

The Federal Budget Process and the Role of the Congressional Budget Office

September 19, 2023

Leadership Fellowship Program, National Hispanic Medical Association

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**CBO Was Created by the
Congressional Budget and
Impoundment Control Act of 1974**

CBO's Role

CBO was established to give the Congress a stronger role in budget matters.

The agency provides analysis of budgetary and economic issues that is objective and impartial. It is strictly nonpartisan and does not make policy recommendations.

CBO follows processes that are specified in statute or that it has developed in concert with the Budget Committees and Congressional leadership. CBO's chief responsibility under the Budget Act is to help the Budget Committees with the matters under their jurisdiction.

CBO's Organization

The agency's Director is appointed jointly by the Speaker of the House and the President pro tempore of the Senate and has a four-year term.

CBO has about 275 employees. They are hired solely on the basis of professional competence, without regard to political affiliation. Most have advanced degrees.

CBO's organization consists of the Office of the Director and nine divisions:

- Budget Analysis
- Financial Analysis
- Health Analysis
- Labor, Income Security, and Long-Term Analysis
- Macroeconomic Analysis
- Management, Business, and Information Services
- Microeconomic Studies
- National Security
- Tax Analysis

CBO Provides Budget and Economic Analysis to Support the Congressional Budget Process

CBO Provides Baseline Budget and Economic Projections

CBO prepares, and periodically updates, a 10-year budget baseline that serves as a benchmark for measuring the effects of proposed legislation.

The baseline incorporates the assumption that current laws governing spending and revenues generally remain unchanged, and it relies on CBO's forecasts of key economic factors.

Table 1.

CBO's Baseline Budget Projections, by Category

	Actual, 2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total 2024– 2028	2024– 2033
In Billions of Dollars														
Revenues														
Individual income taxes	2,632	2,525	2,475	2,517	2,768	3,019	3,123	3,248	3,380	3,517	3,652	3,806	13,902	31,505
Payroll taxes	1,484	1,562	1,633	1,703	1,778	1,849	1,920	1,993	2,068	2,147	2,226	2,307	8,884	19,625
Corporate income taxes	425	475	479	489	495	494	506	514	520	527	527	539	2,462	5,089
Other	357	252	261	266	276	295	370	387	400	416	436	450	1,469	3,558
Total	4,897	4,815	4,848	4,974	5,317	5,658	5,919	6,142	6,368	6,607	6,841	7,102	26,716	59,777
On-budget	3,831	3,681	3,652	3,719	4,006	4,295	4,504	4,674	4,846	5,027	5,204	5,407	20,176	45,334
Off-budget ^a	1,066	1,133	1,196	1,255	1,311	1,363	1,415	1,468	1,522	1,580	1,637	1,695	6,540	14,443
Outlays														
Mandatory	4,133	3,980	3,828	4,023	4,205	4,400	4,738	4,760	5,120	5,386	5,675	6,141	21,195	48,277
Discretionary	1,664	1,712	1,845	1,939	1,995	2,055	2,112	2,153	2,209	2,260	2,313	2,373	9,947	21,255
Net interest	476	663	745	773	835	912	1,003	1,084	1,165	1,252	1,350	1,440	4,268	10,559
Total	6,273	6,354	6,418	6,735	7,035	7,367	7,854	7,997	8,494	8,898	9,338	9,955	35,409	80,091
On-budget	5,192	5,142	5,094	5,314	5,529	5,776	6,170	6,223	6,614	6,908	7,230	7,734	27,884	62,593
Off-budget ^a	1,081	1,212	1,324	1,421	1,506	1,591	1,683	1,774	1,880	1,990	2,107	2,221	7,526	17,498
Deficit														
On-budget	-1,361	-1,461	-1,442	-1,595	-1,524	-1,481	-1,666	-1,549	-1,768	-1,881	-2,026	-2,327	-7,708	-17,259
Off-budget ^a	-15	-79	-129	-165	-195	-228	-268	-306	-358	-410	-470	-526	-986	-3,055
Primary Deficit ^b	-900	-877	-826	-988	-883	-797	-931	-771	-961	-1,039	-1,147	-1,412	-4,425	-9,755
Debt Held by the Public	24,252	25,767	27,388	29,246	31,054	32,866	34,895	36,830	39,015	41,347	43,861	46,709	n.a.	n.a.

