United States

Congressional Budget Office (CBO)


Enabling legislation: Congressional Budget and Impoundment Act, 1974.

Mandate: To provide Congress with nonpartisan and objective budget analysis.

Budget: USD 46.8 million (2011).

Staff: 246 full-time equivalents (2011).
1. Context

The establishment of the Congressional Budget Office (CBO) in 1974 was part of a package of measures adopted by the congress to reassert its budgetary powers. This followed stand-offs between the legislature and the executive, particularly over the fact that the President was impounding spending that the congress had approved in annual appropriations acts. The CBO's creation also ended the executive's monopoly as the sole provider to the congress of budget information, forecasts and analysis. Partly as a result of the budget reforms in 1974, the congress's budgetary powers are the broadest of any legislature in the world (Wehner, 2010).

Prior to 1974, successive Presidents had restricted outlays to below the appropriations approved by the congress – a procedure known as “impoundment”. Tensions between the legislature and the executive came to a head in 1973 when President Nixon refused to disburse nearly USD 12 billion of congressionally appropriated funds and challenged the congress to enact spending ceilings. The President wanted substantial authority to cut spending – a de facto line-item veto of appropriation acts. The congress opposed the President's proposal and instead sought to reform its budgetary role. Part of the congress's opposition was political: President Nixon (elected in 1972) was a Republican, whereas in the 93rd congress (1973-74), the Democratic Party held the majority in both houses.

A Joint Study Committee on Budget Control was created in the congress, composed of 32 members of the House of Representatives and the Senate. The committee's key mandate was to “propose procedures for improving congressional control over budgetary outlays and receipt totals”. Fragmentation in the congressional budget was also a problem that needed to be addressed. The committee prepared two reports in 1973 whose recommendations included:

- Establishing a budget committee in each house, with responsibility for considering a congressional budget resolution that provides ceilings on total discretionary spending (previously no single congressional committee was responsible for total federal spending).
- A joint staff for the new budget committees, which would be headed by a legislative budget director whose “staff would be highly trained, professional and non-partisan”. California's Legislative Analyst's Office (established in 1941) was taken as a model for this recommendation.

Various congressional committees studied the proposals. The narrow scope of the legislature's budget staff – serving only the proposed new budget committees – was incorporated in the House of Representatives version of the budget reform bill. In contrast, the Senate version recommended the creation of an independent Congressional Office of the Budget “with a highly competent staff to guide it in fiscal policy and budgetary considerations, similar in expertise to the President's Office of Management and Budget (OMB)”. The Senate believed that a separate new agency was needed to serve the entire congress and not only the newly created budget committees. The Senate version of the bill
predominated when the compromise new legislation was signed into law by President Nixon in 12 July 1974 after receiving strong cross-party support. At the later stages of the congressional debate, it was not so much a question of whether a CBO should be created, but what should be its size and scope.

Once established, the CBO faced the immediate challenge of establishing itself as a credible and non-partisan organisation serving a highly partisan congress. In 1975, the Republican Party was suspicious of the CBO since it was perceived to have been created by a congress controlled by the Democratic Party. The move in late 1975 to a separate building about one kilometre from the congressional buildings was one early step in reinforcing the CBO’s independent status.

Early decisions by the CBO’s first Director, Alice Rivlin, helped establish the CBO’s non-partisan character (as opposed to being bipartisan). Also, the fact that she was the Director for two consecutive four-year terms provided early stability in CBO leadership during the critical set-up period. In an environment in which the two main political parties were accustomed to using congressional support services (notably committee staff) for partisan ends, it was particularly important for the first CBO Director to clarify that the CBO would not be taking sides. The CBO’s founding legislation provided considerable discretion for the CBO to establish its own agenda on matters not spelled out in the law. The following aspects (based on Joyce, 2011a) illustrate some important early choices:

- Not giving policy recommendations: The 1974 law did not prevent this. The choice not to give policy recommendations was made by Alice Rivlin, who drew a distinction between policy recommendations, which the CBO would “assiduously refrain from”, and technical recommendations, which would be acceptable if asked for (e.g. for proposals regarding budget procedure or budget presentation).

- Initiating studies under its own authority: The CBO law requires only one mandatory report. Early on, it was decided that the CBO would initiate studies and projects that it considered highly relevant for the congress, rather than passively waiting for requests for budget-related studies from congressional committees. It is not surprising the CBO was attacked by congressional committee leaders for taking this position. Alice Rivlin’s response was: “The report is our report, as stated in our statute.”

