



Congressional Budget Office

February 23, 2016

CBO, the Budget Process, and the Outlook

Presentation at the Robert H. Smith School of Business,
University of Maryland

Keith Hall
Director

This presentation draws on *An Introduction to the Congressional Budget Office* (April 2015), www.cbo.gov/about/overview; and *The Budget and Economic Outlook: 2016 to 2026* (January 2016), www.cbo.gov/publication/51129.

CBO's Origin and Staff

The **Congressional Budget Office**, along with the House and Senate Budget Committees, was created by the Congressional Budget and Impoundment Control Act of 1974 to play an important role in the budget process of the United States.

CBO was created to provide the Congress with analysis of budgetary and economic issues in an **objective** and **impartial** manner. The agency is strictly **nonpartisan**.

The **Director** is appointed jointly by the Speaker of the House and president pro tempore of the Senate to a term of four years.

CBO has about **235 employees** (most with advanced degrees), who are hired solely on the basis of professional competence, without regard to political affiliation.

Examples of CBO's Role in the U.S. Budget Process

CBO's **budget and economic outlook** offers an economic forecast and projection of federal spending and revenues under current law—known as baseline projections—over the next 10 years. It is usually released in late January and updated in March and in August.

The **President's budget request** is a comprehensive proposal for the federal government. It is usually submitted to the Congress early in February.

In its **analysis of the President's budget**, CBO estimates the budgetary effects of the President's proposals on the basis of its own economic projections and budget models. That analysis is typically released in March.

