

# Independent Fiscal Institutions in Theory and in Practice

November 3, 2022

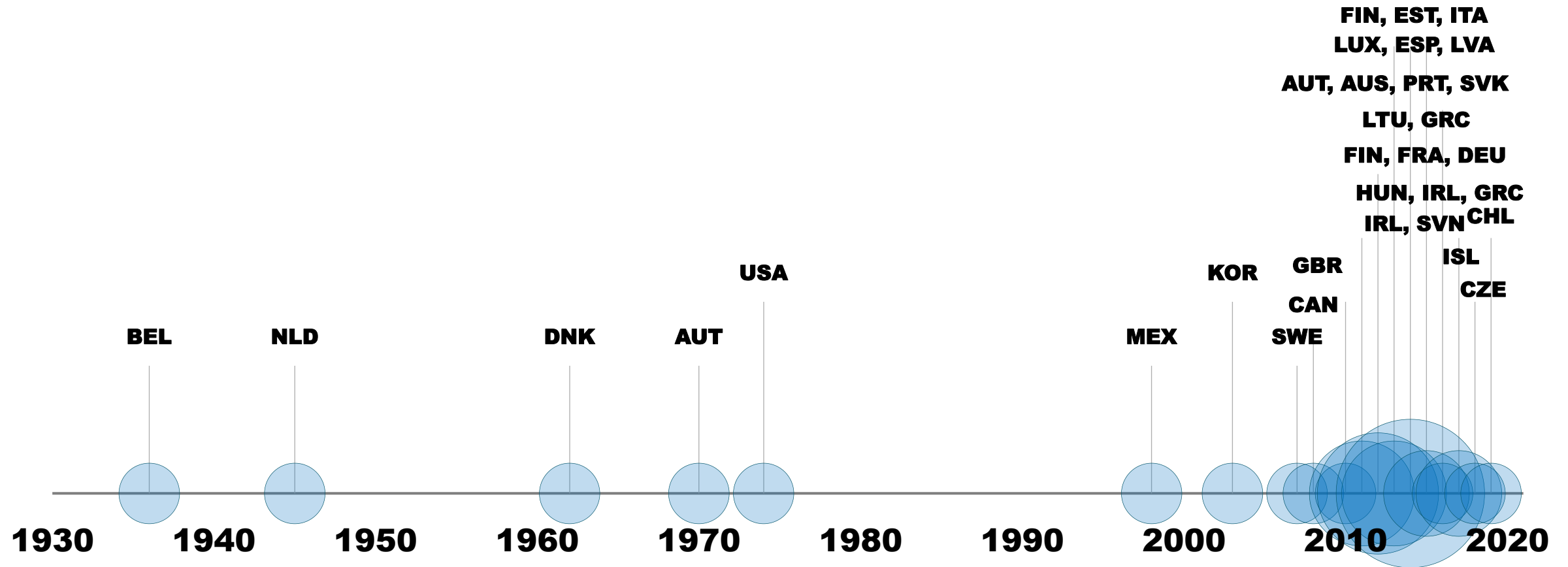
Presentation to the Australian Parliamentary Budget Office

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# **An Overview of Independent Fiscal Institutions (IFIs)**

