



Written Testimony of

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Regarding the Committee's Hearing on How

"Strengthening the Congressional Budget Office Will Improve Cost Estimates and Help Hold Lawmakers Accountable"

Dear Chairman Arrington, Ranking Member Boyle, and Members of the Committee:

On behalf of the National Taxpayers Union Foundation, the research arm of the National Taxpayers Union, I thank you for the opportunity to submit testimony on ways to improve budgetary scorekeeping and enforcement. On Wednesday, September 11, the House Budget Committee (HBC) convened a critical hearing on the topic, "Congress and the Congressional Budget Office (CBO): Examining Ways to Improve CBO." This hearing reflected a renewed commitment under the current leadership of HBC to scrutinize and refine CBO's operations and methods so that lawmakers and taxpayers have access to accurate and reliable budget data as policies are debated and implemented.

This testimony offers several suggestions for Congress to consider that would enhance the quality of CBO's scores. As CBO operates under rules and guidelines established by Congress, understanding and potentially revising these rules is crucial for enhancing the quality of CBO's cost estimates and analyses.

CBO's Role and the Importance of Oversight

The [September hearing](#) is the latest of a series of hearings with CBO Director Philip Swagel that Chair Jodey Arrington (R-TX) and Ranking Member Brendan Boyle (D-PA) have convened to

fulfill HBC's critical oversight role regarding CBO's performance and its influence on fiscal policy. In January, the Committee held a [hearing](#) on "Creating a Culture of Fiscal Responsibility: Assessing the Role of the Congressional Budget Office," which sought to dissect CBO's impact on federal budgeting. Lawmakers used this platform to examine CBO's methods in projecting federal spending and deficits. The session emphasized transparency in how estimates are developed and scrutinized the overall efficacy of CBO in assisting Congress with its deliberations regarding long-term fiscal health. The core issue at hand: Does CBO equip lawmakers with the right tools to make decisions that foster a culture of fiscal responsibility?

A few weeks later, the Committee's [hearing](#) entitled, "The Congressional Budget Office Budget and Economic Outlook," highlighted persistent challenges in CBO's operations and cost estimates. Legislators voiced concerns over the timeliness and accessibility of CBO reports, which are essential for informed policymaking. More troubling to members was the revelation of a trillion-dollar error in CBO's deficit projections for FY 2023. FY 2023 outlays were \$564 billion higher than CBO had projected, while revenues came in \$477 billion lower. Swagel attributed these discrepancies to laws enacted and administration executive actions taken to forgive student loan debt that occurred after CBO published its projection. Federal Deposit Insurance Corporation (FDIC) spending in response to bank failures was also unexpected. Director Swagel also acknowledged CBO's own misses in inflation and interest rate forecasts.

By advancing these discussions, oversight, and reforms, the Committee is working to ensure that CBO improves its performance. At the heart of these discussions is the undeniable fact that CBO plays a pivotal role in shaping federal policy. As Chairman Arrington commented in the hearing, Congress does not have an endless supply of money, and CBO plays a key part in helping lawmakers steward tax dollars. Whether through developing the ten-year budget baseline, assessing the fiscal impact of proposed legislation, or providing long-term projections, CBO's work influences every major fiscal decision in Congress. A CBO cost estimate and analysis can be a critical factor in determining whether a bill becomes a law.

CBO was established in the Congressional Budget Act of 1974 so that Congress would have access to budget data independently of the White House's Office of Management and Budget (OMB). In the modern era, it has an extensive workload, with a budget of \$70 million and roughly 270 employees. Bills passed by committees to the main floor of each chamber generally include a formal CBO analysis of how the provisions of the text would impact spending and revenues relative to CBO's baseline.

Each year, CBO [completes](#) nearly 700 formal cost estimates of authorizing legislation, 100 estimates of appropriations measures, and thousands of informal cost estimates and technical assistance to members and committees. To obtain a favorable score, lawmakers frequently request informal estimates and technical assistance from CBO while texts are being drafted. This way, unexpected costs can be addressed before CBO produces its formal, official score.

Over the years, CBO's cost estimates have been criticized from both ends of the political spectrum. In response to many of those complaints, CBO—under the leadership of its previous Director Keith Hall and continuing under current Director Swagel—has taken significant steps to improve transparency regarding its methods and assumptions.

One important reform that CBO has implemented to emphasize the points of uncertainty in cost estimates: for scorekeeping purposes, CBO is required to produce a specific point estimate. Given the many factors that can go into producing budgetary projections, even small changes in some variables or assumptions could lead to far different outcomes than those presented in CBO's estimates. Previously, discussions of these and other points of uncertainty would generally be buried deep in the explanatory text. Now, they are also summarized on the front page of CBO's reports, just under the tables showing the top line budgetary impacts. This reform helps lawmakers and the public understand the potential range of outcomes more easily.

