

CBO OVERSIGHT: PERSPECTIVE FROM OUTSIDE EXPERTS

HEARING BEFORE THE COMMITTEE ON THE BUDGET HOUSE OF REPRESENTATIVES ONE HUNDRED FIFTEENTH CONGRESS SECOND SESSION

HEARING HELD IN WASHINGTON, D.C., MARCH 14, 2018

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CBO OVERSIGHT: PERSPECTIVE FROM OUTSIDE EXPERTS

WEDNESDAY, MARCH 14, 2018

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The committee met, pursuant to call, at 10:00 a.m., in Room 1334, Longworth House Office Building, Hon. Steve Womack [chairman of the committee] presiding.

Present: Representatives Womack, McClintock, Woodall, Renacci, Grothman, Arrington, Lewis, Smucker, Brat, Johnson, Sanford, Ferguson, Palmer, Black, Bergman, Westerman, Yarmuth, Khanna, Jackson Lee, and Carbajal.

Chairman WOMACK. The hearing will come to order. Welcome to the Committee on the Budget's hearing examining perspectives from outside experts on oversight of the Congressional Budget Office. Before we begin, I ask unanimous consent that, consistent with clause 4 of House rule XVI, the chairman be authorized to declare a recess at any time. Without objection, the request is agreed to.

Today we are concluding our five-part series of oversight hearings on CBO, a nonpartisan support agency that has played a vital role in the congressional budget process for more than 40 years. Established by the congressional Budget and Impoundment Act of 1974, CBO directly assists the House and Senate Budget Committees and supports the work of Congress with its nonpartisan budgetary analysis. Even though CBO has existed for decades, this oversight series marks the first time the agency has ever undergone a comprehensive review.

Over the years, CBO's mission of supporting the Congressional budget process has remained the same. But as we have learned during these hearings, demands on and expectations of the agency have evolved. So, while the purpose of this series has certainly been educational, it has also helped us identify and consider potential areas for improvement.

At the end of the day we want to make sure CBO has everything it needs to fulfill its mandate of supporting Congress in the 21st century effectively and efficiently.

We started this series by discussing CBO's organizational and operational structure with the Director, Dr. Keith Hall. In a second hearing, we began to explore some of the more technical aspects of how CBO actually crafts the impartial work products Congress relies on to make informed legislative decisions.

During our third hearing, we took a deeper dive into CBO's use of models as a tool in scoring legislative proposals and what kinds of assumptions are made in that process. And last week, we heard from interested Members of the House who shared their ideas for improvements of CBO as well as their perspectives on challenges they have experienced when interacting with the agency.

Today we will close out the series. My thanks to the witnesses joining us as we do so. In our first panel, we will hear from two former CBO Directors who guided the agency at different stages in the CBO's history. Each Director was appointed during different eras of Congress, and both were selected to serve based on their ability to perform the duties of that role, not because of their political affiliations.

We are pleased to welcome Dr. Alice Rivlin, who was the very first Director of CBO and served as head of the agency for 8 years. She also has served as OMB Director and Federal Reserve Board Vice Chairwoman.

Also joining us today is Dr. Douglas Holtz-Eakin, who was appointed as Director of CBO in 2003 and led the agency for nearly 3 years. He served on the President's Council of Economic Advisors. He is currently president of the American Action Forum. I look forward to hearing the unique insights Dr. Rivlin and Dr. Holtz-Eakin can share about CBO's past operations, as well as different challenges faced over the years.

In the second panel, we will hear from budgetary policy and process experts who can provide valuable outside perspective. Joining us from the Committee for a Responsible Federal Budget is the organization's president, Maya MacGuineas. Known for her expertise in budget, tax, and economic policy, Maya also heads the campaign to fix the debt. Maya's been at the forefront of budget issues for years and is able to discuss the importance of CBO within the context of a larger budget process.

Maya is joined by Sandy Davis from the Bipartisan Policy Center. Sandy currently serves as Senior Advisor for the organization's economic policy project, and he also has a wealth of knowledge about the budget process. Prior to working at BPC, he devoted more than 30 years of service to CBO, including as Associate Director for Legislative Affairs. He was the first person to hold that position. Before joining CBO in 1996, Sandy specialized in budget process at the Congressional Research Service.

Through these CBO oversight hearings, we have learned much about the inner workings of CBO and the challenges the agency faces as it provides Congress with nonpartisan budgetary analysis. Our conversations today will help the committee continue to determine actionable solutions for CBO's ongoing success.

As we have considered this very important topic, two consistent themes have arisen: the desire to improve the accuracy of CBO's work; and the desire to increase transparency at the agency. Without question, the simple exercise of having these hearings has already enhanced communication between CBO and Congress, and I believe this exchange is only made better through regular oversight. That means not waiting another 40 years for a comprehensive review and consideration of how to update the agency for the 21st century.

Before we get started, I want to remind everyone that our goal here is to make sure CBO has the tools it needs to effectively support the Congressional budget process. Especially with the recently formed Select Committee, there is genuine interest on both sides of the aisle to have a working budget process. CBO undoubtedly plays an essential role to that end. I look forward to the conversations ahead and continuing to engage in a productive, bipartisan dialogue about CBO.

Thank you. And with that, I yield to the ranking member, the gentleman from the Commonwealth of Kentucky, Mr. Yarmuth.

[The prepared statement of Chairman Womack follows:]

Womack Opening Statement:

CBO Oversight Hearing: Perspectives From Outside Experts

Washington, March 14, 2018

As prepared for delivery—House Budget Committee Chairman Steve Womack

Good morning, and thank you everyone for being here.

I want to especially thank Mr. Mulvaney, the Director of the White House Office of Management and Budget, for being here today to discuss the President's budget and spending priorities. We look forward to hearing his remarks.

While Article I of the constitution gives Congress the power of the purse, the federal budget is a collaborative process.

The Administration, this committee and our counterparts in the Senate work together to build a budget that reflects our unified priorities.

For the last eight years, we've seen budgets from the White House that reflect the status quo of more spending, more regulation and never even trying to achieve balance.

Over the same period, economic stagnation led the Congressional Budget Office to continually downgrade their projections for economic growth.

And what's the result of more spending, more regulation and slower economic growth? It's a larger debt burden on future generations of Americans, a burden that reflects a moral failure to face challenges head on.

This administration and this committee agree wholeheartedly on our responsibility to improve our country's fiscal situation and put us on a path to a balanced budget that allows us to start paying down our national debt.

Our friends across the aisle will no doubt defend the status quo of the Obama years, where the national debt increased by over \$9 trillion, the largest increase for any presidency.

Their solutions – which are to simply keep doing what we've been doing – are not only unsustainable, they are an abdication of our responsibility to current and future generations.

Our fiscal situation is not just problematic, it is dire. According to the CBO, the federal debt held by the public, which currently stands at 77 percent of gross domestic product, will rise to 150 percent of GDP in the next 30 years if we do nothing.

Over that same period of time, deficits will rise from 2.9 percent of GDP to 9.8 percent of GDP. These are levels of debt and deficits that have never been seen before in American history and are well beyond what economists predict would result in crisis.

The CBO says that maintaining the status quo would “reduce national saving and income in the long term; increase the government’s interest costs, putting more pressure on the rest of the budget; limit lawmakers’ ability to respond to unforeseen events; and increase the likelihood of a fiscal crisis.”

Let me repeat that last line; doing nothing and continuing the status quo will result in a fiscal crisis.

Put simply, the status quo is not an option. This committee and this administration are committed to building a federal budget that begins to deal with our out-of-control spending, incentivizes economic growth through tax and regulatory reform, and makes sure that government works for the people, not for bureaucrats.

Our committee and this administration also agree on a commitment to funding our military.

The threats to our national and homeland security continue to grow. The previous administration left the world less safe and secure, with growing threats from all corners of the globe.

Ensuring the safety and security of our nation is the first and foremost responsibility of the federal government, and we should give our men and women in uniform the resources they need to complete this mission.

I applaud the president for making our national defense a top priority once again.

As our committee and our Senate counterparts go through this process of building our budget resolution, the input from Administration officials, such as Mr. Mulvaney, is an invaluable resource to provide information, background and details on the goals of President Trump.

Balancing the budget over ten years presents major challenges, but also great opportunity.

For the first time since I’ve been serving on the Budget Committee, we have a president who is willing to take action to reform government and get our fiscal house in order.

Our budget resolution is no longer a vision document; it is a blueprint for building the better America we’ve promised our constituents for years.

It is our opportunity to show real progress in limiting the size and scope of government, ensuring our children and grandchildren aren’t burdened by unsustainable levels of debt, and preserving a safe and strong America.

I know that working together we can find the right solutions for the American people.

Thank you, and with that, I yield to the Ranking Member, Mr. Yarmuth.

Mr. YARMUTH. Thank you very much, Mr. Chairman. I join you in welcoming our esteemed witnesses today, former CBO Directors Dr. Rivlin and Dr. Holtz-Eakin, who have both played key roles in implementing the mission Congress set for CBO, to be our independent, nonpartisan source of information and analysis.

The truth is Congress simply could not function effectively without CBO's budget estimates and analyses. We make decisions that impact our entire economy and every family in America, and those decisions must be informed by sound data and evidence. We created CBO so we were not forced to rely on analysis from the executive branch or outside organizations, information which reflected their own political agenda. We still need CBO to be that unbiased scorekeeper.

CBO does not make recommendations; they do not take into account politics or ideology. They deal in numbers and analysis only. The only agenda they have is maintaining their independent respected voice, and I appreciate the hard work both of our witnesses have done in fulfilling that mission during their tenures as CBO Directors.

I am also looking forward to the testimony of our second panelists—Maya MacGuineas and Sandy Davis—who will provide viewpoints on CBO from outside the agency. The Committee for Responsible Federal Budget has a long-standing reputation for budgetary analysis and opinion, and I am pleased to extend our welcome back of sorts to Mr. Davis, a former longtime CBO staffer, as the chairman mentioned. Sandy has a rare vantage point as an outside expert, having spent years on the inside. He is in the perfect position to discuss how seriously CBO staff take their responsibility to produce nonpartisan analysis and how they view the role of the institution they serve.

Again, I thank our witnesses for coming, and I look forward to their testimony. I yield back.

[The prepared statement of John A. Yarmuth follows:]

Yarmuth Opening Statement:

CBO Oversight Hearing: Perspectives From Outside Experts

Washington, March 14, 2018

As prepared for delivery—House Budget Committee Ranking Member John Yarmuth

CBO Oversight: Perspectives from Outside Experts March 14, 2018

Thank you, Mr. Chairman. I join you in welcoming our esteemed witnesses today, former CBO Directors Dr. Alice Rivlin and Dr. Douglas Holtz-Eakin.

You have both played a key role in implementing the mission Congress set for CBO, to be our independent, non-partisan source of information and analysis.

The truth is, Congress simply could not function effectively without CBO's budget estimates and analysis. We make decisions that impact our entire economy and every family in America, and those decisions must be informed by sound data and evidence.

We created CBO so we were not forced to rely on analysis from the Executive Branch or outside organizations, which reflected their own political agenda. We still need CBO to be that unbiased scorekeeper.

CBO does not make recommendations. They do not take into account politics or ideology. They deal in numbers and analysis only. The only agenda they have is maintaining their independent, respected voice. And I appreciate the hard work of both of our witnesses in fulfilling that mission during their tenures as CBO Directors.

I am also looking forward to the testimony of our second panelists: Maya MacGuineas and Sandy Davis, who will provide a viewpoint on CBO from outside the agency. The Committee for a Responsible Federal Budget has a longstanding reputation for budgetary analysis and opinion.

And I'm pleased to extend a "welcome back" of sorts to Mr. Davis, a former long-time CBO staffer. Sandy has a rare vantage point as an "outside" expert, having spent years on the inside. He is in the perfect position to discuss how seriously CBO staff take their responsibility to produce nonpartisan analysis and how they view the role of the institution they serve.

Again, I thank our witnesses for coming and I look forward to their testimony.

Chairman WOMACK. Thank you, Mr. Yarmuth. In the interest of time, if any other members have opening statements, I would like to ask for unanimous consent that members submit them for the record. Without objection.

Chairman WOMACK. I would now like to welcome our first witness panel consisting of Dr. Alice Rivlin and Dr. Douglas Holtz-Eakin, both former Directors of the Congressional Budget Office. Dr. Rivlin and Dr. Holtz-Eakin, thank you for your time today.

The committee's received your written statements. They will be made part of the official record. You will each have 5 minutes to deliver your oral remarks. And Dr. Rivlin, you go first. The floor is yours, and we welcome your testimony.

STATEMENTS OF ALICE RIVLIN, FORMER DIRECTOR, CONGRESSIONAL BUDGET OFFICE; AND DOUG HOLTZ-EAKIN, FORMER DIRECTOR, CONGRESSIONAL BUDGET OFFICE

STATEMENT OF ALICE RIVLIN

Ms. RIVLIN. Thank you, Mr. Chairman and Ranking Member Yarmuth and the members of the committee. I am delighted to be here, delighted you are holding this series of hearings and very pleased to present my views.

Forty-three years ago, I had the good fortune to be chosen as the first Director of CBO. It was a chance to launch a much-needed Congressional support agency and establish its structure and its initial traditions. My colleagues and I worked very hard with the then new Budget Committees to create a strong nonpartisan CBO and recruit talented, hard-working staff who would give the Congress the best budget estimates and analysis that we possibly could.

My most important contribution, I think, to the nonpartisan credibility of CBO was insisting that CBO not make policy recommendations. We believed CBO should provide objective information and analysis. If asked, it would offer an array of policy options with estimates of what alternative policies would cost and what consequences they would likely have, especially for the Federal budget. But it would not presume to tell Congress what to do.

Since then, the CBO has had a string of talented Directors, one of them here next to me. But I think the reason that the CBO is still performing at a high level after 43 years is that congressional leadership, and especially the Budget Committees, recognize their need for solid, unbiased budget estimates, and have protected the CBO from partisan and special interest threats that could undermine its ability to do its job.

No one needs to tell members of the Budget Committee that making budget decisions is extremely hard. Advocates of policy changes, including presidential administrations, are routinely optimistic—not surprisingly—about what their preferred policies will cost and what the consequences will be. Policymakers need to cut through the plethora of competing claims and turn to a neutral team of experts to answer questions like “What will it cost?” “What will the effects be?” That is CBO’s job.

To maintain its credibility and be maximally useful to policymakers, CBO needs to be as transparent as possible about the

methods and models it uses to arrive at estimates and adjust its methodology in response to new information and estimating techniques. Critics of the CBO often appear to imagine that CBO has a vast storehouse of well-documented statistical models that can just be plugged in to generate estimates of costs and effects of any policy option that might interest the Congress. However, Congress often considers complex policies that have never been tried before and for which no models exist. CBO staff is often forced to reason by analogy from fragmentary data about vaguely similar programs tried under different circumstances, and to estimate interactions among several policy changes that have not occurred before.

Writing up these new methods and models in sufficient detail so that others can reproduce them is a time-consuming activity that competes with moving on to the next set of estimates. Making these estimates is challenging, and the customers need to have a realistic view of what can be done. More transparency requires more staff.

One persistent dilemma which has confronted CBO Directors since my day is responsibility creep. Although a few Members of Congress criticize CBO's performance, many others, and sometimes the same ones, are eager to have it take on more jobs for more clients. Drafters of the Budget Act back in 1974 recognized that CBO might become overloaded.

If the Budget Committees want CBO to take on more responsibilities or respond to more requests, they should work with the CBO Director and the appropriations committees to make sure that CBO has the resources to do additional work without reducing its quality.

I am delighted that the committee has devoted this series of hearings to oversight of the CBO. I want in closing to focus your attention on two far more important budget challenges: the dangers of a Federal debt that is projected to rise faster than the economy can grow; and the total breakdown of the budget process.

The burden of the debt will weigh heavily on future taxpayers, and it is on track to rise faster than even the optimists think our economy can grow. These derelictions of fiscal responsibility are not the subject of today's hearing, but they are the dangerous elephant in this Budget Committee room. I could not sit here in good conscience without drawing attention them. Thank you, and I look forward to your questions.

[The prepared statement of Alice Rivlin follows:]

Testimony of Alice M. Rivlin¹
The Brookings Institution
Oversight of the Congressional Budget Office (CBO)
Committee on the Budget
United States House of Representatives
March 14, 2018

Chairman Womack, Ranking Member Yarmouth, and members of the Committee:

Thank you for inviting me to present my views at the wrap-up hearing of your series on Oversight of CBO. Forty-three years ago, I had the good fortune to be chosen as the first director of CBO. It was a chance to launch a much-needed congressional support agency and establish its structure and initial traditions. My colleagues and I worked hard with the new Budget Committees to create a strong nonpartisan CBO and recruit talented, hard-working staff that would give Congress the best budget estimates and analysis we possibly could. It was an exciting opportunity—by far my favorite job in a long career.

My most important contribution to the nonpartisan credibility of CBO was insisting that CBO not make policy recommendations. We believed CBO should provide objective information and analysis. If asked, it would offer an array of policy options along with estimates of what alternative policies would cost and what consequences they would likely have, especially for the federal budget, but it would not presume to tell Congress what to do.

Since then the CBO has benefited from a string of talented directors, both Democrats and Republicans. They have assiduously maintained nonpartisan neutrality and enhanced the quality of the staff and its analysis. The reason CBO is still performing at such a high level after 43 years is that congressional leaders, especially the Budget Committees, recognize their need for solid, unbiased budget estimates and have protected CBO from partisan and special-interest threats that could undermine its ability to do its job.

No one needs to tell members of the Budget Committee that making budget policy is extremely hard. Congress must make budget decisions despite great uncertainty about how the economy will perform and how businesses and individuals will react to changes in federal policy.

¹ Alice M. Rivlin is a Senior Fellow in Economic Studies at the Brookings Institution, former Director of the Office of Management and Budget, and the Founding Director of the Congressional Budget Office. The views expressed are her own and do not necessarily reflect those of staff members, officers, or trustees of the Brookings Institution.

Advocates of policy changes, including presidential administrations, are routinely optimistic about what their preferred policies will cost and what the consequences will be. Policy makers need to cut through the plethora of competing claims and turn to a neutral team of experts to answer questions like: what will this cost? What effects will it have? That is the CBO's job, and it is frequently asked to deliver analysis of complex proposals on a tight time schedule.

To maintain its credibility and be maximally useful to policy-makers, CBO needs to be as transparent as possible about the methods and models it uses to arrive at estimates and adjust its methodology in response to new information and estimating techniques. In reading recent CBO reports, I have been pleased to see steady progress in the sophistication of its estimating techniques and astonished at the amount effort the agency devotes to explaining and documenting its methodology.

Critics of CBO's transparency often appear to imagine that CBO has a vast storehouse of well-documented statistical models that can just be plugged in to generate estimates of the costs and effects of any policy option that might interest Congress. However, Congress often considers complex policies that have never been tried before and for which no models exist. CBO staff is often forced to reason by analogy from fragmentary data about vaguely similar programs tried under different circumstances and to estimate interactions among several policy changes that have not occurred before. Furthermore, writing up these new methods and models in sufficient detail so that others can reproduce them is a time-consuming activity that competes with moving on to the next set of estimates that congress needs. Making these estimates is challenging and customer expectations about what a hard-pressed staff can deliver under tight time pressure should be realistic. More transparency requires more staff.

One persistent dilemma, which has confronted CBO directors since my day is responsibility creep. Although a few members of Congress criticize CBO's performance, others (sometime even the same ones) are eager to have it take on more jobs for more clients. Drafters of the Budget Act, back in 1974, recognized that CBO might become overloaded. They established a priority list of committees to whom the CBO was expected to respond, putting the Budget Committees at the top. Individual members cannot request a CBO analysis, unless they are able to persuade their committee or subcommittee chair or ranking member to request it. If the Budget Committees want the CBO to take on more responsibilities or respond to more requests, they should work with the CBO Director and the Appropriations Committees to be sure CBO has the resources to do additional work without reducing its quality.

Although I am glad that the Committee has devoted this series of hearings to oversight of the CBO, I strongly believe you should focus your attention on two far more important budget challenges:

- The dangers of a federal debt that is projected to rise faster than the economy can grow;
- The total breakdown of the budget process.

Perhaps the most important function of a democratic government is budgeting—deciding what services government should provide and how to pay for them. In recent years, the world's most experienced democracy has spent enormous energy bickering over funding short-run discretionary spending for a few weeks or even days at a time; massively reduced future revenues in the face of rapidly increasing spending commitments; and given zero attention to restraining the growing national debt. The burden of the debt, which will weigh heavily on future taxpayers, is on track to rise faster than even optimists think our economy can grow. These derelictions of fiscal responsibility are not the subject of today's hearing, but they are the dangerous elephant in this Budget Committee room. I could not sit here in good conscience without drawing attention to them.

Thank you and I look forward to your questions.

Chairman WOMACK. Thank you, Dr. Rivlin, for your commentary. Dr. Holtz-Eakin?

STATEMENT OF DOUGLAS HOLTZ-EAKIN

Mr. HOLTZ-EAKIN. Thank you, Mr. Chairman, Ranking Member Yarmuth, and members of the Committee. I am quite proud of the years I spent as CBO Director. Because of the organization, I was privileged to lead a highly professional support agency dedicated to providing nonpartisan analysis and scores to the Congress. It was and remains a gem in the Federal agency world.

