

# IN CASE YOU MISSED IT

## Via The Debt Dispatch:

### *Fiscal Accountability and Enhancing the CBO's Role in Preventing a US Debt Crisis*

The Congressional Budget Office (CBO) plays a crucial role in ensuring lawmakers can equip Members of Congress with critically important budgetary and economic analyses when considering legislation. The House Budget Committee has been working on finding reforms to empower the CBO to provide the most accurate, timely, and accountable information possible to safeguard taxpayer dollars.

Earlier this week, Romina Boccia, the Director of Budget and Entitlements at the Cato Institute, [published](#) an op-ed in [The Debt Dispatch](#) where she recommended six budget reforms to enhance the transparency of the Congressional Budget Office to improve the way the office works with Congress.

The article's release coincided with the House Budget Committee's latest [hearing](#), "Congress and the Congressional Budget Office (CBO): Examining Ways to Improve CBO."



## WORD ON THE STREET



*Romina Boccia, Via [The Debt Dispatch](#):*

- ***“Transparency and accessibility of information about federal spending are critical for equipping citizens to hold their representatives accountable. The Congressional Budget Office (CBO) serves a crucial function in analyzing government spending. CBO could do its job even more***



***effectively if Congress sharpened the nonpartisan watchdog's tools to alert policymakers and constituents to looming fiscal threats—well before they escalate into crises.***

- *“One of the most glaring omissions in how the **CBO currently provides legislative cost estimates is the lack of projected interest costs.** Imagine a family that bought a new car on credit and only budgeted for the car's list price, without considering the interest they'll pay on the car loan.”*
- *“When Congress authorizes new spending or cuts taxes without offsetting reductions elsewhere, the resulting **debt incurs future interest costs—costs that the public deserves to see.** Including these debt service costs in all significant cost estimates would force lawmakers to confront the more accurate price of their decisions, making it harder to hide behind short-term thinking or budgetary sleight-of-hand. By highlighting the long-term fiscal consequences of today's policy choices, this reform would ensure the public can better hold lawmakers accountable for the consequences of saddling future generations with debt. As **the CBO reported this summer, “adding debt-service effects to cost estimates would be feasible and would require CBO to expend few additional resources.”**”*
- *“**The CBO should regularly report on all emergency-designated spending, including historical data, to shed light on how much this spending contributes to the ballooning fiscal imbalance. As my colleague Dominik Lett and I have documented, emergency-designated spending and associated interest costs have contributed about \$14 trillion to the US debt over the past 30 years,** at the same time that Congress is increasingly abusing emergency spending to evade statutory spending limits. By producing regular reports, the CBO can provide citizens with the data they need to track how often Congress invokes “emergencies” to bypass fiscal rules and bring the heat to hold legislators accountable for fiscal profligacy. **A recent House Budget Committee draft would require legislators to justify new emergency spending and require the government to track and report on cumulative emergency spending in each fiscal year. This is a good starting point.**”*
- *“**The CBO's baseline projections, which form the basis for most cost estimates, should exclude emergency spending.** Currently, the baseline*



*counts base discretionary and emergency spending together, assuming both grow each year with inflation. This assumption holds even for supposedly one-time emergency spending. Thus, continued spending at the previous year's level can counterintuitively be scored as a deficit reduction relative to the baseline."*

- ***"Excluding emergency appropriations from the CBO's baseline projections would help to reduce the bias toward higher spending and better reflect that emergency spending should respond to necessary, sudden, urgent, unforeseen, and not permanent situations.*** *Removing this bloat from the baseline allows the public to better assess the fiscal impact of emergency appropriations, ensuring that "emergencies" aren't a cover for basking in fiscal irresponsibility. Citing our work at Cato, Representatives Glenn Grothman (R-WI) and Ed Case (D-HI) have introduced the bipartisan Stop the Baseline Bloat Act to remove emergency spending from the baseline budget."*
- ***"The current CBO baseline assumes that some temporary provisions, like expiring tax cuts, will disappear as scheduled, even when historical evidence shows otherwise.*** *This unrealistic assumption distorts cost estimates and encourages legislators to exploit temporary provisions for short-term gain, knowing they'll likely be extended. Imagine a household that adopts a dog but budgets for only five years of dog food and vet care, even though everyone in the household knows that it's highly unlikely they'll send the dog to a shelter when the five years are up."*
- ***"Including a more realistic alternative baseline that reflects the fiscal path Congress is likely to take provides a clearer picture of the long-term impact of today's decisions.*** *Including such a realistic baseline among current cost estimates would expose Congress's reliance on gimmicky offsets and understating the long-term costs of new proposals, helping the public better understand the full cost of legislative proposals. Similarly, if Congress excluded emergency spending from the baseline as I suggest above, **CBO should consider including emergency expenditure extensions in the alternative baseline, assuming Congress continues to rely on it as a budget-busting gimmick.**"*



- *“The way the federal government accounts for its loan and credit programs grossly understates the financial risks that taxpayers are exposed to. Unlike the private sector, which factors in market risk, **federal accounting methods understate the possibility of default when estimating the cost of these programs.** Imagine a family that takes out a variable rate mortgage but only budgets for the initial loan amount at the current rate, thus neglecting the risk of future interest rate increases or the possibility that their income might not keep pace with fluctuations in interest rates, making it harder to repay the loan down the road.”*
- *“Requiring the CBO to use fair-value accounting, as the private sector does, would provide a more honest accounting of the risks that taxpayers are being asked to bear. **This reform would arm both Congress and the public with the information needed to understand the real costs of federal credit programs, improving fiscal decision-making and accountability.**”*
- *“In an era where debt is rising at an alarming rate, **these reforms would sharpen the CBO’s ability to serve as a crucial early warning system, alerting both the public and policymakers to looming fiscal threats before they spiral into a full-blown debt crisis.** By embracing enhanced transparency and realistic accounting, the **CBO would equip citizens with the tools needed to hold Congress accountable** and expose the budgetary gimmicks and short-term fixes that have long evaded scrutiny. These changes could **help to shift policymaking from reactive crisis management to proactive fiscal responsibility,** ensuring that the government takes deliberate action to avoid potential disasters rather than reacting only when the fiscal house is on fire.”*

## THE BOTTOM LINE

The CBO needs enhanced tools and greater transparency to ensure government spending is clear and accountable to the public.

House Budget Republicans support reforms that would shed light on the true cost of fiscal decisions, prevent misuse of emergency spending, and ensure interest payments and long-term debt are properly factored into cost estimates



and budget projections. By taking these steps, Congress can shift from managing fiscal crises to enforcing responsible, long-term budgetary discipline.