A **concurrent budget resolution** approved by both chambers sets each committee's allocation of spending authority for the next fiscal year and aggregate spending and revenue levels for at least five years—usually on the basis of CBO's baseline and estimates for proposed policy changes.

Authorizing legislation broadly authorizes the creation and operation of an agency, program, or activity. CBO provides estimates of the budgetary resources necessary to implement such legislation during its consideration.

Annual **appropriation laws** separately provide funding for many federal programs. CBO analyzes those bills as well.

CBO's Products and Activities

- **Baseline budget projections** and **economic forecasts** covering the 10-year period used in the Congressional budget process
- **Analysis of the President's budget**
- **Cost estimates** for legislation, including analyses of federal mandates
- **Scorekeeping** for enacted legislation
- **Long-term budget projections**
- **Analytic reports** examining specific federal programs, aspects of the tax code, and budgetary and economic challenges

CBO does not:

- Make policy recommendations
- Enforce budget rules
- Write legislation
- Implement programs or regulations
- Evaluate historical performance of government programs

CBO's Estimates

CBO's cost estimates generally **focus on the next 5 or 10 years** but sometimes look out 20 years or more.

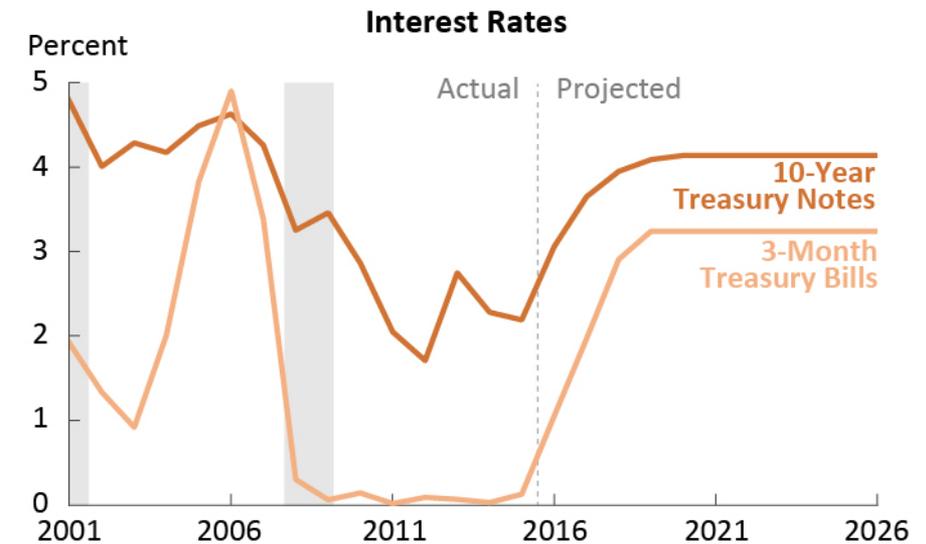
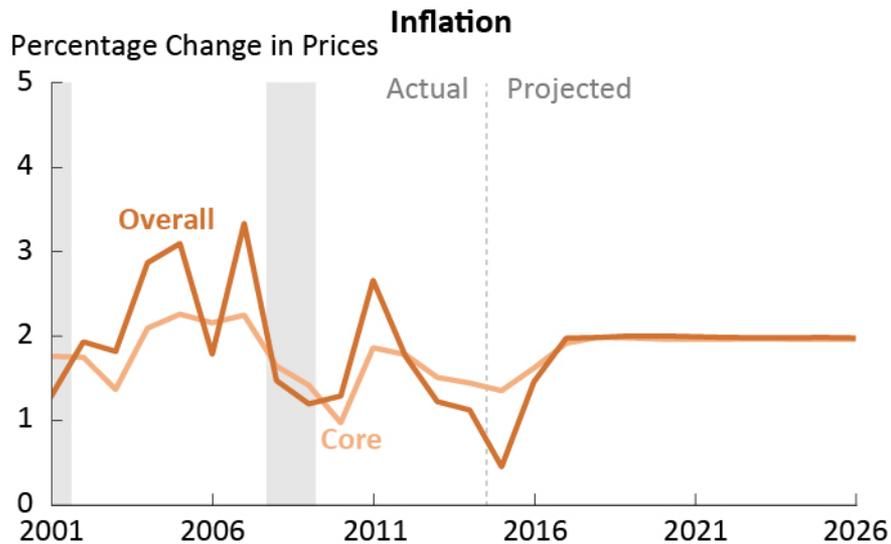
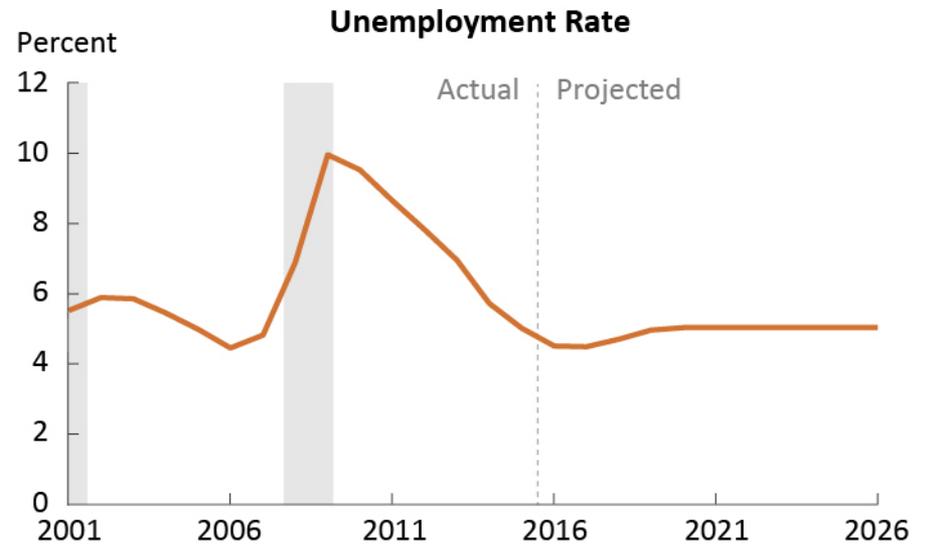
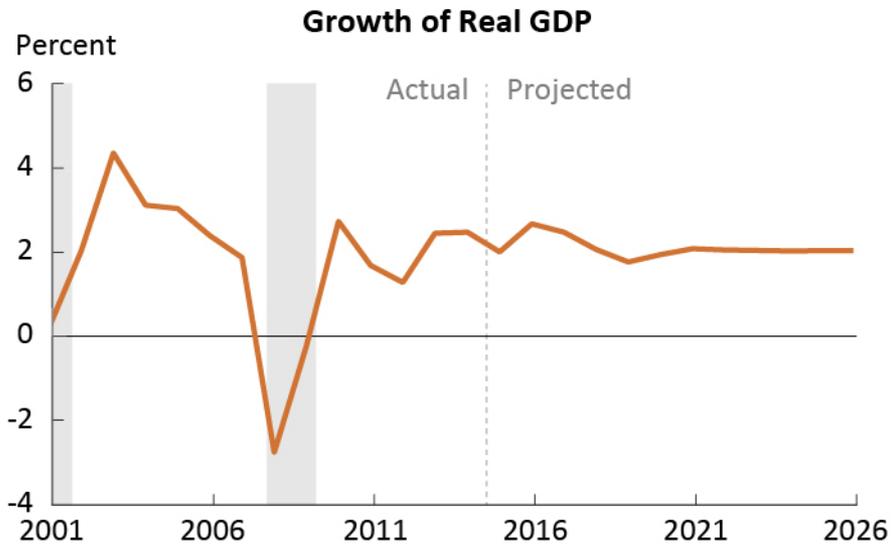
They are meant to **reflect the middle of the distribution** of possible outcomes.