Having said that, this is my first oversight hearing, because as Director, there were none. And I think that is not right. Every dollar of taxpayer money should have good oversight, and I think it is a beneficial thing to have an annual oversight hearing for the Congressional Budget Office, if only, back to what the chairman said, to improve the understanding of what CBO actually does.

It is a great forum for communication about current activities of CBO, but also for understanding of the methods they use, the staffing they choose, the organization of the agency, itself. It has remained a first-rate agency for a number of reasons, and I want to point out two of the important ones.

One, Alice Rivlin did a spectacular job of setting it up, and we all owe her a thanks for the tremendous groundwork that she laid in building a nonpartisan support agency. And the Budget Committees have served as fantastic curators of the CBO for over four decades, and I hope that they continue to do so.

These hearings I think have highlighted a couple of things that I am going to touch on, and then I look forward to answering your questions. The first is this desire for greater transparency on the part of many people with respect to CBO. Here I think it focuses on trying to better understand some of the scores that have been introduced by CBO.

And to my mind, there are two different views of what that transparency should look like. The one I would urge the Budget Committee to not pursue is the notion that somehow CBO merely needs to disclose every model and every data point that it has ever touched in order to understand their scores.

As Dr. Rivlin said, there is not a statistical model for every piece of legislation that the Congress dreams up. And, indeed, the most important ones are things that are new for which there is very little guidance in either the research literature, and certainly not a formal model.

I always remind people that I had to score terrorism risk insurance, the Federal backstop, the private property casualty insurance industry for an unknown terrorist attack at an unknown location, using an unknown weapon. There is no model for terrorism risk insurance. Scoring is not modeling. Models inform your judgment, but scoring is ultimately a judgment exercise.

So, the kind of transparency that I would encourage is to focus on what is currently called the basis of estimate and better understand the nature of the judgments that the Congressional Budget Office had to make in delivering a score. It is just not modeling.

The second thing about the process that I think is poorly understood is it is not a forecasting process. Scoring is about ranking

competing proposals in the correct order. Which ones demand more taxpayer resources and expend more taxpayer resources? What is a greater and smaller deficit? That is the bulk of the scoring.

If you wanted to have perfect forecasting, you would certainly not tie yourself to a March baseline when the economy may have changed dramatically by November when you are doing the score. You would update everything and just try to get the best forecast.

Because of the nature of what CBO is doing, forecasting is not its exercise; scoring is. There will be inevitable trade-offs between ranking things consistently and doing the projections as accurately as possible. That does not mean CBO does not try to get them as close as possible, but it is not really a forecasting exercise. And when it is characterized that way, I think it gets you off on the wrong foot.

The last thing I would mention would be the importance of communication. I think that CBO communicating effectively the nature of the judgments it makes in its scores is an important thing for CBO. I think it is also important for the Budget Committee and the Congress more generally to communicate to its members what CBO does, what it is responsible for—the Federal budget cost—and what it is not responsible for—measuring the benefits in a proposed piece of legislation.

The better is the communication between CBO and the Congress, the better it will fulfill its rightful role under the Budget Act and continue to be a first-rate support agency. I thank you for the chance to be here today. Happy to answer your questions.

[The prepared statement of Douglas Holtz-Eakin follows:]

Oversight of the Congressional Budget Office

Douglas Holtz-Eakin
President, American Action Forum*

March 14, 2018

*The views expressed here are mine alone, and not those of the American Action Forum. I thank Gordon Gray for his assistance.

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.

Chairman WOMACK. We appreciate both of you, Dr. Rivlin and Dr. Holtz-Eakin, for joining us this morning. The ranking member and I have conversed about our subject questions, and we are going to defer to the end of this particular panel the questions that we will have out of deference to the members of our committee who have other things going on and other hearings, perhaps, to attend. And so we are going to go straight to our members.

So, with that I am going to yield to the gentleman from Ohio, Mr. Renacci, for any questions he may have for our witnesses.

Mr. RENACCI. Thank you, Mr. Chairman, for holding the hearing. I want to thank the witnesses for your participation and your service to our country. I mean, again, what you do is important.

Dr. Holtz-Eakin, in your testimony you mentioned that you are concerned the lack of communication between non-leadership Members of the House of Representatives and the CBO. I 100 percent agree with that. As a business guy I am always trying to find out where these scores are coming from.

Do you have any recommendations for how our rank-and-file Members could have better communications with the CBO?

Mr. HOLTZ-EAKIN. If you read the written statement carefully you will find none, and that is because I did not have a magic solution to this problem. That is the truth.

I think it is an issue. Members on committees with jurisdiction have good access to CBO for the problems they are working on; Members who are not, I think, have a more difficult time. I would love to promise you blanket access, but CBO has a finite number of people and a finite amount of time and many demands on them. I think that sort of mission creep is a real issue.

So, to me it seems that the best way to solve this is to identify the communication issues. You know, when is it that you needed information that you could not get it? And this committee is uniquely situated to ask CBO for information. And this is the best vehicle for having outreach, I think, to the rank and file is to run it through the Budget Committee.

Mr. RENACCI. Still makes it difficult, as you can imagine, for Members to make decisions.

Mr. HOLTZ-EAKIN. I told you, it is not a silver bullet.

Mr. RENACCI. No. I understand. Because it is hard. I understand. You have a finite number of Members and employees. But you also mentioned in your testimony that CBO provides more information on the scores that it provides. You would encourage the agency to focus on the desired structure and the basis of the estimate within the reports. Can you discuss more what you would recommend to provide more transparency?

Mr. HOLTZ-EAKIN. So, I think that the basic structure makes sense. You get a score and it says all right, here is the legislation. This is what it does. Here is the tables that tell you the budgetary impact. Here is the basis of the estimate. How do we arrive at that set of numbers?

To the extent that you read that and you do not find the information you want, it seems to me that you should be instructing CBO to say, "We need to know in the basis of estimate more things we care about."

So, for example, is this bill likely to require entirely new kinds of executive branch administration that will have lots of rule-making, and should we anticipate it? So when Dodd Frank passes, should they flag the fact that this is going to be an enormous regulatory exercise? You know, what can you say about that? That might be something you want to know.

What are the four key behavioral assumptions that go into, you know, our judgment about how this works? The perceived dissatisfaction with the scoring must mean that there are things people want to know that are not in there right now. And I would encourage you to tell CBO what they are.

Mr. RENACCI. Dr. Rivlin, I am going to put you on the spot here a little bit. What do you think the proper oversight role of the Budget Committee is over the Congressional Budget Office? And do you think the House and Senate committees have done an effective job to date in providing oversight?

Ms. RIVLIN. Well, I think you are doing it right now. This series of hearings was a good idea. I think it is brought out a lot of information, and I would encourage you to do it again, at least once a year as Doug said.

But a formal hearing is not the only way to have oversight. I mean, if you do not understand something, ask a question. And I am sure, you know, a phone call to Director Hall or to someone he might direct you to might answer the question. And at least in my experience, and I am sure in Dr. Holtz-Eakin's, I spent a lot of time communicating with Members and their staffs about what we were doing. And I certainly would encourage that.

Mr. RENACCI. Again I want to thank you both for coming today and participating. And Mr. Chairman, I yield back.

Chairman WOMACK. Thank you, Mr. Renacci. Let's go to Mr. Khanna, California.

Mr. KHANNA. Thank you, Mr. Chairman. Dr. Holtz-Eakin, this White House earlier described the CBO's assessment as, "Little more than fake news." Would President George W. Bush or President George Herbert Walker Bush have ever referred to the CBO as little more than fake news?

Mr. HOLTZ-EAKIN. I am not privileged in what they thought, but they never said it.

Mr. KHANNA. What is your reaction to the President or the White House describing the agency as producing fake news and saying that it "favors mandates over choice in competition; that it is past predictions have not borne much resemblance to reality." Are you personally insulted by the White House, given that this is an agency you led for a number of years?

Mr. HOLTZ-EAKIN. I am not easily personally insulted, largely because I led the agency for several years. The CBO gets lots of criticism because it is in the middle of important decisions, and not everyone gets what they want. And that criticism has traditionally come from Members of Congress; typically from the party of the Director and they are disappointed in the Director. That is the empirical regularity.

The thing I found unprecedented was for an administration, a sitting OMB Director, to criticize the CBO in very, very harsh terms, and to name in the public staff members at CBO and criti-

cize them. I think that is way over the line, unacceptable. And I told Mr. Mulvaney that in particular. I hope we do not see another repeat of it.

Mr. KHANNA. Dr. Rivlin, maybe you could shed some historical perspective, because I know when you were Director, you know, President Reagan had disagreements. But it seems to me the tone of the disagreements were very different than the type of disagreements we see now. And it would be great to have your perspective on what those disagreements were and the tone of the conversation today.

Ms. RIVLIN. I am generally distressed by the tone of the political discourse these days, because it has become much more angry and less polite and civil than it used to be. And I am particularly distressed by a President who has not just named the CBO fake news; it appears to be anything he disagrees with.

But that said, let me tell one story about the Reagan administration. When they first came in, they did not understand who CBO was and who they worked for. And they immediately attacked—"they" meaning the staff around the President, but not this President, himself—and said, "We have got to get a new Director." And the Congress immediately reacted. And Senator Dole and Senator Domenici and a couple of others who were Republicans called the White House and said, "She works for us. She does not work for the White House. And that was an inappropriate comment." And it ended right there.

Mr. KHANNA. Great point, doctor, although it seems that part of your point is that the CBO strengthens Congress's role, you know, compared to the executive branch, and gives us an equal voice. I guess to either of you, what do you believe we could do quickly to help make sure that the CBO does not face partisan attacks and is something that is valued by both sides?

Ms. RIVLIN. I think it will always face partisan attacks, because there will always be somebody who does not agree with what the CBO is saying. If the CBO is saying this bill will cost more than its advocates say, or it will not do as many beneficial things. So that is part of the furniture. I would just ignore that and keep supporting the CBO and using it and asking questions about the basis for its estimates.

Mr. HOLTZ-EAKIN. I would echo that. I think it is inevitable that those attacks occur, but they do not have to be a thing the people know about CBO. What they should know about CBO is the quality of its work and the ability it has to aid the Congress to make its decisions.

Mr. KHANNA. Thank you very much.

Chairman WOMACK. I thank the gentleman. Let's go now to Mr. Arrington, Texas.

Mr. ARRINGTON. Thank you, Mr. Chairman, for hosting or chairing and presiding over these oversight hearings. I have found them, as a new member, to be very useful.

And I would like to ask both of our panelists just a general question. That is: if you were the committee of one up here, having the experience you have, what would be the one, two, or three things that you would change to make this process work better and to make sure that we had the most timely and accurate impartial in-

formation to do our job? Just a couple of things from each of you, please. Dr. Rivlin, you can start.

Ms. RIVLIN. Well, I would carefully examine whether CBO has enough staff to do the things you are asking them to do and be sure that they do. That is not a specific recommendation, but it is really important to recognize that their job is complicated and it takes quite a lot of people, and they need enough people and good people. That would be my major recommendation. And then, continue communicating about how they do their work and how they can make it more useful to you.

Mr. ARRINGTON. Mr. Holtz-Eakin?

Mr. HOLTZ-EAKIN. When I was Director, I thought of CBO as a consulting firm whose client was the Congress. And as such a consulting firm, it was our job to provide them the information they needed to make the decisions that were coming. And if we could think ahead and identify the tough things we had to do, we could get ready and provide them with what they needed.

There is a role for you in that as well in providing the CBO with the game plan for what you intend to work on so that they can in fact do studies. We did many studies on immigration reform well in advance of the debates that ensued. We did studies of Social Security and prescription drugs in advance of the efforts during my tenure to do legislation there. To the extent that you can convey to them the information they need so they can be ready, that would be fantastic.

I think there is a real role for this committee in talking to the CBO about not only what will be in the score, but what would you like in the form of supplementary information. One of the pieces of mission drift, as Dr. Rivlin described it that has occurred over the years, has been moving past just a table with budget numbers to something more about the policy and the effects of the policy, whether it is in health or tax or whatever—growth, number of people covered, cost of premiums. There is been a demand for more information.

That is fair, but they should be given advance notice about the nature of the supplementary information that you would want, the presentation of it, so that they can get it right as opposed to doing their job and giving you a number, which is their job and they will do it. But having to have a lot less faith in the nature of that number because they have not had time to prepare it carefully.

Mr. ARRINGTON. You know, I think you could reduce the criticism—and you will always get it—and I think we can reduce the partisanship on both sides with respect to this process where partisanship should be quite frankly eliminated to the extent you can, if there was a better record of timely and accurate information. So, you talked about subjectivity and judgment. How do we get more empirical information and analysis to bear and less judgment and less subjectivity?

And then, who is keeping the scorecard on how many times the information and analysis has been accurate and timely within a margin of error? I have asked that question. I have not seen any scorecard. I do not know if you do not measure that how we can make that judgment. And then, you really get caught up in sort of he said/she said sort of perspective and perception as opposed to

what is real in terms of the performance of CBO. Some thoughts from both of you guys on that.

Ms. RIVLIN. I think that Dr. Holtz-Eakin put his finger on it when he drew a distinction between scoring and predicting or projecting. And that is an important distinction to keep in mind.

A score tells you: given everything else that we have assumed about the budget in the baseline, how will this particular piece of legislation affect the deficit and other magnitudes in the budget? And those kind of things can also be checked.

I mean, for example, on the original Affordable Care Act, CBO overestimated the take-up rate, the number of people who would pick up this kind of insurance if offered, which meant they also overestimated the cost. Now, that kind of thing means you need to readjust your model. But to say they made a mistake because the economy changed or because Congress did something else that affected the budget, that is not a fair criticism of a score.

Mr. ARRINGTON. Mr. Chairman, my time has expired.

Ms. RIVLIN. I am sorry.

Chairman WOMACK. Ms. Jackson Lee from Texas?

Ms. JACKSON LEE. Mr. Chairman, thank you, and to the ranking member, thank you for this hearing. And thank you to Dr. Holtz-Eakin and, of course, Dr. Rivlin for their presence here this morning.

I, frankly, believe that the Budget Committee is one of the most important committees in the Congress, because it is the conductor, if you will, of the comings and goings of revenue and expenses in what I hope would be an objective manner. And I really appreciate your honesty, Dr. Holtz-Eakin, and I assume it will be the same for Dr. Rivlin, that a toxic political atmosphere is not productive for assessing the needs of the American people.

Let me proceed with questions. I think we have talked about that kind of toxicity. I want to pose the question generally of tax cuts and the question of revenue and the ability to pay for the government. The recent—forgive me for my description—tax scam, but the recent tax bill that was passed, so you will answer it as a tax bill, was supposed to work towards investment by corporate America.

All the economists have assessed that many corporations are using their tax relief to do enormous amount of buybacks. So, the question is whether or not it results in investment.

So, my question to you is how devastating, in the work that the CBO would do—which is dealing with the comings and goings in many instances as the Budget Committee may ask you questions of revenue and expenses—how difficult is it when it has to assess that on a growing debt and deficit?

Mr. HOLTZ-EAKIN. So, I guess there are probably three different pieces to my answer. Piece number one would be the direct scoring of the bill is the demand of the Joint Committee on Taxation. So, issues about how it is scored initially should be taken there.

The second place that would show up is CBO would have to and will have to roll into its baseline estimates of the outlook for the economy the impact of tax cuts and job act and other legislation as passed. And so, they will have to make some evaluation of its impact on the economy, both directly and through the larger debt that

it would entail. And that they will put out in this month or early next month, I think.

And then the third I would say as an economist, you cannot make that judgment on the basis of the initial buyback. That gets a lot of attention, but that is actually the first transaction in money coming back into the United States. What matters is the final transaction.

As you point out, what you want is to have that turn into genuine investment in fixed capital or intellectual properties, some tangible/intangible property that would raise productivity in the economy. You cannot tell that from a buyback. The money goes back out into the financial system; someone with investment opportunities can then use those funds to make investments. The jury is out as to yet how much of that will happen. We will have to find out.

Ms. JACKSON LEE. I think the jury is out. Could you follow up, Dr. Rivlin, by do tax cuts pay for themselves? You may want to follow up with that question. And then, if the CBO office was cut by a half, as Republicans wanted, is that helpful in it doing its comprehensive work? Would tax cuts paying for itself, and following up?

Ms. RIVLIN. Well this tax bill is a good illustration of how hard it is for the JCT—and it is the JCT—to estimate exactly what will happen as a result of a quite drastic and unusually large set of cuts. I think history does not support the people who think that tax cuts pay for themselves.

They may be conducive to higher growth, but not so much higher that the tax cut pays for itself. And I think almost all economists that I know are agreed on that. Cutting the CBO's staff in half would make it much less useful to the Congress, and I would urge you not to do that. Thank you.

Ms. JACKSON LEE. Thank you so very much. I yield back. I yield back some time.

Chairman WOMACK. The gentlelady yields back her time.

Ms. JACKSON LEE. So note it, Mr. Chairman. I yield back some time.

Chairman WOMACK. Noted. Trust me, noted. As somebody who gets to chair the proceedings in the House a lot, very much noted. In fact, you caught me by surprise. Mr. McClintock, California.

Mr. MCCLINTOCK. Thank you, Mr. Chairman. Ms. Rivlin, you say that the Budget Committee really needs to focus on two much more important priorities; the staggering debt as well as the total breakdown of the budget process. I tend to agree with you, although as far as the breakdown of the budget process, I look at the process as laid out in law. It is very logical. It is very thorough.

But to me there are just two problems with it. Number one, there is no imperative to pass a budget, so we very seldom do. Because we can spend money just as easily—in fact I think you can say we can spend money more easily—without going through all of the fuss and bother of the budget process. So we simply ignore it. What is your view of that perspective?

Ms. RIVLIN. I think you ought to have a process—and this was the original intention in the '74 Act—that forced the Congress to

look at the whole budget and to say, "How much do we want to spend, not just this year, but over the next few years?"

Mr. MCCLINTOCK. Right. But we do not have to, because we can spend—

Ms. RIVLIN. You do not have to. You should make yourselves have to.

Mr. MCCLINTOCK. That is my point is that perhaps the way to fix the budget process is to say you cannot spend money until you have got a budget in place.

Ms. RIVLIN. Yes. And most—

Mr. MCCLINTOCK. Let me just add one other thing, and that is another reason I think that the budget process is cast aside is that if we do go through all of the fuss and bother of adopting a budget, the formal appropriations process is discharged out of the House, and then cannot be taken up in the Senate without 60 votes.

If you are in the minority—whichever party is in the minority—it is much to your benefit simply to prevent the appropriations bills from coming up, run us into a deadline, and then have a slapdash omnibus or continuing resolution instead. Is that also part of the root of the problem?

Ms. RIVLIN. There are a lot of problems, and I am hopeful that this new Select Committee will get into exactly those kinds of questions. I do not want to opine on the rules of the Senate. But I think you need a simpler process that forces you to look at the budget as a whole first and maybe make some rule like "no budget, no pay," which no labels had advocated, or "no budget, no recess."

Mr. MCCLINTOCK. The problem with that is that puts Members' personal interests ahead of their public duties, and that is always a bad place to go. But again—

Ms. RIVLIN. But you need to force yourselves to do it.

Mr. MCCLINTOCK. And again, I think the simple way to force it is to say you cannot spend money unless you have a budget in place.

Ms. RIVLIN. Yeah.

Mr. MCCLINTOCK. And the appropriations bills are taken up on the Senate floor by the same vote as the budget, itself; a majority, not 60 votes, just to take the bill up for consideration.

Now let me turn to the other area where you say we are ignoring a dire problem, and that is the ballooning deficit. Now we just passed a major tax reduction. I think it was absolutely essential to move the economy forward, but it seems to me at the same time that places an added responsibility on Congress if we are to do that, then to restrain spending and to go through the budget with a fine toothed comb. Would you agree that having passed that, that is now our responsibility; we have got to restrain spending?

Ms. RIVLIN. Yes, but it depends what you mean by "the budget." I would say you have to go through spending and taxing.

Mr. MCCLINTOCK. Yes. Correct.

Ms. RIVLIN. And the driving force for the long-term increase in the debt is not appropriations, which is what the budget process now deals with. It is the entitlement, the mandatory spending, and the taxes.

Mr. MCCLINTOCK. The point, though, is it is spending in general, whether it is discretionary or mandatory. Once we have spent a

dollar, we have already decided to tax it, either now or in the future. A future tax is the debt. Debt and taxes are essentially the same thing, would not you agree? A debt is simply borrowing now so that we tax it in the future.

Ms. RIVLIN. If you decide to spend money, you got to pay for it sometime.

Mr. MCCLINTOCK. Exactly.

Ms. RIVLIN. But I think the problem with the budget process is it only deals with a third of the budget. You have got to get the mandatory spending and the——

Mr. MCCLINTOCK. The budget process gives us a reconciliation process that allows us to adjust all the mandatory statutes. We simply choose not to use it.

Ms. RIVLIN. Right. And you are not reviewing mandatory spending or tax expenditures.

Mr. MCCLINTOCK. Thank you.

