

How CBO Assists Lawmakers

April 25, 2024

Presentation at the 2nd NABO-OECD Annual Conference of
Asian Parliamentary Budget Officials

Mark Hadley

Chief Operating Officer and General Counsel

The Congressional Budget Office Was Established to Give the Congress a Stronger Role in Budget Matters

CBO's Role

The agency was created by the Congressional Budget and Impoundment Control Act of 1974 (often called the Budget Act), which also established the House and Senate Budget Committees and instituted a formal Congressional budget process.

CBO's chief responsibility under the Budget Act is to help the Budget Committees with matters under their jurisdiction. The agency follows processes that are specified in statute or that it has developed in concert with those committees and Congressional leadership.

The agency provides analysis of budgetary and economic issues that is objective, nonpartisan, and timely. It does not make policy recommendations.

CBO's work is available to the Congress and the public on the agency's website, www.cbo.gov.

CBO's Organization

The agency's Director is appointed jointly by the Speaker of the House and the President pro tempore of the Senate and has a four-year term.

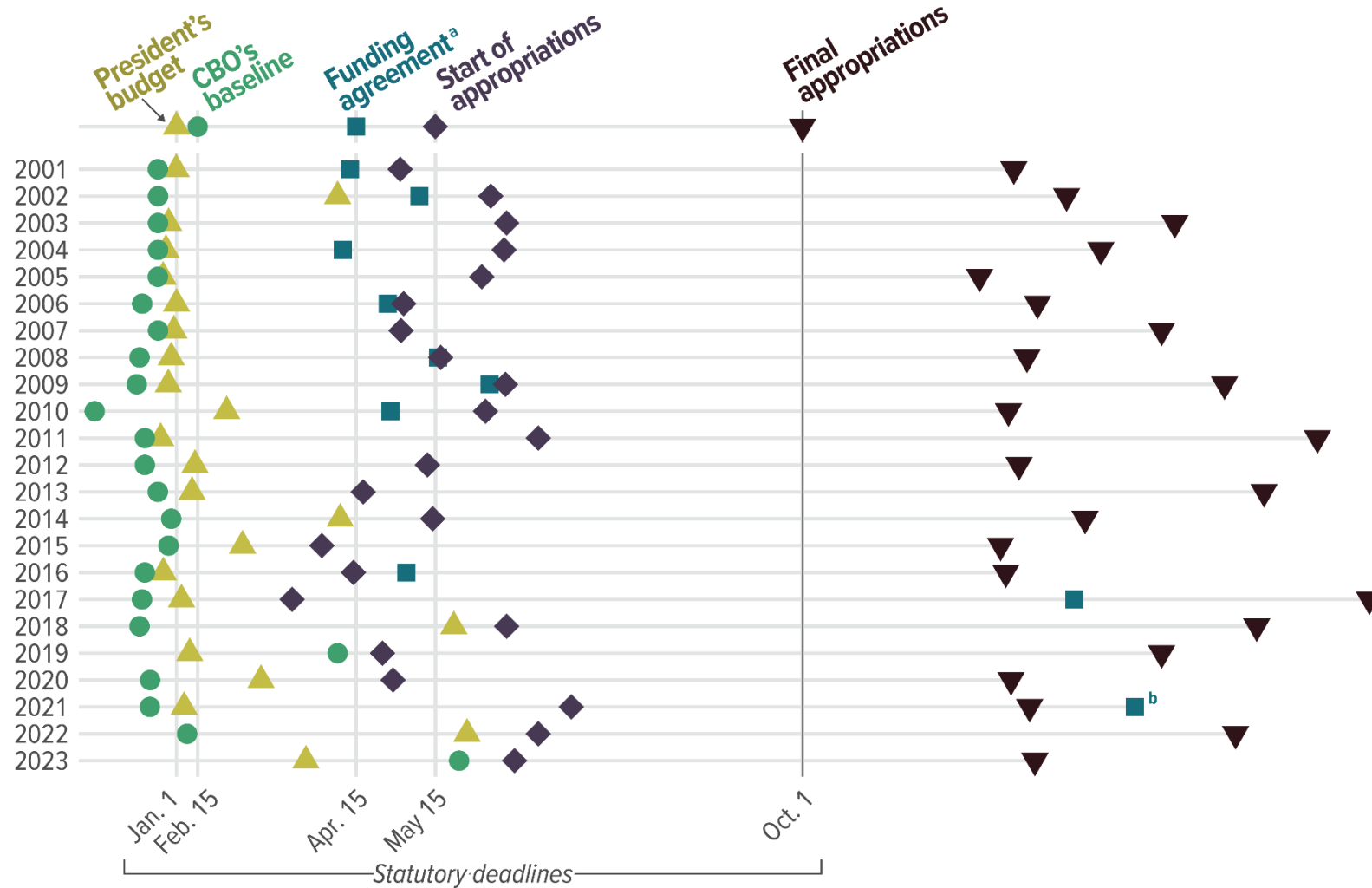
CBO has about 270 employees. They are hired solely on the basis of professional competence, without regard to political affiliation. Most have advanced degrees.

