Written Testimony
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Chairman Womack, Ranking Member Yarmuth, and members of the committee: Thank you for the opportunity to offer my perspectives on the Congressional Budget Office (CBO) and how it operates. I applaud the Committee for the series of oversight hearings it has held on CBO this year. These hearings reflect a thoughtful and methodical approach to your oversight responsibilities over the agency. I believe they have helped to educate Members and the public on how CBO works, and have provided an important venue for Members to explore the issues and concerns they may have. That is an important service, both for CBO and for the Congress, and lays the groundwork for you to work with the agency to ensure it is meeting Congressional needs for nonpartisan budget and economic analysis.

Over the years, I have had the advantage of viewing the work of CBO from both inside and outside the agency, and within the agency from the perspective of working as an analyst and working as a member of the senior staff. I joined CBO in January of 1996, after working many years as a budget process specialist with the Congressional Research Service. In 2003, Director Doug Holtz-Eakin appointed me to be the agency's first full-time legislative liaison, to help coordinate CBO communications with Congress and be a point of contact for congressional offices needing assistance or to discuss concerns. I held that position until retiring from CBO and federal service in July of 2015. In May of 2016, I joined the Bipartisan Policy Center as a senior advisor on economic and fiscal policy issues.

Based on these experiences and perspectives, I would like to make four key points:

(1) A vibrant, robust, and independent CBO is vital to Congress in the performance of its legislative duties under Article I of the Constitution. Just over 40 years ago, both CBO and the Budget Committees were created as part of a new Congressional budget process to enable Congress to set comprehensive budget priorities and combat excessive executive control over the federal budget. CBO's role in that process is no less important today.

(2) Effective communication between CBO and Congress is one of the agency's biggest challenges, made more difficult by changes in the budget process over the years that

have made CBO much more integral to the legislative and budget process than was imagined at the time of its founding.

(3) The transparency of CBO's analyses is more critical than ever, but CBO needs more resources to make further progress. CBO acknowledges that it can do a better job of making its work more transparent and its analyses more clearly explained, but its staff is stretched too thin both to carry out its core functions and devote the additional time needed to improve transparency. Some recent proposals to enhance the agency's transparency, though well-meaning, are not the right approach.

(4) The Budget committees can play a key role helping CBO address Member concerns**.** The Budget committees are in a unique position to help CBO connect more effectively with Members, open lines of communication that would broaden understanding and appreciation for the importance of CBO's role, and help CBO address any issues or concerns with its performance.

Importance of an independent CBO

At the Bipartisan Policy Center, we view CBO as the gold standard of budget, fiscal, and economic analysis. We have this view not because CBO's estimates and projections are always accurate---although they are consistently as or more accurate than any comparable organization---but because of their long-standing and well-deserved reputation for rigorous, objective analysis without partisan bias. We view their work as both a critical point of reference for objectivity and as a measuring stick for credibility. This does not mean BPC agrees with CBO analyses all the time. No two groups of analysts, no matter how highly trained or professional, will reach the same exact conclusions even using the same set of tools and with similar training. Objectivity is not measured by accuracy, but by the integrity of the analysis that is brought to bear.

BPC strongly opposed legislation considered by the House last summer to drastically reduce funding for CBO and to eliminate CBO's Budget Analysis Division. Those are the wrong approaches for dealing with the issues and concerns Members have raised over the years about CBO. Such drastic and disruptive changes in CBO would undermine the agency's ability to carry out its responsibilities under the Congressional Budget Act, and ultimately would weaken Congress in its efforts to assert its constitutional power of the purse.

The lawmakers who developed the Congressional Budget Act were intentional in establishing CBO as an independent, nonpartisan entity within the legislative branch. Other models, including enlarging the staffs of the two Budget committees or expanding the staffs of the other support agencies, were considered but rejected. It was deemed essential for Congress to have access to objective, nonpartisan budget and economic analysis from a separate

agency devoted solely to that purpose. Only an independent agency within the Congress, and beholden only to the Congress, would have the standing and the arms-length distance from political considerations to make that work. The Budget Act made the Budget committees the policy arm of the Congressional process, placing them firmly in control of the estimates and calculations to be used in that process. CBO, while independent and giving priority to the Budget committees, was to work for the entire Congress and was to have a purely advisory role.