Chairman WOMACK. We have members coming and going, and I believe I am correct when I suggest that the next round of questions goes to the gentleman from Virginia 7, Mr. Brat.

Mr. BRAT. Thank you, Mr. Chairman. Thank you both for coming in. I taught college economics for 20 years. And so, I have been interested in some of the commentary here, and I am sure you will all be familiar with the literature between positive economics and normative economics. And I think that applies, right? Normative has to do with ethics; positive has to do with your charter and goals.

And so, it is interesting, if you are going to do positive analysis on scoring and not forecasting, et cetera, I can buy that if you stick straight to the game. But then we always get into this political bias and the other side, even within these meetings we have got former heads of CBO weighing in on what are inappropriate comments. And have you ever heard these comments before? Those are normative claims coming from the head of nonpartisan positive institutions.

And so, I studied economics and ethics for 20 years. That was my area. And so, I always find it fascinating, and that is part of what is wrong with this city. So let me just kind of connect the dots. It is too complex to weigh in. I do not think there is a perfect find. But I think we are all engaged in normative activity. I can watch your heads nod yes and no when people put their political comments forward, and it is no surprise in academia, right? In Harvard, Yale, Princeton, the leading economic departments across the country, it is predominantly Democrats. Right? And they feed most economists, most economists working up here.

And so, I wish we had politically neutral scores and bias and all that, but I do not think we do. I wish it was just even. So, let me get at what I am getting at a little bit. So if the CBO wants to weigh in, Tom McClintock who just made comments, we have 21 trillion in debt going to the kids. Right? Intergenerational theft. And there is going to be a burden on them.

And so when we do our scores and our explanations, I mean, it would be good to have an analysis of not just the gains that you get right now as a political party, right, for overspending, but the pain we are inflicting on the next generation. They have 100 tril-

lion, minimum, unfunded liabilities. Medicare and Social Security are insolvent in 2034. If we continue to bust the budget, they do not get those programs.

Where is that in a normative analysis and the score when you are talking about budgets? These are fundamentally huge questions where we are stealing from the next generation. And up here it is always just, "No, we are going to be very precise. We are going to do a CBO score. It is very tight and narrow. And here's the impact on Obamacare, this, that. The tax package does not pay for itself and has a deficit, et cetera." Very narrow, little questions, but completely abstracted from reality and the pain it is going to cause.

Maybe if you could just go shortly on that, and then I want to ask one other question. It seems to me you are connected to the normative game whether you like it or not. And as leaders in those institutions, you have to not only score the narrow, but show the full implications of a policy into the 75-year or 50-year scenario as well. Dr. Rivlin?

Ms. RIVLIN. I think CBO has done a very good job in focusing the Congress's attention periodically and insistently on the long run implications of current decision making. They do a long run forecast, and the numbers are scary. You are absolutely right. We are inflicting a large burden on future taxpayers. CBO has been pretty good about that, stressing that.

Mr. BRAT. Doctor?

Mr. HOLTZ-EAKIN. I guess I politely disagree with the notion that the CBO is not providing nonpartisan products. I was the first CBO Director to go from the White House to the CBO. There were people who flatly said I was a political hack there to ruin the place and——

Mr. BRAT. And just to be clear, I did not make that——

Mr. HOLTZ-EAKIN. Okay. So, I was every day conscious of the distinction between normative, what I thought was the right thing to do, and doing the job, which was answering the questions the Congress asked us in a way that was consistent with the research literature. That is what we do.

Mr. BRAT. Yeah.

Mr. HOLTZ-EAKIN. You should ask them. If your concern is what programs will not be available in 2035 ask them. They will tell you. And then everyone will know what is at stake. It is just that simple.

Mr. BRAT. Right. I am kind of getting at—I mean, doctor, I agree with you. Right? You did a good job. You had a good run showing on future taxpayers. But who are they? It is a political game up here. I think we need to define the actors a little more clearly as to who is winning and who is losing up here.

The American people are fed up. Right? From Bernie through Trump. Right? They do not think the elites up here get it, what is going on in terms of the pain that is being inflicted. I will just kind of close on adding to this a broader context. What do I got left, a few seconds? One?

There is a question again on the healthcare, on the NERA. How many people are going to lose their insurance versus who is going to get better or worse healthcare coverage. I do not think the analysis got into any of that. And so, all that we get from CBO on that

is, you know, this many million are going to lose their coverage, but then nothing on hey, the people that have coverage have \$10,000 deductibles or \$5,000 deductibles and cannot see a doctor, et cetera.

And if you keep federalizing every program up here economic growth was going down, down, down as far as I could see. And now, we are trying to crack it open. And so, again, I mean—I know. Thank you, chairman. All right. That is it.

Mr. HOLTZ-EAKIN. Mr. Chairman, can I use the remainder of his time to answer that?

Chairman WOMACK. I will yield the gentleman a few seconds to respond, yes.

Mr. HOLTZ-EAKIN. This is the issue I was getting at when I suggested the committee should think hard about the nature of the supplementary information it wants. The CBO's job is to estimate the Federal budget cost of legislation. Period. It is the rest which is part of the mission creep that you are talking about. So, if you are going to let the mission creep, provide some guidelines for how it is supposed to be executed.

Chairman WOMACK. Mr. Brat, you owe Ms. Jackson-Lee a debt of gratitude for taking the rest of her time, by the way. Mr. Lewis, Minnesota?

Mr. LEWIS. Thank you, Mr. Chairman, and thank you to the panel.

Chairman WOMACK. I apologize. Would the gentleman yield for a minute? I forgot we have a newly arriving member of the other party that is here. Mr. Carbal, I am going to recognize you from California. Sorry for the—

Mr. CARBAL. It is okay. Thank you, Mr. Chair. Thank you, Ranking Member Yarmuth. I am a new Member to Congress. This is my first tournament. So I am going to call this for what it is. There is very few Democrats up here. So let's just call this what it is. It is a partisan hearing to try to discredit the CBO because recent scores about the Affordable Care Act did not yield the type of result that the majority party wanted.

That is what this is. Let's just call it what it is. Certainly, if it would have yielded a different outcome, you would not be here today. So, since you are here I will ask you a few questions. But let's just call this what it is. What do you see as the biggest threats to the CBO's ability to fulfill its mission today?

Ms. RIVLIN. Well, I would differ with your characterization of this hearing. I watched on C-SPAN the first one and have looked through the others, and I do not think that the committee has, in general, been out to get CBO. They have been trying to understand what CBO does and how they do it and how it can be improved. That is the spirit in which I would answer your question.

The partisanship does not help. The Congress needs to understand the information and ask as many questions as it can so that it can understand what the consequences of various pieces of legislation, including the Affordable Care Act, are.

Mr. CARBAL. Thank you, Dr. Rivlin. Dr. Rivlin, did you sign the letter of July 21st, 2017, letter from former CBO Directors on the importance of the CBO's role in the legislative process?

Ms. RIVLIN. Yes. We did send a letter when we were concerned about the attacks on the CBO.

Mr. CARBAJAL. So, you no longer believe that these hearings are an attack on the CBO?

Ms. RIVLIN. I think there may be some members who want to attack the CBO, but I have not had the feeling about these hearings that the whole series was an attack.

Mr. CARBAJAL. But the letter you did sign did refer to concerns about trying to undermine the nonpartisanship of the CBO. Correct?

Ms. RIVLIN. I have always been concerned about that. I have been concerned about that for 43 years. We have had a lot of partisanship in previous eras, and I was always trying to observe the nonpartisan role in the face of some partisan attacks.

Mr. CARBAJAL. Well thank you for stepping up at least in this letter expressing your concerns about the partisan attacks. Can you add to the question I asked, please?

Mr. HOLTZ-EAKIN. I would echo Dr. Rivlin on the importance of these hearings, and the tenor at which they have been conducted. I am pleased to be here today. This is my first oversight hearing. I think it is overdue. I think it is a great way to learn about what CBO does and for CBO to learn about the general concerns by Congress. That is a beneficial thing.

I know about the letter. As I said earlier, my concern was not that there were partisan discontent with the CBO. That comes with the territory. I was appointed by Republicans, and they were more disappointed with me than were the Democrats. That is the nature of the beast.

I was concerned that the executive branch seemed to be trying to undercut the standing of the congressional support agency on which this committee and the remainder of Congress relies. That, to me, is unacceptable. You should not let it happen. I was not going to let it happen.

Mr. CARBAJAL. Thank you. You both have participated with panels of economic advisers over the years. Do you think it represents a diversity of views?

Mr. HOLTZ-EAKIN. Absolutely. I both supervised those panel meetings; I have been a member as a former Director. There is a conscious deliberate effort to turn over the membership to represent new views of the performance of the macro economy to bring in experts in new issues, such a greater openness to global capital flows, for example. And I think they have done a very good job of essentially running a shadow blue-chip process whereby a consensus forecast can arrive by consulting all parties.

Mr. CARBAJAL. Thank you very much, Mr. Chair. I yield back.

Chairman WOMACK. I thank the gentleman. By the way, the letter he references, a 2017 letter, I just want the record to reflect that that letter was not in any way or shape related to the hearings that have been held in 2018. I just wanted to make that clear for purposes of clarity. With that said, let's go now to Minnesota, Mr. Lewis. Thank you for patiently waiting. A belated Minnesota.

Mr. LEWIS. Yes. Thank you, Mr. Chairman. I appreciate that. I, too, am a freshman here. And one of the things I have learned rather quickly, especially on this committee, is that it seems we are

in a situation where those who declare others being partisan are usually the most partisan. I am having a really, really hard time trying to figure out how we invite the esteemed Dr. Rivlin to come as a witness when she was OMB under Bill Clinton. Is that right? You were a vociferous critic of Reaganomics. Is that fair?

Ms. RIVLIN. Yes.

Mr. LEWIS. Yeah. That is fair. You have been a lifelong Democrat. I do not know where the partisanship comes in here. If we wanted this to be just a hit job, I would have thought we could find a different panel member, notwithstanding your fine credentials. I have followed you for many, many years.

And I will say this as well, that I am old enough. I was a lot of fun before running water. I am old enough to remember Reaganomics; I am old enough to remember your role as the first Congressional Budget Office Director; and I am old enough to remember the rather blatant criticism coming from Larry Speakes and David Stockman and Jack Kemp and the President, himself, of the CBO at that time.

So, when I hear about the concern over the discourse today, I, too, have some concerns. But I am also equally as distressed about people hiding behind calling others partisan when they are being immensely partisan. I mean, I presume, Dr. Rivlin, you are equally distressed as you are coming from this President and the White House, you are equally distressed by some of these resistance groups and the activities they are undertaking today. Right?

Ms. RIVLIN. Well, I consider myself actually I am a Democrat, but I am a strong advocate of nonpartisan analysis and bipartisan action. And I just hope we can get over this crisis of partisanship and have the two parties working together for the good of the country.

Mr. LEWIS. And I think we are on this panel, on this committee. But I just do not want to let this one-sided narrative go forward too far with the entire amount of blame headed towards one side of the aisle. We have got irresponsible rhetoric, irresponsible actions. We have got groups crashing congressional offices, sit-ins daily. We have got antifa out there. We have got people who would be the first to criticize the CBO had they come out with some other scores, for instance.

What I am getting at here is if you come out with 1.9 percent growth rate over the 10 year period, and in fact the growth rate has already exceeded that, if you suggest that people buying health insurance on the Affordable Care Act exchanges is 10 million over-estimated, and someone says you know what? There might be a problem with the growth model here.

Maybe we need a little bit more dynamic scoring. Maybe tax cuts will not pay for themselves, but they usually garner more revenue than some of the critics admit. Maybe that criticism has nothing to do with partisanship, maybe it is exactly what we ought to be doing up here. Go ahead.

Mr. HOLTZ-EAKIN. Can I say a word about that?

Chairman WOMACK. Yes.

Mr. HOLTZ-EAKIN. I think it is perfectly fine to disagree with CBO in the way you just described. Lord knows I disagreed with the staff when I was Director, and I continued to, at times, believe

they have come down on the wrong side of a question from the point of view of the research literature.

I think it is a very different thing to take something that you disagree with and suggest that it is only because they have bad motives and they are not professional and try to undercut their credibility entirely. Those are two different things. The former is fine. It is been going on since the founding of the CBO. The latter flares up occasionally, but I think should be stopped as soon as possible.

Mr. LEWIS. So, for instance, if you are passing a tax reform bill and the critics of the tax reform bill describe it as a sop to the rich, gift to your corporate donors, things like that, they are not describing ulterior motives in those critics?

Mr. HOLTZ-EAKIN. I am saying it is from both sides of the isle, some of this untoward criticism that you describe and I agree with. And I do not think, quite frankly that we shine the light of disinfectant on one side quite as much as we should. That is all I am saying.

Ms. RIVLIN. You are not hearing any of that kind of rhetoric from the CBO?

Mr. HOLTZ-EAKIN. Nope, that is true. And I am not hearing it from you.

Ms. RIVLIN. Yeah.

Mr. HOLTZ-EAKIN. The White House is not the only origin of that sort of unfortunate rhetoric. And I think the other side needs to be held to that account as well.

Ms. RIVLIN. I think we could all agree that there is partisanship on both sides.

Mr. LEWIS. Yes. Thank you very much. I will yield back.

Chairman WOMACK. Mr. Johnson, from Ohio.

Mr. JOHNSON. Thank you Mr. Chairman. Dr. Rivlin, in your testimony you mentioned the dilemma of responsibility for you.

Ms. RIVLIN. Yes.

Mr. JOHNSON. What are some examples of how expectations or the scope of product acquired by CBO have evolved since CBO's authorization back in 1974?

Ms. RIVLIN. Well, there have been a number of responsibilities that CBO was asked to undertake, and I am not sure that I remember them all. But some of them had to do with impact on State and local government—was a responsibility not received at the beginning. And at other times environmental impact has been suggested as possible responsibility. I think the Budget Committees and the CBO together have been sensible in saying we will stick to the budget impact of legislation, and because that is our primary mission.

Mr. JOHNSON. Okay. Dr. Douglas Holtz-Eakin, if CBO identifies an error in its scoring, what is the process for releasing a revised statement?

Mr. HOLTZ-EAKIN. If the error is caught during the process of scoring legislation? You will communicate with the committee staff, typically, and the Members who are sponsoring the legislation about what you have discovered. Let them know and then you continue to score new pieces of legislation until they either pass or until it ends.

Mr. JOHNSON. If the score has already been released and they discover an error, they communicate back to the author and then they release a revised score. Is that correct?

Mr. HOLTZ-EAKIN. I will be honest, I cannot speak for the current CBO Director and exactly what their procedures are right now, but it was not a common event. I had one instance where this happened and that is what we did.

Mr. JOHNSON. Okay. All right. For both of you, what suggestions do you have for both Congress and the CBO to improve communication and create a better working relationship between Congress and CBO?

Ms. RIVLIN. Well, I would say just do it in the sense of get in touch with the Director. Talk to him, ask questions, and hold hearings like this one. But the main thing is just keep asking CBO, "Well, what was the basis for that estimate and can you tell us a little more about it?"

Mr. HOLTZ-EAKIN. I suggest you ask Sandy Davis on the next panel.

Ms. RIVLIN. Yes. Absolutely, you want to.

Mr. HOLTZ-EAKIN. When I became Director, I came in a situation where the sitting chairman of the Budget Committee had uttered the phrase, "CBO sucks," and I apologize for my language. That is a quote. That is a bad moment. And I interpreted that as there is very poor communication between CBO and the Hill, for whatever reason the Budget Committee feels that way.

I asked Sandy to take on the job of making sure that there was never any surprise or miscommunication about what CBO was up to. You might not like what you heard, but you were not going to be surprised to hear it and you were going to understand where it came from. He did a spectacular job so I do not think there is anyone who has worked longer at trying to improve this communication than him. And since I made him do all the work then, I am going to make him do it now.

Mr. JOHNSON. It is amazing what you can do when you communicate. Dr. Holtz-Eakin, continuing with you, can you share some ideas on how CBO can make information such as underlying data and assumptions more widely available while recognizing the need to protect the agency's access to private data?

Mr. HOLTZ-EAKIN. Yeah, I think this is one where CBO really should be congratulated for the enormous advances in the past 15 years in what is available on the internet, what they put up on the website. The capacity to download spreadsheets that underlie the mandatory baseline, the budget outlook, things like that. None of that was there. You could continue to do that and digitize every written product they have so that the underlying data are there. I zero problem with any of that.

There are going to be things that you cannot digitize and distribute. They are going to be our proprietary data, there is some of that, and they are going to be assumption. So, you know, in scoring legislation you are going to have to assume something about how the executive branch behaves and there are no models for that. So, those judgments are the things they are going to have to write down.

Mr. JOHNSON. All right. Mr. Chairman, I yield back.

Chairman WOMACK. Mr. Sanford from South Carolina.

Mr. SANFORD. Thank you, Mr. Chairman. I guess I would begin with you Dr. Douglas Holtz-Eakin. In 2015, you criticized the CBO for not having an official conflict of interest policy for panels on outside advisors.

Mr. HOLTZ-EAKIN. I am sorry I did not hear the beginning of that. The buzzer.

Mr. SANFORD. I said in 2015 you criticized the CBO for not having an official conflict of interest policy for its panel of outside advisors. CBO responded to your criticism by saying that they were developing a process in terms of dealing with this. I guess my question, since we have had much conversation on bias: was that policy ever developed? Where do things stand on that now?

Mr. HOLTZ-EAKIN. To my knowledge they put in place a formal conflicts of interest policy; they have a panel of health advisors, panel of economic advisors. I guess I would not characterize it as a criticism, I thought it would be wise to have one because it is easy to criticize them for failure to do due diligence in the absence of one. So this just struck me as one of those oversights that had not happened over the years, and that someone could fix it.

Mr. SANFORD. Sure. In today's political vernacular, that would be viewed as criticism, but you can define it however you would like. You wrote an op-ed in the Washington Post last April on the subject of the President's tax reform proposal, in which you state, "Sailing straight into sovereign debt crisis is not pro-go strategy." Do you think that we are sailing into a sovereign debt crisis?

Mr. HOLTZ-EAKIN. Yes.

Mr. SANFORD. Based on?

Mr. HOLTZ-EAKIN. The trajectory in any forecast for the U.S. debt is rising levels of debt relative to GDP. That finding is not sensitive to either the growth or the budgetary assumptions. I mean, it is happening. We are not on knife edge. We are headed in an unstable direction so the only question is when, not if.

Mr. SANFORD. In that same vein, Dr. Rivlin, you, in an interview with CNBC last May suggested that the projections for sustained 3 percent economic growth including the President's budget proposal were "very optimistic" and you went on to further more say that 2 percent was much more responsible.

Since both of you all have alluded to this or commented directly on it, if you put the continuum of 3 percent growth out there as crazy, impossible, improbable, unlikely, probable, likely, or going to happen. Where would you register yourself on the 3 percent continuum? Crazy and impossible or could happen? Or just give me a probability. You would say. Pick odds between one and 100, you would say odds are?

Ms. RIVLIN. I do not want to give you a number. I would say it is very optimistic, but let me tell you why I think that.

Mr. SANFORD. Just, in the interest of time, I have 2 minutes. Give me a probability between 1 and 100.

Ms. RIVLIN. No, I cannot do that. You have—what it depends on—

Mr. SANFORD. Let me skip to your coworker then. No, I understand a lot of what it depends on, what would you give me as odds? Just as a betting man? Again, I am not going to, this is informal.

Mr. HOLTZ-EAKIN. Ten percent.

Mr. SANFORD. Ten percent?

Mr. HOLTZ-EAKIN. Ten percent.

Mr. SANFORD. Okay. I happen to agree with you. I think we are vastly optimistic in terms of our economic forecast, but in the 1 minute and 45 seconds I have left, there is been much talk of actually doing a budget versus a resolution, something less binding. If you were to say, have to have budget versus resolution okay, where would you be on that one?

Mr. HOLTZ-EAKIN. I think there should be a budget. I think there should be a single document where the House, the Senate, and the White House agree on what will be spent, what will be raised in taxes and what will be borrowed. Until then, there really is not a budget. You do not have a plan. You just have budgetary outcomes and they are usually bad.

Mr. SANFORD. Concur?

Ms. RIVLIN. I agree with that.

Mr. SANFORD. Last question: in some ways I empathize with you all. I mean, at times do you feel like neutered academics? In that, I mean, there have been study after study after study pointing to what you know on the impossibility of us closing this funding gap. Now, whether it is on the entitlement side, which we have studied to death.

There have been ultimately, I cannot remember how many different panels saying we have to do something. We have to do something. We continue not to do something. But, I mean, you have seen it over the years under the degree in which Congress will study. That which it knows it has to deal with. That which you would assign a 10 percent probability to and yet we continue to do nothing. And that has to be at some level frustrating.

Similarly, deciding, forecasting out whether its 10 years or 75 years, that is a pretty tough thing in the world of economics. Any wisdom as to some of the frustrations you have developed either with studying things to death or being assigned the fairly difficult task of saying what is going to happen in 10 years?

Ms. RIVLIN. I am more optimistic than many people, in part because I am a veteran of the last time the Congress and the President together, and it was very bipartisan, got a surplus in the Federal budget.