CBO's organization consists of the Office of the Director and nine divisions:

- Budget Analysis
- Financial Analysis
- Health Analysis
- Labor, Income Security, and Long-Term Analysis
- Macroeconomic Analysis
- Management, Business, and Information Services
- Microeconomic Studies
- National Security
- Tax Analysis

CBO Provides Budget and Economic Analysis to Support the Congressional Budget Process

The Budget Process Often Extends Beyond the Statutory Timeline



The budget process, as outlined in statute, involves the following key steps: The President submits a budget, CBO submits baseline budget projections, and the Congress agrees on the allocation of funding, begins work on the 12 regular appropriation bills, and then passes final appropriations.

The budget process typically runs long. The Congress has not met the October 1 deadline for all 12 appropriations bills since 1996.

Each timeline is for the budget for the federal fiscal year shown (the budget year); the process begins in the preceding fiscal year (the current year). Federal fiscal years run from October 1 to September 30 and are designated by the calendar year in which they end.

- a. Refers to a budget resolution (or plan) that is agreed upon in the House, the Senate, or both. In the absence of a budget resolution, the Congress may use other means to establish an enforceable budget level.
- b. The concurrent budget resolution for 2021 was adopted on February 5, 2021, two months after the Consolidated Appropriations Act, 2021, was enacted on December 27, 2020.

CBO Provides Baseline Budget and Economic Projections

CBO prepares, and periodically updates, a 10-year budget baseline that serves as a benchmark for measuring the effects of proposed legislation.

The baseline reflects the assumption that current laws governing spending and revenues generally remain unchanged, and it relies on CBO's forecasts of key economic factors.

Table 1-1.

CBO's Baseline Budget Projections, by Category

	Actual, 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total	
													2025– 2029	2025– 2034
In billions of dollars														
Revenues														
Individual income taxes	2,176	2,469	2,520	2,789	3,031	3,124	3,251	3,381	3,511	3,634	3,793	3,973	14,715	33,007
Payroll taxes	1,614	1,663	1,734	1,812	1,884	1,960	2,039	2,121	2,205	2,291	2,379	2,466	9,430	20,892
Corporate income taxes	420	569	494	491	484	491	501	511	519	519	533	551	2,461	5,094
Other ^a	229	234	247	259	283	296	355	402	421	445	464	485	1,439	3,656
Total	4,439	4,935	4,996	5,351	5,683	5,870	6,147	6,414	6,656	6,890	7,168	7,474	28,046	62,649
On-budget	3,246	3,706	3,711	4,013	4,295	4,430	4,650	4,860	5,041	5,213	5,429	5,672	21,100	47,313
Off-budget ^b	1,194	1,229	1,285	1,337	1,387	1,440	1,496	1,554	1,615	1,677	1,740	1,803	6,946	15,336
Outlays														
Mandatory	3,753	3,838	4,061	4,246	4,448	4,743	4,807	5,153	5,407	5,682	6,131	6,320	22,306	50,999
Discretionary	1,722	1,734	1,756	1,791	1,825	1,866	1,893	1,937	1,975	2,016	2,066	2,106	9,131	19,231
Net interest	659	870	951	1,005	1,049	1,105	1,170	1,241	1,328	1,430	1,527	1,628	5,280	12,435
Total	6,135	6,442	6,768	7,042	7,323	7,715	7,870	8,331	8,710	9,128	9,724	10,054	36,718	82,665
On-budget	4,915	5,121	5,354	5,541	5,736	6,032	6,090	6,448	6,721	7,026	7,516	7,738	28,753	64,201
Off-budget ^b	1,220	1,322	1,414	1,501	1,587	1,683	1,781	1,883	1,989	2,102	2,209	2,316	7,965	18,464
Total deficit (-)^c	-1,695	-1,507	-1,772	-1,692	-1,640	-1,844	-1,723	-1,917	-2,054	-2,238	-2,556	-2,579	-8,672	-20,016
On-budget	-1,669	-1,414	-1,643	-1,528	-1,441	-1,602	-1,439	-1,588	-1,680	-1,813	-2,087	-2,066	-7,653	-16,888
Off-budget ^b	-26	-93	-129	-164	-200	-242	-284	-328	-374	-425	-469	-513	-1,019	-3,128
Primary deficit (-) ^d	-1,036	-637	-821	-687	-591	-739	-554	-676	-726	-808	-1,029	-951	-3,392	-7,581
Debt held by the public	26,240	27,897	29,749	31,515	33,233	35,141	36,916	38,868	40,945	43,201	45,739	48,300	n.a.	n.a.

