget Office. *Re: Three Scenarios for the Budget as Specified by Senator Graham.* May 21, 2021. <https://www.cbo.gov/system/files/2021-05/57239-Graham.pdf>.

¹⁷ Congressional Budget Office. *Answer to a Question for the Record Following a Hearing on CBO’s Appropriation Request for Fiscal Year 2023.* May 12, 2022. <https://www.cbo.gov/system/files/2022-05/58096-QFR.pdf>.

TX), would require that CBO include this information in its estimates.¹⁸ In addition, the bill would have the agency include a duplication report in its estimates, identifying existing federal programs that could overlap with the new proposals.

Have CBO Show More of its Work

While CBO has taken significant strides to improve its transparency and accessibility of its data and methodologies, legislation from Senator Mike Lee (R-UT) would take this a step further. [S. 793](#), the “CBO Show Your Work” Act, would further promote scorekeeping transparency by requiring CBO to make available more of the underlying data and models used in its estimates.¹⁹ In cases where the CBO uses proprietary information that it is unable to disclose, the bill would have CBO identify why the data is restricted and provide contact information on the source of the data.

Scorekeeping Transparency

NTUF recently [noted](#) that Senate Budget Committee Chairman Bernie Sanders (I-VT) issued his very first scorekeeping report since he was given the gavel last January.²⁰ The Congressional Budget Act of 1974 requires the budget committee chairs to make regular updates to their colleagues detailing how recently enacted laws have impacted spending and revenue levels. CBO produces 100 scorekeeping tabulations per year and shares them with the budget chairs. If the chairs lapse in fulfilling their obligations under the Budget Act, CBO should be permitted to share these reports with the public.

Conclusion

CBO’s cost estimates and findings are often featured in news articles and deeply influential in the passage or failure of legislation. Given CBO’s outsized influence in the legislative process, promoting and expanding transparency is crucial to help lawmakers and the public understand CBO’s work and to demonstrate that it is providing objective analysis to lawmakers.

About the Author

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¹⁸ Representative Michael Cloud. H.R.638 - Cost Estimates Improvement Act. February 1, 2021. <https://www.congress.gov/bill/117th-congress/house-bill/638>.

¹⁹ Senator Mike Lee. S.793 - CBO Show Your Work Act. March 17, 2021. <https://www.congress.gov/bill/117th-congress/senate-bill/793>.

²⁰ Brady, Demian. Senate Budget Chair Sanders Finally Complies with Basic Budget Reporting Requirement. National Taxpayers Union Foundation. May 2, 2022. <https://www.ntuf.org/foundation/detail/senate-budget-chair-sanders-finally-complies-with-basic-budget-reporting-requirement>.



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