

The Federal Budget Process and the Role of the Congressional Budget Office

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Leadership Fellowship Program, National Hispanic Medical Association

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**CBO Was Created by the
Congressional Budget and
Impoundment Control Act of 1974**

CBO's Role

CBO was established to give the Congress a stronger role in budget matters.

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

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

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 275 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

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 incorporates 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, 2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total	
													2022– 2026	2022– 2031
In Billions of Dollars														
Revenues														
Individual income taxes	1,609	1,952	2,328	2,334	2,353	2,383	2,586	2,792	2,871	2,979	3,091	3,209	11,984	26,926
Payroll taxes	1,310	1,346	1,391	1,504	1,550	1,588	1,644	1,703	1,768	1,834	1,900	1,968	7,677	16,849
Corporate income taxes	212	238	317	379	390	402	401	391	393	393	393	397	1,889	3,857
Other	291	306	355	381	378	359	354	367	364	366	371	382	1,827	3,676
Total	3,421	3,842	4,390	4,597	4,671	4,734	4,984	5,253	5,396	5,572	5,754	5,957	23,376	51,308
On-budget	2,456	2,863	3,401	3,513	3,542	3,566	3,773	3,995	4,091	4,218	4,352	4,506	17,796	38,957
Off-budget ^a	965	979	989	1,085	1,128	1,168	1,211	1,258	1,306	1,354	1,402	1,451	5,581	12,351
Outlays														
Mandatory	4,577	4,862	3,589	3,461	3,488	3,711	3,907	4,088	4,418	4,446	4,780	5,025	18,155	40,912
Discretionary	1,628	1,652	1,649	1,610	1,592	1,625	1,660	1,701	1,746	1,778	1,827	1,877	8,136	17,065
Net interest	345	331	306	315	344	396	467	541	628	712	808	910	1,826	5,425
Total	6,550	6,845	5,544	5,386	5,423	5,731	6,033	6,330	6,792	6,935	7,415	7,812	28,118	63,402
On-budget	5,598	5,846	4,469	4,231	4,191	4,418	4,642	4,854	5,222	5,268	5,647	5,939	21,950	48,880
Off-budget ^a	953	999	1,075	1,155	1,233	1,313	1,391	1,476	1,570	1,667	1,769	1,873	6,167	14,521
Total Deficit	-3,129	-3,003	-1,153	-789	-753	-998	-1,049	-1,077	-1,395	-1,363	-1,661	-1,855	-4,741	-12,093
On-budget	-3,142	-2,984	-1,067	-718	-648	-852	-869	-859	-1,131	-1,050	-1,294	-1,434	-4,155	-9,923
Off-budget ^a	13	-19	-86	-71	-104	-146	-180	-218	-264	-313	-367	-422	-587	-2,170
Primary Deficit ^b	-2,784	-2,672	-848	-474	-409	-602	-582	-536	-768	-652	-853	-946	-2,915	-6,669
Debt Held by the Public	21,017	23,012	24,392	25,156	25,959	26,967	28,062	29,185	30,733	32,119	33,913	35,827	n.a.	n.a.

CBO Prepares Estimates of the Effects of Legislative Proposals

CBO is required to produce a formal cost estimate for nearly every bill approved by a full committee. The agency usually produces 600 to 800 cost estimates each year.

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

CBO also fulfills thousands of requests for technical assistance as lawmakers draft legislation.

Furthermore, CBO tracks appropriation actions.

At a Glance			
S. 3591, America's Water Infrastructure Act of 2020			
As reported by the Senate Committee on Environment and Public Works on May 11, 2020			
By Fiscal Year, Millions of Dollars	2021	2021-2025	2021-2030
Direct Spending (Outlays)	65	426	1,228
Revenues	0	-9	-100
Increase or Decrease (-) in the Deficit	65	435	1,328
Spending Subject to Appropriation (Outlays)	292	10,076	16,261
Statutory pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2031?	< \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

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 possible 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's Analysis Is Objective, Impartial, and Nonpartisan

CBO makes no policy recommendations.

It 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 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.

What Types of Products Does CBO Create About Health Care?

Ongoing Analysis

- Budget baseline
 - Impact of the coronavirus pandemic
 - Demographics (fertility, mortality)
- Insurance coverage
- Projections of health care spending

Recent Reports

- A description of who was uninsured in 2019 and why
- Review of health care prices by payer
- Single-payer series: budget impact, financing, macroeconomic impact
- Drug prices and innovation

Recent Analysis of Legislation, Including Cost Estimates

- Surprise billing
- Legislation in response to the pandemic
 - Medicaid continuous coverage
 - Timing of the public health emergency
- Expansion of Affordable Care Act (ACA) subsidies in the American Rescue Plan Act (ARPA) and in the proposed reconciliation legislation
- Medicare expansions: dental, vision, hearing
- Drug price negotiation
- Medicare Part D benefit design
- Immunosuppressant drugs

What Are the Key Features of CBO's Health Analyses?