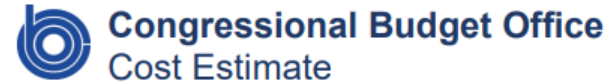
CBO Prepares Estimates of the Effects of Legislative Proposals

CBO fulfills thousands of requests each year for technical assistance as lawmakers draft legislation and amendments.

Required to produce a cost estimate for nearly every bill approved by a full committee, the agency usually produces 600 to 800 cost estimates a year.

Those estimates include the impact of federal mandates on state, local, and tribal governments.

Furthermore, CBO tracks appropriation actions in real time, produces cost estimates, and estimates the budgetary effects of amendments.



March 15, 2024

At a Glance			
S. 1274, Railroad Employee Equity and Fairness Act			
As reported by the Senate Committee on the Budget on March 6, 2024			
By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	6	48	67
Revenues	0	44	57
Increase or Decrease (-) in the Deficit	6	4	10
Spending Subject to Appropriation (Outlays)	0	0	not estimated
Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2035?	No	Statutory pay-as-you-go procedures apply? Yes	
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2035?	< \$5 billion	Mandate Effects	
		Contains intergovernmental mandate? No	
		Contains private-sector mandate? No	

CBO Analyzes the President's Budget Each Year

CBO uses its own projections of economic and technical factors to determine the budgetary effects of the President's budget.

CBO compares its estimates of the President's budget to its baseline and to the Administration's estimates.

Typically, CBO publishes its analysis within four to five weeks of the release of the President's budget and provides detailed projections to the Budget and Appropriations Committees.

Differences Between CBO's and the Administration's Estimates of the President's Budget

Billions of Dollars

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total	
												2023– 2027	2023– 2032
	Administration's Estimate												
Deficit Under the President's Budget	-1,415	-1,154	-1,201	-1,330	-1,328	-1,352	-1,533	-1,443	-1,614	-1,682	-1,784	-6,364	-14,421
	Differences Between CBO's and the Administration's Estimates												
Revenues ^a	399	350	215	100	49	19	-81	-115	-156	-202	-228	731	-51
Outlays ^b													
Mandatory	-49	18	-20	-65	-84	-110	-133	-203	-208	-215	-248	-261	-1,268
Discretionary	28	39	-90	-54	-34	-27	-21	-41	-38	-41	-41	-165	-347
Net interest	42	46	45	33	21	9	10	13	16	25	34	153	251
Total	20	103	-65	-86	-98	-127	-145	-230	-230	-231	-255	-273	-1,364
Deficit ^c	379	246	280	185	147	146	64	115	74	29	27	1,004	1,313
	CBO's Estimate												
Deficit Under the President's Budget	-1,036	-908	-921	-1,145	-1,182	-1,205	-1,469	-1,328	-1,540	-1,653	-1,758	-5,360	-13,108

CBO's Estimates Have Certain Characteristics

The estimates focus on the next 10 years but sometimes look 20 years or more into the future.

