

Congressional Budget Office

Nonpartisan Analysis for the U.S. Congress



**ANSWERS TO QUESTIONS
FOR THE RECORD**

Following a Hearing on

How CBO Supports the Congress

Conducted by the
Committee on the Budget
U.S. House of Representatives

NOVEMBER 12 | 2024

On September 11, 2024, the House Budget Committee convened a hearing at which Phillip L. Swagel, the Congressional Budget Office's Director, testified about how CBO supports the Congress.¹ After the hearing, Chairman Arrington and Congressmen Bergman, Burgess, and Espaillat submitted questions for the record. This document provides CBO's answers. It is available at www.cbo.gov/publication/60773.

Chairman Arrington

Question. What are some modernizations you would like to make as CBO Director but do not currently have the authority or ability to implement?

Answer. CBO looks forward to working with the Budget Committees and the Congress to ensure that the agency continues to fulfill its mission. In its efforts to provide the best possible service to the Congress, CBO currently faces challenges in three areas: people, data, and technology.

People. CBO has identified subject areas that will continue to be of particular interest to the Congress. They include health care, national security, taxation, credit programs, labor markets, energy, climate, infrastructure, and the macroeconomy. The agency could provide additional analyses in those and other areas if its staff was larger. Under the current continuing resolution, CBO will restrict its hiring and will maintain 275 or fewer staff members instead of the 285 included in its appropriation request for fiscal year 2025. If the Congress asked CBO to regularly provide comprehensive analysis in a new area, such as regulatory policy, additional staff would be needed.

As was discussed with Congressional appropriators, CBO's ability to attract and retain staff members would be enhanced if the agency had the authority to provide a flexible subsidy for child care. Currently, CBO's staff have difficulty accessing the subsidized care offered for preschoolers at the House's child care facility. Moreover, such a subsidy would be of great value in the hiring process—especially because, for a wide range of positions, the salaries that CBO can offer are not competitive with the salaries offered by agencies such as the Federal

Reserve, the Consumer Financial Protection Bureau, and the Federal Deposit Insurance Corporation.

Data. CBO appreciates the House Budget Committee's support for its ability to obtain data from federal agencies, as is reflected in the Congressional Budget Office Data Sharing Act (Public Law 118-89) and the Congressional Budget Office Data Access Act (P.L. 118-104). Further legislation is needed for CBO to regain access to data on the income of student loan borrowers and of applicants for student aid. The agency used to access that data from the Department of Education when applicants were required to provide certain income information with their student loan applications. But under the FUTURE Act (P.L. 116-91), the department now obtains that data directly from the Internal Revenue Service, and it is protected as federal tax information. As a result, CBO can no longer access the data.

More broadly, consolidation of CBO's authority to use tax data—for projecting revenues, modeling Social Security's finances, and analyzing health policy, in addition to its work on student loans—would allow the agency to be more responsive to the Congress. CBO's use of tax information is less comprehensive than that of the staff of the Joint Committee on Taxation (JCT) and would remain so. And CBO already complies with strict guidelines for using such data.

Assistance in obtaining other types of data would also be welcome. Each month, the Office of Management and Budget releases data on available balances and outlays in the *Standard Form 133 Report on Budget Execution and Budgetary Resources*.² Also known as the SF-133, that report provides information about the status of budgetary resources. But because of the report's timing and purpose, the data in the SF-133 do not always align with CBO's needs. For example, to prepare cost estimates for legislation that proposes rescissions, CBO may rely on information about available balances for various federal accounts attributable to specific legislation. (Rescissions are provisions of law that cancel budget authority previously provided to federal agencies before it would otherwise expire.) Although the SF-133 can include

1. See the testimony of Phillip L. Swagel, Director, Congressional Budget Office, before the Committee on the Budget, U.S. House of Representatives, *How CBO Supports the Congress* (September 11, 2024), www.cbo.gov/publication/60439.

2. See, for example, Office of Management and Budget, "MAX Information and Reports (Executive, Legislative, and Judicial Users): FY 2024 - SF 133 Reports on Budget Execution and Budgetary Resources" (accessed October 24, 2024), <https://tinyurl.com/9bej6kyc>.

supplemental budgetary information attributable to specific legislation, it does not always do so, as was the case for the 2022 reconciliation act (P.L. 117-169).

Technology. CBO continually strives to use technology to become more productive while enhancing its work for the Congress. For instance, the agency is currently exploring several potential uses of artificial intelligence (AI) to increase the productivity of its staff members. In particular, CBO is looking into ways that AI could accelerate the pace of updating computer code, automate processes that are currently done manually, and make the agency's work more accessible to people with visual impairments. To become more productive, CBO will continue to invest in AI and other technologies as more resources become available.

Question. Based on what we now know about the implementation of the Inflation Reduction Act, how would CBO now estimate the cost over the FY 2022–2031 period of the bill as enacted? Is CBO planning to release an updated report with this information?

Answer. CBO has incorporated updated estimates of the effects of the 2022 reconciliation act and subsequent economic and regulatory developments in its baseline budget projections and will continue to do so. Most recently, in June 2024, CBO indicated that changes associated with energy-related tax credits increased its projection of the cumulative deficit for the 2025–2034 period by \$12 billion relative to its previous projection from February 2024.³ CBO now expects that those provisions will increase deficits over the 2022–2031 period by considerably more than the amount estimated by the staff of the Joint Committee on Taxation that was included in the cost estimate for the legislation in August 2022.⁴

As another example, in the case of the redesign of Medicare's Part D prescription drug benefit, costs occurring because of the 2022 reconciliation act and subsequent developments are difficult to separate from the effects of other changes affecting prescription drug use and costs. For instance, CBO has observed that projected benefit spending in the 2025 plan bids is much higher than

projected spending in the 2024 bids was. CBO initially interpreted that growth as most likely having been driven by the benefit redesign because most of the redesign provisions are scheduled to be implemented in 2025. However, further analysis has shown that the increase in projected plan spending is largely explained by higher-than-expected spending growth in 2023 and thus preceded the planned implementation of the benefit redesign.