- Remaining neutral when there were attacks from both sides: the first CBO director was rather pleased by the fact that the CBO was attacked from both the right and the left (some observers perceived that the first CBO director held a “left of centre” position). Criticism from both sides of the political spectrum is an indicator that the CBO was indeed establishing itself as a non-partisan organisation.

- Serving the entire Congress (subject to the system of prioritisation of work for committees): The first CBO director was adamant that the office would not be a body serving just one house of the congress or being limited to act as a secretariat for the newly created Budget Committees, taking directions from the chairs of these committees (there was pressure for this).

- Not being an arbitrator: It would not intercede when there were disputes between the newly established Budget Committees and the traditionally powerful Appropriations Committees (and its subcommittees).

- Establishing relations with politicians from both sides of the political spectrum: This may have been a factor for a Republican senator – and Chair of the Senate Budget Committee – to support CBO’s position not to be an arbitrator.
Recruiting politically neutral staff: In 1975, the initial influx of staff was recruited on the basis of their qualifications to perform non-partisan analysis and not because influential members of the congress suggested the names of politically astute candidates (there was pressure from congressional members to put forward their preferred choices).

2. Relationship with the executive and the legislature

The CBO is completely independent from the executive branch. Nevertheless, the CBO has impacted the relationship between the executive and the congress, and more specifically the work of the OMB. Joyce (2011a) argues that one effect of the CBO was to “keep OMB honest”. For example, with the CBO essentially providing a check, there is little incentive for the OMB to prepare overly optimistic economic and fiscal projections. Today, the CBO and the OMB technical staff regularly exchange information, including the assumptions underlying their perspectives on the economic and budgetary outlooks.

The 1974 Act states that the CBO may use executive services: “The CBO Director is authorised, upon agreement with the head of any such department, agency, establishment, or regulatory agency or commission, to utilise its services, facilities, and personnel with or without reimbursement. The head of each such department is authorised to provide CBO such services, facilities, and personnel.” In practice, CBO maintains close contacts with non-political staff of all federal government agencies to ensure that CBO fully understands the technical aspects of revenue and spending policies being implemented by agencies under the executive.

The CBO’s tasks of analysing the President’s budget proposal and conducting analyses of policy alternatives are risky activities, since the media or politicians can construe CBO analysis as favouring one or some partisan policy alternatives over others. A turning point for the CBO’s credibility and independence was reached early on in 1977 when it published a controversial study on President Carter’s (Democrat) energy-savings policies (CBO estimates of energy savings were less optimistic than those of the administration). The study was released first at a news conference, with the congress being informed of it through the media. At the time, the Republican Party was delighted with the CBO study and, as noted earlier, their initially suspicious attitudes towards the CBO changed. In the early 1980s, the tables were turned when a CBO analysis was critical of the costs of policies of the Reagan (Republican) administration. In 1993, the CBO’s report on the costing of the Clinton (Democrat) administration’s healthcare reform proposals created a political storm, in part because the CBO analysis indicated that the proposals would add to the federal deficit over 1995-2000, whereas the administration estimated that the deficit would decline.8

The United States legislature plays a powerful role in federal budget processes (see Box 1). The 1974 Act requires the CBO to co-ordinate its operations with the other independent agencies under the congress. Accordingly, an interagency co-ordinating council has been set up. At quarterly meetings with the Government Accountability Office (GAO) (the investigative branch of the congress) and the Congressional Research Service (CRS), the three agencies seek to avoid duplication of effort. The CBO has a particularly close relationship with the GAO. The two agencies are in regular contact to ensure complementarity of support to the congress, especially regarding the work of costing new policies.
3. Legal basis for establishment

The CBO was established in the Congressional Budget and Impoundment Act 1974 (US Code, Title 2, Chapter 17). The key features of the Act are: the introduction of an annual budget resolution in the congress that fixes ceilings on the spending that is subject to Appropriation Acts; new impoundment control procedures; the creation of a budget committee for each house; and the creation of the CBO. This Act has been amended several times and additional legislation has since added to the CBO’s mandate.
4. Mandate

CBO’s fundamental mandate was established in the 1974 legislation, namely to provide the congress with objective, non-partisan, and timely analyses and information to aid in economic and budgetary decisions on the wide array of programmes covered by the federal budget. As discussed above, the law left considerable discretion to the CBO Director to decide how to fulfil this mandate.