CBO Prepares Estimates of the Effects of Legislative Proposals

CBO is required to produce a formal cost estimate for nearly every bill approved by a full committee. The agency usually produces 600 to 800 cost estimates each year.

Those estimates include the impact of federal mandates on state, local, and tribal governments.

CBO also fulfills thousands of requests for technical assistance as lawmakers draft legislation.

Furthermore, CBO tracks appropriation actions.



March 25, 2022

At a Glance			
H.R. 1916, Ensuring Lasting Smiles Act			
As introduced in the House of Representatives on March 16, 2021			
By Fiscal Year, Millions of Dollars	2022	2022-2026	2022-2031
Direct Spending (Outlays)	0	93	255
Revenues	0	-769	-2,290
Increase or Decrease (-) in the Deficit	0	862	2,545
Spending Subject to Appropriation (Outlays)	0	0	not estimated
Statutory pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2032?	> \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Over Threshold
Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.			

CBO's Estimates Have Certain Characteristics

The estimates focus on the next 10 years but sometimes look 20 years or more into the future.

They reflect the middle of the distribution of likely outcomes.

They incorporate behavioral responses to the extent feasible, on the basis of the available evidence.

They may be updated for new information and may change as a result.

And they include explanations of the analysis to the extent feasible.

CBO Publishes About 70 Reports, Testimonies, and Working Papers Each Year

CBO's reports cover every major area of federal policy, including spending programs, the tax code, and budgetary and economic challenges.

The reports often present options for changes in the federal program or tax rules under consideration, but they make no recommendations.



**CBO Prioritizes Objectivity,
Analytical Soundness,
Responsiveness, Transparency,
and Accessibility**

CBO's Analysis Is Objective, Impartial, and Nonpartisan

CBO makes no policy recommendations.

It hires people on the basis of their expertise, without regard to political affiliation. The agency carefully considers whether potential analysts can perform objective analysis, regardless of their own personal views.

CBO uses a common set of assumptions when analyzing different legislative proposals to ensure that its estimates are consistent and impartial.

The agency's estimates are inherently uncertain, but its goal is to produce estimates that are in the middle of the distribution of potential outcomes.

What Types of Products Does CBO Create About Health Care?

Ongoing Analysis

- Budget baseline
 - Impact of the coronavirus pandemic
 - Demographics (fertility, mortality)
- Insurance coverage
- Projections of health care spending

Recent Reports

- Estimates of the number of people with health insurance, 2022 to 2033
- Review of health care prices by payer
- Single-payer series: budget impact, financing, macroeconomic impact
- Drug prices and innovation

Recent Analysis of Legislation, Including Cost Estimates

- Public Law 117-169 (reconciliation)
 - Drug price negotiation
 - Expansion of Affordable Care Act (ACA) subsidies
 - Medicare Part D benefit design
- Surprise billing
- Health care transparency
- Medicare expansions: dental, vision, hearing

What Are the Key Features of CBO's Health Analyses?

Horizon. The typical horizon for CBO's health analyses is 10 years, but sometimes it is 20 years or more.

