



# Congressional Budget Office

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## How CBO Uses Data for Budget Projections and Cost Estimates

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Business Economics

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# Overview

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- Background on CBO
- Differences between CBO's baseline and other aggregate projections
- Data used for baseline projections
- Example of data used for a cost estimate

# CBO's History and Mission

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- Congressional Budget and Impoundment Control Act of 1974
- Provides objective, timely, nonpartisan analyses for budget and economic decisions
- Prepares estimates and other information for the Congressional budget process

# CBO's Responsibilities

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Help Congress to:

- Develop a budget plan
- Assess the impact of proposed legislation
- Enforce its budget rules
- Assess the impact of federal mandates
- Consider issues related to the budget and to economic policy

# CBO Products

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- Baseline budget projections and economic forecasts
- Analysis of the President's budget
- Cost estimates
- Scorekeeping tabulations
- Budget options, long-term budget projections, the *Monthly Budget Review*, testimonies, and other reports

# What CBO Does *Not* Do

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- Make policy recommendations
- Write legislation
- Implement programs and regulations
- Enforce budget rules
- Audit spending or receipts

# How CBO Helps Congress Develop a Budget Plan

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- Prepares a 10-year baseline each winter to serve as a starting point
- Compares legislative options, including the President's budget, with the baseline
- Assists the Congress in developing a budget resolution (its budget plan)

# Baselines and Other Budget Presentations

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## ■ Baseline

- Assumes that current law remains the same
- Used to provide a benchmark to evaluate changes in law

## ■ President's Budget

- Incorporates the President's proposals
- CBO uses its own technical and economic assumptions in the analysis

## ■ National Income and Product Accounts

# Objectives of Budget Presentations

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## ■ Federal Budget

- Focus on cash flows
- Provide information for policy deliberations
- Facilitate management and control of federal activities
- Help the Treasury manage cash and determine borrowing needs

## ■ National Income and Product Accounts

- Provide a comprehensive accounting of activity in the U.S. economy
- Measure current production and income generated
- Use federal spending as a component of GDP
- Inflows and outflows are not very different in aggregate from budget totals

# Sources of Data for Baseline Projections and Other Analyses

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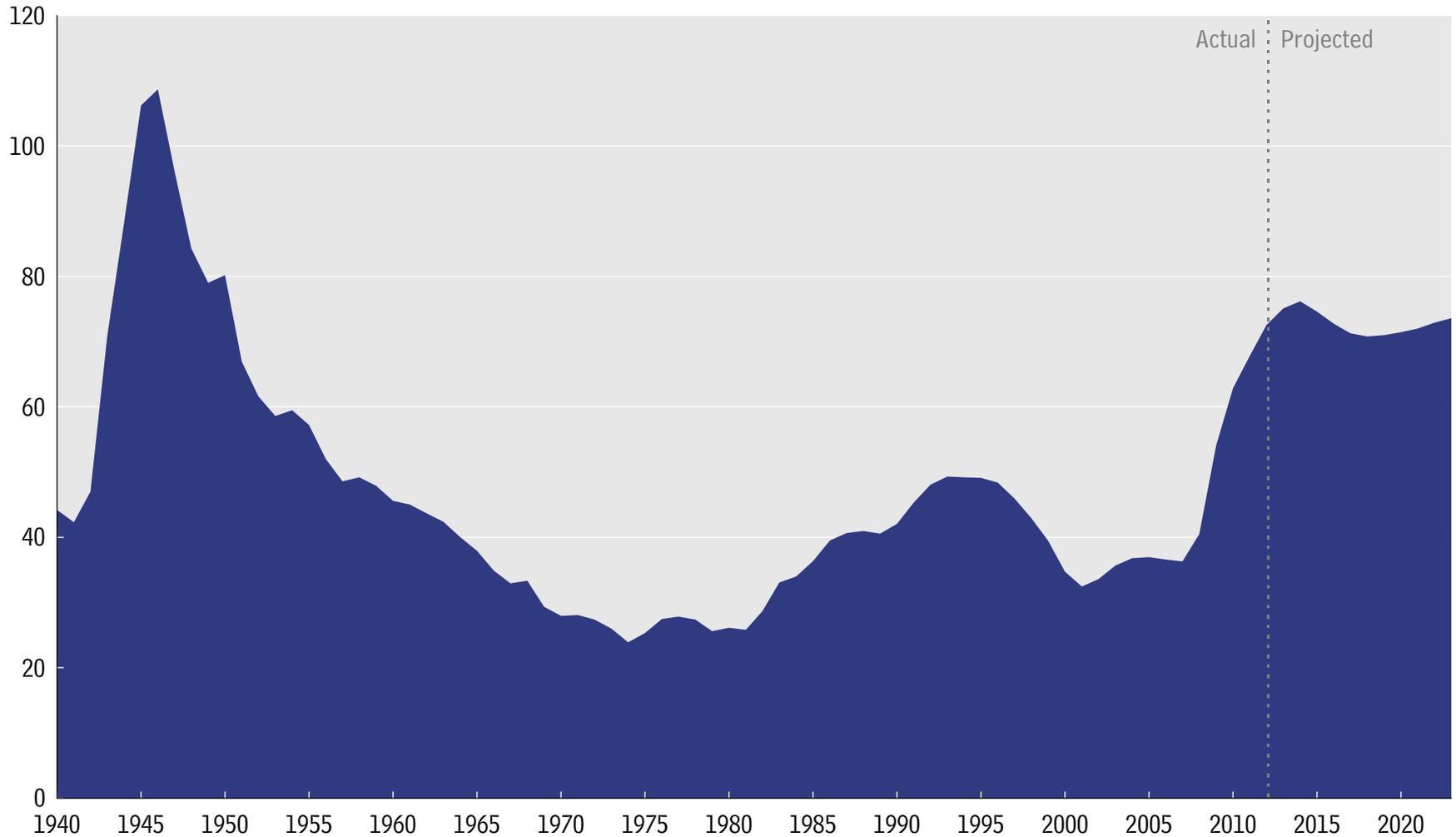
- Department of the Treasury
  - Monthly Treasury statement
  - Daily Treasury statement
- Office of Management and Budget
  - President’s budget
  - Historical tables and other supplemental data
- Federal, state, and local agencies
  - Census data
  - Data collected about Medicaid, Medicare, and other programs and revenues
- Think tanks, associations, academic research, etc.