# The Number of IFIs in OECD Member Countries Has Grown Considerably in Recent Years



# What Are IFIs? What Do They Do? Why Are They Important?

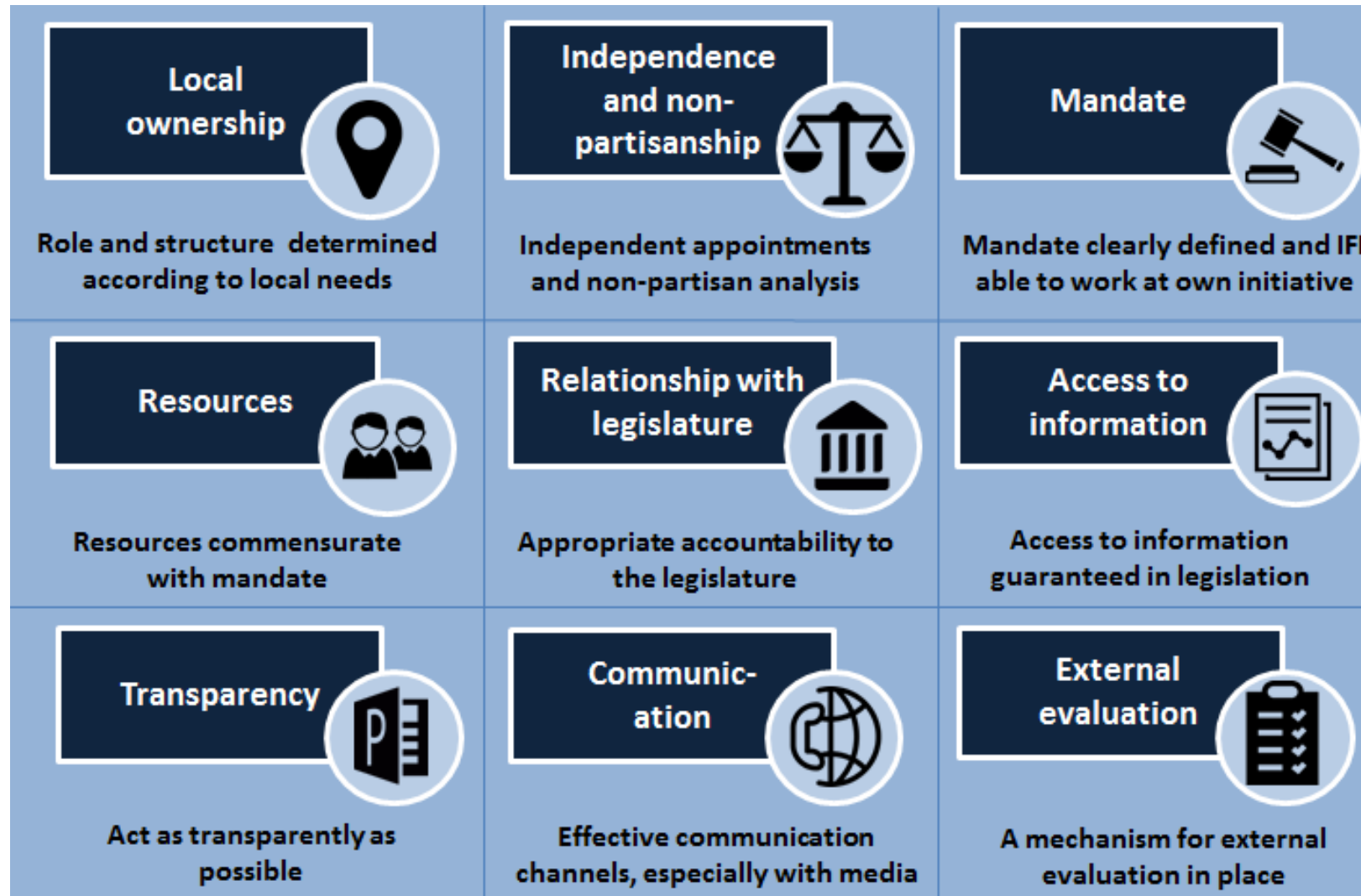
IFIs provide objective, nonpartisan information on fiscal matters to lawmakers.

The work IFIs produce helps elected leaders make informed decisions.

The most common work products include:

- Cost estimates,
- Budget and economic forecasts, and
- Research reports.

# The OECD Has Established 22 Guiding Principles Grouped in 9 Broad Areas for IFIs



# **The Experience of the Australian Parliamentary Budget Office (PBO)**

# How the Australian PBO Exhibits Best Practices

## Local Ownership

- Created with input from Parliament and the public
- Committee's recommendations reflected consensus

## Independence and Nonpartisanship

- Led by officers with relevant experience who are free to appoint staff on the basis of technical ability
- Does not make policy recommendations

## Mandate

- Mandate spelled out in law
- Estimates costs of policy proposals
- Responds to requests for information
- Undertakes research on its own initiative
- Estimates costs of parties' election commitments