Additionally, CBO has published a series of explainers about its work and processes, including an overview of the scorekeeping rules it is required to follow. It has also stepped up its engagement with congressional staff, as well as parties outside of Congress, to respond to questions and get feedback on its work.

These reforms have helped CBO enhance its reputation, though it is still accused on occasion of political bias in the outcome of its estimates. Congress could push for additional transparency to bolster the objectivity of CBO's nonpartisan work through reforms like the CBO Show Your Work Act (see below).

Nevertheless, it is important to recognize that CBO operates under the rules, restrictions, and guidelines established by Congress itself, and that many of the concerns expressed about CBO's scores stem from these scoring rules. Lawmakers are well aware of these rules and know how to take advantage of them when drafting legislation to obtain a favorable score for a bill before it is unveiled.

Improving CBO

Thanks to the efforts of the Budget Committee, an important CBO reform will soon be signed into law. In 2021, CBO [detailed](#) the challenges and delays that it encounters as it negotiates data sharing agreements with agencies. Ranking Member Boyle's Congressional Budget Office Data Sharing Act ([H.R. 7032](#)) would make it easier for CBO to [get access to the data it needs from federal agencies](#) to complete cost estimates. The legislation streamlines CBO's data access, reduces delays, and fosters collaboration with Congressional committees by dismantling unnecessary barriers to legally-protected information while ensuring confidentiality protections. NTUF [commented](#), "The bipartisan CBO Data Sharing Act would help improve CBO's important work by streamlining its access to needed information. In turn, CBO can provide lawmakers and taxpayers with more accurate and timely cost estimates of legislative proposals."

After passage by unanimous consent in the Senate on September 10, the night before the HBC hearing, it now awaits the President's signature. This was the first bipartisan HBC bill passed by the House and Senate unanimously.

Given CBO's pivotal role in the development and passing of policy, there are many ways that Congress could further bolster the accuracy and timeliness of its cost estimates by reforming scoring rules and bolstering transparency.

Include Debt Service Costs in Estimate: Representative Michael Cloud's (R-TX) Cost Estimates Improvement Act ([H.R. 8341](#)) would require the [inclusion of debt service costs into CBO's official scores](#), filling what can be a huge gap in estimates for major bills. Under budget rules set by Congress, debt service costs are left out of the official scores. However, CBO has produced an [interactive worksheet](#) to demonstrate how changes in spending and revenues would increase or decrease the costs to finance the federal debt. Using this worksheet, NTUF found that the \$95 billion defense supplemental enacted in April 2024 will [actually cost taxpayers \\$31 billion more](#) when taking into account the additional costs to finance the debt as a result of the higher deficit spending.

Another benefit is that this additional budget data could help expose the limitations of various budget gimmicks that are often employed in bills to game CBO's scoring methods. For example, the Protecting Medicare and American Farmers from Sequester Cuts Act of 2021 prevented sequestration (automatic spending reductions) to Medicare in 2022 and then "paid for" it by extending sequestration to 2030 and 2031. Along with an increase in Medicare payment rates for physician service and two other provisions, [CBO determined](#) that the law increased spending by over \$7.1 billion in 2022 and the major offsets to "pay for" this were scored for years 2030 and 2031. Accounting for the debt interest payments that accrue during the intervening years would bring more transparency to the actual costs of efforts to manipulate CBO's scoring methodology. These efforts also include frequent gimmicks such as extending [customs user fees](#) or [loan fees](#) for the Department of Veterans Affairs' home loan guarantee program many years out to pay for upfront spending.

Dynamic Scoring of Major Proposals: While the Rules of the House for the current 118th Congress provide for dynamic scoring of proposals that have a budgetary impact of at least 0.25 percent of GDP, this is not the universal standard.

[Dynamic scoring](#), which assesses how changes in policy affect economic behavior, could help Congress better understand the true macroeconomic impacts of legislation. For example, under the current static analysis used by CBO and the Joint Committee on Taxation, reducing marginal income tax rates would lower tax revenues. A dynamic score would also look at how the lower

rate would enable further investment and economic growth, which could potentially offset a portion of the foregone revenues.

Republicans have sought this type of analysis for proposals to modify tax rates, while Democrats have sought macroeconomic feedback for increased spending on health care, education, and infrastructure. Instituting dynamic scoring as a standard for all major CBO estimates—not just those subject to House rules—would allow lawmakers to see the full economic effects of their decisions. Use of dynamic scoring can also highlight how different policies will impact growth, as CBO has found that [private investment yields a return twice as high as public investment](#). During the hearing, Dr. Swagel listed increasing use of dynamic scoring as one of his top priorities for the agency.