Later laws expanded the CBO’s mandate. These include the Unfunded Mandates Reform Act 1995 (that amended the 1974 law), which requires the CBO to assess the costs (over ten fiscal years) of federal mandates and to prepare “mandate statements” for any draft legislation prepared by congressional committees. During the recent financial crisis, the CBO acquired additional specific mandates, notably new reporting requirements related to the Troubled Assets Relief Program and assessments of the employment impact of the American Recovery and Reinvestment Act 2009. The 1974 law obliges the CBO to prepare only one annual report. Specifically, the CBO Director must submit (before 1 April of each year) to the two congressional budget committees, for the fiscal year commencing on 1 October, a report that includes a discussion of national budget priorities and alternative ways of allocating budget spending among major programmes or functional categories. The law requires the report to include: alternative levels of total revenues, total new budget authority, and total outlays; and the levels of tax expenditures under existing law, taking into account projected economic factors and any changes proposed in the President’s draft budget. Using its own discretion, the CBO prepares many other reports.

Since the United States is a federal country, the scope of the CBO’s activities is limited to that of the federal government. Each of the 50 states has its own legislature, some of which have their own independent offices for budget analysis at state level. The CBO also does not analyse or project fiscal aggregates consolidated across all three levels of government (federal, state and local).

5. Functions

The CBO conducts both macro-budget analysis and costing of policy proposals. While budgetary analysis and projections are still fundamental CBO activities, with the new mandates that the CBO has acquired over the past two decades it now spends relatively more time on costing policy proposals compared to 20 or 30 years ago. More specific CBO functions are:

Projections and budget policy analysis

- Economic forecasts and baseline budget projections (report on the economic and budget outlook) cover the ten-year period used in the congressional budget process, thereby providing a basis to compare CBO projections with those shown in the OMB’s “Analytical Perspectives” (the volume that accompanies the President’s annual budget proposal). CBO describes the differences between the current projections and previous ones; compares their economic forecast with those of other forecasters; and shows the budgetary impact of some alternative policy assumptions. Forecast and budget projections are produced annually in January and updated in August. Baseline projections are updated in March.

- Long-term budget projections typically covering 25 years but which may extend as far as 75 years into the future. They incorporate long-term demographic trends and the long-term impact of rising healthcare costs. CBO also projects the economic impact of
alternative long-term budget policies. Long-term projections are produced annually, usually in June.

- Analysis of the President’s budget proposals (submitted to the congress in early February), with a preliminary analysis in March and a full analysis in April. CBO looks at likely direct effects that the President’s budgetary proposals will have on outlays and revenues, their economic implications, and any effects that those economic changes will have on the budget.
- Assisting the Budget Committees in developing the congressional budget resolution by providing alternative spending and revenue paths, and estimating the effects of various policy options.
- Helping Congress to make budgetary choices by periodically providing budget options for reducing budget deficits, but not policy recommendations, in the short and longer term. The CBO also produces reports focusing specifically on policy options for social security.
- Each January preparing a report listing all programmes and activities funded for the current fiscal year for which authorisations of appropriations have expired or will expire during the current fiscal year.
- Monthly budget reviews analyse federal spending and revenue totals for the previous month, the current month, and the fiscal year to date.

Cost estimates

- Providing estimates of the cost of all appropriation bills at each stage of the legislative process, including estimates for numerous amendments considered during that process.
- Providing formal written estimates (typically between 500 and 700 annually) of the cost of virtually every bill reported by congressional committees. CBO also provides preliminary informal estimates at earlier stages in the legislative process.
- Analysis of federal mandates – projected costs of proposed legislation for state and local governments or for the private sector (around 500 annually). CBO produces mandate statements with its cost estimates for each committee-approved bill and produces a report each spring listing all of its work analysing mandates in the previous year.
- Constructing statistical, behavioural, and computational models to project short-term and long-term costs and revenues of government programmes.

Testifying before congressional committees and providing information to committee staff

- Testifying to congressional committees on budget and economic issues, as well as on specific issues such as health care, climate change, national security, and financing infrastructure.
- Presenting CBO’s budget proposals for the upcoming fiscal year.
- Providing detailed explanations of components of cost estimates and the estimating methodology.

Other research and reports

Although most of CBO’s reports are written at the request of congressional authorities, it may also undertake research on its own initiative, even if potentially controversial. CBO’s research has covered topics such as health care, income security, education, tax policy,
energy, the environment, national security, financial issues, infrastructure, and others. In addition, CBO’s working papers provide technical descriptions of CBO analyses or present original, independent work by CBO analysts.