The estimates **incorporate behavioral responses** to the extent feasible, on the basis of the available evidence.

They are **open to new information** and may change as a result, and they **include explanations** of the analysis to the extent feasible.

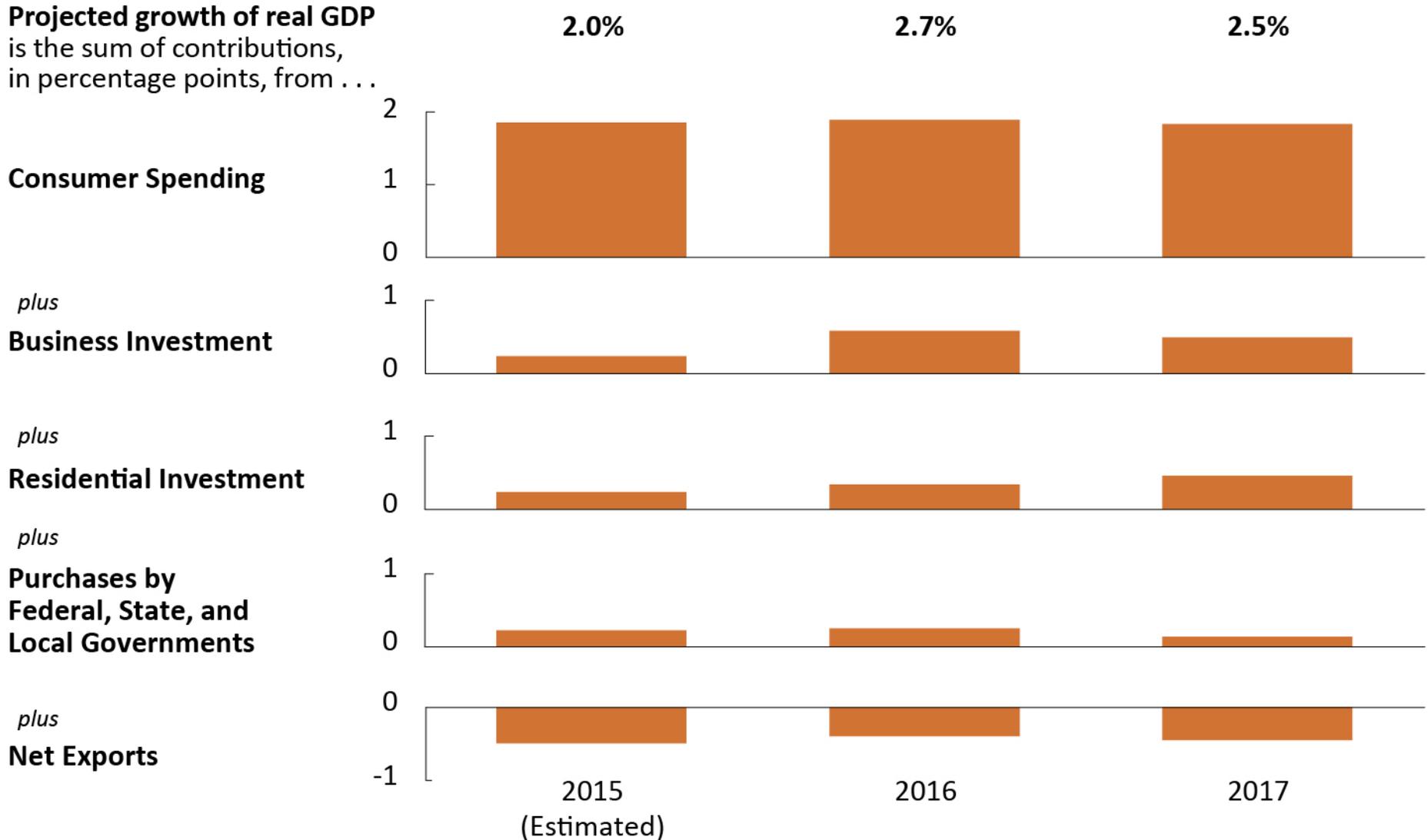
The Economic Outlook

Key Economic Indicators



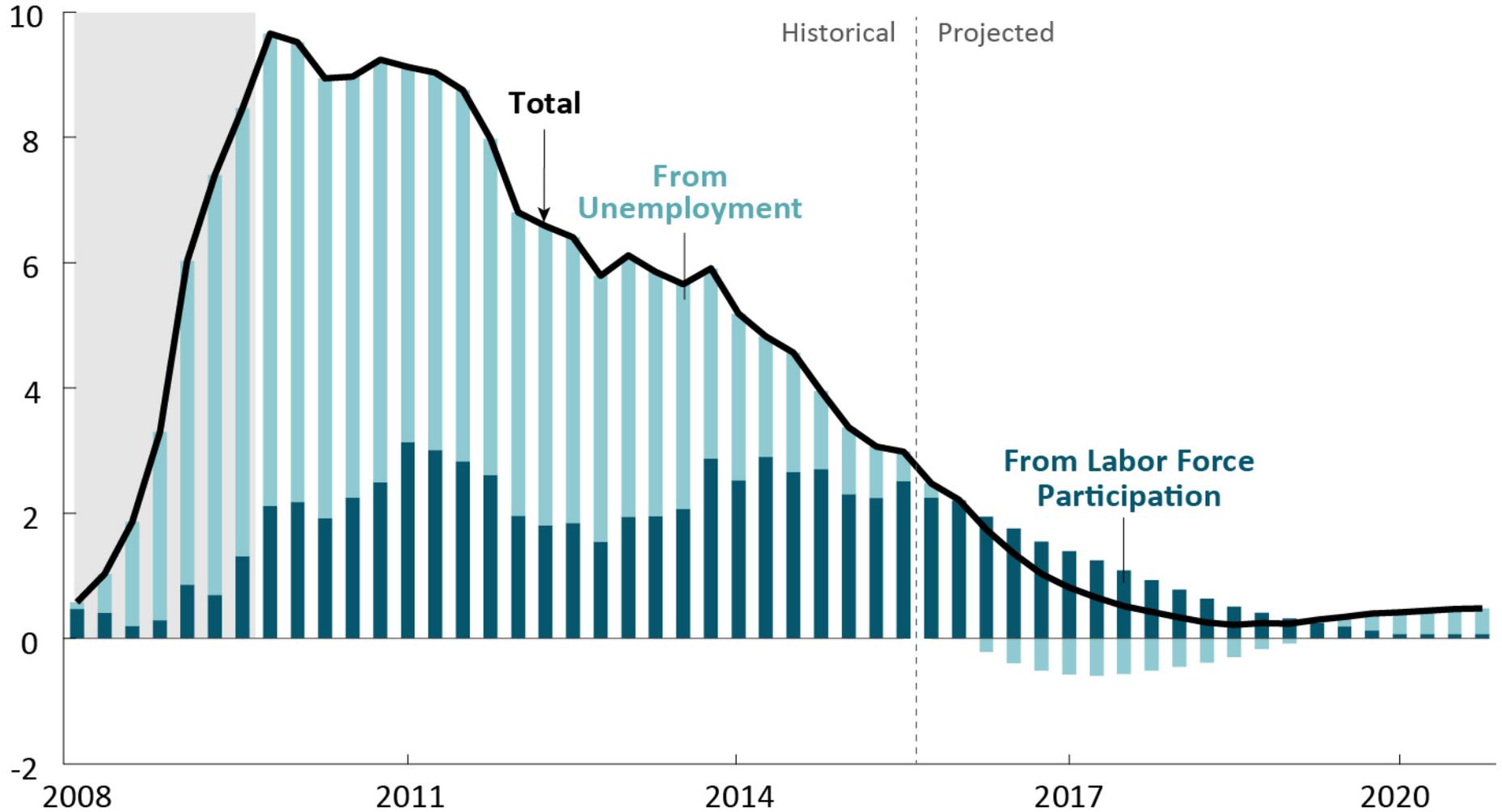
Projected Contributions to the Growth of Real GDP

Projected growth of real GDP
is the sum of contributions,
in percentage points, from . . .