Mr. SANFORD. Respectfully, the Senate would say that was due to the tech bubble and the matter of what became as a consequence.

Ms. RIVLIN. No, let me give you my view since I am here. I think it was partly good fortune, but it was very substantially the rules that the Congress imposed on itself in 1990. This was bipartisan, it was President Bush and the Democratic Congress decided on the Budget Enforcement Act and enforced them for more than a decade. And that held the growth of spending in check including entitlements. And that was very important and it is harder now. But you need to do something like that again.

Chairman WOMACK. Mr. Woodall of Georgia.

Mr. WOODALL. Thank you, Mr. Chairman. Thank you all for being here. Dr. Rivlin, I should have invited you to come by my of-

fice. I am glad we have 5 minutes together today, but I hope you will come by and visit with me more.

Ms. RIVLIN. Happy to.

Mr. WOODALL. I want to go back to 1975. When I read the debate that Congress was involved in around the creating of the CBO, I get the idea that we were creating an adjunct Budget Committee staff. In fact, I get the impression that if the Senate had not insisted on having its own staff that we would not even had a Budget Committee staff. We would have had two Budget Committees, both of which relied on the CBO to staff them.

I cannot imagine what it was like to try and build that organization up. But as I sit here today, the CBO is the only Staff Director on Capitol Hill that comes and testifies in front of its committee to tell it, tell the committee how it is going to be.

Dr. Holtz-Eakin just talked about the breath of information that CBO releases that is available out here today. There is no other committee staff on Capitol Hill that is running their own webpage, releasing whatever information they decide is pertinent to release. Back in 1975, where you trying to set up a completely independent, almost coequal committee structure there? Or were you trying to provide Congress with a counterbalance to OMB, so that Article I would not get pushed around by the economists down at Article II? Dr. Rivlin?

Ms. RIVLIN. We were trying to do what we thought the law asked us to do. Namely, create a nonpartisan source of information for the Congress and particularly for the budget process, that was its own so they did not have to depend on the executive branch for estimates. That was the main objective.

Mr. WOODALL. And so, given that for the first time we were bringing together all of this intellectual prowess, you know, if I call the CBO Director today—and I suspect it would be true in Dr. Holtz-Eakin's era as well—and say give me some good advice on how we can do thing differently.

The Director today will say, "Well Congressman, I am not in the business of giving advice. If you want me to analyze something, I will analyze it for you, but I would not give you advice." I cannot imagine when we were creating CBO in 1974 and 1975 that we were trying to create a structure that handicapped you from giving the members the very best advice that you could. Could you speak to that?

Ms. RIVLIN. Oh, absolutely. I said in my testimony, I was the one who said we should not make recommendations. I think that was the right thing. That you need an agency which will give you analysis but not tell you what to do. And I have sat in rooms like this, any number of times, and said, "I am sorry, Mr. Chairman, I cannot answer that question. I can give you options and alternatives, but I cannot say what you ought to do." And I think that is right.

Mr. WOODALL. Now, given that the entire point of the exercise was to create a counterbalance to OMB, I am certain that Director Mulvaney is not telling President Trump that he is unable to give him good advice and he cannot make any recommendations. How are we, as Article I, advantaged by that mission statement that you laid out very early on?

Ms. RIVLIN. I have held both jobs. I have been in Mulvaney's position and when President Clinton said, "What do you think I ought to do?" I had an answer. That is a different job. You are part of the President's cabinet, you give him the best information that you can. But there is no reason why the budget Director cannot give advice.

Mr. WOODALL. And help me to understand why that is a different job. We created CBO to serve Congress in the same way that your role was to serve President Clinton. How are we maximizing the expertise at CBO if we restrict CBO from giving its very best advice?

Ms. RIVLIN. Because you have both Republicans and Democrats, but Clinton did not. He was a partisan and if the CBO is to maintain nonpartisan credibility in this intensely partisan atmosphere up here, it has to refrain from giving advice on policy.

Mr. WOODALL. And as you look at the CBO as it sits here today, does it look as you imagined it would when you were setting it up in 1975 or does it look substantially different?

Ms. RIVLIN. I think it looks as though, as I hoped it would, although I do not remember what I hoped. But I am proud of the way it has developed.

Mr. WOODALL. Dr. Rivlin, thank you very much. Dr. Holtz-Eakin, you have been very generous with your time to various events that I have been involved in over the years. My great hope was I was going to go back to the origins of CBO and solve many of my problems. Dr. Rivlin has just abused me of that notion today, so come back to the start. But thank you both for being here. Mr. Chairman.

Chairman WOMACK. Mr. Smucker, Pennsylvania.

Mr. SMUCKER. Thank you Mr. Chairman. Thank you to both of you for being here. Appreciate the chairman scheduling oversight hearing in regards to CBO, appreciate the work that you have done to both establish and to maintain the effectiveness of CBO. I served in a State legislature in Pennsylvania where we did not have an equivalent and formed a nonpartisan, independent fiscal agency, to do exactly what CBO was intended to do. We had to rely too much on the executive projections in the budget deliberations.

So, from my perspective, I think there is a really, really important role that CBO is filling and that should continue to fill. We can always talk about how to improve it, but I think it is, again, very important. You play a very, very important role and we appreciate what you have done to advance that. I do have a question; we talked about some of the frustrations, lack of communication that some members feel.

Do you think that the way CBO prioritizes is required to prioritize requests may lead to some of that? So today, you start, I believe with leadership requests, then committee requests, and then, if resources permit, you go with personal office requests. So I would like to hear from either of you whether you think that is working.

Mr. HOLTZ-EAKIN. I believe it is. CBO is oversubscribed and that is the reality. So I know in my time it led to frustration by some members, because they had a bill and it had not been scored yet and I would get calls and have to explain. It said nothing about our

desired relation with at member or about the legislation. It was the priorities the leadership of other committees had put on us.

Mr. SMUCKER. Do you agree with that Dr. Rivlin?

Ms. RIVLIN. Yes. I agree. There have to be some priorities, and they are spelled out in the statute. And I think it is the job of the Budget Committees to help CBO enforce the priorities.

Mr. SMUCKER. Change subjects. Dr. Rivlin, I would love to sometime talk more with you with your experience——

Ms. RIVLIN. Happy to.

Mr. SMUCKER.—having been here in 1974. You know, I look back at that and understand that the intent was to create a process that works and, you know, as I look back over what we have done since then, it clearly is not working, at least in my view. And I am interested in learning more about your comments in regards to the Budget Act of 1990 and how that lead to a balanced budget. But I am new, first term. I have certainly come to the conclusion that the process itself is broken and needs to be fixed.

So, I guess, I would like to hear your perspective, Dr. Rivlin. You are been here, you saw what was done in 1974: do you think we need a complete overhaul of the budget system or do you think that we can just make incremental changes to what we attempt with the budget control of 1974?

Ms. RIVLIN. I think you can build on some of the institutions that were created, including the Budget Committees. You do not need to rip it up entirely, start over. But you need to think about what are we trying to do here? And how can we get a process that will lead us to a responsible, long term Federal budget.

And I worked with the late Senator Domenici most recently on a proposal for a budget process reform. I am happy to share that. But I think the main things are that the President and both chambers have to be involved in a decision about what the overall spending and taxing and debt is going to be.

Mr. SMUCKER. I agree with that. I have 45 seconds. What are some of the biggest take away that we can learn from 1990?

Ms. RIVLIN. From 1990?

Mr. SMUCKER. Right.

Ms. RIVLIN. Well, I think the Budget Enforcement Act of 1990, which was what had the caps on discretionary spending. Those worked as long as they were enforced and the PAYGO process worked to hold down increases in mandatory spending. The problem now is that it is not legislation that increases mandatory spending primarily, it is demographics. And that requires a different kind of rulemaking to make sure that you have enough revenue to pay for the long term entitlements that you want.

Mr. SMUCKER. Thank you. I look forward to continuing that discussion with you.

Chairman WOMACK. Mr. Ferguson of Georgia.

Mr. FERGUSON. Thank you, Mr. Chairman, and thank you to the ranking member as well. I would be remised if I did not push back on my colleague from California who has since left the hearing. But I want to push back a little bit on the shallow comments. I think it says a lot about his love of opacity and his aversion to transparency.

I think knowledge should be enthusiastically perused in a hearing like this and our goal should be to gain as much knowledge possible so that we can give CBO direction to give us and have confidence in those decisions so that we can make the best decisions for the future of America.

And not to revel in it, and I share your perception earlier, that these have been very much some good questions that have been asked with a real intent to get at a process that we all can have confidence in. Because as we go through time, both parties will be in the majority or minority at different times, and we want to have confidence in this process.

So, I was also interested in the comments that you made about separating out the analysis of the numbers versus the policy side of it. I think that sounds good in theory but I wonder how accurate that you long term determinations would be if you do not take into account some of the changing behavior models as a result of the policy. Maybe I was reading your comments wrong.

Because one of the concerns that I have is the accuracy of CBO scores at the 10-year mark. We are being asked to make huge decisions on information that we do not know what the accuracy is going to be at the 10-year mark. Could either one of you speak to how you could change the process so that we can have a better understanding of the accuracy of the projections at years 7, 8, 9, and 10 as we make our decisions.

And if we cannot get there, would it be a good idea for CBO to say, "At year 7 there is a 70 percent chance this will be right, in year 10 there is a 50 percent chance that this will be right"? And Dr. Rivlin, I will let you take a stab at that one.

Ms. RIVLIN. Nobody can make projections for 10 years. And in my opinion, nobody is ever going to be able to make every accurate projections for the U.S. economy or pieces of it for 10 years. There is always going to be great uncertainty. The CBO does convey that. It shows range bands of uncertainty around longer run projections. But you need a number. You need a number.

Mr. FERGUSON. Yet this body and Congress takes that CBO score as gospel. And we bet the farm on that number no matter which way.

Ms. RIVLIN. Right, but you have imposed that on the CBO by making rules—rightly I think—rules for yourself about the size of the budget deficit or the permissible increase. And then, when you have got a bill, you have got to have a number which tells you compared to the baseline, what will this bill do to the deficit? And you cannot stand a range, you have to have a number. Because it has to add up, and that is a very difficult problem. I do not think you can fix it. I just think you have to understand it.

Mr. HOLTZ-EAKIN. I am going to concur. During my tenure we put out this fan chart that showed the probabilities of being at different points in larger or small deficits and Members of Congress asked us to get rid of it. Because they thought it made it look like we did not know what we were talking about, because we had a range, and they needed a number. So, why give us all this extra stuff? It is the decision the Congress has made, it is not CBO.

Mr. FERGUSON. So, what you are saying is that we need to be honest with ourselves about this and not—

Ms. RIVLIN. Not blame CBO.

Mr. HOLTZ-EAKIN. You need a number. And CBO, to this day, when it writes things, will write things that convey more or less certainty in those. If there is a great deal of uncertainty, there will be words like "there is a great deal of uncertainty associated with this estimate." You should, then, not be sure that the legislation solves the problem for 10 years. You should be watching that.

Mr. FERGUSON. Okay. I yield back.

Chairman WOMACK. All right, let's now go to Mrs. Black from Tennessee.

Mrs. BLACK. Thank you, Mr. Chairman. I certainly do appreciate you having these hearings because I think they have been very instructive and informational. And I am really delighted to have both of you here today. You have been two experts that we have turned to on a number of occasions.

And looking at one of the biggest complaints that I have heard about CBO and the frustration for our members is the whole transparency piece. I know you talked a little bit about that earlier on. Because it is frustrating when you have an analysis and you get cost estimates and you get forecasts and you do look back and nobody is going to be able to give you that perfectly, but we do have to make decisions on those.

And it is, I think, fair to say that in those instances where we believe an assumption is made—especially in a behavioral assumption, where you make an assumption that people are going to behave in a certain way—and I do not believe necessarily that what CBO puts out is the way people will behave. Because I have been around long enough to see something different about the way people behave. I think that is one of the hardest pieces for me to accept.

And so, what I want to get to is, it would be nice for me, when I get that from the CBO to be able to have that conversation, that dialogue, so perhaps I could even change the mind of the person who said this is the assumption they made.

Is that possible to do with CBO where having a body where there is 435 Members and each of us maybe having a disagreement with the way something has been analyzed, that we would have that ability to have the transparency, first of all to see it, and second then to have that dialogue with whomever it is in CBO that may have put that information forward. Dr. Rivlin, do you want to start?

Ms. RIVLIN. Well, ideally, I guess, it would be nice if you could do that. But you collectively are also saying to the CBO, we need a score and we need it by Wednesday morning. And that precludes having a dialogue with 435 Members. It is just not possible. So, the best CBO can do is to say, "Clearly, here is what we assumed. Here is how we got this estimate." And they have been doing that, and then you can take it and question it. But there will be lots of uncertainty about who is right.

Mrs. BLACK. And I may disagree just a little bit, is that we do not have an opportunity to even, in their assumptions, to be able to know where they got their assumptions from. That is not always transparent, and I certainly would appreciate, for my sake, that that would be something that we more transparent.

Mr. HOLTZ-EAKIN. I think these are important issues. As I said in my opening statement, transparency is a word lots of people use, particularly around CBO these days, and it can mean a lot of different things. I mean, there is, what is the staffing of it, how much money does it get from the Congress? You know, those things should be knowable.

There is—what are the methods by which CBO does scores and they put out descriptions of the steps involved in scoring? How do they develop their scores? Then there is the question of a particular score. And at least for me, in the moment, when you are trying to do all this stuff and the legislation is moving, you do not have time to write the best treatise on all the different aspects of conflicts legislation.

For my tenure, that piece of legislation was the prescription part D Program, the prescription drug program for seniors. So, we put out in the aftermath a detailed estimate of the prescription drug bill, so that the Congress would know how we thought about it and that we gave them the opportunity to come back and do exactly what you said, which is no, that is not quite right. So, that is, I think a necessary part of the communication—to convey it. And it took another 50 pages of a complete publication to get it down. But I thought that was important to document what had gone on in that debate.

Mrs. BLACK. I will just give you a real quick example and then, I know I am not going to have time, but I do want to leave this with you all. I would like to know—since CBO and the Budget Act has been around since the early 1970s—in your opinion, what does need to be done to update from where it was in 1974 when the original provision was put out there. But I am going to ask you all to send that to us because I know I am running out of time.

But I am just going to give you just a real quick example. In one of my bills to defund Planned Parenthood there was an estimate that came back from CBO that said that if Planned Parenthood were not there that women would not have an alternative source to have a birth control and therefore, X number of pregnancies would occur and all of those babies would be Medicaid eligible or they would go on Medicaid.

And so, the score on that was just astronomical. I do not believe that women are not smart enough that if one places closes down, you would go to another place to get a service, number one. And number two, I do not think that every baby that unnecessarily was born, if they did not have a birth control from that particular agency would, necessarily go on Medicaid.

So, I am just giving you an example of a frustration for me that I think would have been better if I could have had a dialogue with the individuals that were giving that score. I yield back. Thank you.

Chairman WOMACK. Mr. Bergman, Michigan.

Mr. BERGMAN. Thank you, Mr. Chairman, and thanks to both of you for being here. You know, you have heard from quite a few of us freshmen and we all are a little bit of freshmen with experience in our own way and mine happens to be Federal service for 40 years in a Marine Corps uniform. And all that means is I have

seen a lot of different things over a lot of different decades. But I have been keeping notes here on some of the commonality of terms.

One I heard, mission creep, earlier. That is a term applied to the department of defense. I heard something to do with our role, I would just add it, from the military side, roles admissions. We hear that term a lot when it comes to the military doing what it needs to do. I heard the term quality advice. The chairman of the Joint Chiefs, in conjunction with the Joint Chiefs and the Secretary of Defense, give that best military advice to the President on what they should do on matters of defense. Now, I am going to add a couple here.

In military terms we have got the fog of war. I would suggest you have the fog of scoring because of the fact that when you, and no matter how quickly you plan or how long you plan, you are going to go into a period where when it really starts to hit the fan, and you are actually enacting policy, enacting legislation based on a score, there is going to be a foggy period that we do not know. Hence the challenges in predicting to the 10-year window.

Why I draw the parallel with the military is right now I think, and everybody in this room would arguably agree, the confidence in the United States military to actually carry out its missions. Because we have now, for the first time in a long time, taken a force that is been stressed for a period of a decade and continually at some level of conflict.

We have a military that is held in high esteem throughout the United States because of the fact that it does its job. It completes its mission. It is not perfect because of the fog of war. So, that credibility that the United States military has is highly, you know, rated amongst all of here in the country.

So, Dr. Rivlin, you have said, "undermining the credibility of the CBO when policymakers need it most harms not only Congress' ability to do its job, but also the long-term effectiveness of political parties in addressing the challenges that face our country's future."

So, using that idea of credibility, what should this Budget Committee do to support the CBO's mission while we conduct our oversight? Give me some points, if you would, please.

Ms. RIVLIN. I think you are doing it in this series of hearings and in continuing to ask the CBO for information about its methods and how it arrives at estimates and listening to their answers. I think that is the primary thing that you can do. And then, not to imagine that the CBO is going to be perfect but to use what information they can give you, and then get on with budgeting, which is, after all, your job.

Mr. BERGMAN. Thank you. I am thankful that you used those terms because one of the things that I believe we, as an Oversight Committee, but also as a Congress, one of our challenges is to have the Monday morning quarterbacking going on within the media at halftime and, in other words, comparing the CBO score to what we proposed and all the back and forth of that, we are not at the end game yet.

So, the question is how do you, as the CBO I guess, maybe review your game films, if you will, or your mission in such a way that when what you say is misinterpreted or taken to an nth degree, as opposed to the reality of the uncertainty.

In other words it is gray, not black and white, how then do you convince those, the American public and the Congress that, hey, we got this right but we did not get that right and we are going to move forward. And again, in the military, not let that happen to us twice. And I see I am out of time, but if you want to reply to that, you have 5 seconds.

Ms. RIVLIN. I think you said it well and I think CBO tries to do that. To say, when they did not get something right, and how they are revising their next estimate in light of that.

Mr. BERGMAN. Thank you. I yield back.

Chairman WOMACK. I thank the gentleman. The ranking member, Mr. Yarmuth from Kentucky.

Mr. YARMUTH. Thank you very much, Mr. Chairman. Thank you both for your testimony. I think it is been very helpful today and kind of puts a finishing touch, to a certain extent, on a very productive series of hearings. I do not want you to infer that the lack of my Democratic colleagues in attendance today indicates a lack of interest. I think many of them were up half the night watching what was going on in Pennsylvania. We have had better participation in other hearings.

You know, I am very honored to serve on this joint committee lead by our chairman, Mr. Womack, and also with Mr. Woodall and others. And one of the things that I know is, while it may not be a prevailing attitude among the group there, it certainly has been expressed by some, is that what we have in our broken budget process is not a structural or procedural issue as so much as a human issue. And, clearly, I think there is a lot of validity to that. And the human issue also implies a lot of political element as well.

But it seemed to me that there are probably some things that we might be able to do to kind of effect the human aspect of the budget problems. One of them, and I am going to throw it out and ask for a response, and I witnessed that discussion.

I talked to the chairman about this. That one of the things that seems to have corresponded roughly to a breakdown over the last decade or so over the budget process, seems to correlated with when we need earmarks. And ending earmarks, I think, took away a lot of the motivating aspects of getting a budget done and doing it seriously. Do either of you have an opinion on the issue of earmarks on our budget process?

Ms. RIVLIN. I think the earmarks were a useful tool in a negotiation. And here I am not speaking as a former CBO Director, because CBO was not involved in this really at all. But when I was budget Director, certainly there were a lot of times when the administration wanted to get something through, like our budget reduction package, and it was important to have a courthouse or something else to offer that round up the votes.

Mr. HOLTZ-EAKIN. I concur with everything I know—I was not in that job and I have not done those negotiations but everyone says they are important. For the Budget Committee, I think the issue is will the budget reflect that earmark in a transparent fashion? If something is in a bill and it is voted on the floor of the House and the floor of the Senate and signed by the President, I do not view that as an earmark. That is now a matter of national policy and there is no problem with that.

So, I think you need to sort of just make sure that the in the dead of night phone call earmark does not come back, that is not good budgeting. The rest, think about.

Mr. YARMUTH. We talk about them, and we have had discussions about this for years and years and years. The problem of long term forecasting and long term budgeting and in many cases, in the budget process—and in the appropriations, a lot of legislative process as well, we have gotten around it by certain gimmicks. For instance, in the tax law, we let the tax cuts expire after a certain number of years so they could get under the limit. The \$1.5 trillion debt limit of the bill and we have done gimmicks on both sides. You know, putting it on the revenue side saying we are going to sell oil from those strategic petroleum reserve and that is how we comply with PAYGO rules.

And I am wondering whether, because we do things that are, I would say, somewhat at lease disingenuous if not dishonest, when we do some of this. And Dr. Rivlin, I think you are the first person who has actually mentioned the word PAYGO in all of these series of hearings and you favor it, but are there downsides to the PAYGO rule in the sense that they may encourage the kind of gimmickry that we see too often?

Ms. RIVLIN. Well, I think there will always be gimmickry. But you do need rules and you need to take them seriously. And the PAYGO rule in the Budget Enforcement Act of 1990 was a very useful tool for keeping both Congress and the administration from proposing either tax cuts or big entitlement increases that were not paid for that increased the long-term deficit.