Since 2008, CBO is required to report on the Troubled Asset Relief Program (TARP) twice a year within 45 days of the OMB’s TARP report. The American Recovery and Reinvestment Act of 2009 requires CBO to provide a quarterly report assessing the programme’s performance.

Scorekeeping

This function predates CBO’s existence. Scorekeeping is tracking the cost of legislation against a budget constraint that is founded in law or in budget resolutions adopted by the budget committees. The CBO’s task is to inform the budget committees of how the cumulative cost of legislation – both appropriation acts and other laws – compares with the budget constraint. Although the budget committees usually report budget resolutions, in 2011 and 2012, the congress did not adopt a final budget resolution. The budget constraint for scorekeeping can also be based on the ceilings for discretionary spending that may be adopted in law, such as the Budget Enforcement Act that was in effect from 1990 to 2002. Since the adoption of the Statutory Pay As You Go (PAYGO) Act 2010 and the Budget Control Act (BCA) 2011, scorekeeping is primarily against the constraints of these laws. The OMB also plays a scorekeeping role, as it must implement spending cuts (“sequestering”) when the BCA rules are not respected. Finally, CBO is one of the three participants (along with the OMB and the Budget Committees) that update periodically the extensive rules for scorekeeping.

Monitoring fiscal rules

The CBO was not given the task of monitoring fiscal rules. No such rules existed at the time that the CBO was created. However, since 1974, Congress has adopted fiscal rules for specific time periods. The role of the CBO – and more generally, that of the legislative branch – was clarified in a Supreme Court case in 1987, following the adoption of the Balanced Budget and Emergency Deficit Control Act in 1985. This law included quantitative deficit targets for each year until 1990. To enforce the spending reductions to achieve the targets, the 1985 law assigned to the head of GAO – a legislative branch official – the task of ordering the “sequestering” of spending. The Supreme Court declared that this violated the constitutional separation of executive and legislative powers (Joyce, 2011). Since the court decision, the director of the OMB alone has the power to order sequestering. The OMB therefore is the key agency that monitors fiscal rules, including those adopted in 2010-11. The PAYGO Act 2010 requires all new legislation changing taxes, fees, or mandatory expenditures, taken together, to not increase projected deficits. The OMB is responsible for maintaining the scorecards needed to show that the law is being complied with. Nonetheless, the CBO provides PAYGO cost estimates to the Chairs of the Budget Committees and these are included in the congressional records. Also, the CBO analyses fiscal rules if they are part of new legislation. For example, the CBO analysis of the Budget Control Act 2011 indicates that USD 917 billion would be saved over 10 years (relative to the CBO’s March 2011 adjusted baseline projection). Such analysis is reviewed by the Joint Select Committee on Deficit Reduction set up under this Act. CBO also has discretion to warn the congress to make spending cuts to achieve the quantitative targets for discretionary spending.
6. Work programme

The CBO’s annual work programme is determined by its statutory mandates and by congressional requests. The balance of work between these two main aspects is split roughly evenly, although it varies considerably from year to year. The Budget Analysis and Macroeconomic Analysis Divisions of the CBO perform the statutory duties of forecasting budget aggregates and costing and analysing budget proposals. The four “programme” divisions of CBO, along with the Tax Analysis Division, respond primarily to congressional requests. The annual work programme is approved in the context of the annual CBO budget.

Any congressional committee or individual member can request the CBO to conduct studies of policies and institutions that have an impact on the budget. However, the CBO encourages members of the congress to respect the system of prioritisation laid down in the 1974 law, notably:

- First priority: assistance to the Budget Committees and Appropriations Committees of each house – the Ways and Means Committee (House) and Finance Committee (Senate). The CBO is required to provide budget-related information to these six committees, including that relating to: the budget, appropriation bills, other bills authorising new budget authority or tax expenditures; actual or forecast revenues; and other related information that the committee may request.

- Second priority: assistance to other committees and to individual members. The CBO is required to provide budget-related information and, to the extent practicable, such additional information as may be requested. The phrase “to the extent practicable” indicates that the six committees mentioned in the previous bullet take precedence over requests from all other congressional committees or from individual members of either house of the congress. CBO therefore encourages Members’ requests to be channelled through one of the six budget-related committees. If members persist in requesting CBO analysis of specific proposals, CBO would again encourage the member to contact the Chair or Ranking Members of the relevant committee to discuss the request, i.e. the request would be refused. However, such cases are rare.

