



# Congressional Budget Office

July 4, 2018

## Oversight of the Congressional Budget Office

10th Annual Meeting of the OECD Network of Parliamentary  
Budget Officials and Independent Fiscal Institutions

Keith Hall  
Director

# What Are CBO's History and Mission?

CBO was established by the Congressional Budget Act of 1974, also known as the Budget Act.

The agency provides objective, timely, and nonpartisan analysis to help the Congress make effective budgetary and economic decisions.

It also provides an alternative to relying on the Office of Management and Budget in the executive branch.

# Whom Does CBO Support?

It primarily supports Congressional committees rather than individual Members.

The agency's chief responsibility under the Budget Act is to help the budget committees with the matters under their jurisdiction.

CBO also supports other Congressional committees—particularly the Appropriations, Ways and Means, and Finance Committees, as the Budget Act requires—and the leadership of the House and Senate.

# Who Oversees CBO?

CBO has long relied on the House and Senate Budget Committees to provide constructive feedback on how it can best serve the Congress.

In recent years, the budget committees have held annual hearings on CBO's oversight.

This year, the Senate held one general hearing and the House held five:

- Organizational and Operational Structure;
- Economic Assumptions, Baseline Construction, Cost Estimating, and Scoring;
- The Role of Behavioral Modeling in Scoring and Baseline Construction;
- Member Day; and
- Perspectives From Outside Experts.

# What Was the Context of the House Oversight Hearings?

Congressman Womack became Chairman of the House Budget Committee on January 11, 2018.

As he said in his opening statement at the first of the House oversight hearings three weeks later:

*The goal of today's hearing is to learn more about CBO . . . [More] than 40 years since its founding, Congress has not undertaken a comprehensive review of CBO's structure and processes. . . . We want to better understand how CBO carries out its nonpartisan mission in service and support to Congress.*

# CBO's Recent Work

# What Did CBO Do Before the Hearings Took Place?

CBO's Director and Deputy Director attempted to meet individually with each Member of the budget committees.

In the meantime, CBO continued its work on:

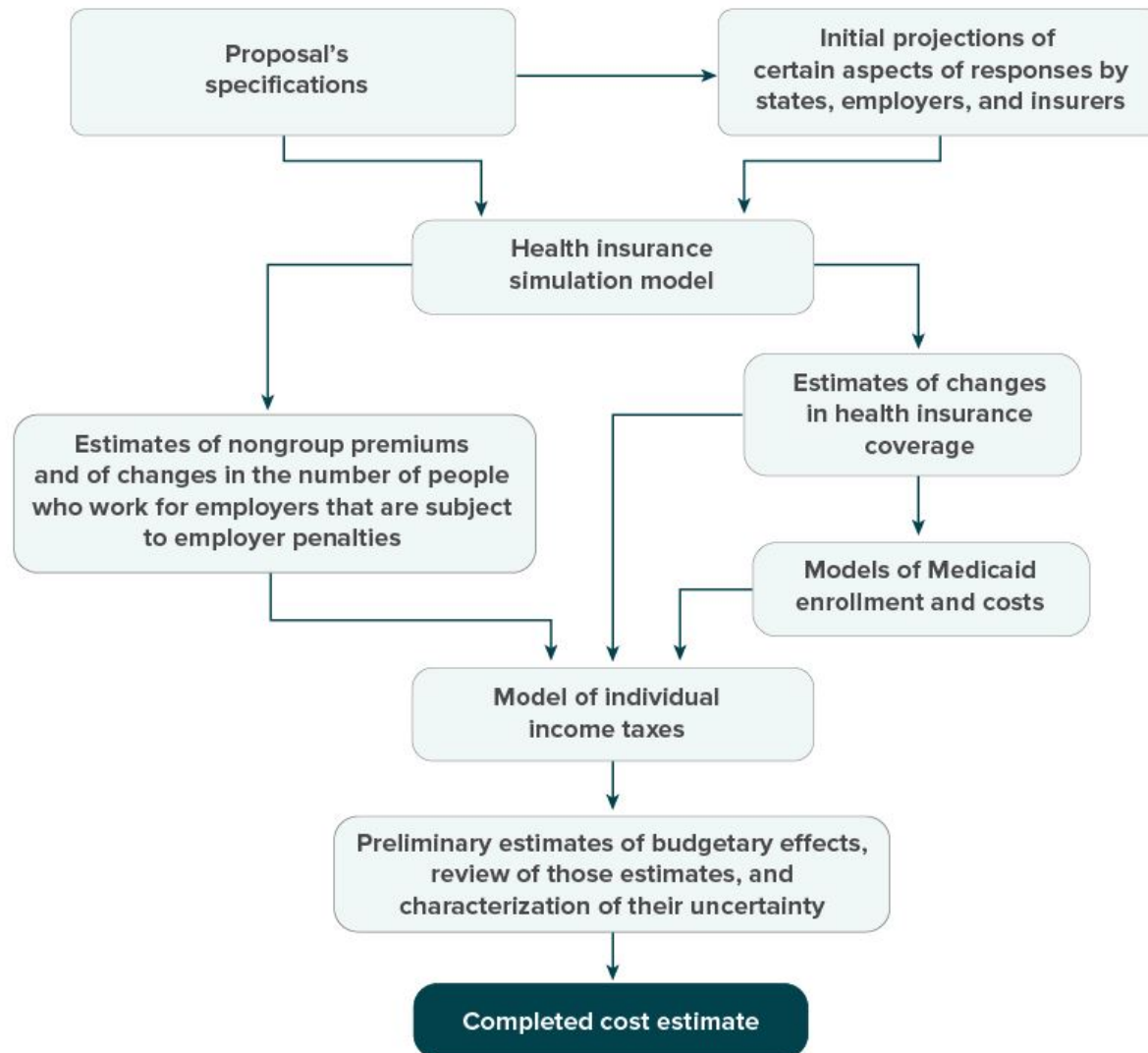
- Publishing descriptions of its processes,
- Explaining how its models work,
- Reporting on the accuracy of its projections,
- Ensuring the quality of its analyses, and
- Producing objective analysis.