They reflect the middle of the distribution of likely outcomes.

They incorporate behavioral responses to the extent feasible on the basis of the available evidence.

They may be updated for new information and may change as a result.

And they include explanations of the analysis to the extent feasible.

CBO Publishes About 70 Reports, Testimonies, and Working Papers Each Year

CBO's reports cover every major area of federal policy, including spending programs, the tax code, and budgetary and economic challenges.

The reports often present options for changes in the federal program or tax rules under consideration, but they make no recommendations.



**CBO Prioritizes Objectivity,
Analytical Soundness,
Responsiveness, Transparency, and
Accessibility**

CBO Hires People Who Can Be Impartial and Requires Them to Follow Rigorous Ethics Rules

CBO hires people on the basis of their expertise, without regard to political affiliation.

The agency carefully considers whether potential analysts can perform objective analysis, regardless of their own personal views.

CBO employees are prohibited from participating in political activity if such participation would identify, or appear to identify, CBO with a political campaign, candidate, officeholder, or cause.

CBO employees must disclose to their managers any financial or nonfinancial interests they or their family have in any organization that would have an interest in the conclusions of any analysis in which the employees are involved.



CBO's Analysis Is Objective, Impartial, and Nonpartisan

CBO makes no policy recommendations.

CBO uses a common set of assumptions when analyzing different legislative proposals to ensure that its estimates are consistent and impartial.

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.

All of the agency's products undergo rigorous review by people at different levels of the organization.

CBO's Assessments Are Based on Detailed Analysis

CBO bases its assessments on:

- Detailed understanding of federal programs and revenue sources.
- Examination of the relevant research literature.
- Analysis of data reported by federal statistical agencies and other groups.
- Consultation with outside experts in academia, think tanks, industry groups, the private sector, and federal, state, and local agencies.
- Discussion with CBO's Panel of Economic Advisers and Panel of Health Advisers.

CBO Seeks to Provide Information When It Is Most Useful

CBO completes nearly all formal cost estimates before the legislation at issue comes to a floor vote.

To provide context for its estimates, CBO provides technical assistance, reports, and other information to policymakers during earlier stages of the legislative process.

To bolster its responsiveness, CBO has expanded staffing in high-demand areas.

CBO Makes Its Work Transparent in Different Ways

- Testifying and publishing answers to questions
- Explaining analytic methods
- Releasing data
- Analyzing the accuracy of its estimates
- Comparing current estimates with previous estimates
- Comparing its estimates with those of other organizations
- Estimating the effects of policy alternatives
- Characterizing uncertainty of estimates
- Creating data visualizations
- Conducting outreach

CBO's Products Are Accessible

All of CBO's reports and formal cost estimates are shared widely and made available on the agency's website.

CBO publishes interactive graphics, including graphics accompanying reports that make key takeaways more easily accessible.