7. Budget

The 1974 Act states that CBO is to be funded by an annual appropriation as may be necessary to enable it to carry out its duties and functions. In practice, the CBO’s funding is part of the budget of the legislative branch, which is approved by the congress as one of the 12 annual Appropriations Bills.

The steps involved in CBO budget approval are: the CBO Director submits a draft CBO budget to the Appropriations Committees of each house and testifies before the subcommittees concerned with the appropriations bill of the legislative branch; the subcommittees scrutinise the entire budget of the legislative branch and may modify allocations to its various components – the two houses of the congress and the various agencies supporting the congress (CBO, CRS, GAO, etc.); and the Appropriations Committees and the congress approve the Appropriations Bill. At the end of this process, the CBO’s final budget is often slightly lower than its initial request, but not by a large amount.

The CBO’s budget peaked at USD 46.8 million in FY2011 (CBO, 2012). Prior to 2011, the budget had been steadily increasing, largely because the congress had approved increases in staff, which account for 90% of the CBO’s outlays. With the adoption of the Budget
Control Act (BCA) in August 2011, multi-year ceilings have been placed on all discretionary spending and declines in inflation-adjusted spending are expected in all federal agencies in coming years. The legislature is expected to “lead by example” to restrain federal spending. For FY 2012, the CBO’s approved budget declined by 6% to USD 43.8 million. With a falling budget, CBO has been obliged to freeze hiring and not replace departing staff. Beyond FY 2012, under the spending ceilings in the BCA, the CBO’s budget (in real terms) may decline further.

8. Staffing

8.1. Leadership

The 1974 Act lays out clear provisions concerning the CBO Director and his/her deputy, together with their salaries: “The Director shall be appointed by the Speaker of the House of Representatives and the President pro tempore of the Senate after considering recommendations received from the Committees on the Budget of the House and the Senate, without regard to political affiliation and solely on the basis of his fitness to perform his duties. The Deputy Director shall be appointed by the Director.” At times, especially when one political party controls both houses of the congress (and hence the Speaker and President pro tempore positions), the Director may have been chosen in part because of his/her political affiliation.

Based especially on the precedents created by the first CBO director, successive CBO directors have transcended pressures emanating from their political affiliation. Chapters 2 and 8 of Joyce (2011a) document the political affiliation of every CBO Director from 1974 to 2011. Despite the apparent favouring of “politically affiliated” over “non-politically affiliated” directors on some occasions, all Directors have provided CBO analysis to the Budget Committees that has been critical of certain policies promoted by the party with which the Director was associated when appointed. In short, CBO has consistently provided independent and non-partisan budget analysis.

The term of office of the Director is four years, which can be renewed without limit. If an acting Director steps in to fill a vacancy prior to the expiration of a Director’s term, it is only for the unexpired portion of that term. The 1974 law provides that the Director may be removed by either house of the congress by resolution, although in practice this has never happened. In addition, the CBO has post-employment restrictions on very senior staff, notably that former senior CBO employees are prevented from lobbying CBO employees for one year after their departure.

The 1974 law, as amended, specifies that the “CBO Director shall receive compensation at a per annum gross rate equal to the lower of: the highest annual rate of compensation of any officer of the Senate; or the highest annual rate of compensation of any officer of the House of Representatives. The Deputy Director shall receive compensation at an annual rate of pay that is USD 1 000 less than the annual rate of pay received by the Director.” Thus, the Director’s salary is aligned to salaries elsewhere in the legislative branch. This salary is broadly on a par with comparable directors in executive branch agencies.

8.2. Staff

The 1974 Act specifies that “all CBO personnel shall be appointed without regard to political affiliation and solely on the basis of their fitness to perform their duties”. It also specifies that CBO staff are appointed by the CBO Director, who “fixes the compensation of
such personnel as may be necessary to carry out the duties and functions of CBO. For the purposes of pay and employment benefits, rights, and privileges, all personnel of CBO shall be treated as if they were employees of the House of Representatives. CBO staff are therefore not career civil servants. Nonetheless, CBO employees have access to federal pension schemes, health benefits and life insurance.