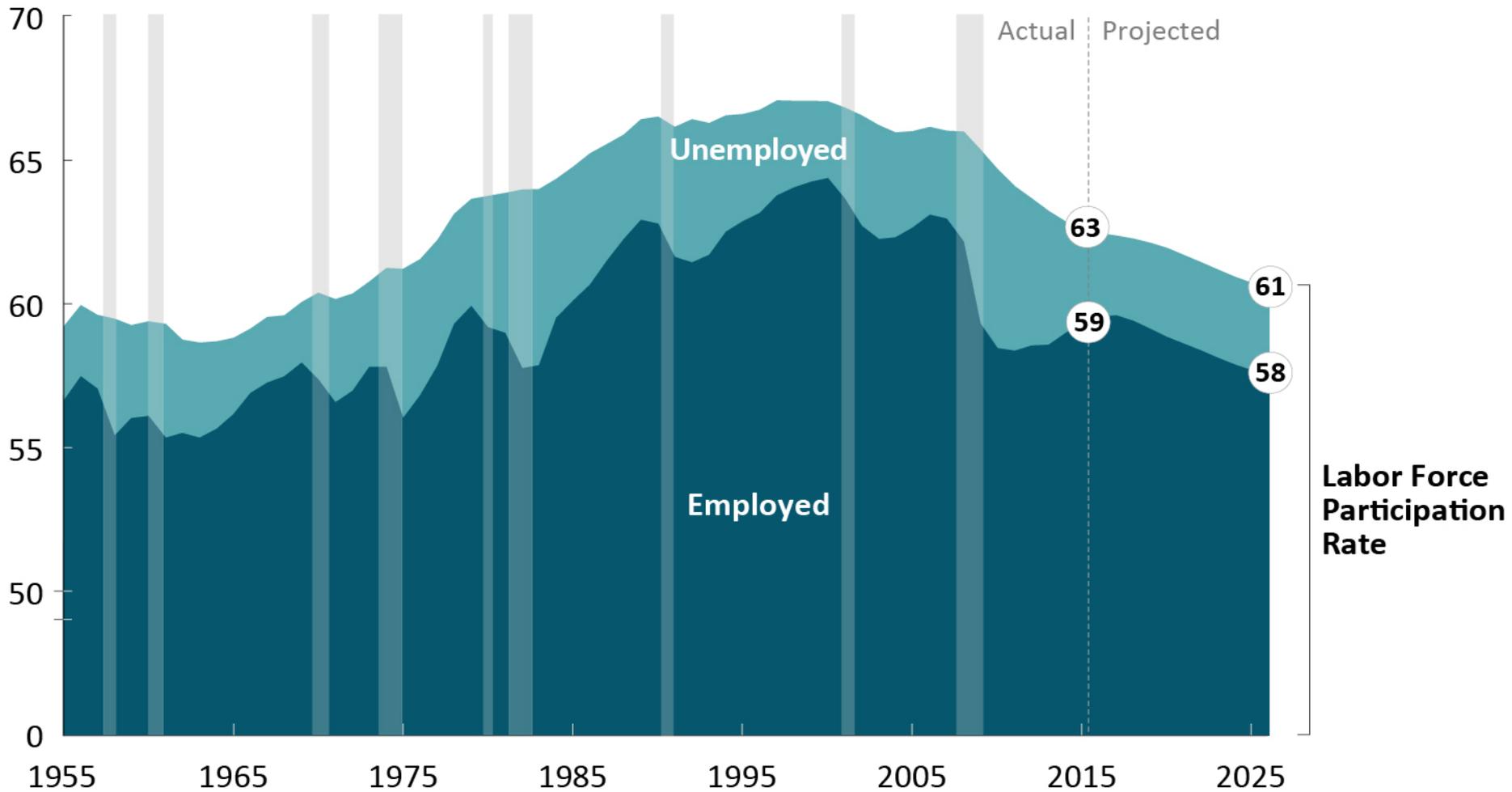
Employment Shortfall

Millions of People



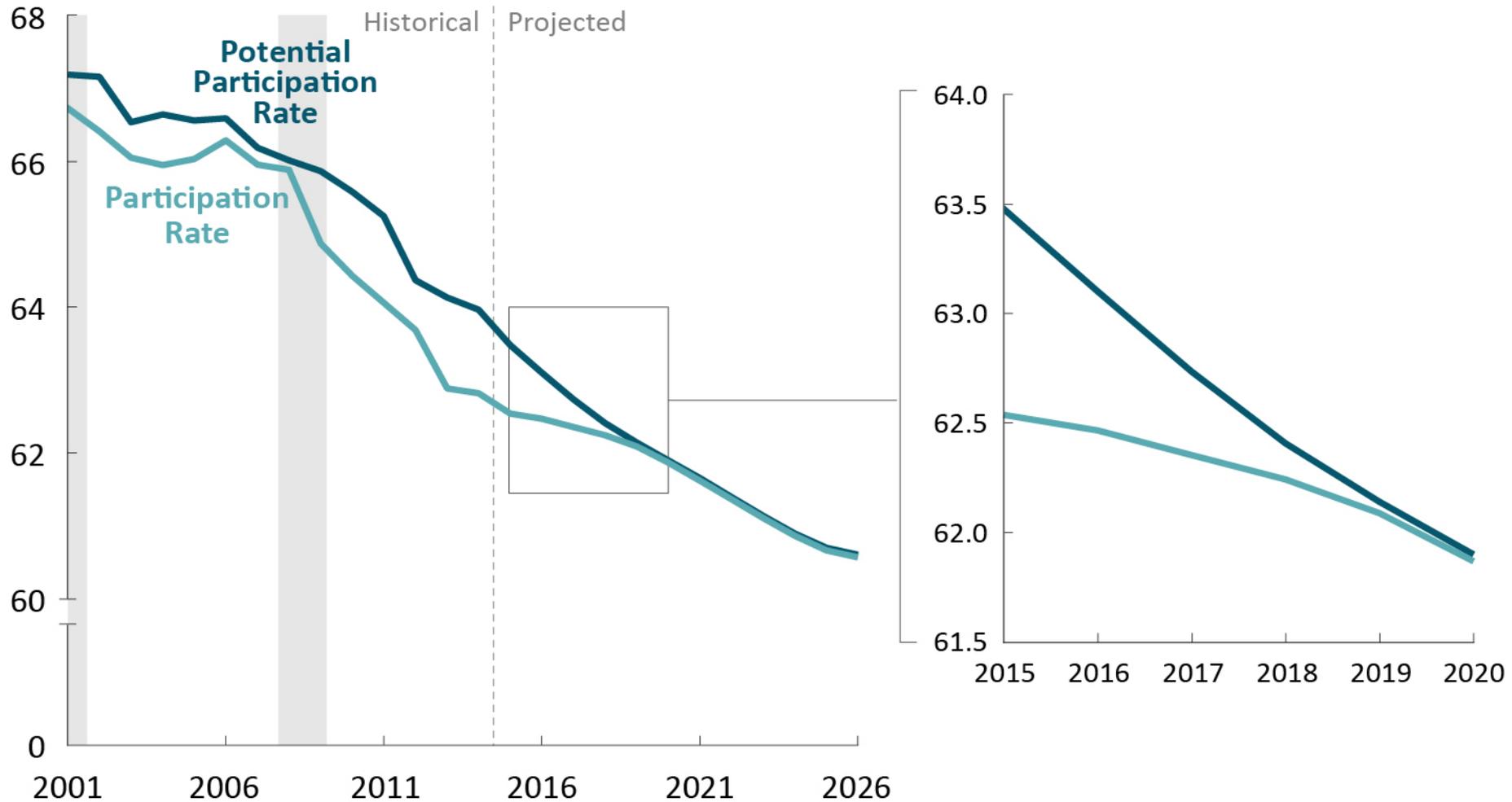
The Labor Force, Employment, and Unemployment