Fair-value Accounting for Federal Credit Programs: Under existing law, CBO is required to score federal loan and guarantee programs under the accounting method prescribed by the Fair Credit Reform Act of 1990 (FCRA). Here, the present value of the government’s credit activity is discounted using the interest rates on Treasury securities. The alternative fair-value accounting method provides a more comprehensive assessment of the risks by estimating how the private sector would value the cash flows and defaults. To its credit, CBO regularly produces analyses on the federal government’s direct loan and loan guarantee programs (currently there are 129 such programs) and finds a wide gap between the two methods. For example, in its newest report CBO estimates that the loans and guarantees the federal government will issue in FY 2025 will have a [lifetime cost of \\$2.4 billion under FCRA and \\$65.2 billion under fair-value](#).

One option is the Fair-Value Accounting and Budget Act ([H.R. 5571](#)) from Reps. Ralph Norman (R-SC) and Glenn Grothman (R-WI). The bill would make fair-value accounting the official method, encouraging transparency and accuracy in accounting to loan programs administered by the federal government by making fair-value accounting the official method. CBO’s annual report on federal credit programs demonstrates that it has the capacity to easily and readily implement this reform.

Account for the Debt Impact Being Passed onto Future Generations: One reason the government has added over \$35 trillion to the national debt is because lawmakers have little incentive to account for the long-term impact of this growing debt. One proposal to address this is the implementation of “generational accounting,” which would quantify the long-term fiscal burden of current policies.

[Generational accounting](#) is not a new concept. It was introduced over 25 years ago by economists Alan Auerbach, Jagadeesh Gokhale, and Laurence Kotlikoff, who developed a framework to assess the impact of government spending on future taxpayers. Their findings suggested that younger generations could face significantly higher tax rates as a result of deficit spending. Although the Office of Management and Budget briefly included generational accounting in

budget reports under the Clinton administration, it was later removed due to its political implications.

The concept resurfaced in the form of the Intergenerational Financial Obligations Reform (INFORM) Act, introduced in the 113th Congress as [H.R. 2967](#) and [S. 1351](#) with a bipartisan list of sponsors to require CBO to provide generational accounting estimates for major legislation. It was most recently introduced in the 117th Congress as [H.R. 5340](#) and [S. 2548](#), though on this occasion it did not garner any Democratic cosponsors.

By incorporating long-term fiscal projections, the INFORM Act would offer lawmakers better insights into how current spending choices will affect future taxpayers, potentially guiding more responsible fiscal policy decisions.

Scorekeeping Reports Transparency: CBO is required to report to the House and Senate Budget Committees with tallies of the cost of enacted legislation, as well as the allocation of funds by committee area, and whether these funds are constrained by caps. Under the Congressional Budget Act, these committees are supposed to update their respective chambers about the status of budget allocations and cap levels, but there have been [lengthy gaps with no updates](#). To prevent this from happening again, CBO should make these scorekeeping reports available to the public.

Scoring Transparency: The CBO Show Your Work Act ([H.R. 1492](#)) introduced by Rep. Warren Davidson (R-OH) would increase the transparency of scorekeeping by requiring CBO to provide more information about its data and modeling so that others could replicate its work and better understand the assumptions that get built into CBO's scoring models. In cases where CBO uses non-disclosable proprietary information, the agency would be required to identify why the data is restricted and provide contact information for the source of the data.

Produce a More Realistic Current-Policy Baseline: Switching CBO from producing a current law baseline to a current policy baseline could provide a more realistic and transparent outlook on the federal budget and future deficits. CBO's baseline is used as the yardstick for scoring the impacts of proposed legislation, so it is very important that it is accurate.

The current law baseline often underestimates the true fiscal impact of existing policies because it assumes that certain tax provisions or spending programs set to expire will actually expire, even though Congress routinely extends them. A current policy baseline reflects what is more likely to happen, as it accounts for the renewal of expiring provisions, such as tax cuts or mandatory spending programs, that Congress has a history of maintaining. This approach would better capture the long-term fiscal trajectory of the nation, offering lawmakers a clearer understanding of the full scope of future budget challenges.

One related reform discussed in the hearing was the Stop the Baseline Bloat Act ([H.R. 8068](#)), introduced by Rep. Glenn Grothman (R-WI), to require CBO to exclude emergency and supplemental spending from its future baseline projections. This would prevent one-time expenditures from being built annually into CBO's budget baseline.

Congress's Role in Improving Scorekeeping

Congress plays a critical role in ensuring the effectiveness of CBO's work, and the quality of CBO's analysis is directly impacted by the procedures under which Congress operates. Two areas that demand attention are the need for regular, structured oversight of CBO's activities and the importance of adhering to a more disciplined legislative process. Without improvements in these areas, even the most well-intentioned reforms to CBO's scorekeeping rules will fall short in providing lawmakers and the public with the most accurate and timely fiscal data.