In early 1975, there was no shortage of applicants for positions at the newly created CBO. The prospect of working for the CBO was perceived to be attractive by many people. By the time Alice Rivlin first testified before Congress in 1975, the CBO had already hired or made commitments to 193 people. The senior staff that had been recruited – division heads or above – had considerable experience in either the administration (notably the OMB) or independent policy-oriented think tanks (e.g. Urban Institute, Brookings, RAND Corporation). CBO estimated that it needed 259 positions to fulfil its mandate. The House Appropriations Committee did not support the request for funding 259 staff. After intense congressional debate, this committee’s views prevailed and in FY 1976, funding was provided for 193 positions. Since then, the congress approved steady increases in staff positions, with the number of staff (FTE) rising from 208 in 1997 to an average of 230 during 2001-08. As from 2009, there was a need to analyse the budgetary impact of new healthcare reform proposals and the takeover by the federal government of government-sponsored enterprises providing housing finance. For these needs, the CBO requested new staff positions, with the objective of reaching 259 FTE in FY 2010. Although the request was not fully met by the congress (the number of staff averaged 250 in 2010), the CBO received additional financing in supplementary budget appropriations. This enabled staff size to peak at 254 in 2011. For the future, given the budget restraints in place, the number of CBO staff is likely to decline.

In February 1975, decisions had to be made concerning how the CBO would be organised internally to perform its two main functions: macro-budget analysis and costing of specific policies. At the time, there were two competing models. One option was to organise the CBO along functional lines: create divisions mainly by functional categories (defence, social security, health, etc.). The second was to organise CBO by its main outputs: macro-budget analysis and policy/programme analysis. The second model was chosen. CBO’s staff and organisation still reflects this choice.

Over its history, CBO staff have been recruited from a wide variety of sources, including: direct hires from graduate school programmes; former employees of the OMB and other federal government agencies; academia; think tanks; other congressional agencies (GAO and CRS); and congressional committee staff. CBO values employees who have had experience in the areas they analyse. It generally avoids hiring individuals who have recently held a partisan position in the congress or the executive branch. CBO has not had difficulties recruiting competent and well-qualified professional staff, even though statutory salary limitations make it impossible for it to match salaries offered by some private sector entities that compete for PhD economists in specialised areas of finance, health and macroeconomic analysis.

CBO analysts typically have graduate degrees in economics or public policy, and a significant number have PhDs. The average tenure of a CBO analyst is 8.5 years. This average does not include a significant number of employees – including the present CBO Director – who have left and later returned. Within the CBO, analysts do not often move between divisions.
Once recruited, CBO employees are subject to the ethics rules of the House of Representatives. In addition, the CBO imposes rules regarding employee conduct, to ensure that personal perspectives do not bias CBO’s work or undermine CBO’s reputation for impartiality. The principal areas of concern are: financial and non-financial interests, political activity, public speech, negotiating future employment and post-employment activities. CBO employees are prohibited from participating in partisan political activity if such participation would tend to identify or appear to identify CBO with a political campaign, candidate or cause. CBO employees are required to obtain approval before engaging in public speeches on issues being considered by the congress. Like other congressional employees, CBO employees must disclose if they are negotiating future employment. CBO employees must do so early in the process and often have to be recused from specific matters.

CBO employees have the freedom to terminate their employment at any time for any reason or for no reason. Reciprocally, the CBO may terminate an employee’s employment at any time, with or without cause or notice, for any or no reason other than reasons prohibited by law, i.e. CBO staff do not have any special employment protections.

Although CBO could use consultants, this rarely happens. It does have, however, a visiting scholars programme to strengthen links between CBO and public policy analysts. CBO’s focus is on collaborating with scholars who specialise in macroeconomics, health economics, financial economics and public economics. CBO also has a summer intern programme which enables students to contribute to the CBO’s work in programme areas such as budget and tax policy, and health care.

9. Access to information

The 1974 Act lays out clear provisions for CBO’s access to information from the executive. The CBO director is authorised to secure information, data, estimates and statistics directly from the various departments, agencies and establishments of the executive branch, regulatory agencies and commissions of the government. All such departments must furnish the director with available material that he/she determines to be necessary (other than material for which the disclosure would be a violation of laws, such as those pertaining to national security). In practice, it is rare for the executive branch not to provide any material that is requested.

