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Testimony of Maya MacGuineas Committee for a Responsible Federal Budget Hearing before the House Budget Committee:

CBO Oversight: Perspectives from Outside Experts

March 14, 2018

Chairman Womack, Ranking Member Yarmuth, and Members of the Committee, thank you so much for inviting me here today to discuss the work of the Congressional Budget Office (CBO). CBO is an essential resource for lawmakers and the public.

I am Maya MacGuineas, president of the Committee for a Responsible Federal Budget. The Committee for a Responsible Federal Budget is a nonpartisan organization dedicated to educating the public about and working with policymakers on fiscal policy issues. Our co-chairs are Purdue University President and former OMB Director Mitch Daniels, former Secretary of Defense and former OMB Director Leon Panetta, and former Congressman Tim Penny. Our board includes past directors and chairs of the Office of Management and Budget, the Congressional Budget Office, the Federal Reserve System, the Treasury Department, and the Budget Committees. Our partner organization, Fix the Debt, is a nonpartisan coalition that supports a "grand bargain" to help deal with the debt. The group is chaired by Senator Judd Gregg and Governor Ed Rendell.

Congress needs an independent referee, and CBO has done an admirable job

Congress created CBO in the 1974 Congressional Budget Act as a part of reforms to reassert authority over spending and revenues, decreasing Congress' reliance on the President's Office of Management and Budget (OMB). Since its creation, CBO has produced a tremendous amount of work. It has published nearly 4,000 reports since its inception and over 12,000 cost estimates in just the last 20 years, which are all available on its website, and that doesn't even begin to reflect the massive amount of work that goes on behind the scenes.

The institution's strength emanates from its important mission of having an independent referee producing impartial numbers, and the excellent work product that comes from its strong leaders, talented staff, and outside advisers. In fact, CBO has become a model that is admired and emulated around the world for the production of useful and non-politicized budgetary and economic numbers.



Having an independent referee producing impartial numbers is invaluable. It allows us to know the costs of policies, adjust them accordingly, and figure out the appropriate pay-fors. The fact that CBO takes no position on policy helps it provide the quantitative analysis that lawmakers can use as they see fit.

CBO's success is internationally recognized and has prompted other countries to replicate its functions. For example, a 2015 Organisation for Economic Co-operation and Development (OECD) [article](#) on independent fiscal institutions explicitly notes that Canada, Mexico, and South Korea modeled their budget offices on CBO. Likewise, CBO has served as a model for states to adopt similar agencies.

In an ideal world, here is how we would make policy: our leaders would set national objectives, determine which should be done by the public sector at the federal level, honestly debate the various policy options along with their trade-offs, have the costs scored independently, and figure out how to pay for them responsibly and without gimmicks.

When one looks at how the policymaking process is working in practice, the role of CBO in scoring options and pay-fors is not where I would point to as the breakdown in the process.

Fiscal estimates are critically important given the country's unsustainable fiscal situation. CBO's budget and economic numbers fuel the budget process, which is especially important when, like today, we are on an unsustainable fiscal path with deficits projected to rise indefinitely into the future. Our national debt held by the public was already at a post-World War record of 76 percent of Gross Domestic Product (GDP) at the end of 2017. Our organization's projections show that under current law, trillion-dollar deficits will return permanently by next year and debt will exceed the size of the economy within a decade. Under potentially more realistic policy assumptions, the country will be facing a \$2.4 trillion deficit and debt of 113 percent of GDP by 2028. These projections show a fiscal situation that is clearly unsustainable. We will need CBO's sound estimates and its options to reduce the deficit in the coming years.

There are ways to improve CBO without undermining its key functions

All of this being said, CBO has not gotten everything perfectly accurately – and it should not have been expected to. Budget forecasts are just as uncertain as weather forecasts. As my friend, colleague, and CBO's second director Rudy Penner [wrote](#):

...a forecast does not have to be perfectly accurate to be useful. If a weather forecaster predicts three inches of rain and only two inches fall, it can be said that it was a terrible forecast in that it was off by one third. Nevertheless, it was useful to know that a lot of rain was coming.

Of course, CBO's analyses are not perfect or even close to it, but it acts honestly and impartially, navigating controversial issues. This is particularly difficult and important when confronting new issues, as the agency has been doing in the health care debate.



Certainly there are ways CBO could and should be improved. One of the main criticisms in recent years has been a lack of transparency, including for CBO's economic and health care modeling, and that the data and models behind CBO's estimates are not publicly available. Other criticisms include questioning the accuracy of its estimates and how CBO prioritizes its work.

First, more transparency is certainly desirable, and Director Hall has already made steps to address this.

Over the last few months, CBO has published the following:

- A [report](#) on the procedure for preparing cost estimates.
- A [report](#) on the procedure for preparing the budget baseline.
- A [working paper](#) on producing the ten-year economic forecast.
- A [report](#) analyzing labor force participation trends.
- A [working paper](#) on projecting potential economic output.

These reports all provide insight into the inner workings of CBO, and they increase transparency. In a recent hearing before this committee, Director Hall committed to work towards making some of CBO's computer models available for public use.

Other areas might involve more significant trade-offs. For example, CBO has access to sensitive government and private data that non-governmental agencies do not have access to; making this data available might not be a good idea for privacy and security concerns. Another trade-off to consider is that resources used to add transparency means less resources available for further analysis. Lawmakers will have to decide what they want from CBO, prioritize it, and ensure it is funded appropriately to meet those needs.

There are additional measures that could be useful. CBO could:

- Do more briefings for Members and staff about their methodologies for things like scoring and baselines, which could be highly informative.
- Do more to evaluate itself (though it already does a lot). Director Hall recently proposed publishing an "analysis of actuals" to identify how accurate forecasts were by budget function and program.
- Provide more analysis for Members who are not in leadership or on the right committees but have ideas and want to develop legislation. But there would need to be more funding for CBO to do this. (And I would be remiss if I didn't point out that added funding would need to be offset.)

At the Committee for a Responsible Federal Budget, we rely heavily on the work of CBO. Many outside organizations, including ours have been developing models to score a variety of proposals. For instance, during the 2016 election we published [Promises and Price Tags](#), a cost estimate of the campaign proposals of the presidential candidates. Campaign proposals are understandably brief and missing key details that would prevent CBO from doing a score, nor should CBO focus on scoring proposals that haven't been made in Congress. Yet these estimates



provide the public with information about how much campaign promises cost. Nearly all our estimates were based off past CBO scores. So outside organization benefit in so many ways from CBO, but let me be clear, they should never play a role in providing the impartial numbers that are used by Congress as CBO does.

To conclude, of course CBO can be improved – every institution can be. But in the scheme of budget issues at the moment, CBO seems to be performing at the top. So by all means, let's look for potential improvements and assess the trade-offs, but let's make sure to maintain its critical function as an impartial arbiter and not let this distract us from the larger fiscal issues at hand.

I thank the committee for holding this hearing today and would be delighted to work with you on these issues.