Improving Congressional Oversight of CBO

In the hearing, members of the committee emphasized the need for more frequent oversight of CBO. Chairman Arrington set the tone for the discussion by clarifying that the House and Senate Budget Committees function as CBO's board of directors. Director Swagel affirmed his willingness to engage with Congress as often as asked, underscoring that regular feedback is essential for improving the accuracy and timeliness of CBO's work. Regular oversight hearings, as suggested by members of the committee, would allow for real-time discussions on CBO's performance and methodologies, ensuring that lawmakers are equipped with up-to-date information as they shape fiscal policy.

A more consistent schedule of oversight hearings would benefit both CBO and Congress. It would enable CBO to better understand Congressional priorities and adjust its models accordingly. It would also allow lawmakers to provide feedback on recent cost estimates and discuss areas where CBO might improve its forecasting and transparency. Ultimately, these hearings are instrumental in fostering a culture of continuous improvement at CBO and ensuring that its analyses remain relevant and reliable.

During the hearing, Chairman Arrington discussed the importance of auditing CBO, as he put it, "not so that we could go find something to beat you up about, but so that we can have an external review and an objective set of eyes on modeling, methodology, and procedures." Swagel clarified that CBO's financial data is regularly audited and that it uses many different models for its cost estimates. He suggested picking a few issue areas to examine CBO's models, noting that CBO does receive a great deal of feedback on its models and that additional feedback would be welcome.

Over the course of the hearing, several lawmakers suggested that targeted, external audits could provide valuable insights into how CBO can improve its operations, particularly in terms of

updating technology, software, and modeling tools. These audits would also help identify whether CBO has the necessary resources to fulfill its mission effectively. Notably, such audits would not aim to critique specific outcomes or estimates but would focus on improving CBO's overall structure and processes. This would ensure greater transparency, enhance CBO's credibility, and ultimately benefit both lawmakers and taxpayers.

Passing Laws under Regular Order

Another significant reform that would help CBO improve its accuracy and timeliness is for Congress to return to passing legislation under regular order. Many of the delays and challenges CBO faces stem from the unpredictability of Congress's reliance on continuing resolutions (CRs) rather than adhering to a regular budget process. When Congress fails to follow regular order, the lack of clear, timely appropriations legislation makes it difficult for CBO to provide accurate and reliable cost estimates. By adhering to the timetables laid out in the Congressional Budget Act, Congress can provide CBO with a more predictable legislative framework and the executive branch can provide CBO with the data it needs in a timely manner, enabling the agency to deliver better-informed cost estimates.

Accounting for and Reining in Budgetary Impacts of Executive Branch Regulation

A recurring theme during the hearing was the challenge of accurately scoring the budgetary impact of executive branch regulations. Lawmakers and CBO Director Swagel discussed how current methods for estimating costs related to regulations are incomplete or often underestimated. CBO adds the complete estimated costs of finalized rules to the baseline, but scores proposed regulations at 50 percent of their total estimated cost as a way to account for their uncertainty. As Dr. Swagel noted, providing more precise estimates for regulations could help lawmakers better understand the full budgetary implications of these actions.

However, given that the Supreme Court has struck down President Biden's attempts to remove student loan borrowers' repayment obligations and Congress has the power to reverse regulatory costs under the Congressional Review Act, accurately scoring regulations remains a critical and complex task. Reforming how CBO scores regulations will ensure that the federal budget reflects the true long-term costs of executive actions, providing lawmakers with more robust fiscal data for decision-making. The final principle to consider is that, under the Constitution, Congress holds the ultimate responsibility for the power of the purse.

Conclusion

As the Congressional Budget Office surpasses its 50th year under the Congressional Budget Act of 1974, it is clear that the rules and guidelines it operates under are due for modernization. Over the decades, CBO has played an indispensable role in providing lawmakers with the data and

analysis necessary to make informed fiscal decisions. However, just as the nation's fiscal landscape has evolved, so too must the methods and rules that govern CBO's work.

Oversight is needed to ensure that CBO's operations and models are accurate, but the scoring guidelines placed on CBO by Congress are also in need of an upgrade. The proposed reforms, such as incorporating debt service costs, expanding dynamic scoring, adopting fair-value accounting, and shifting to a current-policy baseline, would provide a more realistic and comprehensive picture of the federal budget. These changes are not only necessary to address current shortcomings but are also vital for guiding future fiscal policy.

However, as Congress debates these reforms, it must also ensure that CBO's independence is preserved. CBO serves as a key check on excessive government spending and as a resource for lawmakers who are serious about making informed, responsible budgetary decisions. Reforms should aim to bolster CBO's ability to provide unbiased analysis.

In the end, a stronger, more transparent, and more reliable CBO will better equip Congress to confront the nation's growing fiscal challenges and ensure that taxpayers have a clearer understanding of the long-term impacts of today's policy decisions.