CBO's nonpartisan analysis is essential for Congress to have objective information on the potential budgetary and economic consequences of the various policies it is constructing. But there will always be a natural tension between a nonpartisan agency such as CBO and partisan institution such as Congress. And that tension has created misunderstanding since CBO's earliest days. For every CBO director from Alice Rivlin to Keith Hall, under Congresses controlled by Republicans and by Democrats, from CBO's analysis of President Carter's energy independence plan in its earliest days to its analysis of last year's legislation to repeal and replace the Affordable Care Act, there have been serious concerns raised by both political parties that CBO was overstepping its bounds, taking sides, or using discredited techniques.

If these tensions did not exist, CBO would not be doing its job. But I can assure you that CBO is sensitive to the controversy it can cause and is not cavalier about the potential impact of its work. The agency takes very seriously its obligation to ensure that its analyses are objective and nonpartisan, and takes several steps to make sure that is the case.

Underlying all CBO work is the basic principle that it strives to produce analyses that are solidly in the middle of the range of expected outcomes. CBO ensures that its economic forecasts and analyses reflect the latest insights from a range of views within mainstream economic thought. CBO uses panels of outside advisors for its economic forecasts and health analyses. These panels are carefully chosen to represent a full range of views within the economics and health professions. The economic advisors are convened twice each year, and the health advisors at least once a year to review CBO's work and modeling, and to discuss recent trends and issues. These advisors are also consulted periodically by the director and CBO staff as new, complex issues arise. CBO studies of economic, budget, and policy issues receive extensive and balanced peer review. In producing its budget baseline projections, CBO conducts a thorough review of past projections, analyses the latest information from agencies about program spending and revenue trends (working with the staff of the Joint Committee on Taxation), and incorporates relevant information from related outside research. Having participated in CBO baseline reviews as an analyst, I can attest that the process is rigorous and demanding. Every assumption is reviewed and all judgments tested in a multistep process of review.

All the specific steps that CBO takes to ensure nonpartisan objectivity in its work reflect an embedded culture of nonpartisanship at the agency that started under Alice Rivlin and has continued under every director since. This culture of nonpartisanship is ingrained, it is the central feature of the agency's ethic, and underlies every aspect of its work.

Recent frustrations with the agency over the accuracy of its estimates, transparency of it analyses, and responsiveness to Member requests have led some to propose different models for Congress to get the budget estimates and other support it needs to act on spending and revenue legislation. Some have asserted than an independent CBO is an outmoded model, no longer relevant for the time, and not nimble enough to respond to Congressional needs for accurate and timely estimates and other budget information. They advocate the use of outside organizations with policy expertise to produce estimates, and average the results to produce a mid-range estimate on par with CBO. These ideas are misguided, would diminish the quality of analyses available to Congress, and ultimately would weaken Congress' ability to assert its budgetary responsibilities under the Constitution.

Nonpartisan analysis is not the product of splitting the difference between partisan positions. It is an objective assessment of likely outcomes based on available data and information; it does not take partisanship into account. There is no single outside organization outside of the executive branch with the depth of expertise that CBO has developed over the years on federal programs and the federal budget. It is also doubtful that there is any private entity that can move as responsively as CBO, produce the sheer number of estimates that CBO produces, and align their efforts with the scheduling demands of the legislative calendar. How would such an entity handle hundreds of amendments to appropriations bills? Would such an organization be on call, day and night, as is CBO? And even if the intent is for estimates to be averaged, what would deter Members from choosing the inputs that align most closely with their policy priorities? These and other factors create the conditions for massive confusion in the legislative process over the budgetary effects of legislation, which can only weaken Congressional control over the budget.

There is no substitute for CBO's independence, its accountability to this committee and the Congress, the expertise of its staff, and its devotion to the mission of providing nonpartisan support to the Congress. Any effort to improve CBO's operations should respect, preserve, and strengthen that independence.

Promoting effective communication

The problem of effective, consistent, and clear communication with Congress has dogged CBO since its very beginning, but has become even more of a challenge in recent years. In general, communication between the world of science, research, and analysis and the world of

policy and politics is difficult, one made harder still by the growing complexity of modern public policy and technological advances in modeling and analytic methods.