# How the Australian PBO Exhibits Best Practices (Continued)

## Resources

- Funding increased along with responsibilities

## Relationship With Legislature

- Parliamentary role in appointing Parliamentary Budget Officer
- Requests prioritized according to an established framework

## Access to Information

- Negotiated memorandum of understanding



# How the Australian PBO Exhibits Best Practices (Continued)

## Transparency

- Makes all self-initiated work publicly available
- Publishes cost estimates done during the caretaker period for a general election and reports the budgetary effects of election proposals

## Communication

- Publishes work on its website
- Includes Officer's testimony before Parliamentary committees, public speeches, and media briefings

## External Evaluation

- Can be requested following general elections
- Audited after general elections in 2013, 2016, and 2019

# **The Experience of the Congressional Budget Office (CBO)**

# **For More Than 40 Years, CBO Has Supported the Congress Throughout the Budget Process**

CBO was created by the Congressional Budget and Impoundment Control Act of 1974 to give the Congress a stronger role in budget matters.

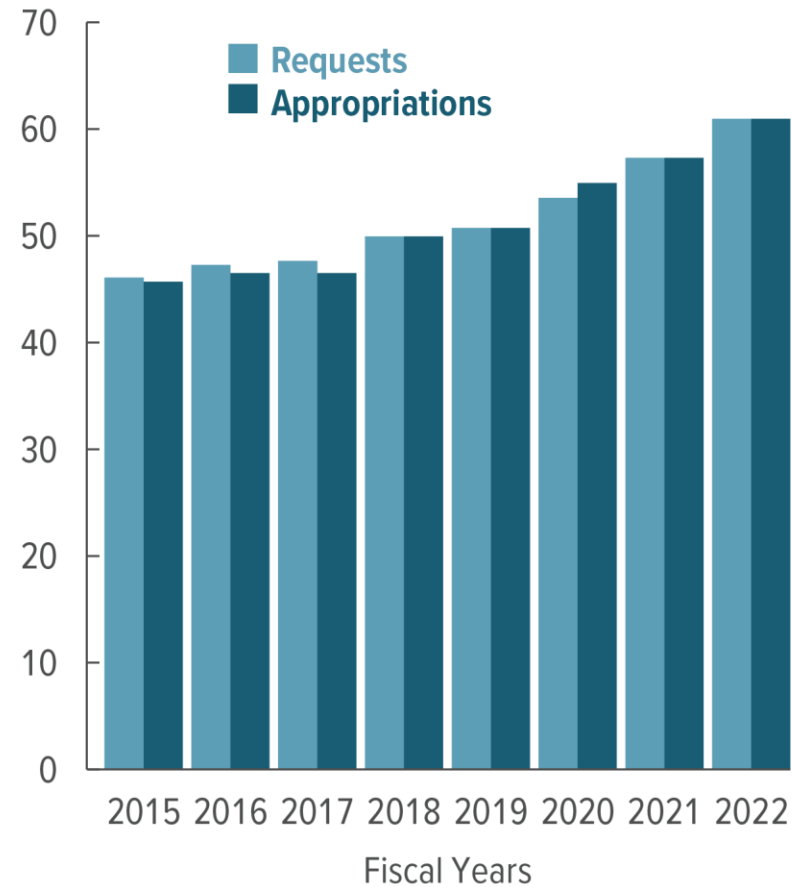
The agency provides analysis of budgetary and economic issues that is objective and impartial. It is strictly nonpartisan and does not make policy recommendations.

