Congressional Budget Office

FEBRUARY 27, 2020

Answers to Questions for the Record Following a Hearing Conducted by the House Committee on the Budget on *The Budget and Economic Outlook: 2020 to 2030*

On January 29, 2020, the House Committee on the Budget convened a hearing at which Phillip L. Swagel, the Congressional Budget Office's Director, testified about the agency's report The Budget and Economic Outlook: 2020 to 2030.[1] *After the hearing, three Members of the Committee submitted questions for the record. This document provides CBO's answers. It is available at www.cbo.gov/publication/56167.*

Congresswoman Jackson Lee

Question. Has the Congressional Budget Office (CBO) ever studied and documented the impact on the national economy of the United States and on the African American community of what President Lincoln said was the "250 years of unrequited toil," that was the cause of the Civil War?

Answer. CBO has not studied the economic impact on the United States of what President Lincoln described as "250 years of unrequited toil," nor has it explored the economic repercussions of slavery on the African American community.

Question. Would a report of a truth and reconciliation commission that was created to explore whether it would be appropriate and warranted to recommend reparative relief to compensate the descendants of those persons held in bondage assist the CBO in documenting the economic impact of the uncompensated labor of slaves on racial disparities that are so evident today in the economic circumstances of communities of color? If so, how? If not, why? What would you recommend as an alternative?

Answer. CBO anticipates that it would be assisted by information from a report exploring potential reparative relief if the leadership of the Congress or its committees asked the agency to study the impact that the uncompensated labor of enslaved African Americans has had on the economic circumstances of communities of color. Estimating that impact would be very difficult.

1. See Congressional Budget Office, *The Budget and Economic Outlook: 2020 to 2030* (January 2020), www.cbo.gov/publication/56020.

Congressman Moulton

Question. At the end of last August, the "Update to the Budget and Economic Outlook: 2019 to 2029" increased deficit projections for 2019 and the 10-year period ending in 2029 by $63 billion and $809 billion, respectively.[2] In this revision, the federal deficit was expected to be $960 billion for fiscal year 2019. Then, in October, the U.S. Treasury reported the final deficit total for fiscal year 2019 to be $984 billion. I understand that there are uncertainties in the work that you do. What accounts for the gap between your revised estimate at the end of August and the U.S. Treasury's final deficit total?

Answer. The differences between CBO's revised August projection for 2019 and the actual deficit total reported by the Treasury in October stemmed from outlays that were $31 billion more than the agency estimated in August, partly offset by revenues that were $11 billion higher. Earlier in the year, the Administration announced that it would provide a total of $28 billion to farmers affected by trade disputes.[3] In August, CBO anticipated that much of the spending related to that announcement would occur in fiscal year 2020; however, about $9 billion more of that anticipated spending occurred before September 30, in fiscal year 2019. In addition, outlays for both Medicare and Medicaid were higher than CBO estimated in August, as was spending for defense.

Question. The CBO needs timely and reliable data from federal executive agencies in order to complete its reports and analyses. What does the process of obtaining that information from another agency look like, and are there any impediments to your getting the data you want?

Answer. Typically, CBO's analysts and managers talk with their counterparts at executive branch agencies to understand what information is available. Some of the most important information comes from agency experts who have a "boots-on-the-ground" perspective about how a proposed policy will be implemented. CBO's interaction with other agencies often consists of a series of emails and phone calls. If a data use agreement is required, CBO's attorneys and IT staff work with the executive branch agency to determine how the data will be transferred, used, and protected. Time is the greatest challenge when CBO prepares cost estimates because legislation frequently moves faster than a data use agreement can be negotiated. For long-term studies and recurring needs, or when CBO has anticipated the Congress's interest, negotiation works well.

Question. I understand that the CBO must, on occasion, enter into MOUs with federal agencies prior to an agency providing access to certain data and that negotiations over an MOU can be lengthy. How would your work, in both its efficiency and its accuracy, be improved if there were a standard, preset agreement that CBO could enter into with an agency—in other words, an agreement where there was no need for CBO to negotiate with an agency over its terms?

Answer. The accuracy of CBO's estimates depends in part on receiving information from agencies in a timely manner. Most of CBO's interactions with executive branch agencies have

---

2. See Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2019 to 2029* (August 2019), www.cbo.gov/publication/55551.

3. See Congressional Budget Office, *The Accuracy of CBO's Baseline Estimates for Fiscal Year 2019* (December 2019), www.cbo.gov/publication/55927.

been cooperative and productive. CBO has sometimes faced delays in obtaining information from agencies while negotiating memorandums of understanding.