Horizon. The typical horizon for CBO's health analyses is 10 years, but sometimes it is 20 years or more.

- Long-term analyses: cigarette taxes, major changes to Medicare and Medicaid financing

Behavior. CBO analyzes available evidence on the behavior of families and businesses.

- Families: impact of changes in eligibility or prices on decisions to take up health insurance
- Businesses: impact of the expansion of ACA subsidies in ARPA and the proposed reconciliation legislation on employers' offers of health insurance

Budgetary Effects of Laws Enacted in Response to the 2020–2021 Coronavirus Pandemic, March and April 2020

Estimated Effects on the Budget, 2020–2030

Billions of Dollars

	Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 P.L. 116-123 March 6, 2020	Families First Coronavirus Response Act P.L. 116-127 March 18, 2020	Coronavirus Aid, Relief, and Economic Security (CARES) Act P.L. 116-136 March 27, 2020	Paycheck Protection Program and Health Care Enhancement Act P.L. 116-139 April 24, 2020
Increase in Discretionary Outlays	8	2	326	162
Increase in Mandatory Spending	*	95	988	321
Decrease in Revenues	0	94	408	0
Increase in the Deficit	8	192	1,721	483

See www.cbo.gov/publication/56403. * = between zero and \$500 million.

Budgetary Effects of Major Laws Enacted in Response to the 2020–2021 Coronavirus Pandemic, December 2020 and March 2021

Estimated Effects on the Budget, 2021–2030

Billions of Dollars

	Consolidated Appropriations Act, 2021, Divisions M and N	American Rescue Plan Act of 2021
	P.L. 116-260 Enacted December 27, 2020	P.L. 117-2 Enacted March 11, 2021
Increase in Discretionary Outlays	185	0
Increase in Mandatory Spending	677	1,803
Decrease in Revenues	5	53
Increase in the Deficit	868	1,856

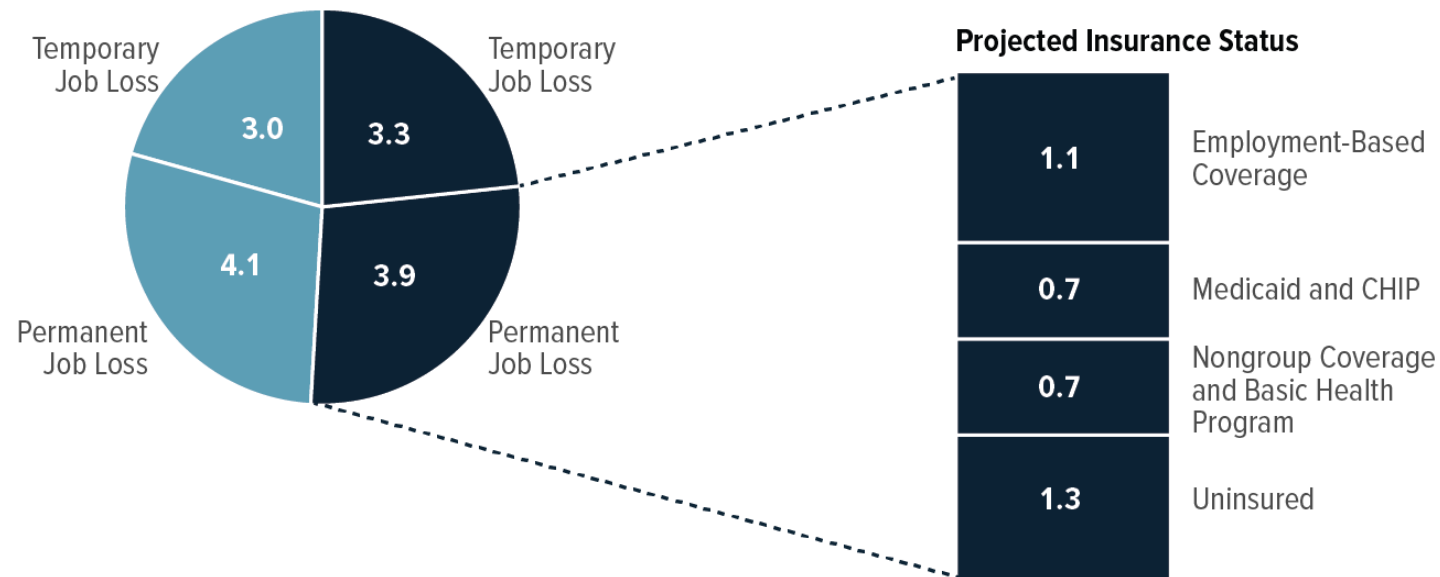
How Does CBO Use Simulation Models to Inform Cost Estimates?