I have sat in the Oval Office and said to President Clinton, “You cannot do prescription drugs, we could not pay for it.” Now, President Bush eventually did. But as long as the PAYGO rules were in force, they held down long run spending and tax cuts as well.

Mr. YARMUTH. And I know this—oh sure, doctor. I am sorry.

Mr. HOLTZ-EAKIN. One observation on PAYGO rules, which is that PAYGO is good for stopping the problem from getting worse but it does not ever fix the problem. We are now at a point where you need to fix the problem. And so, something different than PAYGO is going to be needed.

Mr. YARMUTH. Thank you. And this, obviously does not have much to do with CBO but it does have to do with our budget process and Dr. Rivlin, as OMB, you would have dealt with this, and the question is timing. We begin the budget process, at least in the House it seems to me, and I have been on the committee for 10 years now, we generally begin it in March. And we expect that process to finish very quickly so that the appropriations committees can do their work.

Last year, I think former Chairman Black, we finally did our budget work in July which basically made it the idea that we were going to get any kind of action out of the Senate and coordinate it was a moot issue. My question is, and you know, we, obviously we wait for the presidential budget to come out and this year that was late because, or last year was late because of the first year of the administration.

My question is, would it make any sense from your perspective that we actually started the budget process at the beginning of the

fiscal year instead of waiting until February or March? Because, we all know what happens around here in January and February, and we work very few days and we have State of the Union and we have retreats and all of those things. Does that make any sense to you?

Ms. RIVLIN. Every other year it will be a different Congress, that is the main problem I think. I mean, starting sooner is always a good thing, so you are ready to go in January. But the important thing, if you are going to take the budget process seriously is to get the budget resolution done early so that you can then proceed to appropriation.

Mr. YARMUTH. Well, I am going to yield back my time because you have been very generous with your—oh, Dr. Holtz-Eakin.

Mr. HOLTZ-EAKIN. I guess, this goes back to some things we have talked about earlier this year which is, one of the things that is in the gap between the President's budget and the budget resolution work is CBO's rescoring of the President's budget. They look at it and that has now, overtime, taken on greater and great dimensions including a macroeconomic analysis of the President's budget, started under my tenure. So if you want to speed things up you are going to have to think about the scope of what you ask in order to get everything done.

Mr. YARMUTH. Thank you very much. I yield back, Mr. Chairman.

Chairman WOMACK. Thank you gentlemen. All right, we are almost at the conclusion of this particular panel. I have got a couple of questions I want to ask. You know, Dr. Rivlin, at the end of your testimony this morning you made some comments about the debt, which I truly appreciated your thoughts on it.

To me, it is a fascinating topic. You know, we had our behavior modeling hearing with CBO recently. The one thing that I guess we are not really good at modeling is the politics of an issue.

And in this particular case, the fact that we all know, if we have an honest conversation with ourselves, that the issue is not what we appropriate. It is not the discretionary spending of the Federal Government, that piece is getting smaller and smaller every year. The downward pressure is coming from the mandatory side, and we just are not able to have that political discussion satisfactory to render a decision.

I have always been amazed at how many people say yeah, we just need to take politics out of some of these issues. Take politics out of apolitical process, which is all but impossible, but a fascinating topic. To me, it seems that the only real way to constrain Congress on matters of spending, to the extent that we see them today, and moving on a trajectory that is terribly unsustainable, is that to enshrine into the Constitution the notion that Congress shall not spend more than it brings in. Your thoughts?

Ms. RIVLIN. The trouble with a balanced budget requirement year-by-year is that it would be very counterproductive at certain moments when the economy was in recession for example. Or when you had to go to war suddenly. You do not want that. And to write a requirement with a lot of exceptions—my late friend Charlie Schultze used to say—by the time you are through, you are writing algebra into the Constitution. And that is the basic problem.

I think the only solution is not a balance budget amendment, but sitting down together as we did in the Simpson-Bowles Commission, Republicans and Democrats, and going through the numbers and saying, "How do we bring these two lines, the rising spending line and the static tax line, together?" It has to be, you have to think about both sides. Not just the spending. But reasonable people can do that. We had very good discussions in Simpson-Bowles and came up with a pretty good plan.

Chairman WOMACK. Will it require caps on spending? Mandatory spending as an example?

Ms. RIVLIN. Yeah, you could. And I think that actually would be a good idea for the Congress to have a plan, what do we want mandatory spending to look like, and then review it every once in a while to see whether you are off track and decide what to do. But it still comes back to the political problem that you will have different views about spending in taxing, and you have to resolve them.

Chairman WOMACK. Dr. Holtz-Eakin, the Select Committee that Mr. Yarmuth referenced, is going to undertake a process that we hope, realizing hope is never a method, but hope that it will yield a result that will be good for our country and good for the process. Is biannual budgeting an outcome that we should seriously take a look at?

Mr. HOLTZ-EAKIN. You would not have to because it is effectively what is going on right now. Typically, a budget resolution is not passed during election years and you are doing biannual budgeting. So if you are going to do biannual budgeting, think about how to do it well. And, you know, I thank both you, Mr. Chairman and you, Mr. Yarmuth for leading this effort. This is something I think is very important at this point in time.

To my eye, there are two distinct problems that stand out, one is the appropriations process and the sort of shutting of the government brinksmanship and how do you get the process back to what it was originally intended. And the second is entitlement spending. And I do not think it makes sense to try to rework the entire budget process, build on institutions as Dr. Rivlin recommended. But focus on those as the two things were you have to make it better politics to get the appropriations done and to get entitlement spending on a sustainable track. That is really it.

Chairman WOMACK. You made a comment a minute ago about PAYGO and the tweak to the '74 process. I kind of label it or categorize it as giving first aid to a process when the patient really needs some major surgery. I think we are now at that stage where we may not have a terminal case, although the glide path demonstrates otherwise. But we do not need a Band-Aid any more. We do not need first aid. We need some kind of major circumstance, do we not?

Mr. HOLTZ-EAKIN. The outcomes have to be dramatically better. You are a better judge of what changes in the process will do that. Every CBO Director has hidden behind Rudy Penner's priceless phrase which is, "the problem is not the process the problem is the problem." And the problem is now here, it is not a long-term budget problem, it is large, and it is extraordinarily consequential for

the American future. What process gets that addressed is really hard to say but we have to do something different.

Chairman WOMACK. Dr. Rivlin, a comment?

Ms. RIVLIN. I agree, and I think the main thing is to sit down and say what is the problem? The problem is rising debt. What are the things we can do about it? And you know what those are and I submit that there have been, we are doing a lot of spending through the tax code as well as direct spending, and how do we bring those two lines together? Those are political questions but if the two sides have the will to solve the problem, you can do it.

Chairman WOMACK. Very good. I am going to yield the balance of my time for purposes of this panel, and I would like to yield to a couple of members who are late arrivals that were here earlier and had to go for other reasons. Mr. Grothman of Wisconsin, I will recognize you first.

Mr. GROTHMAN. First of all, we are honored to have you folks here. I never thought 20 years ago that someday I would get to ask Alice Rivlin a question, so I am very honored. You just put up something that was kind of interesting. You are right, we do a lot of spending on the tax code. Do you think, and of course that spending as a practical matter becomes mandatory spending, correct?

Ms. RIVLIN. Yeah.

Mr. GROTHMAN. Do you think that mandatory spending through the tax code should be reclassified as discretionary spending?

Ms. RIVLIN. I think it should be the object of periodic congressional scrutiny, whatever you call it. And that goes for the mandatory spending for entitlement programs. You have to take a look at this every once in a while and say is it too big?

Mr. GROTHMAN. Well, I guess it is obviously too big. And I can argue that we would be better with mandatory spending and better with discretionary spending. I will ask you that question. I mean, there is a feeling around here that we ought to have to vote on mandatory spending all the time. But at least hypothetically, if one party has both houses, we can do something about mandatory spending. We cannot touch discretionary spending, correct?

Ms. RIVLIN. Well, you do touch discretionary.

Mr. GROTHMAN. We can, but in this regard I will say: it seems to me that as a particle matter, with discretionary spending which is going through the roof in this year, we have an informal agreement that military and nonmilitary spending will go up and down together.

So, as of what is happening right now, a group of Republicans, I believe, demanded a big increase in defense spending and because you could not get a big increase in defense spending without a big increase in nondefense spending as well. Do you believe that is accurate and do you believe that is a problem?

Ms. RIVLIN. No, I do not want to make a judgment on that. I think that you did, there was a strong reason for increasing the military spending. I think there is a strong reason for not cutting anymore and probably increasing domestic spending as well, but that is just my own judgment. The basic problem is not the long-term increase in discretionary spending. If you want to do some-

thing about the rising debt, that discretionary spending is not going to help you.

Mr. GROTHMAN. See, and here I idolized you. Because, see, that is why this budget is bad, because they are people have drilled into people around here that discretionary spending does not count so we are borrowing 20 percent of our money and we are increasing discretionary spending by 10 percent this year because mandatory spending is more important, like it does not matter that we are increasing discretionary spending by 10 percent. Do you want to comment on that doctor?

Mr. HOLTZ-EAKIN. I will also avoid drawing judgement on the nature of the political deal that was cut, whatever that might be. I think from a Budget Committee perspective, there are several lessons here. Lesson number one is that currently discretionary and mandatory spending are on equal footing and if you really believe a dollar is a dollar and that equal policy options should be weighed on a level playing field, you have to address that.

You have to change that in some way. If that dollar is a refundable tax credit, and it really just spending, in my view, it should be labeled as mandatory spending, brought over to that side, and showed the real picture for the resources that are going out. So, leveling that budgetary playing field and identifying everything on an even keel, I think, is the objective.

The second thing is there is a very uneven review process. Every year for discretionary in principle and almost never for mandatory. So, you need to fix that. You have to get the mandatory programs regularly reviewed if not every year.

And the third is caps, however desirable they might be from making the budgetary outlook look better, are not a policy. They are saying, independent of what our policy objectives might be, this is how much we are going to spend. That does not make a lot of sense.

So, in situations where you develop a policy, and that is what the President's budget is supposed to do, you have an national defense strategy and you fund it, you now know what it costs for that policy, you can have the discussion of whether that is the policy this Nation wants. And caps takes that away and that is not helpful.

Mr. GROTHMAN. Okay. I will yield the remainder of my time if I have more time.

Chairman WOMACK. Mr. Palmer, Alabama.

Mr. PALMER. Thank you, Mr. Chairman. Dr. Rivlin, glad to see you. In 2014, you gave testimony in front of the House Committee on Financial Services and you said the following, "that the right policy to address the debt would be to slow the growth of the healthcare entitlements, get Social Security into long-run balance, reform the tax system's traditional revenue by broadening the base and lowering the rates, and cap the growth of discretionary spending."

Do you still believe those four principles are key to addressing and eventually lowering the debt?

Ms. RIVLIN. Yes.

Mr. PALMER. I think that, you know—just for the record—that is what we have been trying to do for the last year. I will say, though,

on the discretionary side we are not doing very well. Dr. Holtz-Eakin, good to see you.

Mr. HOLTZ-EAKIN. Good to see you.

Mr. PALMER. I have been working on the regulatory side of things and we have seen estimates as high as \$1.9 trillion in terms of what overregulation is costing the economy. In the last 18 months, we have done quite a bit to get rid of the obsolete, the redundant, the contradictory regulations. Has anyone taken a look at how regulatory reform impacts economic growth and given any projections on how it will impact Federal revenue?

Mr. HOLTZ-EAKIN. I have not seen those estimates. I will concur that there has been an enormous change in the regulatory burden and the growth of regulatory burden in particular. I have to believe that directionally it is going to improve the overall performance of the macroeconomy, but that is an area where the research literature provides very little guidance as to the actual magnitudes.

Mr. PALMER. Is there any way to include that in estimates for impact on the economy and particularly on revenue? Are we just going to have to learn by doing, or?

Mr. HOLTZ-EAKIN. I believe there are ways. I have thought about this problem a lot. There are none that are easy and that are to the sort of degree of maturity that you could just, like, between now and a month from now have some estimates of the impact. There is a lot of work that needs to be done.

Mr. PALMER. Before I have to run out, I tried to jot down what you said, but you said something about mission creep for CBO and certain things being outside their ability to project. One of my frustrations has been the CBO's projections on the benefit of repealing the ban on exporting crude oil. Their projects in terms of revenue generation have been, I think, incredibly low. Are those types of things—including the estimates on impact of regulatory reform—are those outside the ability of the CBO?

Mr. HOLTZ-EAKIN. CBO certainly has no portfolio on regulatory issues. That is one that has been suggested in the past, and I have always been concerned about that. I mean, that is an enormous undertaking. CBO certainly could not undertake it with its current staffing. And I have always been worried that you would turn a premier budget shop into a less than premier budget-plus-regulatory shop. That would be a step in the wrong direction. Have a good regulatory analysis shop if that is what the Congress needs.

Mr. PALMER. Well, my point on this is that in trying to deal with the deficit and the debt it is not just reducing spending, it is increasing revenues. And I try not to be too hard on the CBO, because I—in my years with a thinktank—worked with the CBO on other things.

But there has got to be better information, in my opinion, that comes out that takes into account these improvements in the economy. We have got to do this with revenue growth and with spending cuts.

In that regard, Dr. Rivlin, I want to go back to something you said earlier about the way the CBO assumes growth when it creates its baseline, evaluates changes to programs, and incentivizes further spending. Even when a program spends more than it did in the previous year, any change to that program that results in

less spending, then the CBO projects that it is a cut. And I do not quite understand that.

For instance, on Medicaid expansion. When we—in our bill that we passed last year—froze Medicaid expansion, everybody was running around saying that we were cutting Medicaid which, frankly, that is not a cut. When we were talking about requiring able-bodied adults without dependent children to work they were yelling “That is a cut.” That is not a cut. Would you comment on that?

Ms. RIVLIN. Yes. This has been a controversy over terminology for a long time. But I would submit, you do need a baseline. You do need to ask the question, “If we make this change, how will it change what the budget from what would otherwise have happened?”

Now, you could find another word than “cut,” but you do need to know what the impact on the budget of changing a law is and compare it to what would otherwise have happened under existing law. That is just a useful thing to know. And you can change the terminology, but you need to know that.

Mr. PALMER. If the chairman will indulge me just for a minute. On that point, I agree with where you are going with that. But I think the key is that if we are spending we are obligated to spend a certain amount of money and we do not spend that—that is a cut. But if it is an open-ended deal where it depends on how many people sign up, I do not think that is a cut.

Dr. Holtz-Eakin, if you would respond and I will yield back. All right.

Mr. HOLTZ-EAKIN. So you need a baseline and the method by which the baseline is created, the rules that are followed in doing that projection are laid out in the Budget Act and the CBO, in consultation with the Budget Committees, fulfills its mandate to prepare the baseline. If you do not like the appearance, what you are really saying is, “I do not like that baseline.” You have to think about looking at the budget and deciding if there is a better baseline preparation.

Chairman WOMACK. Dr. Rivlin, Dr. Holtz-Eakin, thank you so much for your testimony today. I am going to advise members, if you want to submit written questions for the record to be answered later in writing, please do so. They will be made part of the formal hearing. Any members who wish to submit questions or extraneous material for the record may do so within 7 days.

That concludes this part of the hearing. The chair is going to declare the committee in a recess for a period of about 5 minutes so that we can switch out our witnesses and also provide for an opportunity for members, like myself, to enjoy a comfort break for just a moment. And we will reconvene with our second panel here in 5 minutes.

[Recess.]

Chairman WOMACK. Once again, ladies and gentlemen, the House Budget Committee hearing is back in session, and we welcome our second panel.

And on this panel, we have Maya MacGuineas, president of the Committee for a Responsible Federal Budget, and Sandy Davis, senior advisor at the Bipartisan Policy Center. Ms. MacGuineas and Mr. Davis, thank you for your time today. The committee has

received your written statements. They will be made part of the formal hearing record.

You each will have 5 minutes to deliver your oral remarks, and Ms. MacGuineas, we are going to give the floor to you. You have 5 minutes and the time is yours.

**STATEMENT OF MAYA MACGUINEAS, PRESIDENT, COMMITTEE
FOR A RESPONSIBLE FEDERAL BUDGET; AND SANDY DAVIS,
SENIOR ADVISOR, BIPARTISAN POLICY CENTER**

STATEMENT OF MAYA MACGUINEAS

Ms. MACGUINEAS. Okay, well thank you. Thank you for having me, and thank you for sticking around because that was a panel that covered a whole lot of really good details. And I am afraid I will not have much to add that contributes more than they were able to. Though, I do have an interesting perspective of also being a consumer of what CBO sets out, so that is useful. But thank you for holding these hearings.

I think that they have turned out to be very value-add, and we have learned a lot from them. And also, thanks for inviting me to come before the Budget Committee, which is my favorite committee, and to talk about CBO, which I think is really invaluable. Both because of the mission that it has of being an independent body producing impartial numbers is so important and because of the quality of its work.

So, having an independent, nonpolitical referee producing impartial numbers is certainly invaluable in that it allows us to know the cost of policies, adjust them accordingly, figure out appropriate pay-fors. The fact that CBO takes no positions, as Alice Rivlin was talking about, helps to provide the quantitative analysis that then lawmakers can use as they see fit.

So if we were living in an ideal policymaking world the way things would work is that we as a country would decide what our main budgetary objectives are, we would figure out which of them should be done in the public sector and/or at the Federal level, we would think about the different policies that could achieve those objectives and we would have an honest debate about the pros and cons of the policies, we would have those policies scored, we would figure out how we would pay for them, and we would hopefully pass policies that did not add to the fiscal deteriorating situation that we have now.

So, if you look at the breakdowns in how we should be making policy, I think I would first point out I do not think the role that CBO plays is where we should be focusing.

To me, there are a lot of different problems in breakdowns of that whole policy area but getting the numbers and the costs of the policies and the pay-fors is—everything else considered—working pretty well.

I also think during this time of a really dangerous fiscal situation, having fiscal estimates is critically important. Right now, our debt relative to the economy is twice the historical average. It is twice where we were when we went into the recession of 2008, which means if and when the economy turns down next, we will

have very little fiscal flexibility to respond. Probably worse than where we are right now is where we are headed.

We are on track to add as much as \$14 trillion to the debt over the next 10 years. These numbers have stopped having meaning because they are so huge, but they are really unimaginable—that we are doing that to ourselves. And then, recent legislation—we have made the situation considerably worse.

Our debt is on track to be the size of our entire economy a decade from now. So having an agency that scores legislation, releases projections, and generates options and their savings to address this situation is really critical, particularly at a moment like this.

So, certainly, there are ways CBO could and should be improved. One of the main criticisms—clearly, we have talked about this a lot in the last panel—is there a need for more transparency? And other criticisms include questioning the accuracy of the estimates and how CBO prioritizes its work.

More transparency is certainly desirable, and Director Hall has made steps to improve the transparency. And I think there is a lot of discussion about if and how there could be more that is done there.

I do think it is worth considering the tensions and the tradeoffs when it comes to things like proprietary data and information, so that we want to be careful around there. But listening to this panel that just passed and the other hearings, I feel very confident that people are taking all of those issues into consideration. And bottom line, more transparency is always desirable when the tradeoffs are not too high.

There are also additional measures that CBO could take. I think the idea of doing more briefings with members and their staff about their methodologies on things like scoring and baselines would certainly be useful. That way, anybody who is interested in learning more can come and talk with them about how those things are done.

I mean, it feels like a black box, but it does not have to because a lot of what CBO does they actually make incredibly accessible. We just have to find ways to link that to the members and staff who want to learn more. I think doing more to evaluate itself and its track record is certainly useful, and I think that they are on track already doing more of that and considering doing more.

Finally, one area I think is really interesting is how to provide more analysis for Members who are not in leadership or on the committees of jurisdiction. They want to develop legislation, they want to iterate with CBO, get scores, figure out how things would work, and a lot of times they are frustrated because they do not have the access or ability to do that.

So the only way that is going to be possible is if we further resource CBO, give them more money. I would be horribly remiss if I did not point out that that would have to be paid for and should not be added to the debt. PAYGO for CBO would be good.

But as I was driving in this morning, I was thinking how much money in this country we spend on politics versus how much we spend on policymaking, and CBO can be a real part of the policy-making area and particularly if that allows more members—those

not in leadership, those not on certain committees—to be more engaged with the process. I think that is a real priority.

So just quickly; we use CBO's materials, information, scores, methodologies when we do outside work. Like, for instance, our organization scores the presidential proposals during the elections. CBO would not be able to do that because they do not have enough information, they are not full-fledged proposals. But outside groups can, and we and the many other groups that do that rely on CBO's work because it is impartial.

And it is very important for us, also, not to be politicized in the work that we do. So I just want to say that, as a consumer, we could not do our jobs if we did not have the work of CBO to rely on.

So every institution can be improved. I think it is really important that you are holding these hearings and, again, I think they have gone really well. And so, I think we launch into assessing the tradeoffs, but at the same time we do not lose the importance of having an impartial arbiter and we do not lose the focus on the things we need to think about right now, which is how to pass a budget this year and how to deal with the really dangerous national debt situation that we have. So, thank you so much for having me here today.