Having a standard agreement might help CBO obtain information more quickly. The Congressional Budget and Impoundment Control Act of 1974 already provides the essential terms of CBO's agreements. CBO must provide the same level of confidentiality as the agency providing the data. In addition, if there was an unauthorized disclosure, CBO's employees would face the same penalties as employees of the agency providing the data. A challenge to having a standard agreement is that the protocols that agencies follow to protect data from unauthorized disclosure change with technology and the threat environment.

Question. Have you encountered times when CBO has relied upon a particular agency report or agency data source that any agency has discontinued producing? Are there examples you can share?

Answer. There have been times when CBO has stopped getting information because an agency updated its systems or streamlined its reports. For example, in the past, the Department of Health and Human Services has produced reports that provide immigration statistics, but some of those reports have not been continued or have contained only a subset of information from the previous year. When such data are not available, CBO must use less recent data to produce estimates until new data become available. The most common reason information is not available is that the data CBO needs were never collected—such as information about people with temporary visas who leave the country.

Question. How did that impact your ongoing mission? Are there things agencies could better do to help you meet your mission?

Answer. Most agencies have been cooperative and have tried to provide CBO with information when it was needed. In response to the Foundations for Evidence-Based Policymaking Act of 2018, CBO expects that, in the future, agencies will make more administrative data available that will prove useful for policy analysis.

Congressman Peters

Question. The benefits of investing in climate-smart policies and solutions are large and increasingly clear, but they often span sectors and extend well beyond the 10-year budget window. Given this complexity, how can CBO best help the Congress analyze major legislative proposals for their near- and long-term impacts on climate-related metrics? Such metrics could include, for example, U.S. greenhouse gas emissions, sea-level rise, health and loss-of-life, weather- and climate-related disaster risks, and agricultural productivity.

Answer. CBO is in the process of consulting with the Congress to explore ways to analyze policy proposals that would reduce the effects of greenhouse gas emissions on the economy; such efforts would serve as a complement to its budgetary analyses. At this time, the agency has not yet determined how to best implement such procedures. In related work, CBO has previously examined expected annual economic losses from most types of damage caused by hurricane winds and storm-related flooding and projected increases in hurricane damage caused by climate change and coastal development.[4] Those reports examined the implications for the federal budget of such damage and explored three approaches to ease the pressure to spend federal discretionary funds on relief and recovery from that damage, including limiting greenhouse gas emissions, expanding requirements for obtaining flood insurance, and increasing the share of disaster assistance paid for by state and local governments. CBO's capacity to undertake such analysis is currently limited, but the agency is working to expand that capacity.

Question. Your report suggests that the President's tariffs on imports will reduce real GDP by about 0.5 percent in 2020. One concern is that general uncertainty and pessimism over the Administration's trade policy may be shaking business confidence and stifling investment. Does your forecast reflect the impact of trade policy uncertainty on the economy? In what ways do trade tensions factor into the CBO's baseline?

Answer. Yes, CBO's baseline reflects the impact on the economy of uncertainty surrounding trade policy.[5] Changes in trade policy have increased businesses' uncertainty about future barriers to trade. CBO expects that such uncertainty would lead some U.S. businesses to delay or forgo new investments or make costly adjustments to their supply chains. Taken together, those effects would lower U.S. output. Some of the effects would be offset as U.S. consumers and businesses replaced certain imported goods with goods produced in the United States, and as tariff revenues, by reducing the deficit, increased the resources available for private investment in later years. CBO projects that, on net, trade barriers imposed since January 2018 would reduce the level of real (inflation-adjusted) gross domestic product by roughly 0.5 percent and reduce average real household income by $1,277 (in 2019 dollars) in 2020.

4. See Congressional Budget Office, *Expected Costs of Damage From Hurricane Winds and Storm-Related Flooding* (April 2019), www.cbo.gov/publication/55019; and *Potential Increases in Hurricane Damage in the United States: Implications for the Federal Budget* (June 2016), www.cbo.gov/publication/51518.

5. See Congressional Budget Office, *The Budget and Economic Outlook: 2020 to 2030* (January 2020), www.cbo.gov/publication/56020.