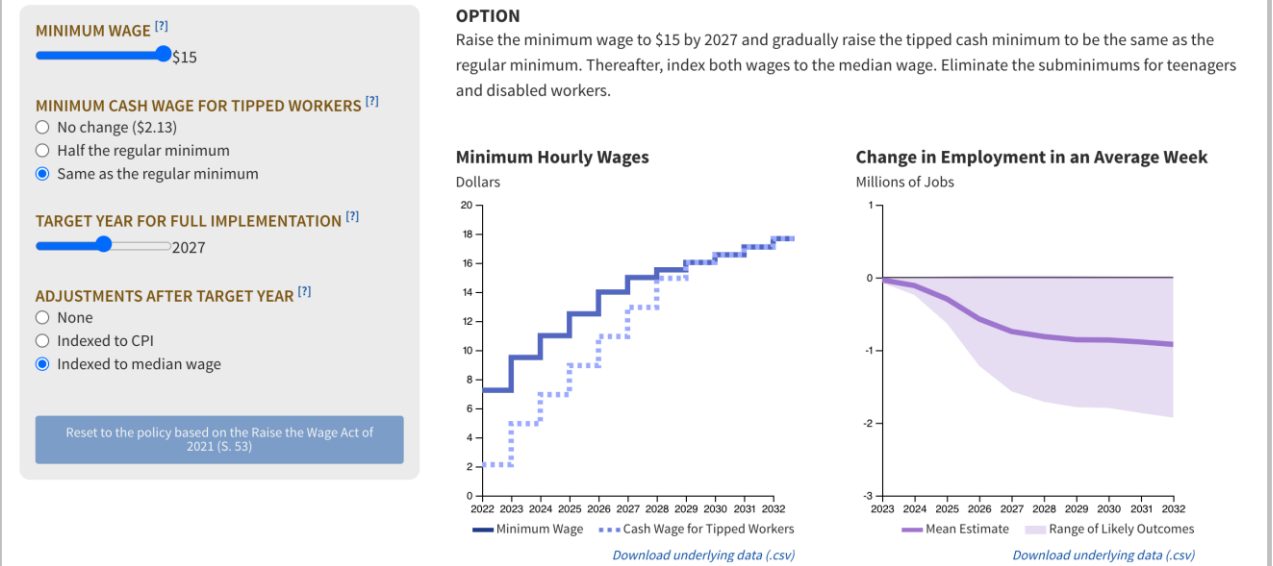
CBO produces versions of its reports that are tailored for reading on mobile devices and web browsers.

How Increasing the Federal Minimum Wage Could Affect Employment and Family Income

This interactive tool—developed and updated by the Congressional Budget Office—allows users to explore the effects of policies that would increase the federal minimum wage, which is \$7.25 per hour and has not changed since 2009. The default option in this interactive tool is based on the [Raise the Wage Act of 2021 \(S. 53\)](#), which CBO analyzed in [The Budgetary Effects of the Raise the Wage Act of 2021](#).

For the default policy shown here, the standard minimum wage reaches \$15 per hour in 2027, four years after the first incremental increase. The subminimum wage for tipped workers reaches parity with the regular minimum wage two years later. After reaching their targets, both minimums are indexed to changes in median hourly wages.

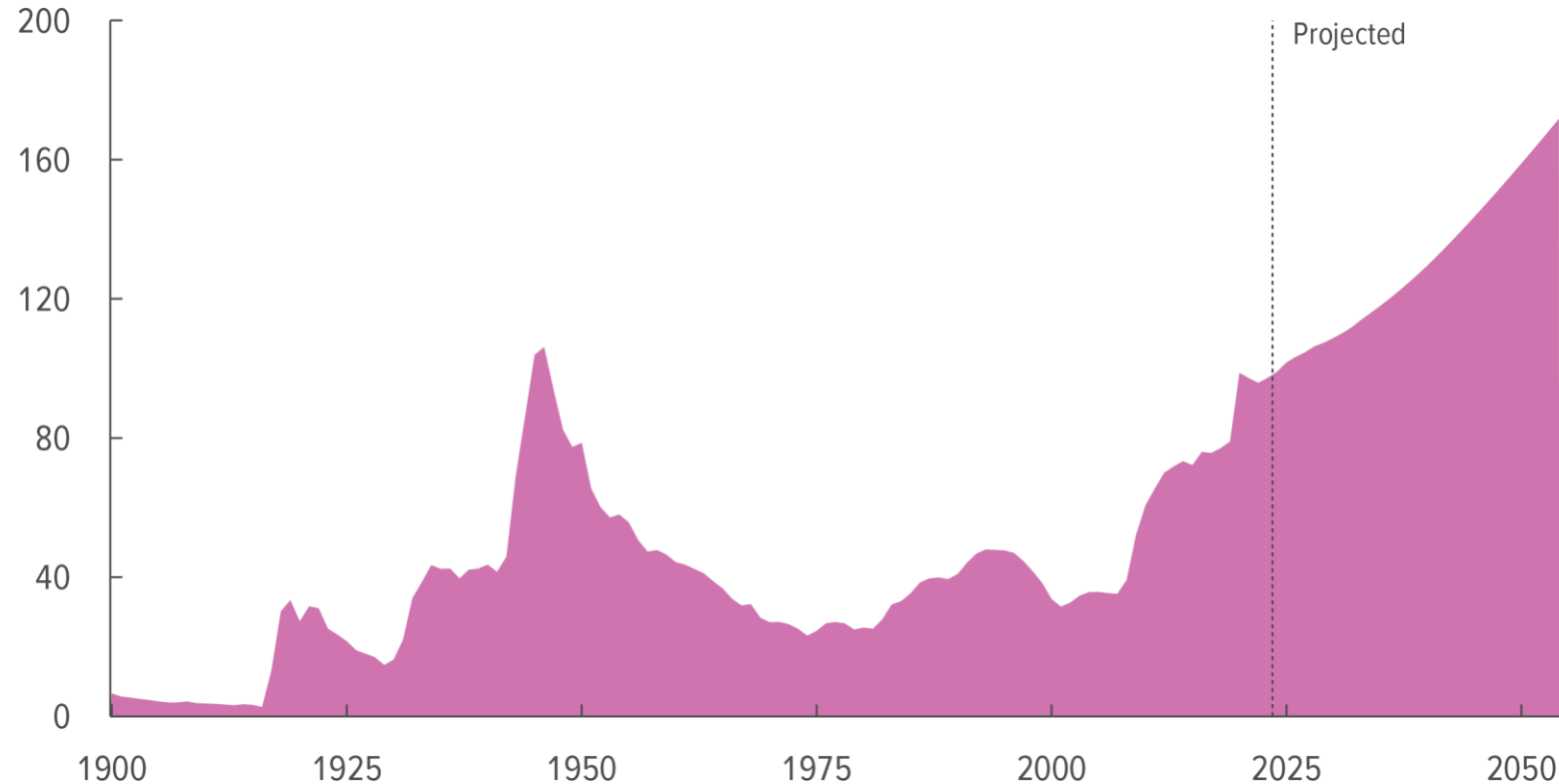
Users can also create custom policy options to examine how different approaches to changing the minimum wage would affect people's earnings, employment, family income, and poverty. In general, increasing the federal minimum wage would raise the earnings and family income of most low-wage workers, lifting some families out of poverty—but it would cause other low-wage workers to become jobless, and their family income would fall.



