Further opportunities for the Congressional Budget Office to support Congress

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"Oversight of the Congressional Budget Office"

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Dear Chairman Arrington, Ranking Member Boyle, and members of the committee:

In the *Congressional Budget and Impoundment Control Act of 1974*, Congress established the Congressional Budget Office ("CBO"), the budget committees, the modern budget process, and clarity on impoundments to strengthen Congress' ability to independently exercise its legislative powers. CBO substantially reduces congressional dependence on executive branch information for fiscal and economic policies.

Even so, opportunities remain to improve CBO-provided information that Congress needs to manage federal government activities: 1) publish committees of jurisdiction for each spending line item, 2) provide estimates of tax expenditures, 3) include interest effects in cost estimates, 4) provide more intuitive options in CBO's military force structure tool, 5) supplement FCRA estimates for credit programs with fair value estimates, 6) codify CBO's panels of economic and health advisors, 7) standardize the statutory budget baseline, and 8) modernize CBO's duties.

1. Publish committees of jurisdiction for each spending line item

The annual budget cycle clearly shows appropriations subcommittee jurisdiction over annually appropriated ("discretionary") spending. Jurisdictions are less clear for authorizing committees, however, for both annually appropriated and direct spending accounts. Fresh, annual appropriations are important. The rest of the budget is as well.

Each year, CBO publishes a line-item projection of spending accounts to accompany the *Budget and Economic Outlook*. These nearly 2,000 projections include budget authority and outlays for the current year and the subsequent ten fiscal years. CBO could list the House and Senate authorizing committees of jurisdiction for both types of spending as well as the relevant appropriations subcommittee for annually appropriated spending.

Jurisdictional information for spending accounts would strengthen common knowledge in Congress and beyond. It would also support the Budget Committee's management of a holistic budget process that involves many more committees and members than the current process, as Reps. Blake Moore and Marie Gluesenkamp Perez proposed in the *Comprehensive Congressional Budget Act*.

2. Provide estimates of tax expenditures

Tax expenditures – "revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability" – are a substantial part of the federal budget. The Joint Committee on Taxation estimates income-tax-based expenditures, which approached $2 trillion in 2025.

CBO's Key Budget and Economic Data page could include estimates of tax expenditures, not only from income taxes but also from payroll and other taxes. CBO could, in addition, differentiate estimates between a "gross" or "comprehensive" income baseline and a "consumed" income baseline that would count about $1 trillion annually.

3. Include interest effects in cost estimates

Federal spending includes programmatic outlays and interest expenses on the outstanding stock of federal debt. Federal debt held by the public now equals the sum of all goods and services produced in the United States each year. This debt burden puts pressure on inflation and interest rates, and it crowds out opportunity-expanding investments. Net interest as a share of revenue – 19.6% in FY2025 – is higher than since at least 1962 and is expected to rise substantially.

CBO already can include interest effects in cost estimates. In fact, CBO has published a tool to calculate interest effects. As the social and economic costs mount from rising federal debt burdens, Congress should explicitly require CBO to include these impacts in all cost estimates, as Reps. Michael Cloud, Dan Meuser, and Ed Case propose in the *Cost Estimates Improvement Act*.

4. Provide more intuitive options in CBO's military force structure tool

CBO's interactive force structure tool explores "the interaction between the size and cost of military forces." Defense outlays are expected to be about $900 billion this year, around one-eighth of total federal spending. The CBO tool is useful for those well-versed in the operations of the U.S. armed forces. For members and staff without such a background, however, additional options could improve its value.

CBO could approximate the fiscal effects of scaling up or down U.S. military presence in various world regions. Theater-based metrics could, for example, show estimates for decreasing (or increasing) Army presence in Europe by some percentage. Though that approach may be less precise than current parameters, such additional options would help more members understand the tradeoffs of military structure choices.

5. Supplement FCRA estimates with fair value estimates for credit programs

Federal credit programs provide subsidized debt financing for a wide range of activities. The estimated degree of subsidy differs between Federal Credit Reform Act methods and fair value procedures.

CBO estimates federal credit programs using both methods and recommends using fair value accounting. Its latest report estimates a FCRA-based overall subsidy rate of 0.1% for a $2.4 billion annual subsidy, while fair-value estimates shows a 3.5% subsidy rate for a $65.2 billion subsidy. CBO's official cost estimates must reflect FCRA standards, however. GAO agrees that fair-value estimates most accurately capture the subsidy rate, but it contends that FCRA better captures federal fiscal flows.

Rather than choosing, CBO can use both measures. Each tells part of the story, like the complements of cash-based and accrual accounting concepts. Rep. Ralph Norman's *Fair-Value Accounting and Budget Act* would preserve FCRA estimates and supplement them with fair-value estimates.

6. Codify CBO's panels of economic and health advisors

CBO convenes panels of economic and health advisers. Members "are selected to represent a variety of perspectives, enabling the agency to gather information and insights from experts with diverse views as well as from the interactions among those experts at panel meetings." Although these panels are not explicitly required by statute, they are well within CBO's authority to procure the "intermittent services of experts."

Some members of Congress want a stronger statutory basis. In 2024, the House Budget Committee advanced, on a party-line vote, legislation by Rep. Buddy Carter and Ron Estes to codify CBO's Panel of Health Advisors.

Legislation with a more general approach to codifying these panels may appeal to more members of Congress. Discussing their composition, contributions, and related issues would be well-suited to further CBO oversight hearings by the Budget Committees.

7. Standardize the statutory budget baseline

Congress established the statutory baseline in the *Balanced Budget and Emergency Deficit Control Act of 1985*. It is neither purely "current law" nor "current policy" but contains elements of both.

For example, the statutory baseline directs CBO to assume that Social Security outlays reflect scheduled ("promised") benefits instead of payable benefits when notional trust fund balances are exhausted. CBO's baseline must also extend emergency-designated funds with inflation, a fiction that both parties have exploited to claim phantom savings.

Congress should at least remove emergency spending from the budget baseline, as Reps. Glenn Grothman, Ed Case, Marie Gluesenkamp Perez, and Marlin Stutzman propose in the *Stop the Baseline Bloat Act*. Fully removing distortions from the baseline would require legislation like Rep. Ben Cline's *No Bias in the Baseline Act*.

8. Modernize CBO's duties

CBO was a pioneering legislative fiscal council when Congress created it fifty years ago. State legislatures and foreign governments have experimented with many variations since then. Their experiences could help the Budget Committee modernize CBO to better support Congress' exercise of legislative powers, especially those related to spending, raising revenue, and borrowing.

To illustrate:

- Bringing the Joint Committee on Taxation (established in 1926) into CBO's Tax Analysis Division would consolidate budget estimating in a single entity.
- If Congress were to establish well-crafted fiscal targets such as Rep. Tom Emmer's *Responsible Budget Targets Act*, CBO could monitor compliance.
- CBO could partner with GAO to track the execution of budget statutes.
- CBO could move beyond providing options to making recommendations.
- Finally, Congress should carefully consider the balance between the supply of resources for CBO and other agencies and the demand for their services.