[The prepared statement of Maya MacGuineas follows:]



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Testimony of Maya MacGuineas Committee for a Responsible Federal Budget Hearing before the House Budget Committee:

CBO Oversight: Perspectives from Outside Experts

March 14, 2018

Chairman Womack, Ranking Member Yarmuth, and Members of the Committee, thank you so much for inviting me here today to discuss the work of the Congressional Budget Office (CBO). CBO is an essential resource for lawmakers and the public.

I am Maya MacGuineas, president of the Committee for a Responsible Federal Budget. The Committee for a Responsible Federal Budget is a nonpartisan organization dedicated to educating the public about and working with policymakers on fiscal policy issues. Our co-chairs are Purdue University President and former OMB Director Mitch Daniels, former Secretary of Defense and former OMB Director Leon Panetta, and former Congressman Tim Penny. Our board includes past directors and chairs of the Office of Management and Budget, the Congressional Budget Office, the Federal Reserve System, the Treasury Department, and the Budget Committees. Our partner organization, Fix the Debt, is a nonpartisan coalition that supports a "grand bargain" to help deal with the debt. The group is chaired by Senator Judd Gregg and Governor Ed Rendell.

Congress needs an independent referee, and CBO has done an admirable job

Congress created CBO in the 1974 Congressional Budget Act as a part of reforms to reassert authority over spending and revenues, decreasing Congress' reliance on the President's Office of Management and Budget (OMB). Since its creation, CBO has produced a tremendous amount of work. It has published nearly 4,000 reports since its inception and over 12,000 cost estimates in just the last 20 years, which are all available on its website, and that doesn't even begin to reflect the massive amount of work that goes on behind the scenes.

The institution's strength emanates from its important mission of having an independent referee producing impartial numbers, and the excellent work product that comes from its strong leaders, talented staff, and outside advisers. In fact, CBO has become a model that is admired and emulated around the world for the production of useful and non-politicized budgetary and economic numbers.



Having an independent referee producing impartial numbers is invaluable. It allows us to know the costs of policies, adjust them accordingly, and figure out the appropriate pay-fors. The fact that CBO takes no position on policy helps it provide the quantitative analysis that lawmakers can use as they see fit.

CBO's success is internationally recognized and has prompted other countries to replicate its functions. For example, a 2015 Organisation for Economic Co-operation and Development (OECD) [article](#) on independent fiscal institutions explicitly notes that Canada, Mexico, and South Korea modeled their budget offices on CBO. Likewise, CBO has served as a model for states to adopt similar agencies.

In an ideal world, here is how we would make policy: our leaders would set national objectives, determine which should be done by the public sector at the federal level, honestly debate the various policy options along with their trade-offs, have the costs scored independently, and figure out how to pay for them responsibly and without gimmicks.

When one looks at how the policymaking process is working in practice, the role of CBO in scoring options and pay-fors is not where I would point to as the breakdown in the process.

Fiscal estimates are critically important given the country's unsustainable fiscal situation. CBO's budget and economic numbers fuel the budget process, which is especially important when, like today, we are on an unsustainable fiscal path with deficits projected to rise indefinitely into the future. Our national debt held by the public was already at a post-World War record of 76 percent of Gross Domestic Product (GDP) at the end of 2017. Our organization's projections show that under current law, trillion-dollar deficits will return permanently by next year and debt will exceed the size of the economy within a decade. Under potentially more realistic policy assumptions, the country will be facing a \$2.4 trillion deficit and debt of 113 percent of GDP by 2028. These projections show a fiscal situation that is clearly unsustainable. We will need CBO's sound estimates and its options to reduce the deficit in the coming years.

There are ways to improve CBO without undermining its key functions

All of this being said, CBO has not gotten everything perfectly accurately – and it should not have been expected to. Budget forecasts are just as uncertain as weather forecasts. As my friend, colleague, and CBO's second director Rudy Penner [wrote](#):

...a forecast does not have to be perfectly accurate to be useful. If a weather forecaster predicts three inches of rain and only two inches fall, it can be said that it was a terrible forecast in that it was off by one third. Nevertheless, it was useful to know that a lot of rain was coming.

Of course, CBO's analyses are not perfect or even close to it, but it acts honestly and impartially, navigating controversial issues. This is particularly difficult and important when confronting new issues, as the agency has been doing in the health care debate.



Certainly there are ways CBO could and should be improved. One of the main criticisms in recent years has been a lack of transparency, including for CBO's economic and health care modeling, and that the data and models behind CBO's estimates are not publicly available. Other criticisms include questioning the accuracy of its estimates and how CBO prioritizes its work.

First, more transparency is certainly desirable, and Director Hall has already made steps to address this.

Over the last few months, CBO has published the following:

- A report on the procedure for preparing cost estimates.
- A report on the procedure for preparing the budget baseline.
- A working paper on producing the ten-year economic forecast.
- A report analyzing labor force participation trends.
- A working paper on projecting potential economic output.

These reports all provide insight into the inner workings of CBO, and they increase transparency. In a recent hearing before this committee, Director Hall committed to work towards making some of CBO's computer models available for public use.

Other areas might involve more significant trade-offs. For example, CBO has access to sensitive government and private data that non-governmental agencies do not have access to; making this data available might not be a good idea for privacy and security concerns. Another trade-off to consider is that resources used to add transparency means less resources available for further analysis. Lawmakers will have to decide what they want from CBO, prioritize it, and ensure it is funded appropriately to meet those needs.

There are additional measures that could be useful. CBO could:

- Do more briefings for Members and staff about their methodologies for things like scoring and baselines, which could be highly informative.
- Do more to evaluate itself (though it already does a lot). Director Hall recently proposed publishing an "analysis of actuals" to identify how accurate forecasts were by budget function and program.
- Provide more analysis for Members who are not in leadership or on the right committees but have ideas and want to develop legislation. But there would need to be more funding for CBO to do this. (And I would be remiss if I didn't point out that added funding would need to be offset.)

At the Committee for a Responsible Federal Budget, we rely heavily on the work of CBO. Many outside organizations, including ours have been developing models to score a variety of proposals. For instance, during the 2016 election we published Promises and Price Tags, a cost estimate of the campaign proposals of the presidential candidates. Campaign proposals are understandably brief and missing key details that would prevent CBO from doing a score, nor should CBO focus on scoring proposals that haven't been made in Congress. Yet these estimates



provide the public with information about how much campaign promises cost. Nearly all our estimates were based off past CBO scores. So outside organization benefit in so many ways from CBO, but let me be clear, they should never play a role in providing the impartial numbers that are used by Congress as CBO does.

To conclude, of course CBO can be improved – every institution can be. But in the scheme of budget issues at the moment, CBO seems to be performing at the top. So by all means, let's look for potential improvements and assess the trade-offs, but let's make sure to maintain its critical function as an impartial arbiter and not let this distract us from the larger fiscal issues at hand.

I thank the committee for holding this hearing today and would be delighted to work with you on these issues.

Chairman WOMACK. Thank you, Ms. MacGuineas. Just to point out, you did consume more time than you were allocated.

Ms. MACGUINEAS. I did.

Chairman WOMACK. And with no offset, so——

Ms. MACGUINEAS. I will apply PAYGO to my answers, to my questions.

Chairman WOMACK. Just kidding.

Ms. MACGUINEAS. Fair point.

Chairman WOMACK. Appreciate your testimony. Mr. Davis.

**STATEMENT OF SANDY DAVIS, SENIOR ADVISOR, BIPARTISAN
POLICY CENTER**

Mr. DAVIS. Thank you, Mr. Chairman. I just want to make clear that I am not going to give any offsets to Maya. I think I am off budget, I am not sure. But let me thank the chairman, Ranking Member Yarmuth, all the members of the committee.

I really am honored by the opportunity to come here and testify today. It feels a little like a homecoming for me. As you all have heard, I have spent many years working at CBO. Most of it most closely with a lot of the staff I see around the dais, so it feels good to see some friendly faces back there and it is a good experience to be here. I appreciate it very much.

I find myself now being the fourth witness in the fifth hearing. Basically, as you are wrapping these hearings up, at least for now, I concur with everything my predecessors on these panels have said. So I will see if I can give it a slightly different twist.

And also, just based on my experience, principally at CBO and now as a senior advisor at BPC, Bipartisan Policy Center, viewing how other agencies and organizations look and CBO's work.

I also want to add my congratulations to you on these hearings. I think these have been done in a very methodical, educational way. I think they provided a real service and I think that regular oversight hearings are a good thing. Maybe you do not need five every year, but regular oversight hearings are a good thing, and this was necessary, I think, to get off to a good start.

As I have said over the years, I have had the advantage of working both inside and outside CBO and based on that I have basically four observations which I want to share with you and then I would be happy to answer any questions.

First, I just want to make clear that along with everyone else I firmly believe that a vibrant, robust, and independent CBO is absolutely essential to Congress and the performance of its Article I duties.

At the Bipartisan Policy Center, we especially view CBO as the gold standard of the budget and fiscal and policy analysis. We do not have this view because CBO's estimates are always right or we always agree with them, but because of CBO's longstanding reputation for objectivity.

I would like to say, also, you know, that BPC also stood strongly against the legislation, the proposals that were considered last summer to make drastic cuts in CBO and to modify and eliminate the Budget Analysis Division. Those are the wrong approaches for dealing with the issues and concerns the members have. Some have also advocated the use of outside organizations as substitute

for CBO and sort of a melding of estimates from outside policy exportations with relative expertise.

This approach is unworkable, and I think would actually greatly diminish both the quality and the quantity of the objective analysis and estimates that members get. A nonpartisan analysis is not simply the product of splitting the difference between partisan positions.

Secondly, effective communications—as it has been alluded to here today—between CBO and Congress is one of the agency's biggest challenges. It is made more difficult by the changes in the budget processes over the years that have caused a huge increase in the demand for CBO estimates.

As you all know, CBO is directed under the Budget Act to give priority to congressional committees leading the House and Senate Budget Committees. Because of that, they are simply not able to respond to all the requests they get for information and estimates—especially from rank and file members.

The frustration this causes is certainly understandable, and CBO acknowledges the problem. I acknowledged it when I was there. It was something we struggled with all the time. But even with the problem of excess demand for CBO estimates, I think you should never feel as though you cannot get your questions answered or have a sense that the information they are giving you is somehow incomplete. There is always multiple avenues at CBO to get your questions answered, to get extra information. You may not like the answer you get, but you should get your questions responded to.

Third, the issue of transparency, which is the big one. And CBO's analyses and its transparency of its analyses are more critical than ever, I would say. CBO already devotes considerable time to this, as you all know. But they acknowledge that they could do a much better job. The difficulty is that they are just stretched too thin.

This really is—as others have said—this is a resource question, and I think that a better approach rather than posting models on the website or something like that is to actually provide CBO with the additional resources and dedicate it explicitly to transparency. And you can have CBO report to you annually or have a hearing annually on what progress have been made on these efforts for transparency.

Fourth and finally, I would like to sort of pat the Budget Committee on the back and also to give them a little push, because I think the Budget Committee has a key role to play here in helping CBO address members' concerns and also helping it to be a more effective organization. I think working with CBO to address these concerns is much more productive than putting in place well-meaning, statutory requirements to post models or to contract out estimates.

In my view, as I finish up, I think the real issue hampering CBO's effectiveness and responsiveness is something the committee is all too aware of, and that is the broader issues in the dysfunction of the budget process.

At BPC we have high hopes for the Joint Select Committee on Budget Reform which is just starting its work. We have lots of thoughts on budget process ideas including biannual budgeting and ways to help strengthen the Budget Committee that we feel would

make some real improvements which we would be happy to share with you.

But, in conclusion, what I would like to say is just for you all to remember one thing: that the CBO works for you. People at the agency are fully dedicated to its mission. I ask you to work with them, ask for explanations, be persistent. Take a visit to the Ford Building, fourth floor. Just show up. I know they are cringing down there as I say this, but seriously, it should be an open institution. Walk in to get your questions answered. If you cannot get it over the phone, walk down and pay them a visit.

I urge the Budget Committee to continue to work with CBO to resolve these issues with concern. CBO's critical mission to support Congress and its budgetary duties depends on it. Thank you very much, Mr. Chairman.

[The prepared statement of Sandy Davis follows:]



BIPARTISAN POLICY CENTER

Written Testimony**Sandy Davis****Senior Advisor, Bipartisan Policy Center****Before the United States House of Representatives Committee on the Budget
Oversight of the Congressional Budget Office
March 14, 2018**

Chairman Womack, Ranking Member Yarmuth, and members of the committee: Thank you for the opportunity to offer my perspectives on the Congressional Budget Office (CBO) and how it operates. I applaud the Committee for the series of oversight hearings it has held on CBO this year. These hearings reflect a thoughtful and methodical approach to your oversight responsibilities over the agency. I believe they have helped to educate Members and the public on how CBO works, and have provided an important venue for Members to explore the issues and concerns they may have. That is an important service, both for CBO and for the Congress, and lays the groundwork for you to work with the agency to ensure it is meeting Congressional needs for nonpartisan budget and economic analysis.

Over the years, I have had the advantage of viewing the work of CBO from both inside and outside the agency, and within the agency from the perspective of working as an analyst and working as a member of the senior staff. I joined CBO in January of 1996, after working many years as a budget process specialist with the Congressional Research Service. In 2003, Director Doug Holtz-Eakin appointed me to be the agency's first full-time legislative liaison, to help coordinate CBO communications with Congress and be a point of contact for congressional offices needing assistance or to discuss concerns. I held that position until retiring from CBO and federal service in July of 2015. In May of 2016, I joined the Bipartisan Policy Center as a senior advisor on economic and fiscal policy issues.

Based on these experiences and perspectives, I would like to make four key points:

- (1) A vibrant, robust, and independent CBO is vital to Congress in the performance of its legislative duties under Article I of the Constitution. Just over 40 years ago, both CBO and the Budget Committees were created as part of a new Congressional budget process to enable Congress to set comprehensive budget priorities and combat excessive executive control over the federal budget. CBO's role in that process is no less important today.
- (2) Effective communication between CBO and Congress is one of the agency's biggest challenges, made more difficult by changes in the budget process over the years that

have made CBO much more integral to the legislative and budget process than was imagined at the time of its founding.

- (3) The transparency of CBO's analyses is more critical than ever, but CBO needs more resources to make further progress. CBO acknowledges that it can do a better job of making its work more transparent and its analyses more clearly explained, but its staff is stretched too thin both to carry out its core functions and devote the additional time needed to improve transparency. Some recent proposals to enhance the agency's transparency, though well-meaning, are not the right approach.
- (4) The Budget committees can play a key role helping CBO address Member concerns. The Budget committees are in a unique position to help CBO connect more effectively with Members, open lines of communication that would broaden understanding and appreciation for the importance of CBO's role, and help CBO address any issues or concerns with its performance.

Importance of an independent CBO

At the Bipartisan Policy Center, we view CBO as the gold standard of budget, fiscal, and economic analysis. We have this view not because CBO's estimates and projections are always accurate---although they are consistently as or more accurate than any comparable organization---but because of their long-standing and well-deserved reputation for rigorous, objective analysis without partisan bias. We view their work as both a critical point of reference for objectivity and as a measuring stick for credibility. This does not mean BPC agrees with CBO analyses all the time. No two groups of analysts, no matter how highly trained or professional, will reach the same exact conclusions even using the same set of tools and with similar training. Objectivity is not measured by accuracy, but by the integrity of the analysis that is brought to bear.

BPC strongly opposed legislation considered by the House last summer to drastically reduce funding for CBO and to eliminate CBO's Budget Analysis Division. Those are the wrong approaches for dealing with the issues and concerns Members have raised over the years about CBO. Such drastic and disruptive changes in CBO would undermine the agency's ability to carry out its responsibilities under the Congressional Budget Act, and ultimately would weaken Congress in its efforts to assert its constitutional power of the purse.

The lawmakers who developed the Congressional Budget Act were intentional in establishing CBO as an independent, nonpartisan entity within the legislative branch. Other models, including enlarging the staffs of the two Budget committees or expanding the staffs of the other support agencies, were considered but rejected. It was deemed essential for Congress to have access to objective, nonpartisan budget and economic analysis from a separate

agency devoted solely to that purpose. Only an independent agency within the Congress, and beholden only to the Congress, would have the standing and the arms-length distance from political considerations to make that work. The Budget Act made the Budget committees the policy arm of the Congressional process, placing them firmly in control of the estimates and calculations to be used in that process. CBO, while independent and giving priority to the Budget committees, was to work for the entire Congress and was to have a purely advisory role.

CBO's nonpartisan analysis is essential for Congress to have objective information on the potential budgetary and economic consequences of the various policies it is constructing. But there will always be a natural tension between a nonpartisan agency such as CBO and partisan institution such as Congress. And that tension has created misunderstanding since CBO's earliest days. For every CBO director from Alice Rivlin to Keith Hall, under Congresses controlled by Republicans and by Democrats, from CBO's analysis of President Carter's energy independence plan in its earliest days to its analysis of last year's legislation to repeal and replace the Affordable Care Act, there have been serious concerns raised by both political parties that CBO was overstepping its bounds, taking sides, or using discredited techniques.

If these tensions did not exist, CBO would not be doing its job. But I can assure you that CBO is sensitive to the controversy it can cause and is not cavalier about the potential impact of its work. The agency takes very seriously its obligation to ensure that its analyses are objective and nonpartisan, and takes several steps to make sure that is the case.

Underlying all CBO work is the basic principle that it strives to produce analyses that are solidly in the middle of the range of expected outcomes. CBO ensures that its economic forecasts and analyses reflect the latest insights from a range of views within mainstream economic thought. CBO uses panels of outside advisors for its economic forecasts and health analyses. These panels are carefully chosen to represent a full range of views within the economics and health professions. The economic advisors are convened twice each year, and the health advisors at least once a year to review CBO's work and modeling, and to discuss recent trends and issues. These advisors are also consulted periodically by the director and CBO staff as new, complex issues arise. CBO studies of economic, budget, and policy issues receive extensive and balanced peer review. In producing its budget baseline projections, CBO conducts a thorough review of past projections, analyses the latest information from agencies about program spending and revenue trends (working with the staff of the Joint Committee on Taxation), and incorporates relevant information from related outside research. Having participated in CBO baseline reviews as an analyst, I can attest that the process is rigorous and demanding. Every assumption is reviewed and all judgments tested in a multistep process of review.

All the specific steps that CBO takes to ensure nonpartisan objectivity in its work reflect an embedded culture of nonpartisanship at the agency that started under Alice Rivlin and has continued under every director since. This culture of nonpartisanship is ingrained, it is the central feature of the agency's ethic, and underlies every aspect of its work.

Recent frustrations with the agency over the accuracy of its estimates, transparency of its analyses, and responsiveness to Member requests have led some to propose different models for Congress to get the budget estimates and other support it needs to act on spending and revenue legislation. Some have asserted that an independent CBO is an outmoded model, no longer relevant for the time, and not nimble enough to respond to Congressional needs for accurate and timely estimates and other budget information. They advocate the use of outside organizations with policy expertise to produce estimates, and average the results to produce a mid-range estimate on par with CBO. These ideas are misguided, would diminish the quality of analyses available to Congress, and ultimately would weaken Congress' ability to assert its budgetary responsibilities under the Constitution.

Nonpartisan analysis is not the product of splitting the difference between partisan positions. It is an objective assessment of likely outcomes based on available data and information; it does not take partisanship into account. There is no single outside organization outside of the executive branch with the depth of expertise that CBO has developed over the years on federal programs and the federal budget. It is also doubtful that there is any private entity that can move as responsively as CBO, produce the sheer number of estimates that CBO produces, and align their efforts with the scheduling demands of the legislative calendar. How would such an entity handle hundreds of amendments to appropriations bills? Would such an organization be on call, day and night, as is CBO? And even if the intent is for estimates to be averaged, what would deter Members from choosing the inputs that align most closely with their policy priorities? These and other factors create the conditions for massive confusion in the legislative process over the budgetary effects of legislation, which can only weaken Congressional control over the budget.

There is no substitute for CBO's independence, its accountability to this committee and the Congress, the expertise of its staff, and its devotion to the mission of providing nonpartisan support to the Congress. Any effort to improve CBO's operations should respect, preserve, and strengthen that independence.

Promoting effective communication

The problem of effective, consistent, and clear communication with Congress has dogged CBO since its very beginning, but has become even more of a challenge in recent years. In general, communication between the world of science, research, and analysis and the world of

policy and politics is difficult, one made harder still by the growing complexity of modern public policy and technological advances in modeling and analytic methods.

But in the case of CBO, the challenge is even more acute because CBO budget projections and estimates have become far more integral to the budget process than was ever imagined at the time of its founding. New budget process rules and budget enforcement requirements piled on over the past 30 years---from deficit targets, to statutory and legislative pay-as-you-go requirements, to the House cutgo rule---have made CBO estimates essential at virtually every turn of the legislative process. Further, the major policy initiatives of recent years, especially those that are acted on through the reconciliation process, tend to be framed in budgetary terms. And along with this, CBO must follow the statutory baseline rules, scorekeeping guidelines, and 10-year budget window currently required in the Congressional budget process, and must contend with the vast uncertainty that is implicit in its work.