CBO has not reestimated the cost of each specific provision as modified in the law—and the effect those modifications are expected to have on the deficit—and does not plan to do so; the agency's regularly updated projections include those changes along with changes in other factors.

Question. Would CBO have the technical ability to review a limited number of major laws enacted in recent years to provide re-estimates when new information changes CBO's understanding of actual costs?

Answer. CBO has published analyses of the accuracy of some of its past cost estimates.⁵ The agency also provides estimates of the effects that repealing some laws—including major laws enacted in recent years—would have on the federal budget; such repeal estimates are the agency's main approach to providing assessments of how new information would affect its estimates of the effects of recently enacted laws.⁶ The estimated effects of repeal for years that were also considered in the original cost

3. Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2024 to 2034* (June 2024), pp. 45–46, www.cbo.gov/publication/60039.

4. Congressional Budget Office, *Part 2 of Answers to Questions for the Record Following a Hearing on An Update to the Budget and Economic Outlook: 2024 to 2034* (August 2024), pp. 7–8, www.cbo.gov/publication/60593.

5. See, for example, Congressional Budget Office, *Federal Budgetary Effects of the Activities of the Center for Medicare & Medicaid Innovation* (September 2023), www.cbo.gov/publication/59274, *A Review of CBO's Estimate of Spending From the Department of Defense's Medicare-Eligible Retiree Health Care Fund* (October 2020), www.cbo.gov/publication/56653, *A Review of CBO's Estimate of the Effects of the Recovery Act on SNAP* (December 2018), www.cbo.gov/publication/54864, *CBO's Record of Projecting Subsidies for Health Insurance Under the Affordable Care Act: 2014 to 2016* (December 2017), www.cbo.gov/publication/53094, *Competition and the Cost of Medicare's Prescription Drug Program* (July 2014), www.cbo.gov/publication/45552, "Actual ARRA Spending Over the 2009–2011 Period Quite Close to CBO's Original Estimate," *CBO Blog* (January 5, 2012), www.cbo.gov/publication/42682.

6. The staff of the Joint Committee on Taxation estimates the budgetary effects of modifying or repealing provisions of tax law. For example, in April 2023, JCT provided an estimate of the Limit, Save, Grow Act of 2023, which would have repealed most of the energy-related tax policies of the 2022 reconciliation act. See Joint Committee on Taxation, *Estimated Revenue Effects of Division A, Title III of H.R. 2811, The "Limit, Save, Grow Act of 2023," as Amended, Scheduled for Consideration by the House of Representatives on April 26, 2023*, JCX-7-23 (April 26, 2023), www.jct.gov/publications/2023/jcx-7-23.

estimate provide some insight into how CBO would reestimate the provision in that they incorporate new information about actual costs, any technical changes to the estimating method, and subsequent changes to CBO's economic forecast. But the estimated effects of repeal are sometimes affected by subsequent legislative changes, which would not be reflected in a reestimate of the effects of the original legislation. In addition, the effects of repeal would not simply be the opposite of the effects of initial implementation in cases in which the timing of those changes differed.

The difficulty of providing estimates of the effects of laws that have already been enacted varies by provision. The budgetary effects of some provisions are tracked separately, but those of many laws are not. To understand the difficulty of retroactively estimating the effects of legislation, consider, for example, that since 2021, inflation has boosted revenues above the amounts in the baseline projections that CBO produced before that year. Estimating the effects of a particular tax law after it has been implemented requires separating the effects of that law from the effects of inflation and from any changes to revenues that stem from other laws. In addition, it can take years for the effects of a policy change to become evident. The Government Accountability Office specializes in retrospectively evaluating the effects of changes in legislation.

Question. A CBO working paper states, "Fair-value budgeting represents a more comprehensive measure of cost for government activities than the measure required under current law." How does this compare to the Federal Credit Reform Act (FCRA) method?

Answer. The Federal Credit Reform Act of 1990 applies to credit programs (both loans and loan guarantees). The FCRA approach is used to measure the cost today of programs that will result in future cash flows to the federal government. Another approach, known as fair-value budgeting, can also be used to analyze the cost of credit programs. In addition, the fair-value method is used to assess the cost of other risky government activities—such as insurance programs and retirement benefits.

The estimated cost of most government activities, including those that are subject to risk, is based on their average projected effect on the government's cash flows. FCRA combines the average future cash flows of loans and loan guarantees into a present value. (A present value is a single number that expresses the flow of current and

future payments or income in terms of an equivalent lump sum paid or received at a specified time. It depends on the rate of interest, or discount rate, used to translate a cash flow in a future year into current dollars.) FCRA estimates are thus based on average rates of default. They also consider the effects of weak economic conditions, based on their probability of occurring.

Fair-value budgeting incorporates a fuller cost of risk than is reflected in the average budgetary effects. That is because the fair-value measure includes market risk, which is the financial risk that remains even with a well-diversified portfolio and that depends solely on the performance of the economy. By including market risk, fair-value budgeting takes into account the fact that financial assets tend to perform poorly when the economy is weak. During those times, borrowers default on their debt obligations more frequently, and amounts recovered from borrowers are smaller. Government stakeholders are exposed to that risk when the government provides credit assistance or invests in a financial asset, such as an ownership stake in a private business. Current and future generations bear the costs of the losses, which can result in higher taxes, lower spending, or greater federal debt.