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

# CBO Has Consistently Received the Resources It Requested

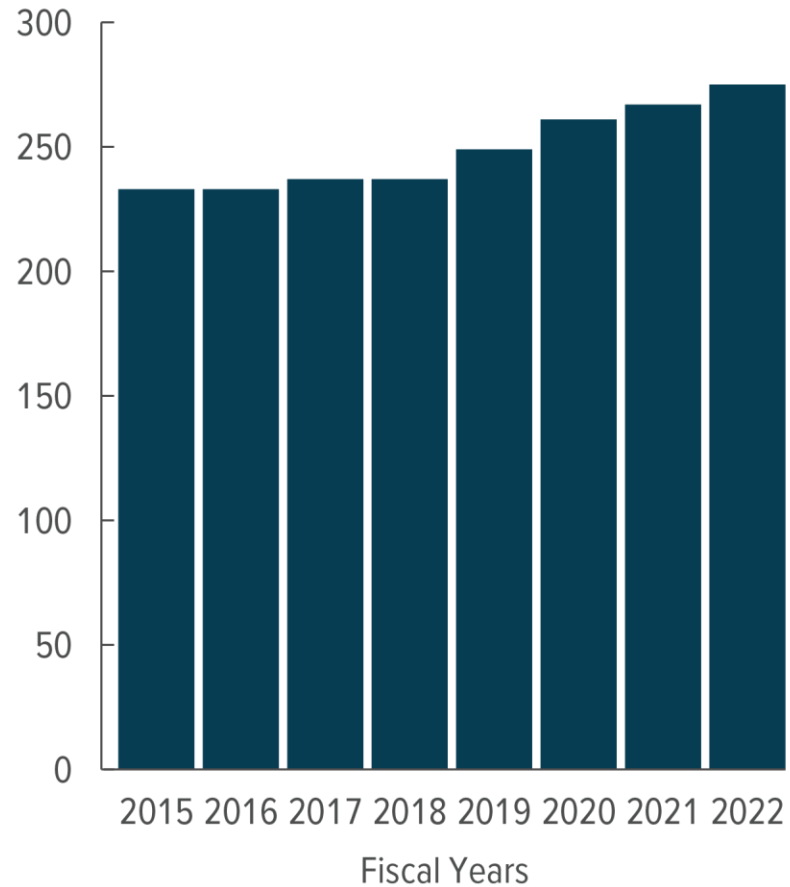
## CBO Funding

Millions of Dollars



## CBO Staff

Full-Time Equivalent Employees



# **CBO's Analysis Is Objective, Impartial, and Nonpartisan**

CBO makes no policy recommendations.

The agency hires people on the basis of their expertise without regard to political affiliation. CBO carefully considers whether potential analysts can perform objective analysis, regardless of their own personal views.

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

CBO's estimates are inherently uncertain, but the agency's goal is to produce estimates that are in the middle of the distribution of potential outcomes.

# **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; and
- Discussion with CBO's Panel of Economic Advisers and Panel of Health Advisers.



# CBO Makes Its Work Transparent in Many 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

## **CBO's Writing Is Clear**

“We should break the ponderous prose of most official economic writing and aim at giving Congressmen themselves something they can actually read and understand.”

– Alice Rivlin



# CBO's Products Are Accessible

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

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

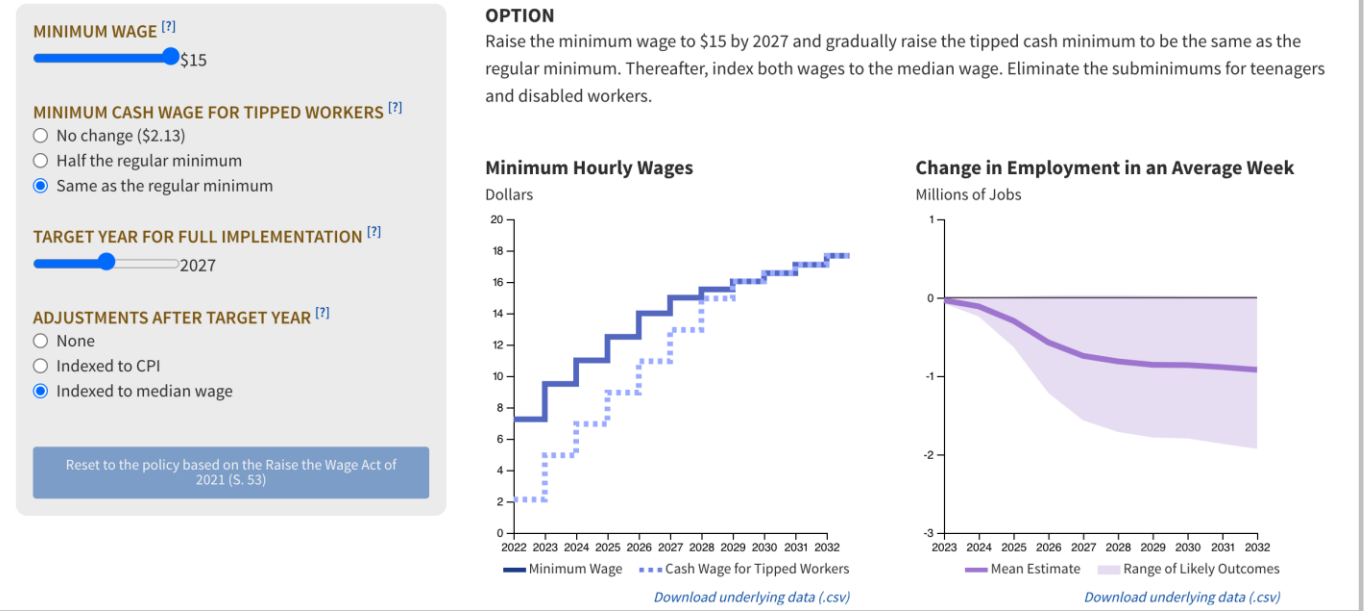
CBO produces versions of its reports that are tailored for reading on mobile devices and web browsers.