# Budget Totals, 2009, 2013, and 2015

	Billions of Dollars			Percentage of GDP		
	Actual, 2009	2013	2015	Actual, 2009	2013	2015
Total Revenues	2,105	2,813	3,399	15.1	17.5	19.3
Total Outlays	3,518	3,455	3,777	25.2	21.5	21.4
Total Deficit	-1,413	-642	-378	-10.1	-4.0	-2.1

# Federal Debt Held by the Public

(Percentage of gross domestic product)



# What Is a Cost Estimate?

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- Required for each piece of legislation reported by a full Congressional committee
- Assesses the impact of legislation relative to current law
- Tells a concise story about the legislation's budgetary impact
- Many informal estimates are prepared to help committees develop legislation

# Scope of a Cost Estimate

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- Includes federal budgetary effects for the current year and up to 10 subsequent years
- Gives information on mandates imposed on state, local, and tribal governments or on the private sector
- The basis of the estimate is given to explain how the numbers were derived

# Components of Estimating Costs

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## ■ Research

- Obtain timely information to guide analysis

## ■ Analysis

- Carefully review legislation to assess how it would change current law
- Determine key factors that drive budgetary outcomes
- Quantify the estimated impact on federal budget

## ■ Communication

- Write a clear explanation of the estimate and key components of its basis

# Example: Estimate of the Cost of Emergency Unemployment Compensation

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- Proposal: Make additional payments to qualified individuals who continue to be unemployed and who have exhausted regular benefits
- Legislation specifies the amount and duration of the new benefit
- The Department of Labor provides data on the number of claims and the exhaustion rates of the regular benefit as well as the average weekly benefit (actuals to date)
- CBO's economic and technical assumptions are used to consider future disbursements
- Cost = people × dollars × duration (adjusted for attrition)

# Data From the Department of Labor: Average Benefits

Month Ending	First Payments	Final Payments	Benefits Paid (000)	12 Month Average			12 Month Total		
				Exh. Rate	Duration	Weekly Benefit Amount	Benefits Paid (000)	First Payments	Final Payments
01/31/2013	1,129,541	358,483	4,275,183	46.55	16.96	303.60	42,695,866	8,599,605	4,149,393
02/28/2013	732,314	301,532	3,767,500	46.43	16.92	304.09	42,174,616	8,503,519	4,094,994
03/31/2013	600,381	322,424	3,719,975	46.43	16.90	304.61	41,894,134	8,447,203	4,061,510
04/30/2013	594,836	360,648	3,640,235	46.05	16.89	305.29	41,783,199	8,408,975	4,020,115
05/31/2013	566,823	326,220	3,094,444	45.83	16.83	305.66	41,384,040	8,354,437	3,979,658

# Data From the Department of Labor: Emergency Unemployment Compensation

		All Tiers		EUC Tier 1				
		Initial Claims	Weeks Claimed	First Payments	Weeks Paid	Avg. Wkly Ben. Amt.	Benefits Paid	Final Payments
US	1/31/2012	547,016	14,527,513	342,319	5,744,344	287.09	1,649,149,276	261,906
US	2/29/2012	446,455	12,082,526	292,809	5,065,966	287.49	1,456,414,637	224,579
US	3/31/2012	461,927	11,569,446	281,459	4,937,338	286.58	1,414,939,163	220,270
US	4/30/2012	458,793	12,690,185	288,711	5,175,935	288.00	1,490,667,870	228,181
US	5/31/2012	433,058	11,278,671	277,416	5,076,758	288.28	1,463,509,744	230,449
US	6/30/2012	442,252	10,685,209	238,512	4,332,047	289.65	1,254,790,379	203,749
US	7/31/2012	436,881	11,988,064	284,912	4,788,214	290.71	1,391,995,386	218,375
US	8/31/2012	399,683	9,620,104	270,830	4,370,372	299.32	1,308,129,127	194,583
US	9/30/2012	360,016	9,319,888	235,720	4,065,206	293.83	1,194,486,153	183,016
US	10/31/2012	398,782	9,696,764	261,021	4,609,702	293.35	1,352,239,583	197,853
US	11/30/2012	380,325	8,897,781	228,147	3,903,022	294.92	1,151,082,339	191,188
US	12/31/2012	374,243	9,735,968	236,189	3,923,681	297.16	1,165,976,733	293,547
US	1/31/2013	420,484	8,436,072	264,162	3,346,478	292.12	977,565,240	248,937