Incorporating market risk into budget estimates has advantages and disadvantages depending on the circumstances and purpose of the estimates. FCRA estimates, which discount cash flows at Treasury rates, produce estimates that reflect the likely effect of a policy on projected federal debt. Fair-value estimates, which include a premium for market risk and thus provide a more comprehensive measure of costs, produce estimates that are more useful for comparing different forms of government assistance.

Fair-value estimates have some characteristics that can limit their usefulness. Even though both fair-value and FCRA estimates use discount rates that can vary over time, changes in the cost of market risk can make fair-value estimates more volatile. For that reason, they are more prone to uncertainty, particularly in a financial crisis when markets are not functioning well and transactions are disorderly. Furthermore, producing fair-value estimates is more complex and time-consuming than producing FCRA estimates, in part because it is difficult to measure the cost of market risk when it is unobservable. And communicating the basis for fair-value estimates to policymakers and the public is more challenging than communicating the basis for FCRA estimates, which is more straightforward.

Table 1.

Technical Changes to CBO's Baseline Projections Since February 2024 That Stem From Selected Administrative Actions and Judicial Decisions

Billions of dollars

| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | Total | | |
|--|------------|----------|----------|----------|------------|----------|----------|----------|----------|-----------|----------|------------|-----------|----------|
| | | | | | | | | | | | | 2025–2029 | 2025–2034 | |
| Changes in revenues | | | | | | | | | | | | | | |
| Individual income taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Payroll taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate income taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes in mandatory outlays | | | | | | | | | | | | | | |
| Medicaid | * | 2 | 4 | 5 | 6 | 6 | 6 | 7 | 7 | 7 | 8 | 23 | 58 | |
| Student loans | 66 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Deposit insurance | 43 | 0 | 0 | 0 | -35 | 0 | 0 | 0 | 0 | -8 | 0 | -35 | -43 | |
| Total | 110 | 2 | 4 | 5 | -29 | 6 | 6 | 7 | 7 | -1 | 8 | -12 | 14 | |
| Increase or decrease (-) in the deficit | 110 | 2 | 4 | 5 | -29 | 6 | 6 | 7 | 7 | -1 | 8 | -12 | 14 | |
| Addendum: | | | | | | | | | | | | | | |
| All technical changes | | | | | | | | | | | | | | |
| Changes in revenues | -123 | -93 | -93 | -47 | -19 | -26 | -15 | -11 | -1 | 2 | -20 | -279 | -324 | |
| Changes in mandatory outlays | 289 | 68 | 26 | 22 | 8 | 46 | 41 | 45 | 55 | 57 | 31 | 170 | 399 | |

Data source: Congressional Budget Office. See www.cbo.gov/publication/60773#data.

* = between -\$500 million and \$500 million.

This table shows the effects of administrative actions and judicial decisions that changed CBO's baseline projections by more than \$5 billion in any year of the 2024–2034 period; no judicial decisions had effects exceeding that threshold. Administrative actions include agencies' issuance of formal rules, letters, directives, notices, and other materials.

Question. What role does CBO play in estimating the fiscal and economic costs of regulatory proposals? Are there any limitations on the CBO's ability or capacity to do so?

Answer. CBO incorporates the effects of administrative actions and judicial decisions into its baseline budget and economic projections. For example, the following administrative actions are projected to affect CBO's baseline by more than \$5 billion in at least one year during the 2024–2034 period:

- A rule proposed by the Department of Education that is projected to reduce student loan repayments for many borrowers,
- Actions taken by the Federal Deposit Insurance Corporation in 2024 to resolve bank failures, and
- A rule proposed by the Centers for Medicare & Medicaid Services that is projected to increase outlays

related to state-directed payments in Medicaid managed care.⁷

Taken together, those actions increased the projected deficit in 2024 by \$110 billion and the projected deficit for the 2025–2034 period by \$14 billion (see Table 1).⁸

7. State-directed payments are payments that states require managed care organizations to make to providers to supplement the base payment rate that providers receive. For more information, see Medicaid and CHIP Payment and Access Commission, *Directed Payments in Medicaid Managed Care* (October 2024), <https://tinyurl.com/3fnvr3px>; and Medicaid Program; Medicaid and Children's Health Insurance Program (CHIP) Managed Care Access, Finance, and Quality, 89 Fed. Reg. 41002 (May 10, 2024), <https://tinyurl.com/4dr2jarw>.
8. Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2024 to 2034* (June 2024), pp. 43–44, www.cbo.gov/publication/60039.

In *The Budget and Economic Outlook: 2025 to 2035*, which will be published early next year, CBO will include similar information about the budgetary effects of recent administrative actions and judicial decisions that changed its baseline projections by more than \$5 billion in at least one year of the projection period.

CBO has responded to requests for information about the costs of particular actions, such as changes to student loans, and provided cost estimates for laws that would specifically alter current administrative actions. The agency's ability to respond to significant increases in requests for that type of information would depend on the resources available to devote to them.

Question. Congress will face a number of significant fiscal policy challenges in the upcoming year, including the reinstatement of the debt limit, the expiration of major provisions of the Tax Cuts and Jobs Act, enforcement of Statutory PAYGO, the expiration of Fiscal Responsibility Act discretionary spending caps, and other policies. How is CBO preparing for and prioritizing resources to assist Congress with addressing these pressing issues? What resources or directions does CBO require from this committee to assist in these preparations?