But in the case of CBO, the challenge is even more acute because CBO budget projections and estimates have become far more integral to the budget process than was ever imagined at the time of its founding. New budget process rules and budget enforcement requirements piled on over the past 30 years---from deficit targets, to statutory and legislative pay-as-you-go requirements, to the House cutgo rule---have made CBO estimates essential at virtually every turn of the legislative process. Further, the major policy initiatives of recent years, especially those that are acted on through the reconciliation process, tend to be framed in budgetary terms. And along with this, CBO must follow the statutory baseline rules, scorekeeping guidelines, and 10-year budget window currently required in the Congressional budget process, and must contend with the vast uncertainty that is implicit in its work.

This trend toward greater reliance on CBO estimates has created a level of demand that is at odds with how CBO was set up to function under the Congressional Budget Act. The Act requires CBO to work principally for Congressional committees, with priority given to the House and Senate Budget Committees. These statutory priorities were put in place during a different legislative era. Now, legislation can appear virtually out of nowhere, and Congressional leadership takes a far more active role in setting the legislative priorities that drive CBO's work priorities.

Along with these trends, the Budget Act puts individual Members at the bottom of CBO's list of statutory priorities. This puts Members who are not in committee leadership in a difficult position. Because of the range of budget rules and enforcement procedures, they are told their bills or amendments cannot be put up for consideration without a CBO cost estimate. But when they inquire about getting that estimate, they may be told the CBO must work on committee or leadership priorities first or that the overall demand is simply too high.

CBO prepares several hundred formal estimates each year of committee-reported bills and other priority legislation, and several thousand informal estimates of nonpublic proposals or iterative versions of legislation in the policy development stage. The specialized nature of the cost estimating portfolios of analysts also means that shifting resources within the agency to address high demand is not feasible on a large scale and certainly not at a moment's notice. To even approach the demand, CBO must produce estimates quickly, often with little or no time to explain the basis for the estimate or even prepare a formal write up.

The frustration this causes Members and their staff is perfectly understandable. It also may make Members feel the CBO has inordinate power over them without accountability. Although not of CBO's doing, CBO readily acknowledges that this situation is unfair to Members and staff and wants to be as responsive as possible under the circumstances.

However, even with the problem of excess demand for CBO analysis, any Member who has questions or concerns, or who feels that CBO estimates are incomplete, can be heard. That is at the core of CBO's mission and has been the policy of every CBO director. If overworked, stressed analysts appear to give an unsatisfying or incomplete response, there are multiple avenues at CBO, leading all the way to the director, for you to resolve any issues or get a fuller explanation.

CBO actively seeks to be as responsive as possible. Members should work with them to improve communications and deal directly with issues as they arise.

Improving transparency

CBO is sometimes described as being a black box. Over time, CBO analysis has benefitted from improvements in analytic methodologies, computing capacity, technology, and advances in modeling. Efforts to build the long-term modeling capacity and health simulation model took years. These are important developments and make CBO's work product better, but it also increases the challenge of making clear explanations in a timely fashion. Again, CBO must balance the high demand for estimates and analysis with its responsibility to clearly explain the basis for those analyses.

Transparency is particularly important for a nonpartisan agency working for a partisan institution. Members of both parties must have confidence that the complex analyses they need are grounded in objective data, and that the analytic tools being used are well explained. Because of the vast uncertainty that underlies the type of analysis CBO is called upon to do, it is critical for CBO to explain how its analytic methods produce relative confidence that its analyses are in the middle of the range of expected outcomes.

CBO devotes considerable effort to continuously updating its econometric and other models and to preparing background and technical papers explaining the basis for its modeling work. These are labor intensive efforts, but are important both to ensure CBO's modeling capacity is at the cutting edge and to make CBO's work more transparent. However, given the complexity of these efforts, CBO acknowledges that they have more work to do for Members to be fully comfortable that they understand the basis for CBO's work.

Recent proposals that would call on CBO to simply post the models they use in their analyses, while well meaning, will not help with transparency and could be counterproductive. Fundamentally, models are analytic tools that provide just a portion of the information analysts need to produce cost estimates and other analyses. Models can refer to any number of tools ranging from sophisticated computer simulations to spreadsheet calculators. For nearly all

CBO's work, there is no single computer model into which data is inputted and the final answer or estimate comes out. In addition, modeling techniques change and require updating. Model information posted at a point in time will not be useful in later years when those methods become obsolete or need to be updated. Finally, the information that modeling produces is just part of the process of complex analysis engaged in by numerous analysts and that is subject to rigorous review.