10. Transparency

The CBO is a highly transparent organisation. From the outset of CBO operations, it was decided to publish the Budget and Economic Outlook twice a year. Today, CBO prepares several reports on a regular cycle, including the annual analysis of the President’s budget, CBO’s long-term budget projections, and options for reducing the deficit. All of its regular analytic reports, its forecasting methodologies, and its costings are published in printed and electronic form and available without charge. In fiscal year 2010, CBO issued 33 studies and reports, 12 briefs, 12 Monthly Budget Reviews, 35 letters, 14 presentations, two background papers and numerous supplemental data. In addition, in calendar year 2010, it completed approximately 650 federal cost estimates, and about 475 estimates of the impact of new legislation on state and local governments and the private sector, including the identification of unfunded mandates. Any member of the congress or the public can subscribe to receive e-mails notifying them when CBO issues a cost estimate or a new publication.
The 1974 Act requires the CBO to make available to the public all information, data, estimates and statistics obtained from the executive. Exceptions are specified in the law (e.g. information that is secret or confidential for specific reasons, such as national defence, the conduct of foreign relations, or unwarranted invasion of personal privacy). CBO does not publish “rough and ready” cost estimates provided to congressional committees before the committee has agreed on a new policy proposal or on a draft law. However, once a proposal is agreed to by a committee, CBO always provides and publishes a formal costing of the budget impact of the draft legislation.

The main means of communicating with the media is through release of reports, and CBO reports receive wide coverage. Compared to its early history, web-based outreach has made a dramatic difference to the accessibility and availability of CBO documents to the media and the public. In recent years, the CBO director initiated a blog which enhances further the visibility of CBO analysis. Over the years, the CBO has worked hard to develop good relationships with editors of well-respected newspapers, which has improved the media’s understanding of the content of CBO reports and minimised the scope for deliberate distortions of the conclusions of CBO reports or attacks on its CBO’s credibility. CBO employs a professionally-trained Communications Officer to deal with all media-related questions that journalists or the public may have on CBO reports. CBO monitors the coverage that it receives in the media, but does not keep formal records of all citings. The CBO Director could, if he or she chooses, make appearances in the media or organise news conferences. Although some CBO Directors have made more media appearances than others, in general CBO prefers to avoid the limelight and to “let the numbers speak for themselves”.

Finally, the CBO Director or senior CBO staff appear before congressional committees about 20 times a year.17 Selected appearances are recorded live and made publicly available on the CBO’s website.

11. Governance, advisory support, monitoring and evaluation

Under the 1974 Budget Act, the House and Senate Budget Committees are responsible for overseeing CBO’s operations. However, oversight hearings by the committees have been discontinued since the 1990s. Nowadays, the Director frequently meets with the Chairs and Ranking Members of the Budget Committees to discuss oversight issues. Because CBO operations are funded in the annual Legislative Branch appropriations bill, the House and Senate Appropriations Subcommittees on the Legislative Branch annually review CBO’s budget request and operations. The CBO Director presents the CBO budget request in formal testimony and he/she is asked to respond to various questions for the hearing record.

An innovation in CBO’s early history was the creation of a Panel of Economic Advisors. The panel is composed of several of CBO’s past directors and a number of eminent economists chosen by the CBO director after consultation with the Chairman, Ranking Members and senior staff of the Budget Committees and, at times, other relevant congressional committees. The advisors serve for a two-year term that can be renewed without limit. CBO hosts periodic meetings of the advisors and solicits their views between meetings via e-mail exchanges and telephone calls. The panel provides advice to further the reliability, professional quality and transparency of CBO’s work. One specific task of the panel is to review CBO’s preliminary forecasts of the economy. More recently, given the growing importance of the budgetary impact of healthcare reforms, CBO has established a Panel of Health Advisers, with about 20 widely acknowledged health policy experts, mainly
drawn from academia and major think tanks. This panel meets periodically to advise CBO on its analyses of health care issues.

CBO conducts self-evaluations of its economic forecasting record. These generally show that CBO’s projections are on par with those of the administration or blue chip forecasters (which is an average of approximately 50 private-sector forecasts that is published periodically).

The CBO and all legislative branch support agencies are expected to comply with the spirit of the Government Performance and Results Act Modernization Act 2010, even though the law does not formally apply to the legislative branch. Thus, CBO includes performance data in its annual budget request. Finally, the Government Accountability Office could audit CBO operations, although in practice this does not happen.

12. Concluding remarks

CBO has established itself as a credible independent organisation with a reputation for providing the congress, and particularly its committees, with objective macro-budget analysis and costing of policies proposed in new legislation. At the same time, CBO is highly respected by the OMB and has been influential in improving the credibility of OMB’s own work. CBO’s credibility and non-partisan nature were established especially in its first eight years of operation (1975–82). Since then, the CBO has faithfully analysed and clarified budget policy options in a non-partisan manner.