Answer. CBO is preparing for the upcoming year with a goal of providing its winter budget and economic baseline projections in early 2025. Input from the budget committees about the basis for and timing of those projections will be crucial if significant legislation is enacted in late December 2024, because fully incorporating that legislation would push back completion of the baseline projections further into 2025.

This fall, CBO will undertake its regular updates so that it is ready to support the appropriations process, produce cost estimates for legislation, provide information related to the debt limit, and publish other analytic information of interest to the Congress. That includes publishing, before the end of this year, *Options for Reducing the Deficit, 2025 to 2034*—the latest in CBO's biannual series that presents information about policy options that would reduce the deficit by varying amounts.

Question. Over the longer term, Congress will be forced to reckon with the depletion of the Medicare Hospital Insurance Trust Fund, the depletion of the

Social Security Trust Fund, rising interest costs, and the potential erosion of fiscal space for financing unsustainable spending and deficits. How is CBO preparing for these significant and complex challenges?

Answer. CBO is preparing by regularly updating its estimates of the size and timing of key challenges and its estimates of the effects of various policy options for addressing those challenges. In addition, the agency is enhancing its capacity to provide feedback about new policy options.

According to CBO's projections, some of the key challenges include growing deficits that push federal debt held by the public far beyond any previously recorded level and the exhaustion of the balances of the Old-Age and Survivors Insurance Trust Fund in fiscal year 2033, of the Hospital Insurance (HI) Trust Fund in 2035, and of the Disability Insurance Trust Fund in 2064.⁹

To provide the Congress with the latest information about those significant financial challenges, CBO will issue updates to the following series of recurring reports next year:

- *The Budget and Economic Outlook* and its updates, which provide the agency's projections of economic and budgetary outcomes over the 10-year period used in the Congressional budget process;
- *The Long-Term Budget Outlook*, which provides the agency's projections of economic and budgetary outcomes over the next 30 years;
- *The Long-Term Budget Outlook Under Alternative Scenarios for the Economy and the Budget*, which analyzes the effects that scenarios that differed from those underlying the agency's 30-year projections would have on the budget and the economy;
- *Long-Term Projections for Social Security*, which describes Social Security's finances and the distribution of program benefits and payroll taxes over the next 75 years;
- *The Monthly Budget Review*, which analyzes federal spending and revenues for the previous month and the fiscal year to date;

9. Congressional Budget Office, *The Long-Term Budget Outlook: 2024 to 2054* (March 2024), www.cbo.gov/publication/59711, and *CBO's 2024 Long-Term Projections for Social Security* (August 2024), www.cbo.gov/publication/60392.

- Periodic reports about federal debt and the statutory limit; and
- Detailed information about the HI and Social Security trust funds.¹⁰

CBO is also currently in the process of preparing for future challenges by updating its estimates of the effects of many policy options that could be used to reduce the deficit. To help inform lawmakers as they address budgetary challenges, CBO periodically issues a compendium of such options and their effects on the federal budget.¹¹ The next volume will be published in December 2024. It will include options involving changes related to Medicare and Social Security that would help to address the trust fund issues that you mentioned, as well as many other options that could be used to target most areas of the budget. In the meantime, CBO will continue publishing cost estimates for legislative proposals that may be voted on in the future; the agency typically publishes hundreds of such estimates each year.

In addition, CBO continually develops its modeling capacity to better position the agency to provide lawmakers with feedback about new options. CBO's 75-year projections for Social Security, for example, are based on

a detailed microsimulation model that starts with data about individuals from a representative sample of the population and simulates demographic and economic outcomes for that sample over time.¹² The agency is updating nearly every aspect of that model. Those updates will enhance the agency's ability to respond in a timely fashion to Congressional interest in policy changes that would affect Social Security.

Question. Are improper payments incorporated into CBO's baselines and its baseline projections of selected programs? Would it be within CBO's capabilities to include line-items on improper payments within the baseline projections of selected programs?

Answer. CBO's projections of federal spending for each government program are based, in part, on historical trends. Because historical data comprise all payments—including improper payments—those amounts are reflected to some degree in CBO's projections.¹³

Although CBO does not generally incorporate specific estimates of improper payments in its baseline projections for federal programs, certain baseline projections include information related to improper payments. For example, CBO's Medicare baseline includes a projection of amounts recovered from providers. Those amounts may represent recoupment of improper payments, or they could result from programs that allow advance payments to providers that are later recouped, as was done during the coronavirus pandemic. Federal agencies report improper payments as required by law; those data are published at [paymentaccuracy.gov](https://www.paymentaccuracy.gov) (a U.S. government website that provides information about improper payments made to individuals, organizations, and contractors). The Government Accountability Office also reports on programs that are at high risk of incurring improper payments.

10. For the most recent reports in those series, see Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2024 to 2034* (June 2024), www.cbo.gov/publication/60039, *The Long-Term Budget Outlook: 2024 to 2054* (March 2024), www.cbo.gov/publication/59711, *The Long-Term Budget Outlook Under Alternative Scenarios for the Economy and the Budget* (May 2024), www.cbo.gov/publication/60169, *CBO's 2024 Long-Term Projections for Social Security* (August 2024), www.cbo.gov/publication/60392, *Monthly Budget Review: September 2024* (October 2024), www.cbo.gov/publication/60730, and *Federal Debt and the Statutory Limit, May 2023* (May 2023), www.cbo.gov/publication/59130. For the most recent projections of the trust funds' finances, see Congressional Budget Office, "Details About Baseline Projections for Selected Programs: Medicare" (June 2024), www.cbo.gov/publication/51302, and "Details About Baseline Projections for Selected Programs: Social Security Trust Funds" (June 2024), www.cbo.gov/publication/51309.