## 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](#).

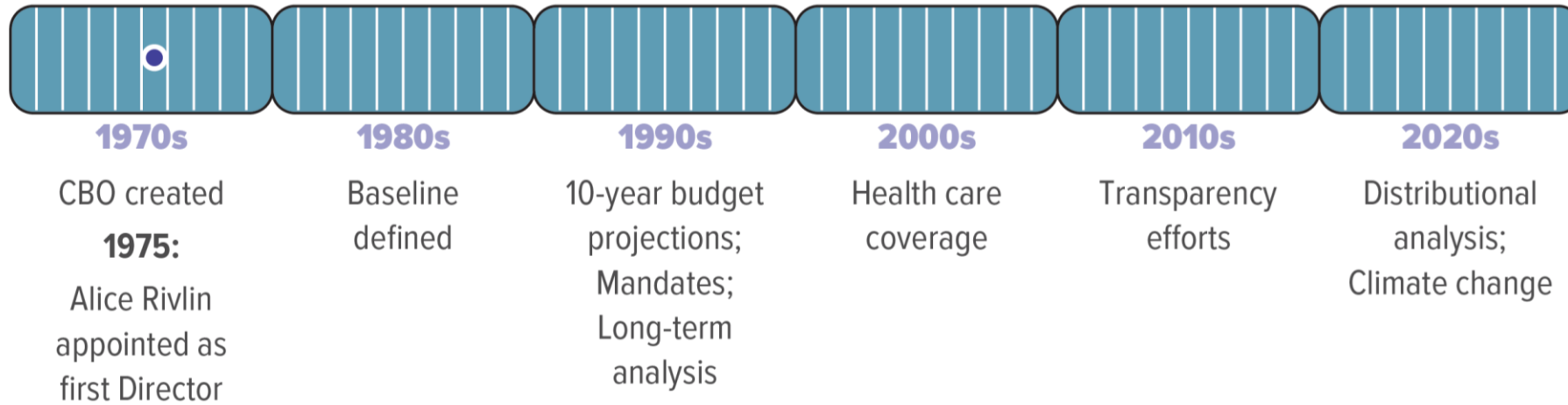
For the default policy shown here, the standard minimum wage reaches \$15 per hour in 2027, four years after the first incremental increase. The subminimum wage for tipped workers reaches parity with the regular minimum wage two years later. After reaching their targets, both minimums are indexed to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



# **Future Challenges**

# CBO's Mandate Has Evolved



# Facing the Challenges Ahead

- Maintain excellent staff
- Build institutional capacity
- Redouble commitment to clear communications

## **Additional Information**

For more information about the Congressional Budget Office, visit the agency's website at [www.cbo.gov](http://www.cbo.gov).

To ask questions about this presentation, contact Mark Hadley at [Mark.Hadley@cbo.gov](mailto:Mark.Hadley@cbo.gov).