Percentage of the Population



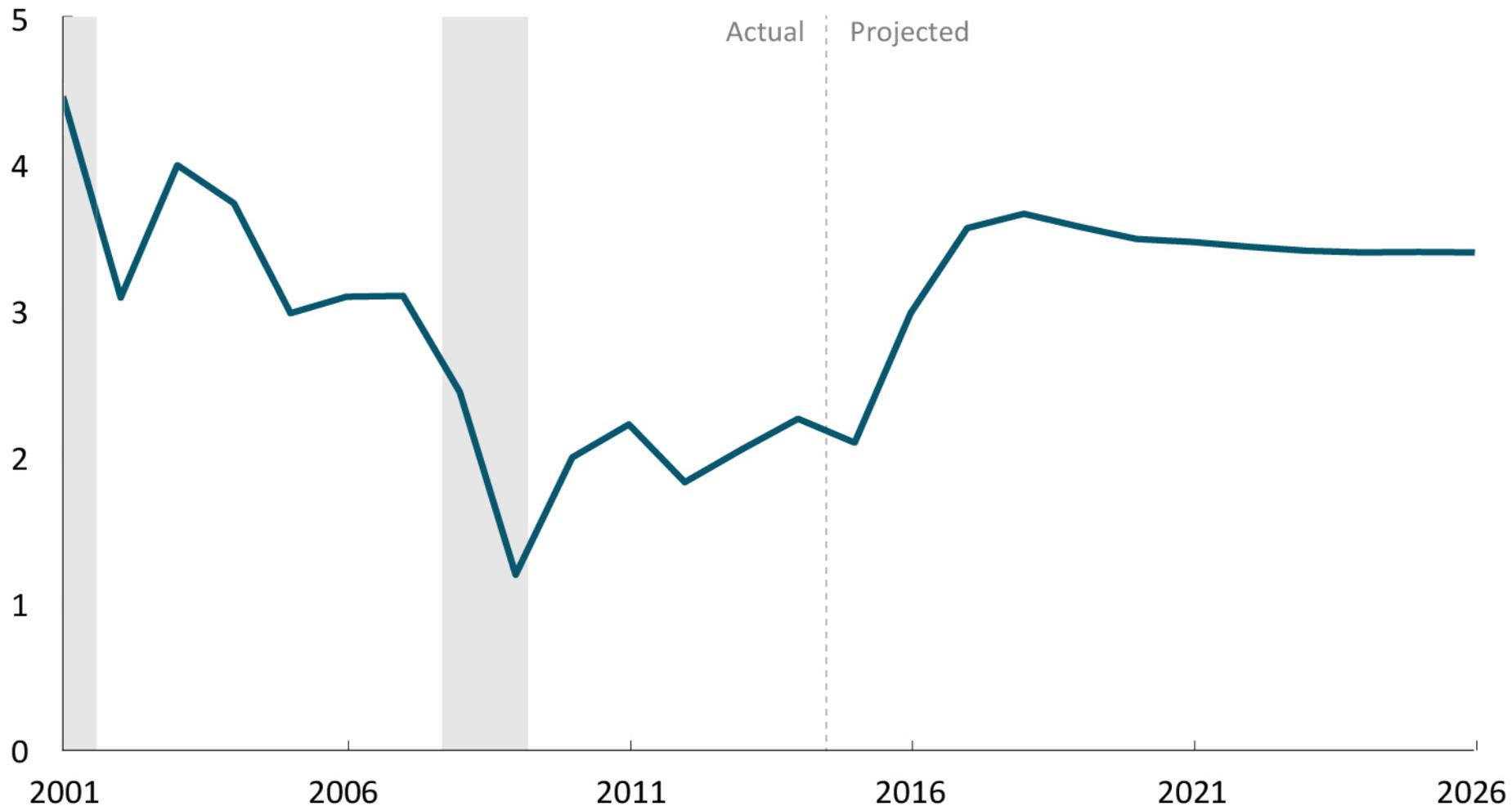
Labor Force Participation Rates

Percent



Hourly Labor Compensation

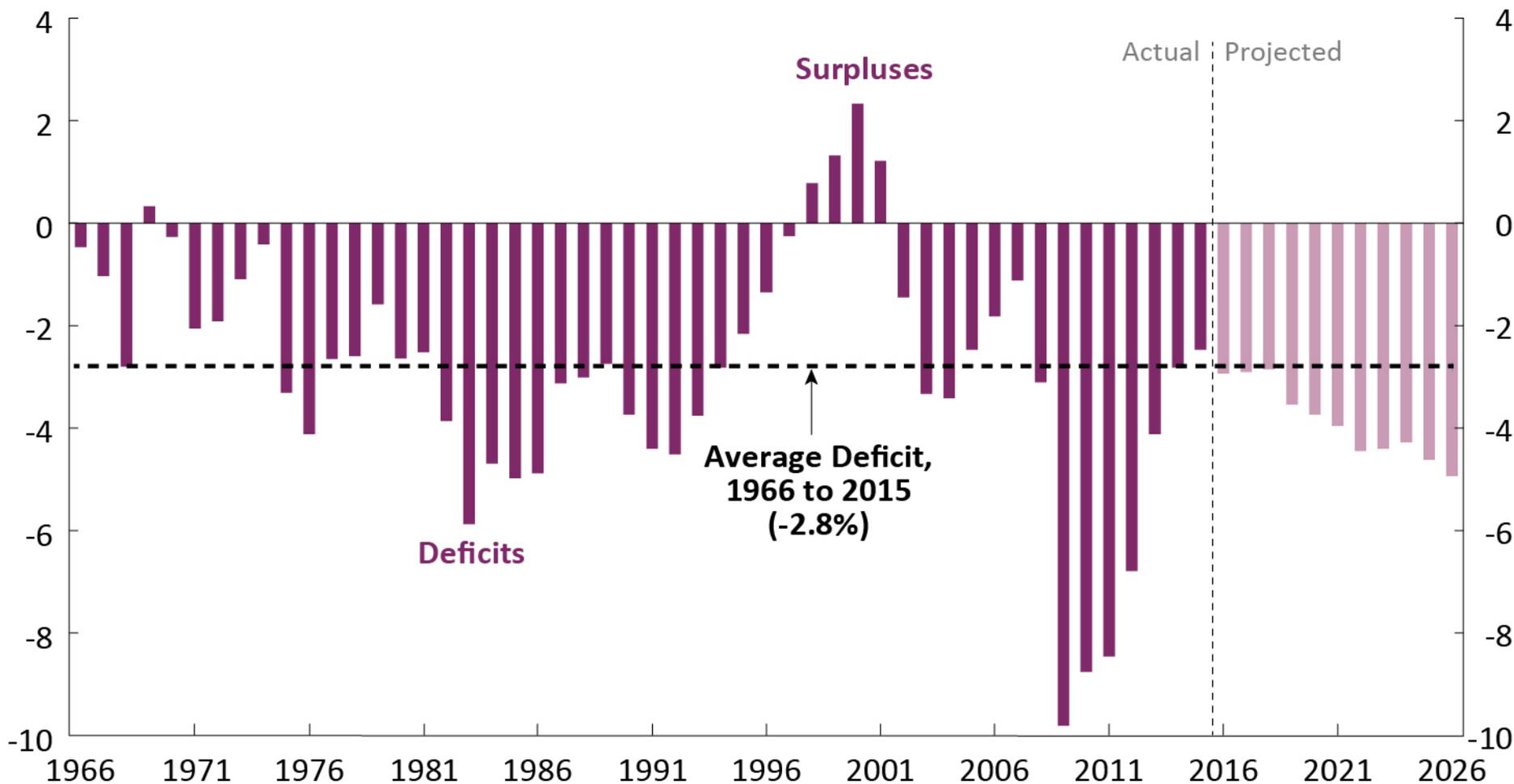
Percentage Change



The Budget Outlook