11. For the most recent volumes in that series, see Congressional Budget Office, *Options for Reducing the Deficit, 2023 to 2032—Volume I: Larger Reductions* (December 2022), www.cbo.gov/publication/58164, and *Options for Reducing the Deficit, 2023 to 2032—Volume II: Smaller Reductions* (December 2022), www.cbo.gov/publication/58163. A search tool that allows users to filter options by savings amount, major budget category, budget function, topic, and date is available at www.cbo.gov/budget-options.

12. Congressional Budget Office, *An Overview of CBOLT: The Congressional Budget Office Long-Term Model* (April 2018), www.cbo.gov/publication/53667.

13. Improper payments are payments that should not have been made, that were made in an incorrect amount, or that lacked sufficient supporting documentation. Such payments may reflect human error (for example, reporting the wrong code on a medical claim) or missing paperwork. Fraudulent payments—which represent payments that should not have been made at all—are a subset of improper payments. A payment can be termed fraudulent only after a legal determination, such as a court case or settlement. See "About Payment Accuracy" at <https://tinyurl.com/4x6mzbyy>.

In some cases, CBO could develop projections of the extent to which outlays reflect improper payments, although doing so would be difficult. The agency would need to develop new methodologies for any such projections. One challenge is that existing measures of improper payments are retrospective and thus may not be a reliable starting point for future projections. Another challenge is that estimates of total, or gross, improper payments may not reflect the ultimate net budgetary effects of those payments. For example, in the case of the earned income tax credit (EITC), many improper payments are payments to the wrong person, not payments that should not have been made at all. Thus, a gross measure of improper payments may be larger than the net effect.

Question. For legislative provisions affecting funding for program integrity activities, does CBO score the resulting change on fraud, waste, and abuse? Is this within CBO’s capabilities?

Answer. When legislation provides funding for program integrity activities that differs substantially from that in CBO’s baseline budget projections, CBO generally estimates whether the use of those funds would affect other spending or revenues—and if so, by how much.¹⁴ Under the scorekeeping guidelines agreed to by the legislative and executive branches of government, such effects are excluded from the cost estimates that CBO prepares for budget enforcement purposes and are typically shown as supplemental information.¹⁵ If the legislation is enacted, then those budgetary effects are reflected in CBO’s baseline projections.

Question. When evaluating evidence about the return on investment to program integrity efforts, what kind

of research is most useful for helping CBO project budgetary effects? Is it narrow, program-specific research, or can you incorporate broader evaluations that reach more general conclusions? What markers do you look for to determine whether a specific piece of research on program integrity ROI is of high or low quality? What is CBO’s openness to third parties providing evidence on program integrity matters? Does CBO have a process for incorporating third party research? What data do you currently rely on to evaluate improper payment rates in government programs? What changes to policies around production of and access to government data would help outside researchers and CBO itself to better estimate program integrity ROIs?

Answer. CBO looks for research and data relevant to the questions it seeks to answer. In reviewing research about the return on investment (ROI) to program integrity efforts, the agency reviews both narrowly focused work and broader evaluations, when available. Among the sources CBO often consults, for example, are reports prepared by the Government Accountability Office, reports from the Inspectors General for federal agencies, agencies’ financial reports, Congressional justifications that are submitted as part of the annual budget process, academic research, and data on [paymentaccuracy.gov](https://www.paymentaccuracy.gov) (a U.S. government website that publishes information about improper payments made to individuals, organizations, and contractors).

CBO is always willing to discuss issues with third parties and routinely meets with individuals and organizations that can contribute to its understanding and analysis. If third parties offer research or data, CBO will evaluate it and, if the analysis is informative, incorporate it in the agency’s work.

For example, academic work was published showing the amount of waste created when expensive infused drugs commonly used in Medicare are packaged in quantities larger than the amount needed.¹⁶ Based in part on data from that work, CBO estimated that requiring drug manufacturers to pay a rebate on drug wastage would reduce direct spending by more than \$3 billion.¹⁷

14. See, for example, Congressional Budget Office, cost estimate for S. 4035, the FEHB Protection Act (August 20, 2024), Table 1, memorandum section, www.cbo.gov/publication/60652, and cost estimate for the Estimated Budgetary Effects of Public Law 117-169, to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14 (September 7, 2022), Summary Table, footnote c, www.cbo.gov/publication/58455. For additional information, see Congressional Budget Office, *How Initiatives to Reduce Fraud in Federal Health Care Programs Affect the Budget* (October 2014), www.cbo.gov/publication/49460.

15. Congressional Budget Office, *CBO Explains Budgetary Scorekeeping Guidelines* (January 2021), www.cbo.gov/publication/56507.

16. Peter B. Bach and others, “Overspending Driven by Oversized Single Dose Vials of Cancer Drugs,” *British Medical Journal*, vol. 352 (March 1, 2016), article i788, <https://doi.org/10.1136/bmj.i788>.

17. Congressional Budget Office, cost estimate for Senate Amendment 2137 to H.R. 3684, the Infrastructure Investment and Jobs Act (August 5, 2021), www.cbo.gov/publication/57406.

That rebate was enacted as part of the Infrastructure Investment and Jobs Act of 2021 (P.L. 117-58).

CBO has access to multiple sources of data to support many of its estimates related to program integrity efforts. That said, the agency welcomes additional research into the effects of spending on program integrity activities as well as greater access to administrative data from federal agencies.

Congressman Bergman

Question. If it was allowed to score cost savings, does CBO have access to data or research—whether produced by the Federal government or outside groups—that show that savings do arise from program integrity activities? If not, what changes to policies around production of and access to government data would be necessary to help CBO estimate these cost savings? Finally, is there an office-wide standard return on investment that CBO would need to see in order to calculate scorable savings resulting from investments in program integrity activities?