Despite these hurdles, CBO expends a lot of effort to make its work transparent. However, as I mention above, CBO transparency efforts are labor intensive and still seem unsatisfying to many Members. CBO, already stretched thin under current funding levels to meet its core estimating and analytic duties, is even more hard pressed to spare adequate time to explore ways to be more transparent and still meet the demand for its work.

A better approach would be to provide CBO additional resources in its annual appropriation that are dedicated explicitly to improving transparency. If there are certain estimates or analyses that raise the most questions for Members, CBO could be directed to address these first. The Budget Committee could hold annual hearings on the agency's progress to improve transparency and require an annual report on specific steps taken. The key, however, is to give the agency the resources to do this. Imposing statutory requirements on CBO to be more transparent without necessary funds will not be successful and could undermine current efforts at transparency.

Importance of Budget Committee to CBO's effectiveness

As I referenced above, the Budget committees and CBO were created at the same time as part of a broader effort to create a modern Congressional budget process. Over the history of that process, the Budget Committees have played an important role defending the principle of a separate budget process for Congress, and defending the institutions that make it up -- including and especially CBO.

As CBO's oversight committee, the Budget committee is the Congressional entity charged with holding CBO accountable, but also protecting CBO as an institution that is critical to a fully functioning
Congressional budget process that enables Congress to successfully assert its Article I powers. It is important for CBO and for the Congress that the committee continue and expand that role.

Working with CBO to address Member concerns is far better and more productive than imposing well-meaning but counterproductive new requirements to post models or contract out the estimating function. Regular oversight hearings are an important part of this

responsibility, and the committee is off to a good start this year. But less formal and regular efforts are also important.

Ongoing communication between the Budget chairs, ranking members and the CBO director is essential to help identify key issues or spot new problems. This communication should not only happen when problems or complaints arise, but should occur on a regular basis to assess current efforts and discuss ongoing plans for the agency.

The Budget committee can also help provide CBO with venues to provide orientation for new Members, or continuing education for current Members. These can occur in small groups or large. Again, ongoing contact such as this helps to establish relationships that open lines of communication and give Members a basis for better understanding when issues arise. Further, the Budget committees have also played an important role over the years as a bell weather for CBO, letting the agency know when problems may be percolating. Not all Member concerns may come to the Budget committee's attention, for example some will involve confidential estimates of nonpublic proposals that members may not want other members to know about, but intelligence of this kind can be immensely helpful to CBO in nipping any nascent problems in the bud.

In my view, both CBO and the Budget Committees are stained by the current dysfunction in the annual budget process. Restoring regular order to Congress's consideration of budget resolutions, spending, revenue, and debt limit legislation would go a long way towards curing that dysfunction. At BPC, we see great potential in the work of the new Joint Select Committee on Budget and Appropriations reform that the Chairman will co-chair and on which Ranking Member Yarmuth, and Congressmen Woodall and Arrington from this Committee will also serve. We would be pleased to share with the Chairman and the committee our thoughts on changes to the budget process, including biennial budgeting and ways to strengthen the Budget Committee, that we think would help restore a more regular rhythm to Congress budgetary deliberations.

Conclusion

The Congressional Budget Office, despite its perceived faults and Members current concerns, is a key part of Congress budgetary deliberations. In recent years, CBO has gained outsized importance in those deliberations, in part because of changes in the budget process that require CBO estimates to enforce Congressional rules and procedures. Because of that trend, CBO must pay extra attention to communicating its work effectively to its Congressional clients and ensuring that its work is transparent and clear.

CBO works for you. The people at the agency are dedicated to its mission. Work with them, ask for explanations. Ultimately, you may not like the answer you get, but you should never feel you haven't been heard or that the response is incomplete. The folks at CBO, from the director to the newest junior analyst, will tell you the very same thing. They hear the complaints and are doing all they can to be responsive and address them.

I urge the Budget Committee to continue to work with CBO to resolve issues of concern to Members. CBO's critical mission to support the Congress in its important budgetary duties depends on it.