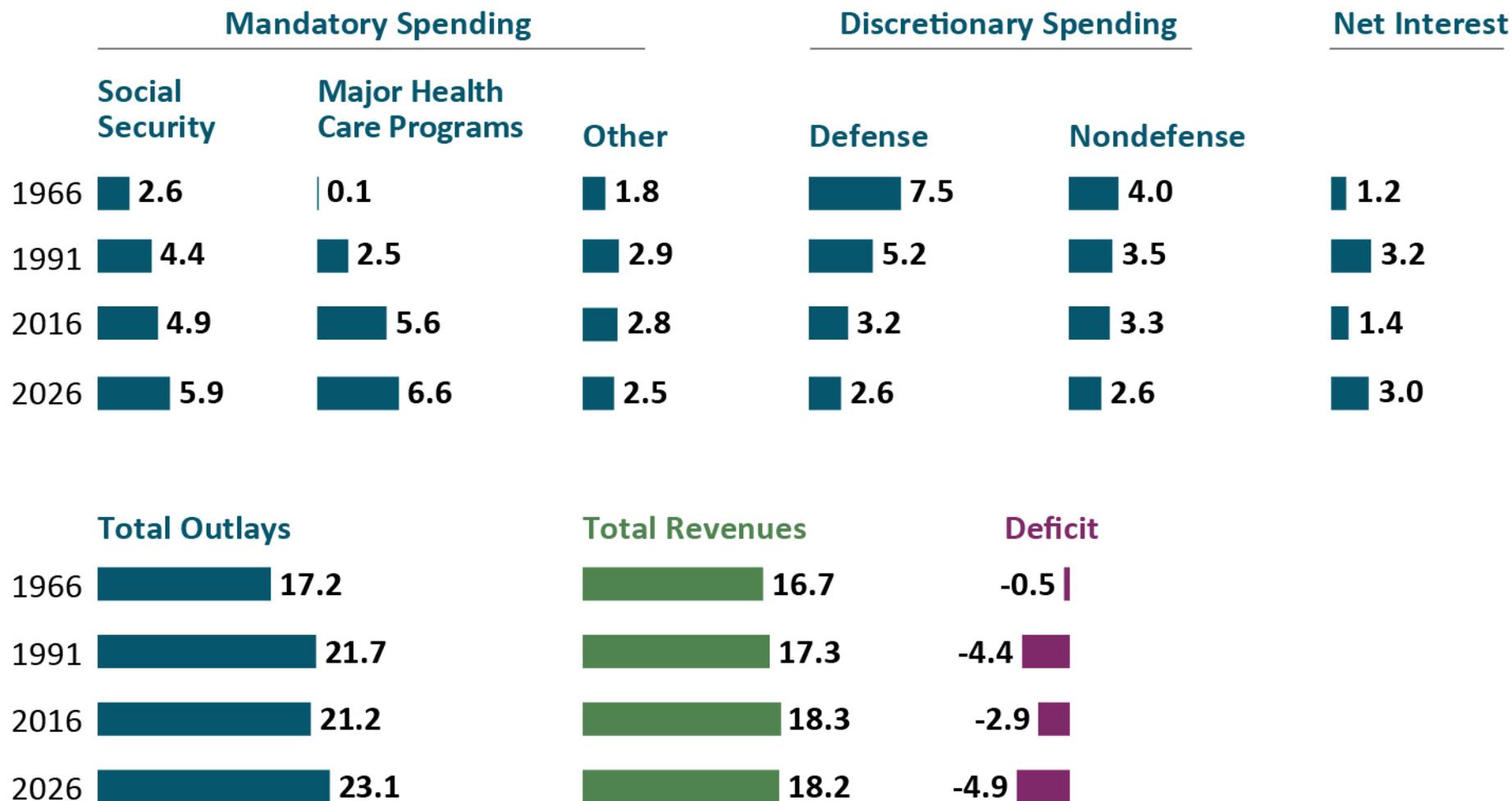
Total Deficits or Surpluses

Percentage of Gross Domestic Product



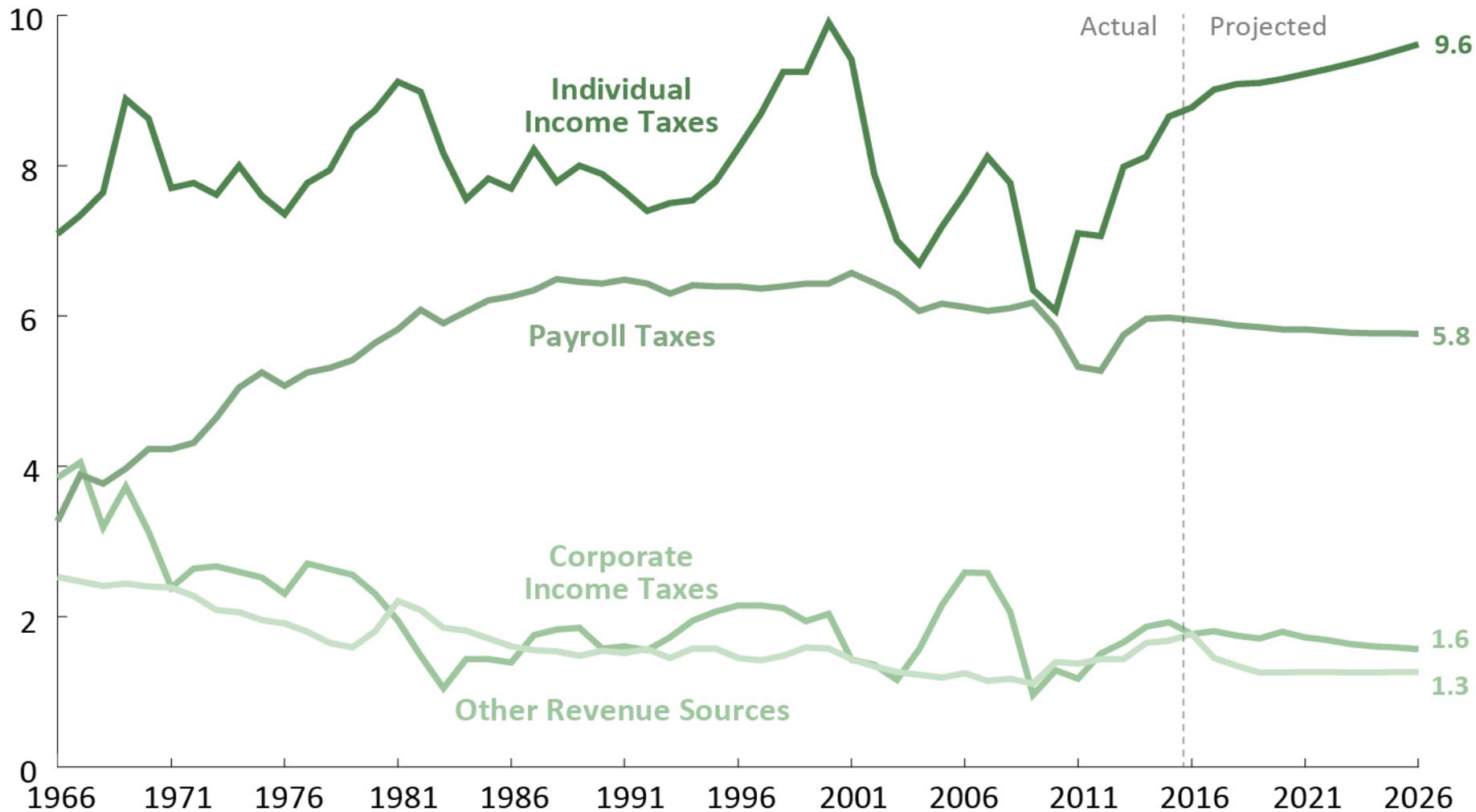
Spending and Revenues Projected in CBO's Baseline, Compared With Actual Values in 1966 and 1991