# What Information Did CBO Recently Publish About Its Processes?

- [\*Ten Things to Know About CBO\*](#)
- [\*The Congressional Budget Office's Work in 2017 and Plans for the Future\*](#)
- [\*The Congressional Budget Office's Baseline Projections and Cost Estimates: Process and Principles\*](#)
- [\*Seven Things to Know About CBO's Analyses\*](#)
- [\*How CBO Prepares Baseline Budget Projections\*](#)
- [\*How CBO Prepares Cost Estimates\*](#)
- [\*How CBO Produces Its 10-Year Economic Forecast\*](#)
- [\*How CBO and JCT Analyze Major Proposals That Would Affect Health Insurance Coverage\*](#)



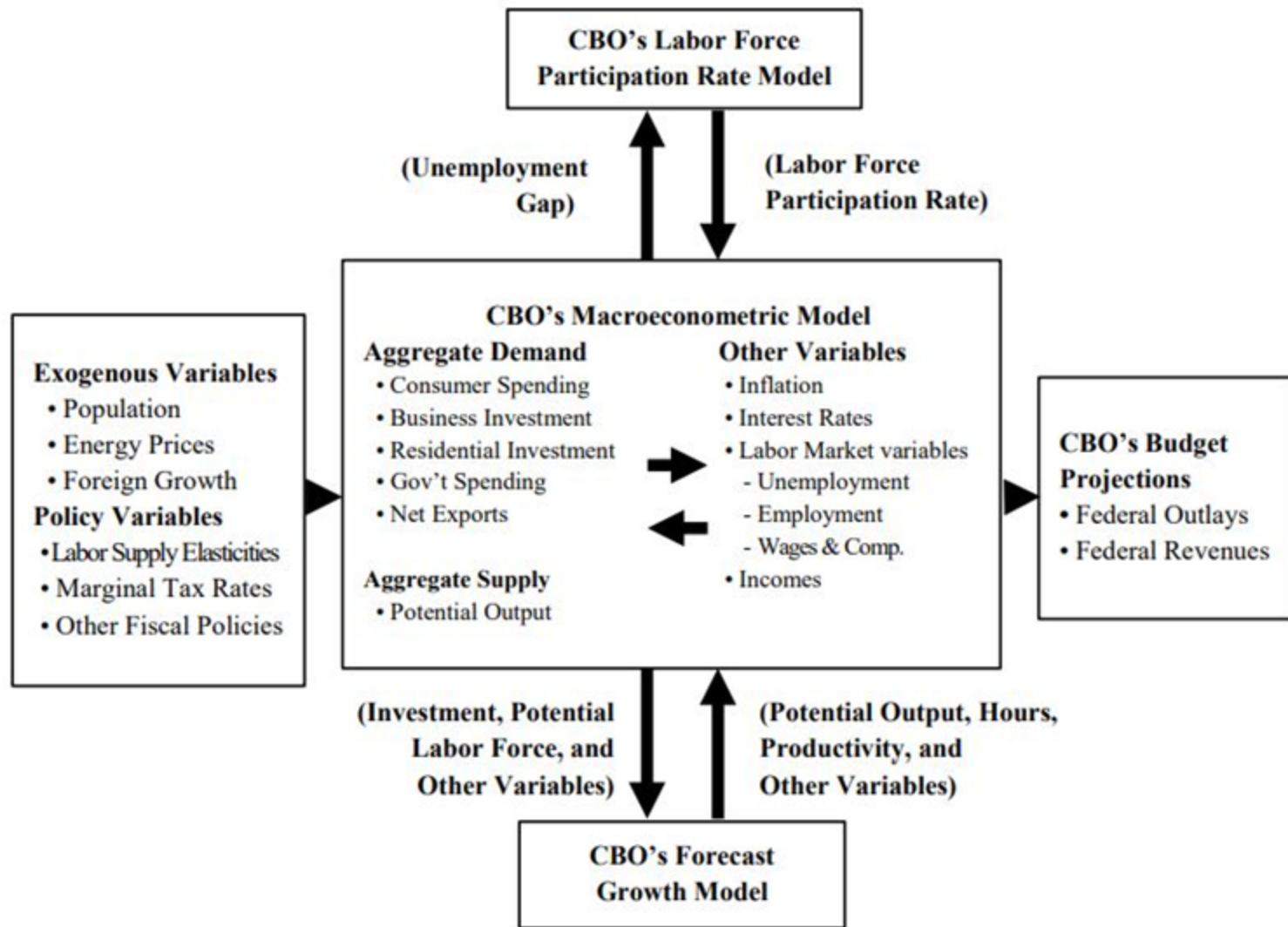
# Illustration: The Process of Estimating the Cost of Proposals Affecting Health Insurance Coverage