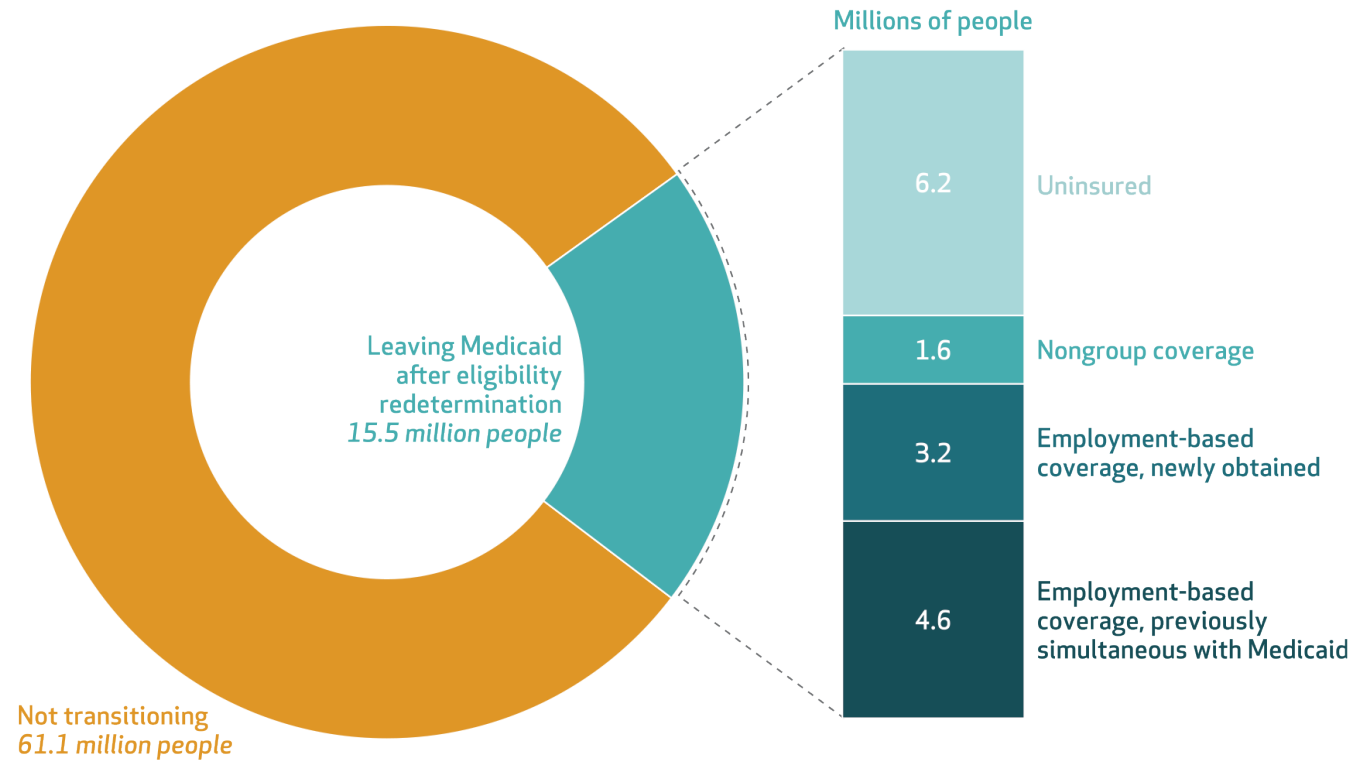
- Long-term analyses: cigarette taxes, major changes to Medicare and Medicaid financing

Behavior. CBO analyzes available evidence on the behavior of families and businesses.

- Families: impact of changes in eligibility or prices on decisions to take up health insurance
- Businesses: impact of the expansion of ACA subsidies by the American Rescue Plan Act and the reconciliation legislation on employers' offers of health insurance

How Does CBO Use Simulation Models to Inform Cost Estimates?

Initial Transitions in Coverage in the 18 Months Beginning in April 2023,
After the End of Medicaid's Continuous Eligibility Provisions