Percentage of Gross Domestic Product

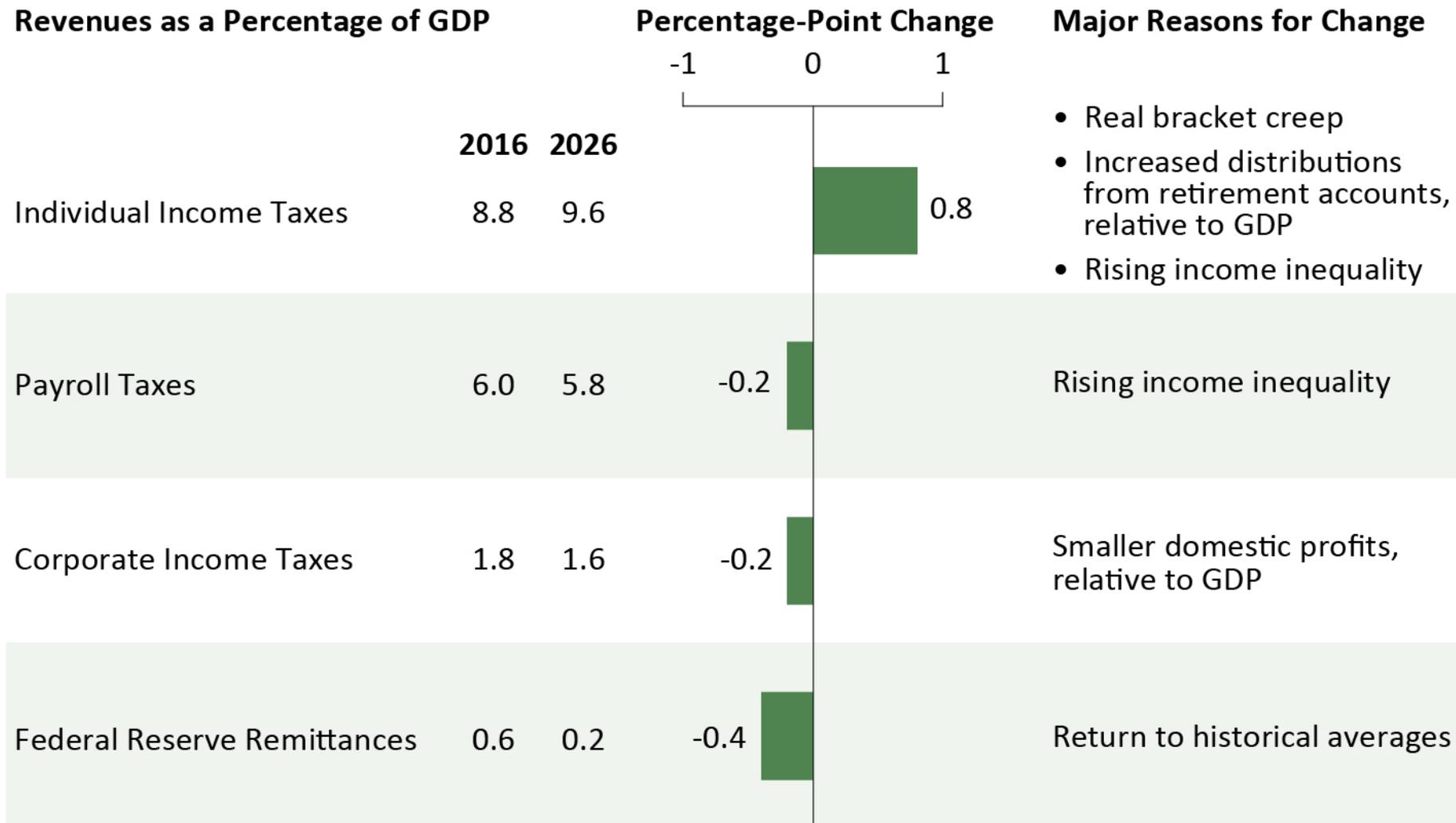


Revenues, by Major Source

Percentage of Gross Domestic Product

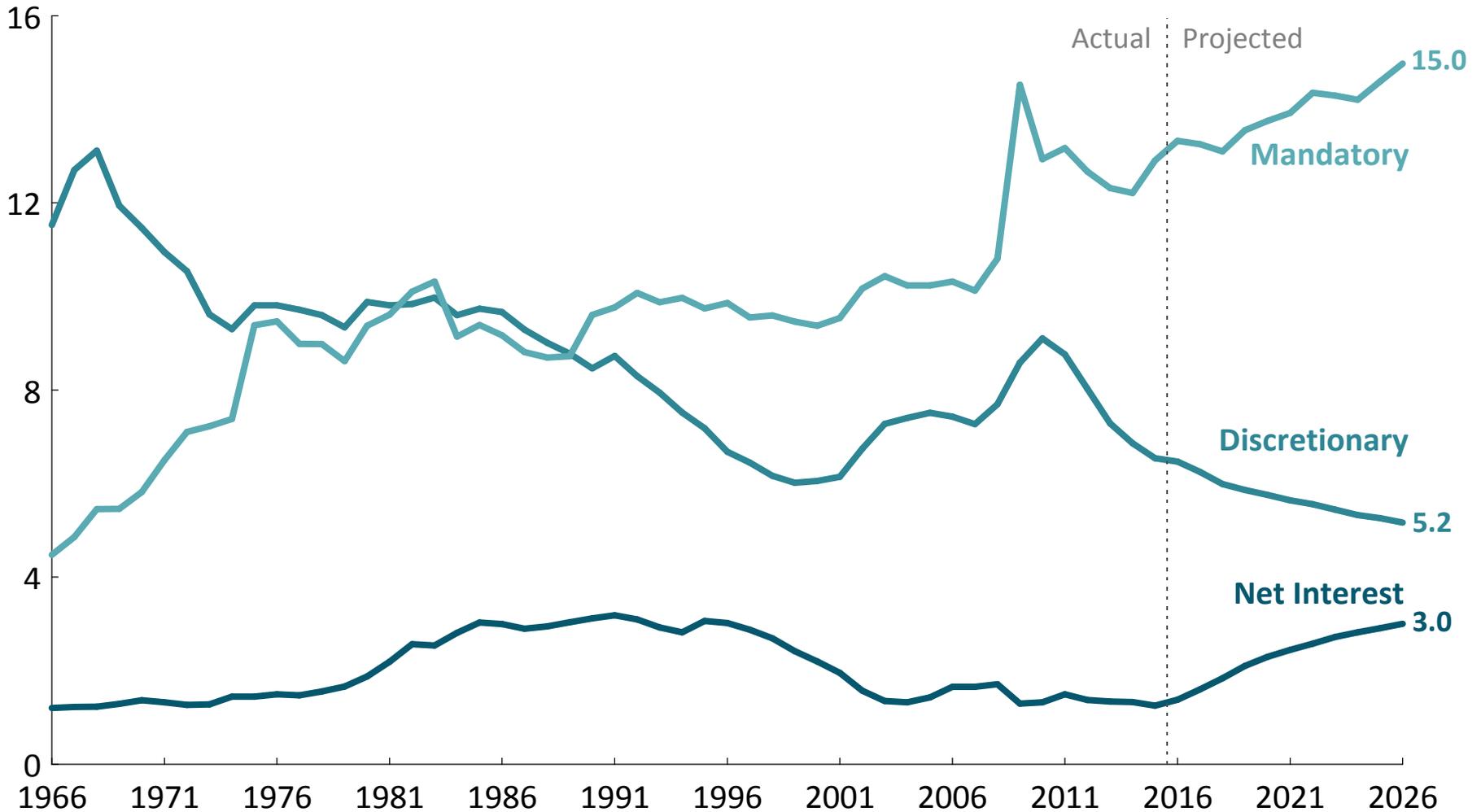


Major Changes in Projected Revenues From 2016 to 2026