**Often, the Most Effective Way to
Communicate Budgetary Challenges
Is Through a Visual**

Federal Debt Held by the Public

Percentage of GDP



Federal debt held by the public increases each year in CBO's projections, swelling to an all-time record of 116 percent of GDP in 2034. In the two decades that follow, growing deficits are projected to cause federal debt to soar to 172 percent of GDP by 2054.

Projected Savings From Options for Reducing the Deficit

Billions of Dollars

Option	Title	Savings, 2023–2032
1	Establish Caps on Federal Spending for Medicaid	501 to 871
2	Limit State Taxes on Health Care Providers	41 to 526
3	Reduce Federal Medicaid Matching Rates	68 to 667
4	Increase the Premiums Paid for Medicare Part B	57 to 448
5	Reduce Medicare Advantage Benchmarks	392
6	Reduce Tax Subsidies for Employment-Based Health Insurance	500 to 893
7	Reduce Social Security Benefits for High Earners	40 to 184
8	Set Social Security Benefits to a Flat Amount	270 to 593
9	Increase the Maximum Taxable Earnings That Are Subject to Social Security Payroll Taxes	670 to 1,204
10	Reduce Spending on Other Mandatory Programs	580
11	Reduce the Department of Defense’s Annual Budget	995
12	Reduce Nondefense Discretionary Spending	332
13	Increase Individual Income Tax Rates	502 to 1,329
14	Eliminate or Limit Itemized Deductions	541 to 2,507
15	Impose a New Payroll Tax	1,136 to 2,253
16	Impose a Tax on Consumption	1,950 to 3,050
17	Impose a Tax on Emissions of Greenhouse Gases	571 to 865

The range of savings for an option reflects the effects of different policy specifications for that option. See Congressional Budget Office, *Options for Reducing the Deficit, 2023 to 2032—Volume I: Larger Reductions* (December 2022), Table 1, www.cbo.gov/publication/58164. For a related discussion, see Phillip L. Swagel, “Options for Reducing the Deficit,” *CBO Blog* (March 6, 2023), www.cbo.gov/publication/58981.