Answer. CBO generally estimates a return on investment for spending on program integrity activities—a set of actions that ensure program funds are spent correctly, including actions to prevent fraud, waste, and abuse—when it has sufficient evidence of those effects. Under the scorekeeping guidelines agreed to by the legislative and executive branches of government, such effects are excluded from CBO’s official cost estimates and are typically shown as supplemental information.¹⁸ If the legislation is enacted, then those effects are incorporated in CBO’s baseline projections.

CBO welcomes additional research into the effects of spending on program integrity activities as well as greater access to administrative data from federal agencies. Such data are useful for estimating the effects in many policy areas, including program integrity.

18. See, for example, Congressional Budget Office, cost estimate for S. 4035, the FEHB Protection Act (August 20, 2024), Table 1, memorandum section, www.cbo.gov/publication/60652, and cost estimate for the Estimated Budgetary Effects of Public Law 117-169, to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14 (September 7, 2022), Summary Table, footnote c, www.cbo.gov/publication/58455. For additional information, see Congressional Budget Office, *How Initiatives to Reduce Fraud in Federal Health Care Programs Affect the Budget* (October 2014), www.cbo.gov/publication/49460. For information about the scorekeeping guidelines that CBO follows, see Congressional Budget Office, *CBO Explains Budgetary Scorekeeping Guidelines* (January 2021), www.cbo.gov/publication/56507.

There is no specific return on investment that would result in CBO’s calculating scoreable savings. Instead, CBO’s estimates of budgetary effects from spending on program integrity activities are based on the available evidence. The exclusion of those effects from cost estimates prepared for budget enforcement purposes is stipulated by the scorekeeping guidelines.

Congressman Burgess

Question. What are the responsibilities of the Panel of Health Advisers? Can you cite specific instances where the Panel of Health Advisers has reviewed and provided recommendations to improve health-related models and how CBO incorporated that feedback? Would you support codifying the Panel of Health Advisers, providing appointment authority to the four corners of the Budget Committees and the CBO Director, as well as specifying its role and responsibilities, including making technical recommendations regarding CBO’s models to project the effects of health care legislation?

Answer. CBO seeks input from a wide range of outside experts and stakeholders to inform its work. The agency’s Panel of Health Advisers (PHA) represents a small but important subset of such experts.

Members of the PHA provide assistance and knowledge related to issues in health care economics. They attend annual in-person meetings that focus on prominent and emerging health issues that are important to CBO’s work. Those annual meetings include speakers from outside the PHA and are open to Congressional staff. PHA members also meet individually with CBO throughout the year to discuss important analytical issues in the members’ areas of expertise and to advise the agency about analytical questions that arise in the preparation of studies and cost estimates. CBO makes all final decisions related to its work; PHA members are but one of many sources of information and advice.

The following are examples of instances in which PHA members have reviewed and provided recommendations on CBO’s work. In each case, the panel member was one of several sources of information that CBO gathered:

- For input on an early version of the agency’s pharmaceutical innovation model, CBO’s analysts consulted with Craig Garthwaite. (He is the Herman R. Smith Research Professor in Hospital and Health Services, Professor of Strategy, and director of the Program on Healthcare at Northwestern University’s

Kellogg School of Management.) Based in part on Dr. Garthwaite's recommendation, CBO's modeling now reflects that continuing to move a drug through the development process maintains manufacturers' options to develop a drug when they make investment decisions. In addition, Dr. Garthwaite is currently organizing a workshop to provide a venue for CBO to present revisions to its pharmaceutical innovation model and receive feedback from him and other workshop participants. Those participants will represent a wide variety of perspectives.

- To obtain technical assistance in interpreting and refining CBO's analysis of how certain waivers for treatment of substance use disorders affect spending on Medicaid, CBO's analysts consulted with Kosali Simon. (Dr. Simon is a Herman B. Wells Endowed Professor at Indiana University's School of Public and Environmental Affairs.) That analysis informed CBO's estimates of the budgetary effects of policies that would modify or eliminate Medicaid's exclusion of federal payments for residents of institutions for mental diseases.
- For input on the agency's modeling of the budgetary effects of policies that would increase the treatment of hepatitis C, CBO's analysts consulted with Neeraj Sood. (He is a professor at the University of Southern California's Sol Price School of Public Policy and a senior fellow and director of the COVID Initiative at the university's Schaeffer Center for Health Policy and Economics. He is also an Amazon Scholar with Amazon.com.) Dr. Sood advised CBO about the potential effects of those policies on the incidence of hepatitis C and about the deployment of a point-of-care test. His expertise in prescription drug payment models (including the subscription model that has been used for procuring hepatitis C drugs in several states) informed CBO's modeling and assessment of proposed policies.
- To gain information about how employers and states might respond to extensions of enhanced marketplace subsidies, CBO's analysts consulted with Michael Conway. (Mr. Conway is the Colorado Insurance Commissioner at the state's Division of Insurance.) CBO used that information to inform its estimates related to changes in health insurance coverage and premiums in the nongroup market.
- To gain insight into various questions about insurance payments to hospitals and physicians, CBO's analysts

consulted with Heather Dlugolenski. (She is senior vice president, commercial strategy and solutions, at Cigna Healthcare.) Ms. Dlugolenski provided information about commercial insurers' payments to hospitals' outpatient departments and physicians' offices, whether Medicare payments are used as a basis for payments in contracts, and how insurers use the transparency data that they and hospitals are required to provide. Her feedback helped CBO respond to questions from Congressional staff about site-neutral payment policies and laws strengthening transparency regulations.