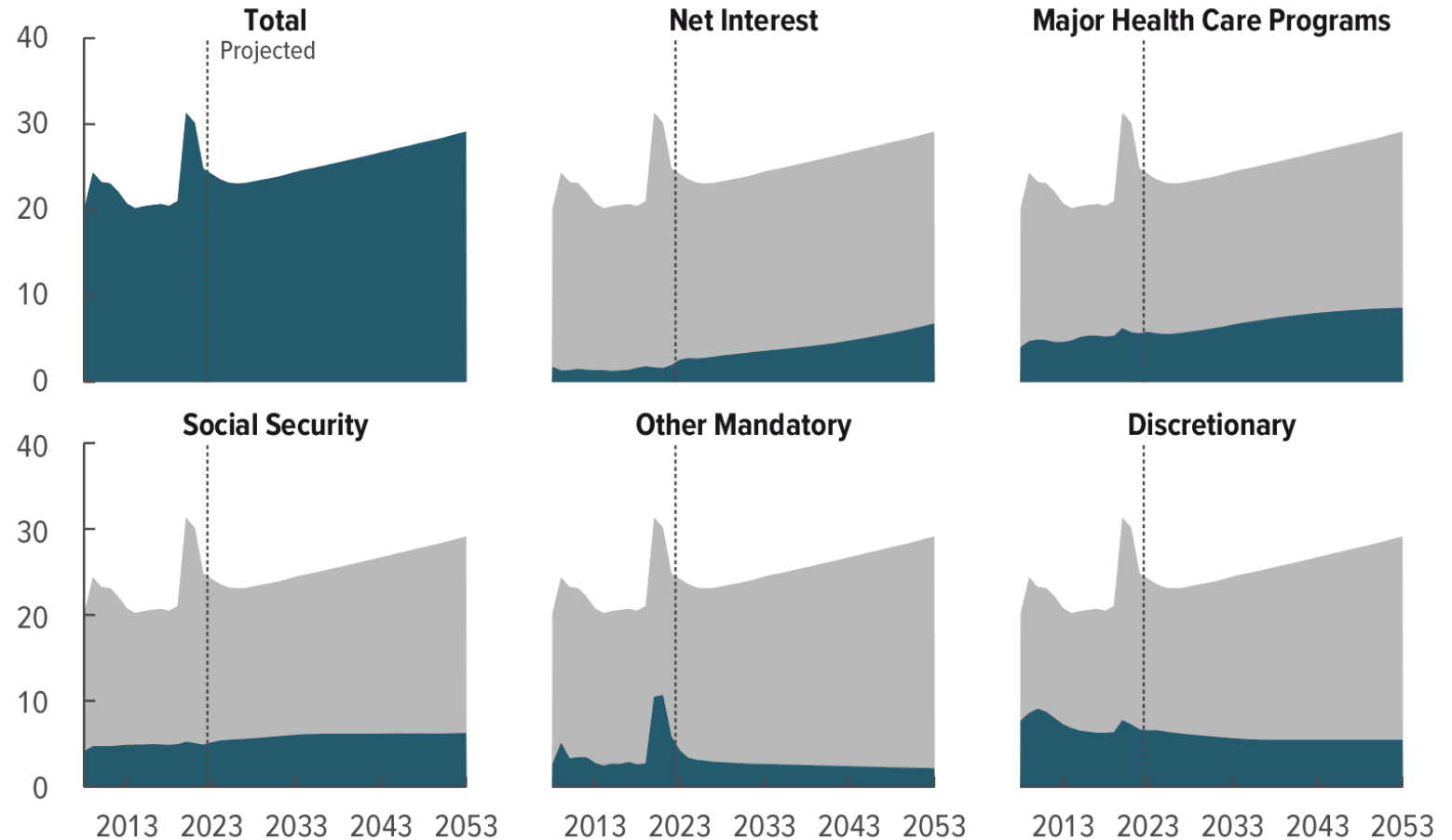
To What Extent Do Health Programs Drive Mandatory Spending?

CBO prepares a budget baseline that serves as a benchmark for measuring the effects of proposed legislation affecting mandatory spending.

CBO estimates health insurance coverage and projected spending on health care programs, including federal subsidies, Medicare, and Medicaid.

