

Oversight of the Congressional Budget Office

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1. Introduction

Chairman Womack, Ranking Member Yarmuth, and members of the Committee, thank you for the privilege of appearing today. I applaud the Committee for its series of oversight hearings regarding the Congressional Budget Office (CBO). I am quite proud to have been Director of the CBO, and my years there are among the most professionally satisfying of my career.

CBO is a gem: a government support agency with an unshakably professional staff and the necessary non-partisanship embedded in its institutional DNA. Having said that, Congress should diligently oversee every federal agency, activity, and dollar of spending. CBO might be unique in some regards, but it should not be exempt from this oversight.

In addition to their other purposes, oversight hearings such as today's can be an effective forum for communication between Congress and CBO. In this way, each can guard against unnecessary misunderstandings. Hearings are also a good vehicle for education of new Committee members (and new Members of the House as a whole) regarding the role and functioning of the CBO. I urge the Committee to have regular oversight hearings, and my recommendation would be to hold one such hearing every year.

2. Key Oversight Issues

CBO transparency. I hear the notion of greater CBO transparency bandied about quite a bit these days, but I confess that I'm often at a loss as to what it means. Indeed, it could mean any number of things.

First, it could refer to greater understanding of how CBO works: how it is staffed and organized, its level of funding, its choice of products, and so forth. I believe that CBO is already quite transparent in these regards, but I have no reservations regarding even greater efforts.

Alternatively, transparency could refer to the process by which studies and scores are produced. For example, how does CBO use the research literature in producing a study or score? In general, I endorse efforts to better educate Congress regarding the methods used in this context.

However, in particular, I believe that there is vast confusion regarding the role of models – spreadsheet models, micro-simulation models, macroeconomic business cycle models, growth models, etc. – in the scoring process. Many seemingly believe that there is a model for every legislative proposal, and CBO simply “runs the model” to generate a 10-year budget score. Nothing could be further from the truth. At its core, scoring is a judgment exercise. Models can be used to inform analysts of certain aspects of a policy; that is, inform their judgment. But models are largely too

crude to capture the specifics of legislative proposals, they by necessity omit aspects of policy reality, and in other ways they capture only aspects of the score.

To be clear, there are times when I personally arrive at a different judgment than CBO. Even in those circumstances, I respect the judgement of the professionals who staff CBO. And all of us should respect CBO's willingness to provide scores on enormously difficult policies, on often-ridiculous timetables, and in the face of little guidance from the extant literature.

A final possible dimension for transparency is to better understand a specific study or score. That is, how did CBO arrive at its judgment? For a CBO score, the answer is found in the "Basis of Estimate" section of every score. To the extent that the Committee is interested in increasing the amount of information that CBO provides regarding scores, I would encourage it to focus on the desired structure and content this Basis of Estimate.

There is a second strategy currently being discussed that I would urge the Committee to avoid. It is centered on the notion of scientific replicability, and would seek to have CBO make public the data and models used in developing a score. I think this emphasis is simply misplaced. As noted above, scoring is a judgmental affair and not a uniformly hard science. The pace at which funds are paid out of the Treasury will depend on the difficulty of implementation, the capacity of each agency, and other aspects of prospective executive branch implementation. These factors are not the stuff of formal models, but rather items with which CBO has considerable experience and about which can exercise sound judgment. Moreover, in developing a score, CBO often uses proprietary data that outsiders would not be permitted to access.

For these – and probably a dozen more reasons – I am skeptical of the recent trend toward thinking of CBO as merely a glorified calculator and asking it to post its software and data on the internet.

That skepticism is not an endorsement of erecting a barrier around CBO. I believe that recent enhancements have dramatically improved understanding of CBO, access to its products and data, and communication with the public. CBO is to be commended for these efforts. My recommendation is that even more effort be focused on issues like "how CBO thinks about this problem" and "why did CBO choose to provide particular supplementary information" so that its scores are better understood by their most important customer: Congress.

Enhancing CBO's Communications with Congress

I believe that effective communication between CBO and Congress should be a top priority. The atmosphere in which CBO and the Budget Committee operate is rife with potential for misunderstanding: Activity can take place at a rapid pace, myriad policy issues may interact in complex ways that make simple explanations difficult,

the stakes are high, opposing political parties often deliberately misuse CBO products, and so forth.

In this setting, it is understandable that some members would benefit from better communication. I am not deeply concerned about those members in leadership or on Committees with regular business and established communications with CBO. I am more concerned with those “rank and file” members without frequent direct access to CBO. It may be the case that regular oversight hearings will fill the apparent void in their understanding of CBO and what it does. However, I would encourage the Budget Committee and CBO to focus on new ways to enhance communications.

Thank you, and I look forward to your questions.