Members of the PHA are selected to represent a variety of perspectives so that the agency can gather information and insights from experts with diverse views. In determining membership on the PHA, CBO has a long-standing practice of considering whether members and potential members are engaged in political activity that might influence, or that might reasonably appear to influence, their perspective. The agency's formal policy requires panelists and people being considered for the panel to disclose to CBO any substantial political activity in which they may be involved and any significant financial interests they may have. Political activity and financial interests are not necessarily disqualifying, but CBO wants to know about situations that might influence the perspective of panel members on the issues about which the agency is seeking their advice.

CBO understands that Members of Congress would welcome more information about the agency's modeling and analysis of issues related to health care, and more involvement in recommending experts for CBO to consult. The agency continually seeks ways to make its work more transparent and better informed and is always willing to consult with experts suggested by Members.

Question. How can the general public keep their trust in Congress if concerns regarding CBO's precision and transparency have been called into question? Can you say with utmost certainty that CBO is an unbiased model? What mechanisms are in place, or plan to be implemented for CBO to prove to the American people that your analysis remains unbiased? In the 50 years of CBO's existence, why has an internal audit never been conducted? What are the primary sources of data that CBO relies on for its model? And what improvements need to be made to correct previous failures in projections? What improvements must be made to streamline productivity,

and how can incorporating new technological innovations improve timeliness, accuracy, and accountability?

Answer. In this answer, the topics of those questions are grouped in the following categories: transparency and accuracy, objective and unbiased analysis, internal review, primary sources of data, and productivity and new technology.

Transparency and Accuracy. CBO promotes the transparency of its work in many ways, such as by:

- Testifying and publishing answer to questions,
- Explaining analytical methods in its cost estimates and other publications,
- Releasing data and programming code,
- Analyzing the accuracy of its estimates, and
- Conducting outreach.

CBO also promotes transparency by providing broad access to its publications. The agency posts its cost estimates on its website, where Members of Congress, their staffs, and the public can access them. CBO's Director meets regularly with Members to explain the agency's work, respond to questions, and obtain feedback. Furthermore, CBO's analysts regularly explain their analyses to Congressional staff informally through meetings and phone calls and formally in presentations and briefings.

To enhance the quality of its estimates, CBO revisits them to evaluate their accuracy and publishes analyses of how sensitive its estimates are to key parameters. For example, the agency has published analyses of the accuracy of various cost estimates and of what it has learned from its errors. Such analyses are conducted after sufficient data become available to study the effects of the relevant enacted legislation. As a result of those analyses, CBO has updated its approaches to estimating the effects of similar legislation.

CBO also regularly assesses the accuracy of its baseline budget projections and economic forecasts by comparing them with actual outcomes. Moreover, the agency compares its projections and forecasts with those of other organizations. Before they are released, CBO's reports are routinely assessed by external reviewers, and the agency welcomes scrutiny of the methods used in its work.

Objective and Unbiased Analysis. CBO takes various measures to ensure that its work is objective and free

from political bias. The agency hires employees without regard to political affiliation. It enforces strict rules that prevent its employees from having financial conflicts of interest and that limit their political activities. CBO also fosters open discussion of analytical issues under consideration. In addition, the agency has a rigorous system of checks and balances. All of CBO's cost estimates and reports are reviewed internally for objectivity, analytical rigor, and clarity. That process involves many people at various levels in the agency. Analysts also consult with outside experts to gain multiple perspectives on an issue.

Internal Review. CBO receives regular financial and security audits. The agency routinely solicits feedback about its models and reports, both formally and informally:

- CBO's cost estimates and reports undergo a rigorous internal review. They are reviewed by multiple people at various levels of the agency for objectivity, clarity, and analytical soundness.
- CBO's models and analytic reports are reviewed by outside experts who specialize in the issue at hand. For example, from 2018 to 2020, a panel of technical reviewers provided feedback during the initial development of the second generation of CBO's health insurance simulation model.
- To assist researchers in replicating its results, the agency posts segments of the computer code for some analyses.
- CBO convenes experts on its Panels of Economic Advisers and Health Advisers who provide feedback on many topics, including the agency's forecasting methods and models. The agency hosts periodic meetings of the advisers and solicits their views between meetings as well.
- CBO's staff give presentations on various topics to Congressional staff and outside experts to gain feedback on the agency's work.

In addition, CBO regularly compares its budget projections with those of the Administration and its economic forecasts with those of private-sector forecasters and other government agencies. CBO also sometimes compares its work with the policy analyses of other organizations.

Primary Sources of Data. To fulfill its mission, CBO accesses a wide array of data from federal agencies and other sources. The agency uses those data to produce its baseline

budget projections, economic projections, cost estimates, and reports. The Congressional Budget Act of 1974 gives CBO general authority to access data from a variety of sources. The agency also accesses data by using specific authority or by collaborating with other agencies. CBO uses both public data and data that are not public (because they are confidential, proprietary, or otherwise restricted).

Productivity and New Technology. People, data, and technology are key to CBO's productivity. As was previously discussed with the appropriations subcommittees for the legislative branch, an expansion of CBO's staff from 270 employees to 285 would allow the agency to fulfill more requests for information within its current scope of responsibilities. If the Congress asked CBO to regularly provide comprehensive analysis in a new area, such as regulatory policy, additional staff would be needed.

CBO appreciates the House Budget Committee's support for its ability to obtain data from federal agencies, as is reflected in the Congressional Budget Office Data Sharing Act and the Congressional Budget Office Data Access Act. However, further legislation is needed for CBO to regain access to data on the income of student loan borrowers and of applicants for student aid. The agency used to access that data from the Department of Education when applicants were required to transfer protected federal tax information (FTI) to their student loan applications. But under the FUTURE Act, the department now obtains that data directly from the Internal Revenue Service as protected FTI. As a result, CBO can no longer access the data.

