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# CBO's Policies for Preparing and Distributing Its Estimates and Analyses

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**T**he mission of the Congressional Budget Office (CBO) is to provide the Congress with the objective, timely, nonpartisan analysis needed for economic and budget decisions and the information and estimates required for the Congressional budget process.

## **CBO's Statutory Responsibilities**

Under the Congressional Budget Control and Impoundment Act of 1974, which created CBO, the agency's primary job is to provide budget-related information to all committees of both Houses, with priority given to the needs of the Committees on the Budget and of the Committees on Appropriations, Ways and Means, and Finance. The law also requires CBO to prepare several budget projections each year and to perform studies of budgetary issues. In addition, CBO must prepare estimates of new budget authority, outlays, or revenues that would result from bills or joint resolutions reported from committees of either House, and of the costs that the government would incur in carrying out the provisions of the proposed legislation. Those cost estimates are usually included in the committee reports accompanying bills or resolutions before action by the House or Senate.

Under the Budget Act, the Joint Committee on Taxation is responsible for estimating the impact on revenues when legislation involves income, estate, gift, excise, and payroll taxes, and CBO is

required to use those revenue estimates in its own analyses.

The Unfunded Mandates Reform Act of 1995 requires CBO to estimate the costs of federal mandates in legislation that would affect state, local, and tribal governments or the private sector. The act also authorizes CBO to prepare analyses and studies of the budgetary or financial impact of proposed legislation that may significantly affect state and local governments or the private sector, to the extent practicable, at the request of any committee.

Occasionally, other laws have directed CBO to analyze specific subjects. Such analyses have included the treatment of administrative costs under credit reform accounting and the financial risks posed by government-sponsored enterprises.

## **How Work on CBO's Estimates and Studies Is Initiated**

**Cost Estimates.** The Congressional Budget Office is responsible for providing federal budget and mandate cost estimates for bills (other than appropriation bills) when they are reported by a full committee of either House. Committee staff should notify CBO when bills are about to be ordered reported and when cost estimates are needed.

CBO sometimes prepares cost estimates for proposals at other stages of the legislative process at the request of a committee of jurisdiction, a budget committee, or the Congressional leadership. For example, CBO may prepare cost estimates for alternative proposals to be considered by a committee or subcommittee, including draft bills not yet introduced, or for amendments to be considered during committee markups. In many cases, cost estimates provided at early stages in the legislative process are informal, conveying preliminary budgetary effects. Similarly, CBO may prepare cost estimates for floor amendments and for bills that pass one or both Houses.

For appropriation bills, CBO provides estimates of outlays that would result from budget authority provided by such legislation. CBO also provides the budget and appropriations committees with frequent tabulations of Congressional action on both spending and revenue bills so that the Congress can know whether it is acting within the limits set by its annual budget resolution.

When undertaking a cost estimate, CBO analysts contact the staff of the committee of jurisdiction and, when applicable, the staffs of the Member sponsoring the proposal and the Member requesting the estimate to gather background information and discuss the schedule for completing the estimate. Budget and mandate cost estimates are based on the text of the proposed legislation. CBO analysts consult with the staff of the committee of jurisdiction (for a reported bill) or the sponsoring Member (for an introduced bill or amendment) when questions of interpretation arise, but they draw their own conclusions on an impartial and objective basis.

CBO analysts contact the appropriate staff members if a forthcoming CBO estimate shows direct spending costs, mandates that exceed the legislative thresholds, or other significant findings. However, CBO does not make judgments about the application of any procedural objections

(points of order) that could be raised in the legislative process on the basis of those findings.

**Analytic Studies.** In addition to statutory reports, or studies done to support CBO's statutory work, each year the office also undertakes a number of analytic studies at the request of the Chairman or Ranking Minority Member of the relevant committee or subcommittee; the Congressional leadership; or, as time permits, individual Members.

When undertaking requested analyses of legislative proposals or issues, CBO staff members consult with the requester's staff to reach an understanding of the scope and nature of the work to be done. CBO analysts draw their own conclusions on an impartial and objective basis, as they do when preparing cost estimates. When appropriate and after consultation with the requester's staff, CBO staff inform committees that may have an interest in the work. As a final step in the process, CBO informs the requester's staff of the results of the analysis and releases the material.

## **Sources of Information and Peer Review Practices**

CBO uses the rich data sources available from the government's statistical agencies. Those sources include the national income and product accounts, the census of manufacturers, the Statistics of Income, the Current Population Survey, and various national health surveys. CBO also uses information provided by relevant government agencies and industry groups to meet specific needs. To answer some questions, CBO uses available analytic models or develops them on its own.

CBO employs standard methods of economic analysis and closely follows professional developments in economics and related disciplines. CBO frequently seeks outside experts' advice on specific analytic matters, such as the outlook for agriculture production, spending projections for Medicare and Medicaid, and business prospects

in the telecommunications industry. For its economic forecasts, CBO draws on the advice of a distinguished panel of advisers that meets twice a year.

All CBO estimates and analytic products are reviewed internally for technical competence, accuracy of data, and clarity of exposition. CBO studies also are reviewed by outside experts. Although outside advisers provide considerable assistance, CBO is solely responsible for the accuracy of the estimates and analyses that it produces. In keeping with its nonpartisan status and its mandate to provide objective analysis, CBO does not make policy recommendations in any of its analyses.

### **Disclosure of CBO's Assumptions and Methodologies**

Both the Congressional Budget Act and the Unfunded Mandates Reform Act direct CBO to disclose the basis for each budget and mandate cost estimate. Consequently and as a matter of principle, CBO provides full explanations of the critical assumptions and methodologies underlying its cost estimates and analytic studies.

### **Transmission of CBO's Work to the Congress**

CBO seeks to ensure that key parties in the Congress who are involved in any particular issue have equal access to its analytic work. Insofar as possible, CBO delivers its cost estimates and analyses to all interested parties simultaneously. Requests for confidentiality are honored only for cost estimates for legislative proposals that have not been made public.

The Director of the Congressional Budget Office transmits by letter all formal budget and

mandate cost estimates of legislative proposals and all requested analyses. CBO sends its formal cost estimates for reported bills and estimates prepared at committee request to the Chairman and Ranking Minority Member of the reporting or requesting committee. When the requester is a budget committee or individual Member, CBO also sends a copy of its cost estimate simultaneously to the Chairman and Ranking Minority Member of the committee of jurisdiction; for an introduced bill or amendment, CBO sends a copy of the estimate to the sponsor and the Chairman and Ranking Minority Member of the committee of jurisdiction, as well to as the requester.

In contrast, CBO staff may provide informal cost estimates at various stages of the legislative process as Members or committees evaluate proposals. Informal estimates are preliminary because they do not undergo the same review procedures required for formal estimates.

### **Distribution of CBO's Estimates and Studies**

CBO makes its work widely available to Members of Congress and their staff as well as to the public. CBO posts all of its cost estimates and **publications** on its Web site, and visitors to the site can subscribe to receive e-mails notifying them when CBO issues a cost estimate or publication on a subject of interest to them. The agency provides copies of its publications to Members of Congress and can provide single copies to members of the public at no charge.

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