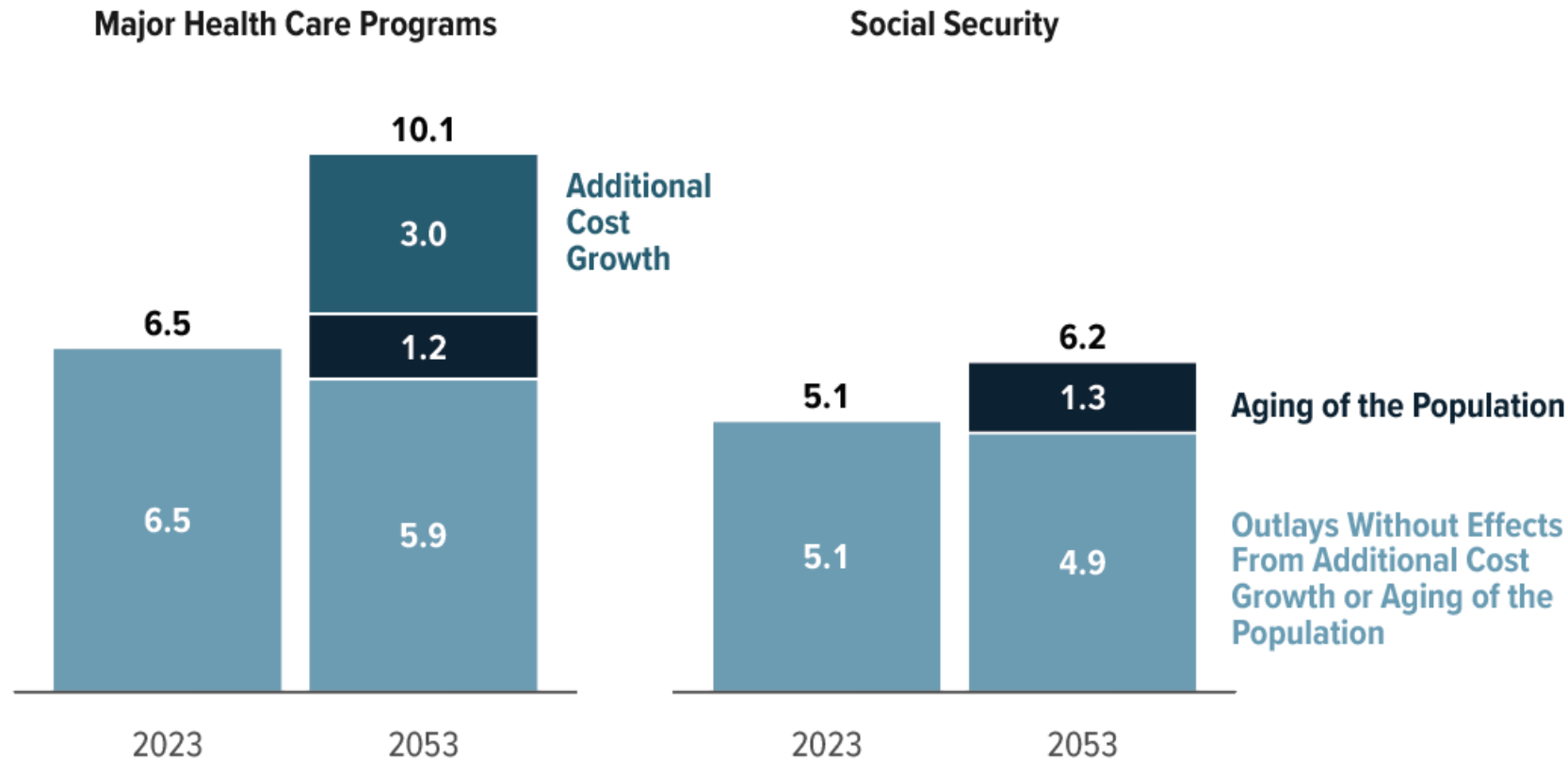
Subsidies include premium tax credits for policies in the ACA marketplaces and the tax subsidy for employment-based health insurance.

Percentage of Gross Domestic Product



Outlays for the Major Health Care Programs and Social Security in 2020 and 2052

Percentage of Gross Domestic Product



Growth in spending on the major health care programs is largely driven by cost growth above and beyond that accounted for by demographic changes or the growth of potential GDP per person. Spending on those programs, as well as spending on Social Security benefits, is also boosted by the aging of the population.

CBO Makes Its Work Transparent in Different Ways

- Testifying and publishing answers to questions
- Explaining analytic methods
- Releasing data
- Analyzing the accuracy of its estimates
- Comparing current estimates with previous estimates
- Comparing its estimates with those of other organizations
- Estimating the effects of policy alternatives
- Characterizing uncertainty surrounding estimates
- Creating data visualizations
- Conducting outreach