This trend toward greater reliance on CBO estimates has created a level of demand that is at odds with how CBO was set up to function under the Congressional Budget Act. The Act requires CBO to work principally for Congressional committees, with priority given to the House and Senate Budget Committees. These statutory priorities were put in place during a different legislative era. Now, legislation can appear virtually out of nowhere, and Congressional leadership takes a far more active role in setting the legislative priorities that drive CBO's work priorities.

Along with these trends, the Budget Act puts individual Members at the bottom of CBO's list of statutory priorities. This puts Members who are not in committee leadership in a difficult position. Because of the range of budget rules and enforcement procedures, they are told their bills or amendments cannot be put up for consideration without a CBO cost estimate. But when they inquire about getting that estimate, they may be told the CBO must work on committee or leadership priorities first or that the overall demand is simply too high.

CBO prepares several hundred formal estimates each year of committee-reported bills and other priority legislation, and several thousand informal estimates of nonpublic proposals or iterative versions of legislation in the policy development stage. The specialized nature of the cost estimating portfolios of analysts also means that shifting resources within the agency to address high demand is not feasible on a large scale and certainly not at a moment's notice. To even approach the demand, CBO must produce estimates quickly, often with little or no time to explain the basis for the estimate or even prepare a formal write up.

The frustration this causes Members and their staff is perfectly understandable. It also may make Members feel the CBO has inordinate power over them without accountability. Although not of CBO's doing, CBO readily acknowledges that this situation is unfair to Members and staff and wants to be as responsive as possible under the circumstances.

However, even with the problem of excess demand for CBO analysis, any Member who has questions or concerns, or who feels that CBO estimates are incomplete, can be heard. That is at the core of CBO's mission and has been the policy of every CBO director. If overworked, stressed analysts appear to give an unsatisfying or incomplete response, there are multiple avenues at CBO, leading all the way to the director, for you to resolve any issues or get a fuller explanation.

CBO actively seeks to be as responsive as possible. Members should work with them to improve communications and deal directly with issues as they arise.

Improving transparency

CBO is sometimes described as being a black box. Over time, CBO analysis has benefitted from improvements in analytic methodologies, computing capacity, technology, and advances in modeling. Efforts to build the long-term modeling capacity and health simulation model took years. These are important developments and make CBO's work product better, but it also increases the challenge of making clear explanations in a timely fashion. Again, CBO must balance the high demand for estimates and analysis with its responsibility to clearly explain the basis for those analyses.

Transparency is particularly important for a nonpartisan agency working for a partisan institution. Members of both parties must have confidence that the complex analyses they need are grounded in objective data, and that the analytic tools being used are well explained. Because of the vast uncertainty that underlies the type of analysis CBO is called upon to do, it is critical for CBO to explain how its analytic methods produce relative confidence that its analyses are in the middle of the range of expected outcomes.

CBO devotes considerable effort to continuously updating its econometric and other models and to preparing background and technical papers explaining the basis for its modeling work. These are labor intensive efforts, but are important both to ensure CBO's modeling capacity is at the cutting edge and to make CBO's work more transparent. However, given the complexity of these efforts, CBO acknowledges that they have more work to do for Members to be fully comfortable that they understand the basis for CBO's work.

Recent proposals that would call on CBO to simply post the models they use in their analyses, while well meaning, will not help with transparency and could be counterproductive. Fundamentally, models are analytic tools that provide just a portion of the information analysts need to produce cost estimates and other analyses. Models can refer to any number of tools ranging from sophisticated computer simulations to spreadsheet calculators. For nearly all

CBO's work, there is no single computer model into which data is inputted and the final answer or estimate comes out. In addition, modeling techniques change and require updating. Model information posted at a point in time will not be useful in later years when those methods become obsolete or need to be updated. Finally, the information that modeling produces is just part of the process of complex analysis engaged in by numerous analysts and that is subject to rigorous review.

Despite these hurdles, CBO expends a lot of effort to make its work transparent. However, as I mention above, CBO transparency efforts are labor intensive and still seem unsatisfying to many Members. CBO, already stretched thin under current funding levels to meet its core estimating and analytic duties, is even more hard pressed to spare adequate time to explore ways to be more transparent and still meet the demand for its work.

A better approach would be to provide CBO additional resources in its annual appropriation that are dedicated explicitly to improving transparency. If there are certain estimates or analyses that raise the most questions for Members, CBO could be directed to address these first. The Budget Committee could hold annual hearings on the agency's progress to improve transparency and require an annual report on specific steps taken. The key, however, is to give the agency the resources to do this. Imposing statutory requirements on CBO to be more transparent without necessary funds will not be successful and could undermine current efforts at transparency.

Importance of Budget Committee to CBO's effectiveness

As I referenced above, the Budget committees and CBO were created at the same time as part of a broader effort to create a modern Congressional budget process. Over the history of that process, the Budget Committees have played an important role defending the principle of a separate budget process for Congress, and defending the institutions that make it up -- including and especially CBO.

As CBO's oversight committee, the Budget committee is the Congressional entity charged with holding CBO accountable, but also protecting CBO as an institution that is critical to a fully functioning Congressional budget process that enables Congress to successfully assert its Article I powers. It is important for CBO and for the Congress that the committee continue and expand that role.

Working with CBO to address Member concerns is far better and more productive than imposing well-meaning but counterproductive new requirements to post models or contract out the estimating function. Regular oversight hearings are an important part of this

responsibility, and the committee is off to a good start this year. But less formal and regular efforts are also important.

Ongoing communication between the Budget chairs, ranking members and the CBO director is essential to help identify key issues or spot new problems. This communication should not only happen when problems or complaints arise, but should occur on a regular basis to assess current efforts and discuss ongoing plans for the agency.

The Budget committee can also help provide CBO with venues to provide orientation for new Members, or continuing education for current Members. These can occur in small groups or large. Again, ongoing contact such as this helps to establish relationships that open lines of communication and give Members a basis for better understanding when issues arise. Further, the Budget committees have also played an important role over the years as a bell weather for CBO, letting the agency know when problems may be percolating. Not all Member concerns may come to the Budget committee's attention, for example some will involve confidential estimates of nonpublic proposals that members may not want other members to know about, but intelligence of this kind can be immensely helpful to CBO in nipping any nascent problems in the bud.

In my view, both CBO and the Budget Committees are stained by the current dysfunction in the annual budget process. Restoring regular order to Congress's consideration of budget resolutions, spending, revenue, and debt limit legislation would go a long way towards curing that dysfunction. At BPC, we see great potential in the work of the new Joint Select Committee on Budget and Appropriations reform that the Chairman will co-chair and on which Ranking Member Yarmuth, and Congressmen Woodall and Arrington from this Committee will also serve. We would be pleased to share with the Chairman and the committee our thoughts on changes to the budget process, including biennial budgeting and ways to strengthen the Budget Committee, that we think would help restore a more regular rhythm to Congress budgetary deliberations.

Conclusion

The Congressional Budget Office, despite its perceived faults and Members current concerns, is a key part of Congress budgetary deliberations. In recent years, CBO has gained outsized importance in those deliberations, in part because of changes in the budget process that require CBO estimates to enforce Congressional rules and procedures. Because of that trend, CBO must pay extra attention to communicating its work effectively to its Congressional clients and ensuring that its work is transparent and clear.

CBO works for you. The people at the agency are dedicated to its mission. Work with them, ask for explanations. Ultimately, you may not like the answer you get, but you should never feel you haven't been heard or that the response is incomplete. The folks at CBO, from the director to the newest junior analyst, will tell you the very same thing. They hear the complaints and are doing all they can to be responsive and address them.

I urge the Budget Committee to continue to work with CBO to resolve issues of concern to Members. CBO's critical mission to support the Congress in its important budgetary duties depends on it.

Chairman WOMACK. I thank both panelists. I am going to lead with a couple of questions here, and then I will yield to the ranking member and my fellow colleagues on the right over here for their questions.

It has been pretty universal in both panels that there is a need for CBO with the ability to maintain oversight. And then, Mr. Davis, in your comments you talked about if we do not resource them properly—if indeed we were to cut CBO—that it would create, at a minimum, some stress on the organization to be able to achieve its congressional mission. But speak to that just a little bit more. If we do not resource them adequately then I guess it suggests that the information that we are going to get from them is going to be less than the product that we perhaps want to see. Is that an accurate assessment?

Mr. DAVIS. Well, I think the remarkable thing to me is that CBO has been able to do the level, amount, and quality of work that it has done over the years despite—especially in recent years—having insufficient resources to handle it. You have to remember, CBO is essentially the same size it has been for many years, and while the workload has vastly increased.

I think that the quality of the work is not affected. I think that their ability to explain, to make clear the basis for the analysis—for the estimates—is the thing that is going to suffer. And it may have suffered in recent years because, as Dr. Rivlin said, if you are getting pressed for an estimate by Wednesday morning and it is Tuesday night, you are not going to have a lot of time to write up and explain that estimate. So, I think in my view, it is the resources that would help them devote some time to that effort at transparency that is really the key.

Chairman WOMACK. Ms. MacGuineas, as you know, we had a hearing on the behavior modeling, and baseball season was getting underway at the time we had the hearing. And I was talking about batters, hitters that face a multitude of different pitches. If everything was a fastball, they would probably be able to time it, hit it, with a lot of accuracy out of the ballpark a lot of times.

But we know that pitchers mix up their pitches, now, and they throw a lot of things that move in different directions. Life comes at us that way and certainly CBO faces a lot of changeups and curveballs and every once and a while a spinner comes their way—or they throw those at the hitters. How difficult is it for us to actually model to the extent where we can be confident in the product?

Ms. MACGUINEAS. Okay, so my office is cringing right now, because I am not known for doing really well with sports analogies. Particularly recently with healthcare, CBO has been dealing with huge new issues that have been moving at a very quick pace. I thought Doug Holtz-Eakin gave a great example on trying to score risk terrorism re-insurance when you have a whole new thing.

One thing you can be confident is that the projections and answers are not going to be perfect. They could not be. So, what we are really striving for is to understand and believe that they will credibly be not biased in any one direction. And that they will be open to ongoing input so that those models are regularly updated and that we are learning as when there are things that do not

come out as projected, we are taking those results and updating the models and the behavioral assumptions.

So I think what you can ask for is that you trust and that you are confident that there is no bias in what you are getting out of the best that they can do, and that they are regularly learning. And nobody can do perfect, spot-on projections for any of these new big areas that we are moving into. And I would just add, Members of Congress on these big issues are wanting answers more and more quickly, which goes to the resource question that Sandy discussed which is why the more people working on it the faster the turnaround could be.

Chairman WOMACK. Well, your organization and the BPC also are kind of able to see how complicated matters are when there are substantive changes in the economy, in healthcare, and the, you know, average lifespans getting longer and longer, and all the technological changes and all those kinds of things.

So, both of you, I am sure, would agree that there is no real definitive answer tool. It is not as simple as a math question for a lot of things. We have got behavior involved here and we have got a lot of external conditions that have to be considered. And so, the modeling piece of CBO is an ever-changing thing, right?

Mr. DAVIS. Yes, sir. I think that you hit the nail right on the head. Models require additional work to be updated. And I am the last person you want to be talking about models. I appreciate it and——

Ms. MACGUINEAS. I will talk about models, I just do not want to talk about sports.

Mr. DAVIS. Talking about sports, I will tell you the pitches that they worry about at CBO are the ones that are at their heads, the ones that are up and in. That is all I will say. I am just being facetious.

But I do think you are correct. It requires a lot of tending and effort and analysis itself. So, that is where I talk about the need for resources to do that. It is hard to do that sort of concurrently when you are pushing to get the estimate and the analysis out the door. But it is necessary, it is important. Part of it is writing that up in a clear way that members can understand and appreciate. Part of it is just having the time to do it and the resources, quite frankly, to do it.

Chairman WOMACK. Mr. Yarmuth, myself, and Mr. Woodall are all on the Select Committee for Budget Process Reform. Can both of you—in just a minute or so, because I am going to run out of time—can both of you just give us a foretaste of what your initial suggestion would be, or your strong guidance would be, to the Select Committee? You have three of them sitting here.

Ms. MACGUINEAS. Sure. I am so pleased that this Joint Select Committee is occurring and I am hopeful that it will be able to make progress. Kind of like when we started tax reform and you could look at the Tax Code and say, “Well if there is one thing we can agree on, it is broken. We need to fix it.” I think we all feel that way with the budget process, there is a lot of improvements we could make.

So, starting from smaller to larger, I think there a lot of—they are not really incremental—but smaller changes within the exist-

ing process that could and should be made including ensuring that a budget is in place. I think it was Congressman McClintock who was saying that, "Until a budget is in place you should not be able to pass legislation that costs money." I like those ideas. I think auto-CRs are something to think about.

And I think Joint Budget Resolution where you have the President and Congress agree in the beginning so that you have a real law is important for this to be taken more seriously. The budget just does not have the teeth that it needs to at this point. It is kind of absurd that if we have budgets in place, the subsequent policies are often completely at odds with that budget. And regularly, Members do not even realize that they are inconsistent.

Second, I think doing more to avoid the gimmicks that exist in the budget. So everything from timing gimmicks to using Roth IRAs and pension smoothing, which we all know are massive gimmicks to look like you are paying things when they are not.

Just going through the gimmicks: we just produced a big report on gimmicks, but figuring out how to address those. Focusing on strengthening enforcement. We just had a moment where pretty much everybody was onboard to wave PAYGO for the tax bill. Very few people realized. I mean, that was allowing a massive, massive change in the budget. The tax bill added to the debt. Getting rid of PAYGO allowed for that to happen. PAYGO needs to be a stronger mechanism.

Focusing more on the long term so where we can have projections and think about the effects in the long term and also let savings that occur in the long term give you credit today so you have a political incentive to generate long-term savings.

And ultimately, I would like to see a bigger overhaul that helps improve very poor fiscal outcome, and I would recommend considering something like debt targets and triggers to get you there along the year, for a multiyear budget. So that is coming from smaller, more manageable, to bigger.

It is not a time where it is easy to get anything done, so I would also encourage you to figure out as much as you can push for and get that done, because we need a win. We need Congress to come together and work on something and succeed at something that moves us in the right direction.

Chairman WOMACK. Mr. Davis?

Mr. DAVIS. Yes, sir, I think, you know, Maya has laid out some really good ideas and proposals. I think that her point about, you know, needing a win is important, so I would say try not to bite off too much more than you can chew. You have got a relatively quick turnaround, and I think the focus on, as I mentioned earlier, making the trains run on time, could be the biggest thing that you could do to advance the budget process.

At the Bipartisan Policy Center, we have a series of ideas. Dr. Rivlin mentioned her work with Senator Domenici on a series of budget process proposals, which was done through the Bipartisan Policy Center, and he was a senior fellow there. A couple of the key ideas from that, that I would encourage the committee to think about.

The first is biennial budgeting. There has been some mention of that here today as a way to sort of ease the pressure on the budg-

etary agenda and on Congress, and free up some time for actual congressional oversight in a second session of Congress.

I think another idea which we would stress, I mentioned in my testimony, is ways to strengthen the Budget Committee, to make it a leadership committee in a sense that would create more of a sense of urgency and importance for the budget resolution process. Broadly speaking, I think the process can be made to work, but it needs more support from leadership levels, and it needs to be made a priority.

Lastly, I will mention that something like an automatic continuing resolution is worth thinking about. There are obviously issues that you have to deal with about creating incentives not to get the work done and living under constant CRs, but I think that there are ways to deal with that, to just take away the uncertainty of the possibilities of a government shutdown.

Chairman WOMACK. Thanks to both of you. Mr. Yarmuth.

Mr. YARMUTH. Thank you, Mr. Chairman. Thank both the witnesses, also. I have this knack for asking questions that I really do not expect a certain answer to. I am just actually curious. And it occurred to me that something that might be useful is if we asked CBO to, as a matter of course, do a score on an enacted piece of legislation every 2 years or so, above some level. So, \$5 billion or whatever, hypothetically.

So that with the ACA, we would have a score every 2 years as to what it looked like for the next 10. Obviously, we do not want to add too much to the CBO's plate, but since they had already done a lot of the work, the incremental work might not require all that many additional resources. I just threw that out. Mr. Davis, how do you react to that?

Mr. DAVIS. So you are talking about a reassessment of something that has been enacted into law, just to keep track of, you know, what the original estimate said, how far off it was, what actual spending is. That can be a tricky thing to do, and in some cases, almost impossible, because it depends on the change that has been enacted.

If you have made changes to an existing program, and these changes get all wrapped up with what already existed under current law, it may be hard to parse out how those differences made changes, versus what was already under current law.

But, if you have created a new program, for example, like Congress did under Medicare part D, a new prescription drug benefit, that is something that can be tracked. And that is something that CBO has tracked and kept track of, their estimates versus how it actually turned out. And as folks are aware, their estimates were too high, initially. The cost of the prescription drug benefit was not as high as originally estimated.

I think that is, you know, in part, what a baseline is. You sort of take stock every few months of where current law spending is now, parsing it by individual programs. That is more of a challenge, but I think for new programs that have been enacted, it is a fair question to ask. If you want to say, "We did this, this was our expectation at the time, how has it turned out?" That is a fair question.

Mr. YARMUTH. I do not have anything else I want to ask, but just give you both an opportunity, since I have all this time left, to talk about anything you have heard today, so far, that you were just chomping at the bit to—that is a horse racing term—to react to, while you were sitting and watching and listening.

Ms. MACGUINEAS. I will react to something. I will try to do this the right way. Which was, I thought Alice and Doug did fabulous jobs of pointing out the tensions. I heard Alice talk a lot about what the real, big priorities that we should be focusing on are, and I thought Doug did an incredible job of showing a bunch of the tensions between making changes and the pros and cons, and not portraying things as black and white.

But one of the things I kept hearing was kind of a frustration with our fiscal situation that was being a little bit pushed on CBO. And so, I am going to politely push back, and say that the fiscal situation and the broken budget process comes from Congress, it does not come from the Congressional Budget Office.

And so, what we need to do is help CBO put out the kinds of things that will enable Congress to do what many people want to do, which is put us on a more fiscally sound track and have a budget that functions better. But because of the political environment in which you exist, that is really difficult.

You do not want to politicize CBO. I am sure some of you are, or have been, soccer parents. Right? I spend my weekends listening to parents on the soccer sidelines yelling at the ref, and it is unbelievable how it turns out the ref is always against our team, but never is against the other team. Right?

And so, you kind of want to say it probably evens out when the ref makes a mistake, or not. I think CBO really does do that, and I think we have to focus more on what is it that is making it impossible to get the right fiscal outcomes that we want.

So, I would just keep turning the picture back to what the big fiscal situation is. How we are going to budget in a way that really reflects and pushes for our national priorities, and thinks about the tradeoffs to get there?

So, that was my big picture thinking, but, then again, I sit there and I think about the national debt pretty much no matter what is going on. That is kind of where I am.

The reason I ended up in this field is because I had a normal job working on Wall Street in finance, and I read a CBO report in the 1990s. It was one of the most interesting things. It was unbiased, it was fair, and it talked about deficits of \$203 billion, and I was really concerned. I think that was the number. And things have really deteriorated since then, and the big picture is what are we going to do to change it.

And, Mr. Chairman, one more answer to your question about the Joint Select Committee. One thing I did not mention that I think would be really important is looking at putting caps on the full budget. Not just discretionary, like we did at sequester, but thinking about how you include mandatory and tax expenditures, which really are spending through the tax code. There are a trillion of them a year. So looking at those pieces of the budget also, and figuring out how to cap them.

Mr. YARMUTH. Mr. Davis, anything?

Mr. DAVIS. Yes, just very briefly, there is always going to be conflict with CBO. It is a nonpartisan institution. Congress is a partisan institution. They get it, they get it. It has been the days from Alice, when they did an analysis of the Carter energy plan for a Democratically-controlled Congress, which was not too popular at that point.

It has been that way throughout CBO's history, so I would not worry about taking issue with CBO. They actually want to hear from you. If it is done in the right way, as a way to try to improve things, that is not a problem at all. They want the communication.

Mr. YARMUTH. Once again, thank you both for your testimony. I yield back to Mr. Chairman.

Chairman WOMACK. I thank the ranking member, and you know, Ms. MacGuineas, for someone that says they are not good with sports metaphors, you gave us a good one there on the soccer field. Anyway, Mr. Woodall from Georgia, the floor is yours.

Mr. WOODALL. Thank you, Mr. Chairman. Mr. Davis, I want to start with you. You said, in your encouragement for us to go down to the Ford Building, to remember that CBO works for you. But, in both of your written testimonies, you talked about the importance of an independent CBO. In my mind, those two things are categorical opposites. Either you work for me and you do what I tell you to do, or you get to do whatever you want to do because you are independent.

Help me to understand having your inside view, that distinction between working for us and yet, again, only staff director on all of Capitol Hill, who is going to come sit at the witness table and tell the committee for which they work how it is.

Mr. DAVIS. So, let me say, I understand what you are saying. I understand the frustration with that, and the distinction you made between OMB and CBO with Dr. Rivlin. I think what it boils down to is what you mean by "advice."

I think the folks at CBO will sit down and talk with you about anything you want to talk about, and you can run your ideas past them. They can tell you what economics says about those ideas, what their analysis indicates about those ideas, what additional options may be.