More broadly, consolidation of CBO's authority to use tax data—for projecting revenues, modeling Social Security's finances, and analyzing health policy, in addition to its work on student loans—would allow the agency to be more responsive to the Congress. CBO's use of tax information is less comprehensive than that of the staff of the Joint Committee on Taxation and would remain so. And CBO already complies with strict guidelines for using such data.

CBO is currently exploring potential uses of artificial intelligence. Updating computer code and writing new code have already been accelerated with its use. Expanding those capabilities will require additional expenditures on software.

Congressman Espallat

Question. Can you please provide a brief overview of findings from the Budget and Economic Report on how the surge in immigration bolsters the economy? Can you speak to how ensuring that immigrants have adequate access to English language attainment and education might positively affect the economy?

Answer. In CBO's June 2024 economic projections, the recent surge in immigration boosts total nominal gross domestic product by \$8.9 trillion over the 2024–2034 period. That estimate reflects the surge's effect on the size of the population, the average labor force participation rate, productivity, the composition of employment, and transitory factors.¹⁹ CBO has not evaluated the economic effects of language training for immigrants.

The number of people entering the United States has increased sharply in recent years.²⁰ In January 2024, CBO projected that over the 2021–2026 period, net immigration of people whom the agency categorizes as other foreign nationals would exceed the number expected (on the basis of trends before 2020) by 8.7 million people.

Initially, the surge in immigration slows average wage growth in the economy because recent arrivals have less education, on average, than workers in the general population and earn below-average wages. Over time, as the wages of immigrants converge with those of the total population and innovation-related productivity increases, average wage growth of people in the United States who are not part of the surge increases slightly.

In CBO's projections, the surge in immigration has small effects on the unemployment rate and inflation because the increase in the demand for and supply of goods and services roughly offset one another. By 2034, the surge's effect on the growth of the labor force, productivity, and the demand for residential investment increases the interest rate on 10-year Treasury notes by about 0.1 percentage point.

19. For more information, see Congressional Budget Office, *Effects of the Immigration Surge on the Federal Budget and the Economy* (July 2024), www.cbo.gov/publication/60165.

20. Congressional Budget Office, *The Demographic Outlook: 2024 to 2054* (January 2024), www.cbo.gov/publication/59697.

In the agency's economic projections, as immigrants' language skills improve and they gain experience in the U.S. labor market, their wages rise and then become about the same as the average wages of other people in the United States with similar levels of education. CBO has not explored how providing language training for immigrants would affect the U.S. economy.

Question. In my capacity as Legislative Branch Ranking Member, you and I have spoken about the resource needs of CBO. In your testimony, you mentioned that the CBO's budget increase has allowed you to hire more staff. How do you decide to allocate that staff? How are you preparing to continue operating at the fiscal year 2024 level in October if there is a continuing resolution for some part of next year?

Answer. CBO strives to be responsive to the Congress and fills its positions to best meet the Congress's needs. Since receiving its full-year appropriation for fiscal year 2024 in March, CBO has, for example, hired the following staff:

- Several analysts in the Budget Analysis Division, to enable the agency to reduce the backlog of cost estimates and provide more technical assistance to the Congress;
- Two weapon systems experts, to enhance CBO's ability to assess the budgetary implications of countering unmanned aircraft systems, developing space warning and tracking systems, and updating the nation's nuclear forces; and
- A health care analyst in the Health Analysis Division, to assist in modeling preventive health policies, including those aimed at reducing hepatitis C; to analyze issues related to behavioral health; and to free up resources to address other health policy issues.

Additionally, CBO currently has job postings for tax analysts (to help analyze tax-related legislation), macroeconomists (to help estimate the effects of proposed legislation on the economy, which is necessary for dynamic scoring), and financial economists (to assist in estimating the effects of policy proposals related to student loans). Other openings that CBO is currently attempting to fill include several positions in its Office of General Counsel (to advise the agency and help it

provide technical assistance to the Congress), a chief of media relations (to assist in communicating CBO's analysis to the Congress and the media), and several positions in CBO's Information Resources Management and Technology Services Unit (to ensure that the agency's data and networks are secure and to increase CBO's capacity to process and analyze data).

Given the current continuing resolution, CBO has tempered its hiring plans. At the current funding level, the agency will keep its staff at 275 employees or fewer. If CBO receives its full budget request for fiscal year 2025, it will increase its staff to approximately 285 employees.

Question. When scoring legislation, how does CBO prioritize scoring projects? Is this process something that changes under different party leadership or presidential administration?

Answer. In 2024, CBO fulfilled thousands of requests from the Congress for technical assistance. CBO provides such assistance at the early stages of the legislative process, when proposals are being developed, as well as at later stages, when amendments to legislation are being considered.

The Congressional Budget Act of 1974 (often called the Budget Act) requires CBO to prepare cost estimates after a committee orders authorization legislation to be reported for consideration by the full House or Senate. (For appropriation bills, CBO provides information in a different form.) That requirement was designed to ensure that CBO places the highest priority on preparing estimates for the legislation that is most likely to be actively considered by the Congress.

The Budget Act also directs CBO to prioritize requests from committees—particularly the House and Senate Budget Committees. Given the agency's staffing, it generally is not possible to satisfy requests for estimates that do not come from those two committees, the committees of jurisdiction, or Congressional leadership; but CBO's analysts provide technical assistance to individual Members as time permits. The process of prioritizing estimates and requests for assistance may change indirectly under different Presidential administrations, as the priorities of committees change.