

In Our Estimation: Episode 3 – Transparency

TRANSCRIPT

Deborah Kilroe: Hello and welcome to *In Our Estimation*, a podcast from the Congressional Budget Office. This podcast looks at the inner workings of CBO and its role in the legislative budget process. I'm your host, Deborah Kilroe, and our topic of conversation today focuses on transparency at CBO.

DK: Joining me for this episode is CBO's deputy director, Mark Hadley.

Mark Hadley: Hi, Deborah! It's great to be here!

DK: It's great to have you here, Mark. In this episode, we'll also hear from CBO's director, Keith Hall. CBO has since its inception used many approaches to be transparent and CBO is now taking steps to do even more.

MH: Yeah, that's right. Right from the start, CBO has focused on making its analysis and data available to the Congress and congressional staff. And that's making sure that cost estimates are available immediately to all Members. It also includes regularly explaining our analyses to Members and staff. You know, one of the core values is that we don't want to surprise people. Right? We're trying to help inform the debate and that means providing a level playing field so that all Members and staff have the information all at the same time.

DK: CBO and its operations were the focus of a series of oversight hearings the House Budget Committee held earlier this year. Here's what our director, Keith Hall, recently had to say about what he learned at those hearings:

Keith Hall: Many Members of Congress talked about how they value CBO's role in producing independent analyses of budgetary and economic issues to support the Congressional budget process. Among other things, they would like to know more about how we do that work. We are providing that information in lots of ways: through the testimony at those hearings, in what we publish, in our presentations to large groups, in phone calls and one-on-one meetings, and so on. This pilot podcast is another way for us to communicate about that.

DK: So CBO has definitely made enhancing transparency a priority. As you know, Mark, our director recently testified before the Senate Budget Committee about progress in this area. Help us understand, Mark, what has this meant in practice and what's CBO now doing differently.

MH: Well, so the first thing we did really is went and talked to Members and staff. And as we listened to them, we realized that they have different goals in minds for transparency. And they relate to each other, they're all complements of each other – they're not really in conflict. One

goal is to enhance the credibility of agency's analysis and processes by showing the connections to data, and professional research, and the feedback we get from experts. A second goal is to promote through understanding of the analyses through accessible, clear, detailed communication. They just really want to understand, you know, what is it that we've said and why. And then the third is to help people gauge how estimates might change if the policies or the circumstances are different than we had estimated. And that all led us to think about the kinds of projects we might pursue.

DK: That sounds like an important first step to make so that these enhancements would be meaningful for Members and their staffs. What are some of the specific products, Mark, that CBO has developed that have been directly responsive to what you learned?

MH: One thing we did was a series of explainers about how CBO prepares its different estimates, particularly the economic forecast, the budget baseline, cost estimates, and in particular, health estimates. And also more reports about the accuracy of our work and information about CBO's models.

DK: So Mark, talk to me about the trade-offs involved in focusing more on transparency at the same time CBO's trying to meet the day-to-day demands of the Congress.

MH: Well, we've thought carefully about our capabilities given current resources. And there's this three-way trade-off. One is you want to have the highest possible quality of the estimates. And there's a certain amount of due diligence that has to be done for any estimate. We also want estimates when the Congress needs them—so there's a sense of responsiveness. And then we want to provide transparency meaning that people can understand more detail about those estimates. Those three goals—quality, responsiveness, and transparency—are sometimes in tension with each other. Usually, because of the time constraints we're operating under. And, you know, quality isn't negotiable. There's a certain amount of due diligence that we have to be done or we're just not finished. And so then it's really a choice between how quickly can we produce the estimates and how much can we say at any given time about those estimates. So transparency and responsiveness can be in tension with each other. And we've moved resources around within CBO to try to further those efforts. And so that's what we did in 2018, and for 2019, our request includes the start of a three-year planned ramp-up of staff so that by the end of 2021, we'd have 20 additional staff.

DK: So, looking ahead, we recently learned that the Congress has fully funded CBO's fiscal year 2019 budget request. So I'm curious what that means in terms of what more CBO will accomplish with these additional resources?

MH: Additional resources will let us explain in more detail the complex processes we have for cost estimates and baseline projections. And it'll let us respond more quickly to requests for information when there is a surge in demand in a particular area. The complexity of CBO's analysis and the different analytical tools that we use make documentation time-consuming and resource-intensive. But we think the investment is worth it.

DK: Mark, it'd be great to hear more about some of the pilot projects that CBO has in the works to increase transparency. Could you talk to us about some of the details about those?

MH: Yeah, so a couple of examples recently where we've released computer code have to do with some working papers. So the first was a report on how CBO adjusts for the survey and reporting of transfer income for its distributional analysis, and you can use that to replicate our imputations for three of the largest means-tested transfer programs. Another one involved our estimates of potential output. And so that can again replicate our estimates for maximum sustainable output from 1949 to 2016.