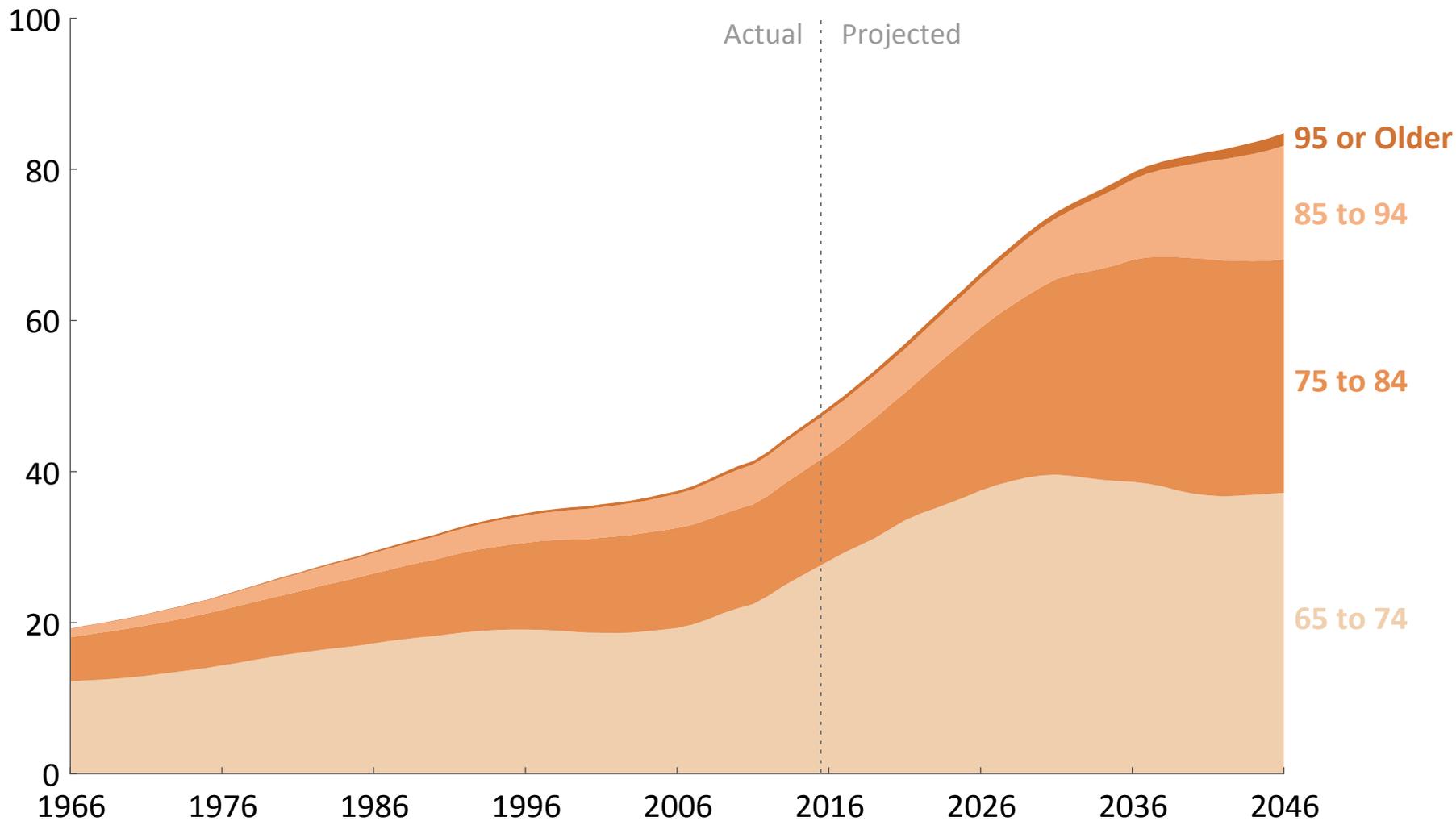
Outlays, by Type of Spending

Percentage of Gross Domestic Product



Number of People Age 65 or Older, by Age Group

Millions of People



Federal Debt Held by the Public

Percentage of Gross Domestic Product