# What Are Examples of CBO's Publications About Its Models?

- Reports and working papers:
  - [\*An Overview of CBOLT: The Congressional Budget Office Long-Term Model\*](#)
  - [\*How CBO Estimates the Cost of New Ships\*](#)
  - [\*Estimating and Projecting Potential Output Using CBO's Forecasting Growth Model\*](#)
  - [\*CBO's Projection of Labor Force Participation Rates\*](#)
  
- Slide decks:
  - [\*"An Overview of CBO's Microsimulation Tax Model"\*](#)
  - [\*"The Health Insurance Simulation Model Used in Preparing CBO's 2018 Baseline"\*](#)
  - [\*"Updating CBO's Health Insurance Simulation Model \(HISIM\)"\*](#)
  - [\*"Modeling the Subsidy Rate for Federal Single-Family Mortgage Insurance Programs"\*](#)

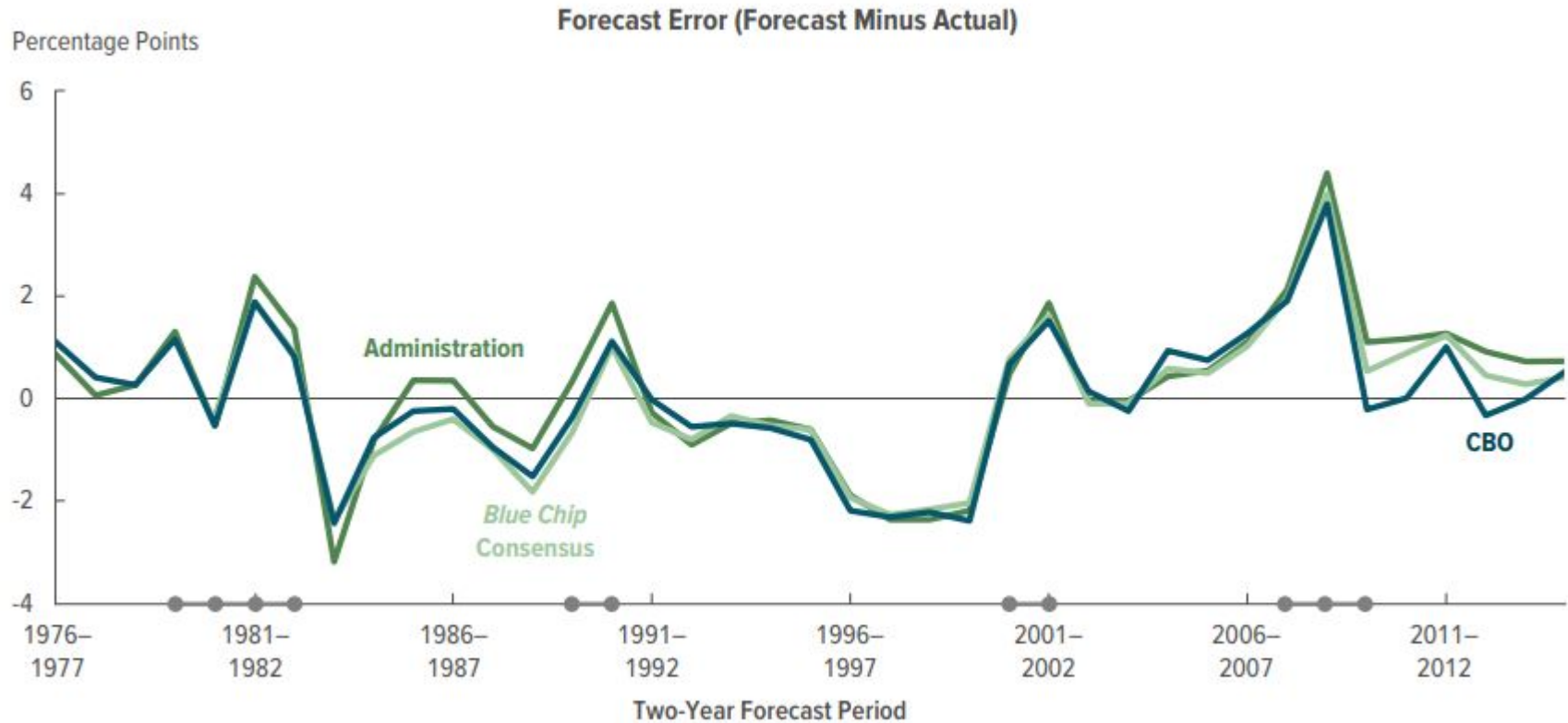
# Illustration: CBO's Forecasting Models