For more general audiences, we've also put up different interactive tools. So there are three that I'm very excited about. One is a tool that allows the user to project discretionary spending depending on different levels of budget authority and type of program—how quickly that money would outlay. So how quickly budget authorities converted into outlays for discretionary programs. Another allows the user to see how changes in economic projections would affect the budget. So if you change—if an economic variable were different than we have projected, how you'd expect that to have feedback in our estimates of spending and revenues. And then, most recently, one that examines the costs of different military force structures.

DK: Yeah, and this is a good time to mention that we now have a new section of our website devoted to the interactives to make it easier for people to find. But let me get into the next question, which is: does the steps that you're talking about, Mark, will that help address the challenges CBO sometimes faces in trying to explain its often complex analysis and estimates under tight timelines?

MH: We hope so! Some of the issues and legislation we analyze are very complicated, so explaining them effectively can be difficult. And it's a particular challenge when analyzing a major piece of legislation with many moving pieces. The fast pace of the legislative process sometimes gives us barely any time to produce the numbers or a detailed explanation or how we got them. So it's a source of frustration for us because we face a constant trade-off between addressing Congress's needs for additional estimates as the legislation moves through the process versus spending time documenting completed estimates.

DK: I want to turn now to another type of transparency: the process involved to produce CBO's reports and estimates. Here's what our director recently had to say about how CBO ensures its reports and estimates are objective and impartial:

KH: All of CBO's estimates and reports are reviewed internally for objectivity, analytical soundness, and clarity. That rigorous process involves multiple people at different levels in the organization—including professional editors for many projects. The director has to sign off on every official estimate or report. CBO's analytic reports are generally reviewed by outside experts before publication, and complex cost estimates, too, often draw on consultation with such experts.

MH: That's true. We do learn from many outside experts: business leaders, think tanks, folks in academia, state and local governments, other federal agencies, and we have two panels of economic advisers and health advisers.

DK: How does CBO select those advisers for its panels?

MH: Well, each panel member is selected by the director, and collectively they represent a variety of perspectives. They let the agency gather information and insights from experts with diverse views. And it's important that they represent a very broad range of views on a variety of different topics. And so if you think about it, in economics, we want to have diverse views on international economics, and on labor economics, and in each of the sub-fields that we're particularly concerned about.

DK: And how do you know what might be influencing what those advisers are saying to CBO?

MH: Well, we're generally aware of any potential conflicts of interest. We take them into account in considering who it is we invite to be on the panels and then we also consider them when we weigh what it is they have to say. Panelists' affiliations are on CBO's website and all panelists must disclose to us any substantial political activity in which they may be involved. All panelists disclose any significant financial interests they have. And the disclosure reports are available to the public in CBO's offices, upon request. The panels are helpful, but ultimately, CBO is responsible for accuracy and objectivity of its work.

DK: What I also want to ask you about is uncertainty. So CBO regularly discusses the uncertainty involved in its projections and estimates. Here's Keith explaining why that's important:

KH: The economic environment is constantly evolving. Government programs have participation rates and costs per person that change over time in ways that are not always easy to predict. Many variables come into play when considering how proposed legislation would impact the economy or the budget, or how people and businesses alike would respond to the legislative changes. So all of our estimates are uncertain. We try to produce results that are in the middle of the distribution of potential outcomes, knowing that the actual results could vary in either direction from what we project.

MH: Yeah, that's right. And we also try to identify what elements of our analyses are particularly uncertain. So we publish analyses of how sensitive our estimates are to key parameters, and we report on the accuracy of our projections. For example, looking back at our projections of the economy, or spending, revenues, and health insurance subsidies. To give another example, many of CBO's analyses of economic effects of changes in tax and spending policies present a range of estimated effects and the agency's long-term budget projections show the effects of alternative outcomes for key demographic and economic variables.

DK: One of the things I often hear and read about in the news is the accuracy of CBO. Let's listen to a clip of Keith talk about that:

KH: CBO regularly reports on the accuracy of its projections. All of those reports, by the way, are available on CBO's website. For example, we recently published studies examining CBO's performance over the last thirty years on the accuracy of our projections of both federal outlays and then of federal revenues.

We also publish comparisons of how our economic projections compare with those of other forecasters. Those comparisons show that the accuracy of CBO's projections has been very similar to that of the *Blue Chip* consensus, which is an average of private-sector forecasters, and the Administration. Any large error in CBO's economic forecasts tends to reflect the challenges faced by all forecasters.

MH: Judging the accuracy of CBO's cost estimates for legislation – looking at what's ultimately enacted – and seeing how accurate we were is often very difficult. And the reason for that is, there's actually a few of them, but the first is that the actual costs or savings resulting from enacted legislation are often a small part of a larger account or revenue stream. So it's hard to discern how much of that was really attributable to the legislation. And then more generally, this issue that it's sometimes that you cannot separately identify what was the effect of the legislation because it's buried within many other accounts.

