



The Congressional Budget Office - an Explainer

Understanding the Congressional Budget Office:

The Congressional Budget Office (CBO) is a nonpartisan agency within the legislative branch of the federal government. It supports Congress by producing analyses of budgetary and economic issues. CBO's analyses are independent from those produced by the executive branch's Office of Management and Budget.

CBO helps ensure that the executive branch does not have a monopoly on budget-related information. This gives the legislative branch more leverage than it would otherwise have in policy debates. Other examples of legislative budget offices include California's Legislative Analyst's Office (LAO), New York City's Independent Budget Office, Canada's Parliamentary Budget Office, and Sweden's Fiscal Policy Council.

Leadership and Staffing:

The Director of CBO is appointed for a four-year term by the Speaker of the House and the President Pro Tempore of the Senate. CBO has about 250 employees. The single largest area of focus is on health issues, with about 40 staffers working on issues related to Medicare, Medicaid, the Affordable Care Act, prescription drugs, and other health-related topics. Other major focus areas include education, immigration, income security, labor, and retirement issues (about 29 staffers); national security (about 23); tax issues (about 19); energy and natural resource issues (about 16); and macroeconomics (about 15); the overall budget outlook (about 9); and finance and housing issues (about 8).

Core Duties and Functions:

The core duties and functions of CBO are codified in federal law. Under 2 USC §602, CBO's "primary duty and function" is to assist the House and Senate budget committees with matters within their jurisdictions. Federal law also requires CBO to: 1) assist the House and Senate Appropriations Committees, the House Ways and Means Committee, and the Senate Finance Committee on matters within their jurisdictions; and 2) consult with and assist any other committees (upon request and to the extent practicable) in analyzing legislation that may have a significant budgetary impact on state, local or tribal governments, a significant financial impact on the private sector, or a significant employment impact on the private sector.

Cost Estimates:

CBO is required by federal law to provide a formal cost estimate for all legislation approved by a full committee of the House or the Senate, except for legislation approved by the Appropriations committees. CBO also produces both formal and informal cost estimates at other stages of the legislation process. In making cost (and other) estimates, CBO describes its goal as developing "estimates that are in the middle of the distribution of possible outcomes." CBO's cost estimates are only advisory. While they can be used to enforce budgetary rules or targets, there is nothing in federal law requiring them to be used in this way.

Reports and Other Products:

CBO also produces: 1) baseline budget and economic projections; 2) long-term budget projections; 3) an annual analysis of the President's budget; 4) a bi-annual report "examining options for reducing budget

deficits” that includes various options for reducing spending or increasing revenues; 4) a variety of other reports, working papers, analyses, and other documents.

Notable recent examples of reports and analyses falling with the last category include: *Key Design Components and Considerations for Establishing a Single-Payer Health Care System* (May 2019), *The Effects on Employment and Family Income of Increasing the Federal Minimum Wage* (July 2019), and *The Distribution of Household Income, 2016* (July 2009).

CBO Should Do More to Analyze the Potential Benefits of Legislation:

When it analyzes legislation, CBO focuses much more on short-term budgetary costs than on benefits. Such a focus may lead policymakers to reduce costs at the expense of designing legislation that delivers greater benefits. While this focus is due to the emphasis federal law places on short-term costs, CBO can and should do more to analyze the benefits of legislation. Changes to federal law that place more emphasis on the analysis of benefits also merit consideration.

Congress Should Be Aware of the Limitations of CBO Analyses:

Policymakers, the media, and the public should “recognize CBO analyses—especially cost estimates—for what they are, and what they are not.”¹ CBO itself aims for estimates that unbiased, consistent, and within the *possible range* of what it is estimating. Policymakers should not allow CBO’s cost estimate (or any other single estimate it produces) to trump other relevant and important considerations, or treat CBO’s estimates as precise and unfailingly correct. For example, while it is important to consider the short-term fiscal costs of expanding health care access and benefit to more people, policymakers also need to consider the short- and long-term benefits of health care, only some of which may be captured or acknowledged by CBO’s estimates and analyses.

CBO Should Do More to Consider Gender and Diversity as Part of Its Analyses:

Other countries are increasingly incorporating a gender perspective at all levels of the budgetary process. For example, Canada’s Gender Budget Act requires the consideration of gender equality and diversity in the budget process. CBO and similar agencies within the executive and legislative branches should do more to consider gender (and other categories beyond income categories) as part of these analyses.

CBO Should Continue to Increase the Transparency of its Estimates and Work:

CBO’s work relies heavily on complex data, various kinds of models, and expert advice and opinions. They should continue to increase the transparency of their estimates and other analyses, including by releasing more information about whose advice and opinions they rely on in making particular decisions, and providing opportunities for public input where appropriate.

¹ Philip Joyce, “The Congressional Budget Office at Middle Age,” Hutchins Center on Fiscal and Monetary Policy, Working Paper #7, The Brookings Institution, February 2015.