# What Has CBO Published About the Accuracy of Its Projections?

- [\*CBO's Economic Forecasting Record\*](#)
- [\*CBO's Revenue Forecasting Record\*](#)
- [\*An Evaluation of CBO's Past Outlay Projections\*](#)
- [\*CBO's Record of Projecting Subsidies for Health Insurance Under the Affordable Care Act: 2014 to 2016\*](#)
- [\*The Accuracy of CBO's Outlay Estimates for Fiscal Year 2017\*](#)

# Illustration: The Accuracy of CBO's Projections of Growth in Inflation-Adjusted Output



Congressional Budget Office, *CBO's Economic Forecasting Record: 2017 Update* (October 2017), Figure 7, [www.cbo.gov/publication/53090](http://www.cbo.gov/publication/53090).

The dots indicate that the two-year forecast period overlapped a recession by six months or more.

# How Does CBO Ensure the Quality of Its Work?

- All of CBO's cost estimates and reports are reviewed internally for objectivity, analytical soundness, and clarity—a process involving many people at various levels in the agency.
- Analysts consult with outside experts to hear diverse perspectives on an issue.
- CBO continually revisits its past work to learn from the differences between its projections and actual outcomes.
- CBO compares its analysis with others' work and incorporates outside feedback into its projects.

# How Does CBO Produce Objective Analysis?

- Does not make policy recommendations.
- Hires on the basis of expertise, without regard to political affiliation.
- Has strict rules about conflicts of interest (or the perception of such conflicts).
- Holds regular meetings with panels of outside experts who review its work.
- Routinely consults other outside experts.

# CBO's Current and Future Work



# What Has CBO Done Since the Hearings Took Place?

It has continued to balance requests for new analysis and other responsibilities with requests for more explanation of its finished analysis.

Throughout that process, CBO has worked to improve its:

- Responsiveness and
- Transparency.

Pursuing both objectives involves trade-offs because each requires resources.

# What Is CBO Doing to Improve Its Responsiveness?

CBO's endeavors to improve its responsiveness include the following:

- Hiring more assistant analysts, who can move from one topic to another and support more senior analysts when demand surges for analysis of a particular topic;
- Hiring analysts with deeper expertise in certain topics, so that the agency will be better positioned to analyze new proposals in those areas; and
- Expanding its use of team approaches, in which work on large and complicated proposals is shared.

# What Is CBO Doing to Enhance Its Transparency?

In the coming months, CBO's efforts to bolster transparency will include the following:

- Exploring ways to make more supporting documentation of the methods used in baseline projections and cost estimates publicly available;
- Publishing detailed information about key aspects of CBO's updated model for simulating health insurance coverage—including computer code—and about how analysts use the model in preparing estimates;
- Developing a version of CBO's model for projecting spending on discretionary programs that will allow for the replication of roughly 40 percent of the agency's formal cost estimates; and
- Posting on the agency's website a tool for examining the costs of different military force structures.