The CBO chose not to make specific fiscal policy recommendations. Despite this self-imposed limitation, CBO’s work is widely picked up by the media and there is strong evidence that CBO analysis influences congressional decision-making and the public debate on budget policy issues. In addition, as its analysis of medium-term and longer-term trends in federal revenues, expenditures, deficit and debt include not only baseline projections but also deficit-reducing policy options, the CBO provides to the congress adequate documentation for the adoption of fiscal policies that would improve the medium-term and long-term sustainability of federal finances. Finally, the CBO is highly transparent, with all of its work easily available to the congress, the media and the public.

Since the CBO is one of the oldest institutions of this type in the world (at the national level), some aspects of its experience gained over 35 years may be useful for the newer independent fiscal agencies in other countries. First, it is most important to remain non-partisan and stand firm on this principle, even when there are attacks from both sides of the political spectrum. Second, staying away from making specific policy recommendations was a sound decision for the CBO. Third, the decisions made in the initial set-up period of an independent agency are crucial. Early on, for example, the CBO rigorously defended that “our reports are our reports”, thereby enhancing CBO’s objectivity. Fourth, the stable leadership of the CBO for its first eight years set the tone for subsequent directors. Fifth, CBO has considerable discretion to analyse emerging policy-related issues, even though there has been pressure to be subservient to the congress’s political authorities. Sixth, establishing and maintaining transparency is essential. Finally, it is important to have safeguards to ensure that the director and all staff are selected on the basis of their technical merits and not on their political affiliation.

In considering the success of the CBO, Joyce (2011b) concludes that “it is not mainly a ‘budgeting’ story, but instead a story of strong CBO leaders articulating a clear vision, dedicated public servants adhering to that vision and tolerant (but not always thrilled)
elected officials recognising the benefits of having the institutional capacity to produce hard-headed, objective analysis. These are management lessons.” While independent fiscal institutions in other countries may have additional factors at play (executive dominance, responsibility for monitoring compliance with fiscal rules, co-ordination of central (federal) and sub-national public finances, etc.) both the “management lesson” and the seven “CBO lessons” above are nevertheless useful for all.

Notes

1. Much of the material for this section was sourced from a recent book on the CBO (Joyce, 2011a).
2. Schick (2000) characterises the years 1921 to 1974 as the period of “presidential dominance” in federal budgeting.
3. The “total spending” ceiling was limited to outlays subject to annual appropriations.
4. Draft legislation was introduced in the House of Representatives by Al Ullman (Democrat) on 18 April 1973. At the voting stages, it was passed by the House Rules Committee on 5 December 1973 (386-23) and by the Senate on 22 March 1974 (80-0), after which it was reported by the Joint Conference Committee on 11 June 1974, and agreed to by the House on 18 June 1974 (401-6) and by the Senate on 21 June 1974 (75-0).
5. The CBO was initially temporarily located in an old hotel that had been converted into a Senate office building (Joyce, 2011a).
6. As explained in Anderson (2009), non-partisan connotes lack of political affiliation; bipartisan connotes serving the two main political parties equally.
7. To date, she is the only director of CBO to have served two full terms.
8. Chapter 6 of Joyce (2011a) discusses varying views as to whether the CBO report killed the healthcare reform proposals.
9. Scorekeeping was a function of the Joint Committee on the Reduction of the Deficit, which existed before 1974.
10. Scorekeeping rules are complex. They have been summarised in Box 4.2 of Joyce (2011a).
11. As an example of such a warning, in 1989, the CBO director warned Congress that cuts of USD 70 billion would be needed to achieve the deficit targets of USD 64 billion for fiscal year 1991 (Joyce, 2011, p. 61).
13. By 1976 CBO had drawn up a policy on how it would prioritise its servicing of the six budget-related committees, as required by the 1974 Act.
14. See, for example, the CBO (2012).
15. Direct compensation accounts for nearly 70 per cent and benefits for about 20 per cent; the remaining ten per cent of the CBO’s budget is for services, equipment, training and supplies.
16. In early 1975, the only employees of CBO were the former staffers of the Committee on the Reduction of Federal Expenditures, who were transferred to CBO as part of the 1974 legislation.
17. Whereas it is usually the CBO Director who presents CBO testimony before congressional committees, the deputy director or senior CBO staff testify on narrower topics or present a specific report.
18. This law updated the 1993 Act that introduced performance-based budgets in federal government agencies.

Bibliography


Legislation

Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344; US Code Title 2, Chapter 17, Sections 201-612), 12 July 1974.