Near-Term Pandemic Impact: Employment Loss and Resulting Insurance Coverage, 2020

Millions of People

Average Employment Loss

Did Not Have an Offer of Employment-Based Insurance Had an Offer of Employment-Based Insurance

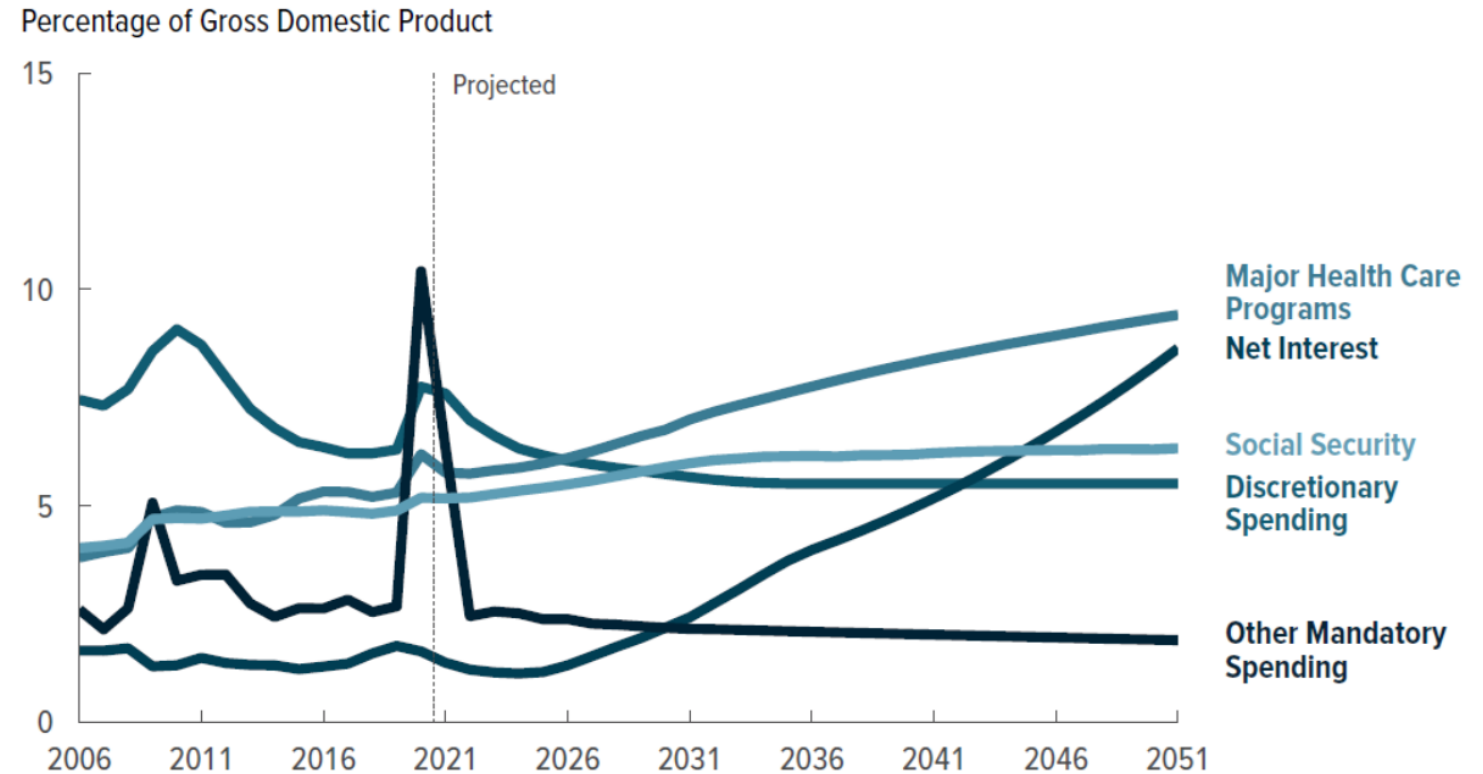


To What Extent Do Health Programs Drive Mandatory Spending?

CBO prepares a budget baseline that serves as a benchmark for measuring the effects of proposed legislation affecting mandatory spending.