But, where there is an entirely new category of spending or revenues, we can publish—and we do publish—reports about our accuracy. So, for example, we produced a report on the initial estimates of our prescription drug spending [in Medicare] Part D—they were too high. We also produced an estimate, or an evaluation of our estimates, of spending in Medicaid for people made newly eligible under the ACA—they were too low. And we're also working on some involving the Supplemental Nutrition Assistance Program.

DK: I know that, in general, CBO's work is intensively scrutinized internally as well as being reviewed extensively. And outside experts are consulted in order to improve CBO's estimating methodology.

MH: Yeah, I mean, even when we don't publish a report about our accuracy on a given topic, we're always looking at the latest research and literature that's available—as well as the latest data. So we look at research and literature as we update our models and our methodology, and I guess to reiterate Keith's prior point: all of CBO's estimates and reports are reviewed for objectivity, analytical soundness, and clarity.

DK: I know how important clarity is for both you and Keith when presenting CBO's work. CBO's founding director, Alice Rivlin, had this to say in 1975. She said:

I feel strongly that our reports should be lucidly written and comprehensible to noneconomists. We should break with the ponderous prose of most official economic writing and aim at giving Members of Congress themselves something they can actually read and understand.

I asked Keith if those words still hold true today. Here's what he had to say:

KH: Absolutely! We understand how important our work is to the Members of Congress and how vital it is that our work be transparent and easy to understand. We devote a lot of effort to that, and we're always looking for how to communicate our work better—whether that's at a hearing or in follow-up questions submitted for the record, or anytime we connect with them in-person, over the phone, or through email.

MH: Effective communication is essential. We are trying lots of new ways to communicate with our congressional clients. For example, we partner the Congressional Research Service and have had a number of presentations where staff can come and learn about a topic and then ask questions of us directly. And then, even more directly, the House Budget Committee recently hosted an open house so that staff could come and put faces with names and help develop that direct, face-to-face communication with CBO analysts and managers. And then, you know, another example is this podcast series.

DK: That's right, Mark. So CBO's mission is to serve the Congress, and by law, our primary responsibility is to provide information to committees of the Congress. Much of it's communicated directly to Members and their staffs. However, as we know, CBO's analysis is also conveyed via the press, academics, and researchers and think tanks, among others. So, as you know, we work hard to ensure our work is portrayed accurately and is accessible as possible on our website and social media platforms.

MH: We strive to make our work accessible to anyone who wants it. Reports and formal cost estimates posted on our website. We use Twitter, RSS, and email to let people know when something new is posted. And we're making website improvements to be more mobile-friendly, interactive, and make the website easier to navigate. And our communications team, as you know, fields questions from the press and the general public every day.

DK: This makes me think about something you said earlier, Mark, about a "level playing field." And I wondered if you could talk a little bit more about what that means for CBO?

MH: Sure, I mean, it all grows out of this idea that CBO works for the Congress. Right? So we want to provide information to the Congress and inform their entire discussions. It's not available to just to some Members, or particular Members of a party, or of a particular committee. That all participants in the legislative process have access to the same information at the same time. But there is a tension because we also have to respect the confidentiality of the Members and the committees as they are crafting legislation. And so, where the dividing line is is once there is a public legislative proposal, then all of our analyses of that proposal are made public.

DK: As we sum things up, I asked Keith if the agency has evolved in its approach to be transparent as the needs of the Congress change:

KH: Although CBO has remained true to its original mission, we work with the Congress in ways probably not envisioned when the agency was first created. For example, as legislation has grown more complex, we have found ourselves spending more time providing preliminary analyses and technical assistance during the drafting stage. And we're being asked more often to prepare cost estimates for bills that are heading for votes without being marked up by committees first.

MH: Right, and to accommodate the Congress's needs and agenda, CBO is shifting its staff and developing new analytical tools. In addition, we've added more resources to improving our capability to study how legislative proposals would affect the budget and the economy. And this is responding to the Congress' interests in dynamic analysis.

DK: It's great to hear about all of initiatives underway at CBO to make the agency's work more transparent. Thanks so much for joining us today, Mark!

MH: It was my pleasure – thank you for having me!

DK: For more information about what we have talked about in this podcast, about transparency and our interactive work, and of course this podcast series, please visit our website at cbo.gov.

If you would like to leave us feedback about this episode or have suggestions for future podcast topics, please email us at communications@cbo.gov.

Again, I'd like to thank you, Mark, and of course Keith for joining the conversation today. This has been another episode of *In Our Estimation*, a podcast from the Congressional Budget Office. Thanks for listening.