But the difficulty is that they have to be consistent with the advice and the information and the analysis they give to everybody, and they have got 535 masters when you bring in the Senate. I know we do not like to talk about the Senate in the House. But when you do that, that is a lot.

So, it is more about the consistency of the advice, making sure independence also means nonpartisan, and independence means not captured by one party or the other, or beholden to one committee or another, working for all of the Congress.

So I think that you can have conversations with the Director. You can go one-on-one with the Director, and you can raise some of these issues, and he can put it in context for you. The same can be done at the staff level. It is just a matter of understanding that they have to give the same set of basic analysis to everyone, and everyone has the benefit of their thinking. And it may not line up with a particular policy position or not.

My view is that when the budget had set things up, they set up CBO to be that source of nonpartisan independents for Congress. When I say "independents," independent for Congress. And the Budget Committees were set up as the policy arm. So it was the Budget Committees that sort of set the policy positions, using that nonpartisan analysis, and go forward from there. To be policy ideas, and not so much CBO on the policy side.

Mr. WOODALL. Ms. MacGuineas, you said you wished we were focused on bigger picture issues than just process, and yet we probably spend more time arguing about the referees than we do focusing on the underlying policy. It seems to me we should be pushing the referees to the background. They should be referees of the behind the scenes conversation, but they should not rise to the level of importance that it gets in the way of the actual policy conversation we are trying to have.

Ms. MACGUINEAS. Okay, so I think you have asked the most interesting questions in this whole hearing, because I am still thinking about the ones you asked the previous panel about CBO versus OMB, and they are really thoughtful. I think that CBO, we need a referee, and we need a referee that we agree is going a good job, and that is why oversight committee hearings are really important.

But then, we need to spend our time disagreeing or fighting or evaluating the policies, rather than CBO, when we do not like the scores that we are getting on things. Which is not to say that they are perfect, it is just to say we need to be debating those bigger issues.

That CBO, a score it has, is not going to be as important as spending our time thinking about what it means to add \$14 trillion to the debt. So, I am thinking about relative energy. I am also thinking about the real importance of getting a budget resolution passed that hopefully has reconciliation, which has savings in it. So, all the kinds of things that are really going to improve the fiscal situation.

And, to your specific question, I think CBO needs to be apolitical, but also accountable. And I think you all set a set of rules for them, which they then need to enact and follow in an apolitical manner, and, if and when it is appropriate, you change those rules.

But it is different than OMB, because they are accountable to two different parties with different policy preferences, and they do not come back and say, "Oh, I do think this about a policy," or, "I think that is a good or a bad goal," the way they would if they were OMB. And that is just the nature of having 1 President, versus all Members of Congress.

Mr. WOODALL. Let me ask, finally, I did not realize CBO had so many non-economists working for them, until the chairman and the ranking member had this series of hearings. CRS has twice the resources that CBO has. Is there a downside for us partnering those two agencies, both charged with providing nonpartisan counsel?

Mr. DAVIS. Well, a couple things. Having worked at CRS, too, their missions are different. CRS is basically Congress' research arm. They are not required to set priorities, or do not have to set priorities like CBO does, for the type of work that CBO engages in. So, while there are some similarities, the broad sort of budgetary

and economic analysis that CBO does is different from the policy analysis and research done at CRS.

I think you have got to have, in my perspective you need to have a single entity that is producing cost estimates and other analysis that is used in the budget process. There is important work to be done in transparency and effective communications.

I am taking into account all the latest research, but I think a single entity providing that is important to avoid confusion in the budget process, to make sure that there is a level playing field of estimates and analysis that is used to support that.

So, I think that the two agencies are distinct. There is an importance that they be distinct, because they have completely different missions. Mr. Chairman—

Chairman WOMACK. I want to give Ms. MacGuineas an opportunity to answer that question as well.

Ms. MACGUINEAS. I think it is an intriguing idea. I think there could be some real potential in that. I do not know the details of what the downside would be, but I think it is intriguing.

Chairman WOMACK. Mr. Renacci, Ohio.

Mr. RENACCI. Thank you, Mr. Chairman, and thank both panel members. You know, I love budget meetings. I was a business guy for 30 years. I get frustrated every time I hear this, because we are all talking about the answers. I still remember somebody told me in leadership one time, "Budget is just a vision, it is not a path." No. The budget should be a path, not a vision. We have to have a path, we have to follow the path.

But I want to flip back to CBO, because my biggest frustration with CBO is—you know, in the business world, and I was a turnaround guy, so I would take over businesses that were in trouble. And then, I would bring my CBO in, my individual, and I would tell him, "Give me an analysis, and I need to make some decisions based on your analysis."

And what he would do, or she, depending on who it was, they would give me best case, worst case, and then I knew where I was at. Best case, worst case. The problem we have here is that CBO gives us only case, and I think that is a problem.

So, the best example I can give you, and that is where my frustration comes, is CBO's estimate of the amount of Americans who would no longer have insurance under the repeal of the individual mandate—I brought this up at one of the previous hearings—was significantly different than an estimate from SMP; close to 10 million different.

So, for Members of Congress, I think it is important to have an understanding and to try and decide how confident we can be with CBO. I think we could be much more confident when somebody comes in and says, "best case, worst case." And then, you make your decisions, because there is no "single case." There is no individual case.

Mr. Davis, I would just like you to tell me your thoughts on that.

Mr. DAVIS. Well, it is a good point, and what I would say is that, broadly speaking, that is sort of what CBO tries to do in its analysis. What CBO says is what they try do, the basis of their analysis, is to sort of try to find the middle of the range of expected outcomes, taking into account what outcomes are based on research

and data and information, their experience, what the models show about a particular outcome for a particular policy. Because what they do, and it has been said before at this hearing, is to try to prepare estimates and analysis to support the budget process. And the budget process requires, essentially, a set of single numbers, single estimates for, typically, a 10-year period.

So that is their thinking. They also have to use a budget baseline. They are under the Budget Act, required to use a current law baseline that often informs their analysis. It is the basis of their analysis. So I know that may cause some frustration.

But to your broader point, I mean, hopefully when they write up their analyses, when they try to discuss all the elements and the assumptions, that they broadly discuss what the wide range is, what the broad, best case and worst case scenarios are. In the form of writing up what they think their best analysis is, which is that sort of middle of the range of distributions. They are trying to give their best judgment based on all the information they are aware of.

Mr. WOODALL. Okay. That is why we need more transparency, absolutely, so we can see what is best case and worst case. Because we get these numbers and then everybody lives and dies by these numbers. You know, it is interesting.

Dr. Rivlin, in the last session, said that the biggest problem is we need to get the House, the Senate, the President to sit down and review revenues, expenses, and debt, and make decisions in totality. I think that is true. It is too bad we do not get to that point, because that is where I think CBO would be helpful.

And Ms. MacGuineas, again, I appreciate. We have had lots of conversations over the years about the budget process and the national debt and the deficits, and I admire your commitment to being a leading force on the importance of this issue.

How do you think CBO can help? We do not talk enough about that. Should they be talking about it, and how can they help Members of Congress in that area? Because I think it is important. That should be the starting point. I know they dig down in this legislation. The big picture is we are going in the wrong direction, and I do not know if you have any thoughts on that.

Ms. MACGUINEAS. Yeah. My guess is that for folks who work at CBO, they probably are painfully aware of just how fiscally unsustainable our path is, because you cannot look at a CBO document and not come away with that. That is exactly why I switched careers into doing this when I read it, because the numbers tell the story.

I think, as Alice Rivlin said, it is absolutely right that they do not come out and say to Congress, you know, "You need to do this," that they do not push policies more. They should not be in the role of telling folks what to do, but, unfortunately, the numbers are so bad that they speak for themselves.

So, this really is an issue of, it should not be up for debate, if it is a problem. Anybody who looks at a CBO document is going to know that it is a problem, that the debt is growing faster than the economy, as far as the eye can see. So, I think just continuing to publish their reports, and then we all have the role of putting them on a bigger platform.

That is something that you have worked on very clearly and strongly, which is how you have overall, national reports to the country about the fiscal state. So I think Members of Congress take what CBO does, just the numbers, and they use it to make that picture clear.

Mr. RENACCI. The only issue, and I have run out of time, is that there are many Members, well, a quarter of the representative government, so a lot of Members do not understand those reports when they come out. I do, you do, and others do, but I still think we have to make sure they are emphasizing that. Because too many times, we make decisions based on the next election, not the next generation. I yield back.

Chairman WOMACK. Mr. Arrington, Texas.

Mr. ARRINGTON. Thank you, Mr. Chairman, and I want to thank the panelists for your counsel and your presence here today. I find myself in enthusiastic agreement with a lot of what you have said. But in the interest of time, let me go to the nuts and bolts of CBO, because I think that is the main purpose here. Although, I would like to go to the real threat, which is the debt and deficit spending.

And let me make one comment on that, because I agree with Ms. MacGuineas that CBO has little to nothing to do with stopping this train wreck that is going to happen if we do not change our behavior. It is the will of the United States Congress, plain and simple. We can make some reforms on process. We might even be able to put some accountability measures in there that could help, but ultimately, it is the collective will of the United States Congress.

And as a new Member, I am awfully discouraged by my first year, and what we were able to do, even as a majority. I will just say it. To send a budget that finally got at the drivers of the debt, which is our mandatory spending programs, reduce that more than we have in 20 years, send it to a simple majority Republican Senate, because it was reconciliation, and then they did not do it. They pulled it out. So an interesting way to start my time here in Congress. Nuts and bolts.

Would you agree with me, Mr. Davis, that success for CBO is delivering timely and accurate information to this committee so we can do our job?

Mr. DAVIS. As best they can, yes.

Mr. ARRINGTON. To put it simply. So I subscribe to the Peter Drucker, "If you cannot measure it, you cannot manage it." How well is CBO doing on delivering timely and accurate information?

Mr. DAVIS. I think, considering the demand that they are under, I think they do really, really well. They have to set priorities.

Mr. ARRINGTON. Do you have proof of that? Can you give me a score card? How often have they been right? To me, this is also the biggest challenge, one of the bigger challenges in this oversight role that we have in Congress, is I do not know which programs are working, which ones are not. We fund unauthorized programs. I cannot tell you how many hearings I have had where I just asked the simple question, "What is success, how do you measure it, and how are we doing?"

And I think CBO, if we are going to manage it, or at least oversee the management of CBO, we need to be able to ascertain their success rate, and, with some reasonable margin for error, what is

their batting average? And then, where can we then identify making adjustments and improvements.

I certainly think resources are a part of the sort of universal best practice for organizational excellence, and if they need more resources, I think we need to talk about it and I think we need to do it. But they need accountability, too. And I do not have a score card. Is that fair, for me to draw that conclusion at this point?

Mr. DAVIS. I think it is absolutely fair for you to ask the question and to want this information. I think, also, that the metric I would use is not so much accuracy, which, accuracy is critical, but accuracy is going to be dependent upon the information that they have in a given setting at a given time. It is more the process that they go through. Are you satisfied that what they are doing is pulling in information that is objective and that fully informs their analysis?

If you do not think so, if you have got information you think they should have, then you should share it with them. Or, if you think it is not well explained, you should share it with them. But I think it is more about their process, staying true to being independent and objective.

Mr. ARRINGTON. And I can only judge the inputs by the outcomes. If I know they are hitting the target reasonably well, then I can say the inputs must be good. If they are not, let's look at the inputs. Let's look at the process. But to me, you have got to start there. I do not have much visibility. I do think that peer review or some vetting would be very important to this process. I consider it important to all the work that I do before I complete something or submit something.

Ms. MacGuineas, what do you think about the peer review process, or the vetting process, with respect to CBO and their information and analysis? I know they have an advisory board. Is it the right board? Do we have the right people?

Ms. MACGUINEAS. Yeah, I like your question a lot, and I heard Keith Hall testify about considering the analysis of the actuals, which seems like the kind of things in the right direction. So, certainly, there should be an ongoing evaluation of how they performed. One of the important things is, then, to break out. They will be wrong on every single number. Nobody will be right on each number.

But when they were wrong because the policies, the models, the behavioral assumptions were wrong, or when they were wrong because things that changed in the economy, or other policies, changed the outcome. So we have to be really clear to do that, and make sure that the numbers are used responsibly.

Peer reviewing is an interesting idea. I looked through the panel of advisors right before I was doing this testimony, just to make sure they were as diverse and solid as I thought they were, and they seem like an excellent panel of advisors. So, I would have focused on, "Let's make sure they are really, truly engaged at a deep level," and I have talked to a number of them over the years who are.

But I think peer review makes complete sense. I think if people are concerned that the outside perspectives that CBO is getting are

not diverse enough, we should, by all means, recommend that they talk to additional academics and experts.

Mr. ARRINGTON. My time has expired.

Chairman WOMACK. Mr. Palmer, Alabama.

Mr. PALMER. Thank you, Mr. Chairman. Ms. MacGuineas, I have heard it said that getting a good CBO score is similar to getting a good SAT or ACT score, and a lot of it comes down to just being good at taking the test. Can you discuss some of the budget tricks and gimmicks commonly used to get favorable CBO scores, if you can? I have got a couple of things I want to point out.

Ms. MACGUINEAS. Yeah. As I mentioned, we just came up with a huge, long list. We did a report documenting gimmicks, and I was somewhat stunned to learn just how many there really are that are utilized. And we were very concerned about publishing it, of course, because it felt like we were doing the bomb maker's manual, and saying, "Here are the instructions to use all the gimmicks," instead of, "do not use them." So, do not read it if you want to use them, only read it if you want to stop them.

Mr. PALMER. Stick to sports metaphors and not bomb makers.

Ms. MACGUINEAS. Okay, sorry. Right. So, I think the most important one is timing expirations. When you have things that expire, which are not intended to expire. After this, I am going to talk about tax extenders. Tax extenders is a perfect example where things that are not paid for, plan to expire, and then when it comes due, we say, "Well, we need to extend these, and we should not pay for them," even though they were not paid for before.

Or pay-fors that are put into legislation in the out years, when everybody knows that nobody actually assumes that they are going to get paid for. And we have a lot of recent examples of that, too, and you have both parties voting to never let those pay-fors kick in.

Mr. PALMER. Well, there are other issues that we have seen over the years. I ran a think tank for 24 years and did a lot of work at the Federal level, and I saw things like on the Affordable Care Act, for instance. The Class Act.

Ms. MACGUINEAS. The Class Act was a big timing gimmick, a huge timing gimmick.

Mr. PALMER. Yeah. It was a joke, but the CBO allowed itself to be manipulated into that, to show less of a negative impact on the Federal deficit.

Ms. MACGUINEAS. So, Sandy would know better than I, but I actually think a lot of those rules come from the Budget Committee to CBO.

Mr. PALMER. Right. I do not disagree, but they took advantage of the fact that CBO does 10 year scoring, and the Class Act was 5 years.

Mr. DAVIS. It is the budget window that was the issue there. CBO was fully transparent about the effects beyond the budget window.

Mr. PALMER. But the CBO has got to have the ability and take the responsibility to point these things out. I will give you another one.

Ms. MACGUINEAS. I do think, though, that the way that it works is that the rules are given to CBO, and the question is if CBO is

following those rules. And then, what rules should we change? And there are many that should be changed.

Mr. PALMER. I am going to make a closing statement about that, because I think this is right in line with what we are trying to do with the budget reform and appropriations task force to fix this, because the CBO is under certain rules and guidance that I think hampers its ability to do a better job.

But I will give you another example of a gimmick, was Waxman-Markey. When the CBO projected that by 2020, the increase from cap and trade would only be about \$175 per household. And they arrived at that by virtue of the fact that rising prices would force more households into lower income brackets and lower their taxes. It was a perverse way of saying that all these people would get a tax cut because their incomes were impacted and they went into a lower tax bracket. That, to me, is the gimmick of all gimmicks, Mr. Chairman.

And certainly, I would not accuse the CBO of being political, but there seemed to be some bias there toward that legislation, to try to sell it. And that could have been from the Budget Committee as well, I do not know. That was in 2010.

Mr. DAVIS. If I can respond, briefly. I do not recall the specific circumstances of that, but what I can tell you is, CBO goes through a process of estimating legislation as it is drafted. This could have been part of an iterative process for drafting legislation. They are using the underlying baseline assumptions they would normally use, economic assumptions. I am sure there are lots of uncertainties, but it was based on the legislative language that they put in front of them to estimate.

Mr. PALMER. I was very involved in that, and I will not get into the real numbers and how it impacted people. But I grew up dirt-poor, so I paid potential and specific attention to things, how it impacts lower-income families. And as a percentage of their disposable income, the bottom quintile would have been five times higher than the top quintile.

The point I want to make in closing is—and, Mr. Chairman, I think this, again, will be helpful for the work that the Select Committee is doing—is that the CBO is under certain rules that prohibit them from doing better analysis, in my opinion. For instance, they are prohibited from taking into account savings that arise from efforts to combat waste.

And my pet peeve right now is improper payments. And in other areas where it requires a front-end investment, there might be more technology, you know, upgraded technology, they score that as a cost without taking into account the savings. And I really think that this is a way that we can help the CBO, particularly in the work being done by the Select Committee.

So, I do not blame the CBO for all of its failures. But I do think we have got to eliminate the gimmicks, and we have got to put them in a position where they give us accurate estimates. With that, Mr. Chairman, I yield back.

Chairman WOMACK. Mr. Bergman from Michigan.

Mr. BERGMAN. Thank you, Mr. Chairman, and thanks to both of you. I guess I feel sad for some of my colleagues across the aisle, especially the freshmen, who are not here. Because, as a freshman,

you get to come to learn. You come to, you know, crawl, walk, run, and these types of hearings are very educational for folks who are first-time legislators, if you will.

Now, I may be dating myself a little bit, but, as I look around the room, especially behind me, I know there are some in the same category who remember a comic strip called "Pogo." And it was probably some of the best political commentary of its time. And there was a character in there by the name of Churchy LaFemme. I think one of his famous statements was, "We have met the enemy, and he is us." Okay. In the earlier panel, former Director Riverland said, "Every other year, it will be a different Congress." I would like to hear your thoughts on the challenges that that presents.

Mr. DAVIS. Well, I will just start off briefly. I think that, for CBO, I mean, there are two challenges, I guess. There is the policy challenge of new policymakers coming in, a new set of priorities, additional difficulty trying to reach broad agreement on budget priorities.

For CBO, there is a new set of folks who may or may not understand, as you were saying, how it works, how their process works, who, under the Budget Act, they give priorities for, and how a non-partisan entity works in a broader, partisan institution. And that is often a difficult challenge for them.

Mr. BERGMAN. Is it the right answer, then, if you think about it, in fact, we have, every 2 years, it is a—pardon me for interrupting but—

Mr. DAVIS. No, no, you are good.

Mr. BERGMAN. Time moves on. Have we created a long-term problem for ourselves in 21st-century technology, and the rate at which things change, information flows, data is accumulated and analyzed? And we know we have created a fiscally unsustainable pathway. I mean, I do not think there is any disagreement as we just look at the pure, raw numbers. Have we—through how we conduct our business as a Congress now, and then the expectations that are laid upon CBO, because you are working with a new Congress every 2 years—have we created an unsustainable path for ourselves as a continually-changing Congress? That is what I would really like to hear your thoughts on.

Mr. DAVIS. You mean the fiscal challenge? The long-term, or just the operational?

Mr. BERGMAN. The names and faces changing here every 2 years. Every 2 years.

Mr. DAVIS. Two years, right. I mean, that is our electoral process. And it is a challenge. I think that is why the role of this committee is important in sort of helping to orient members to the process, to the role of CBO.

As a freshman Member, you are going to appreciate this. I remember, in my time at CBO, Congressman Renacci paired up with Democrat Jim Carney, who is now Governor of Delaware. And they formed a bipartisan freshman group, and they wanted to hear from CBO on a regular basis to discuss a range of issues, scoring matters, baseline rules, what is up with this; we are hearing this, can you explain it for us, that sort of constant interaction by a group of Members. They just pulled together informally. I think it was

very helpful and constructive. So those kinds of things I help with. A 2-year change over all the time can help. Individual Members can ban together.

Mr. BERGMAN. Again, the finite thing here is time, and 2 years is the time. Are we any better at bringing freshmen up to speed and getting them productive sooner, or are we stuck in that treadmill of, we go over the same class? It is kind of like teaching flying; every time a new student comes into that airplane, you know they are going to make the same mistakes because that is it the learning process. Are we wasting time and money the way we do things today?

Mr. DAVIS. I do not think so. I think it is just the challenge of our electoral system.

Mr. BERGMAN. That it is a brutal reality we have to accept.

Mr. DAVIS. We are going to have to turn over every 2 years and deal with the changes. Yes.

Mr. BERGMAN. Thank you. Mr. Chairman, I yield back.

Chairman WOMACK. No other members have appeared to seek time with our witnesses today, so I just want to thank our panelists, Ms. MacGuineas, Mr. Davis, for appearing with the committee today.

Please be advised that members may submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing record.

Any members wishing to submit questions or any extraneous material for the record may do so within 7 days. Again, thanks to our panelists, and, with that, this committee stands adjourned.

[Whereupon, at 1:13 p.m., the committee was adjourned.]