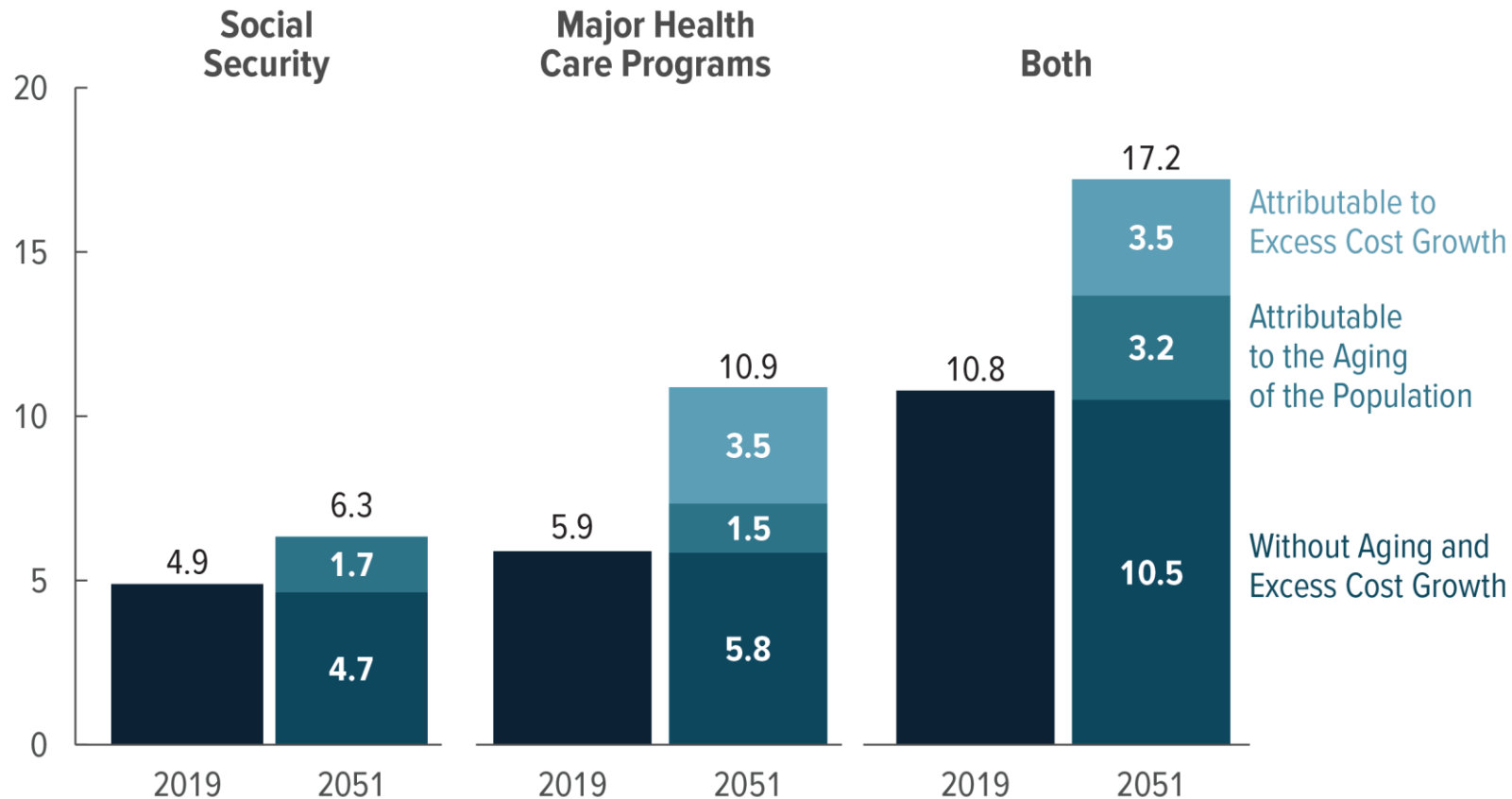
CBO estimates health insurance coverage and projected spending on health care programs, including federal subsidies, Medicare, and Medicaid.

Subsidies include premium tax credits for policies in the ACA marketplaces and the tax subsidy for employment-based health insurance.



Outlays for Social Security and the Major Health Care Programs in 2019 and 2051

Percentage of Gross Domestic Product



Much of the growth in combined spending for Social Security and the major health care programs results from the aging of the population. Growth in spending for the major health care programs is also driven by excess cost growth—the extent to which the growth rate of health care costs per person (adjusted for demographic changes) exceeds the growth rate of potential GDP (the economy’s maximum sustainable output) per person.

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 surrounding estimates
- Creating data visualizations
- Conducting outreach