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**Civics 101**

**EP 21 - CONGRESSIONAL BUDGET OFFICE**

**Virginia Prescott:** [00:00:00] I'm Virginia Prescott and this is Civics 101, the Podcast refresher course on how our democracy works. The things you may have forgotten since middle school. We try to answer your civics related questions submitted through our listener line e-mail Twitter and our website, which is how we got today's question.

[00:00:36] This is Kevin Nivel from Boise Idaho and I have a question about how does the Budget Office score a proposed deals cost and benefits so much can be utterly unknown at the time and future policy changes.

**Virginia Prescott:** [00:00:48] When Republicans first submitted their proposed alternative to the Affordable Care Act lawmakers from both sides of the aisle anxiously awaited the release of the Congressional Budget Office's analysis or score for the bill. That bill failed to pass but there will be others. So we are digging into what the CBO does and how it projects a proposed bill's costs and the variables are so complicated and unpredictable. Alice Rivlin is here to help. She was founding director of the Congressional Budget Office a position she held from 1975 to 1983. She's now senior fellow in economic studies at the Center for Health Policy at the Brookings Institution. And Alice thank you for making time for a civics class.

**Alice Rivlin:** [00:01:29] Oh I'm happy to be here.

**Virginia Prescott:** [00:01:31] Well let's start at the beginning what is the origin of the Congressional Budget Office.

**Alice Rivlin:** [00:01:36] It goes back to the early 70s and the Nixon administration at that time most of the budget calculations were done by the executive branch. The numbers the projections costing of new proposals and things like that came out of the executive branch. But in the early 70s there was a lot of conflict between the president and the Congress as there often is. But President Nixon did something that the Congress reacted very negatively to. He refused to spend some of the money that they had appropriated. And since Congress controls appropriations that was something they were quite furious about. So they did what they should have done a long time earlier. They got themselves together to have a better budget process on Capitol Hill a better way of making decisions about the national budget and a source of numbers and analysis that worked for them. They created a Congressional Budget Office and I was lucky enough to be the first director.

**Virginia Prescott:** [00:02:54] So this was through the Congressional Budget and Impoundment Control Act of 1974 as the first director. You shaped the office in those first years. Now what was your goal. What were you trying to do.

**Alice Rivlin:** [00:03:05] Well my goal was to fulfill the congressional expectations which were that they should have a very well qualified staff of people working for them to help them evaluate budget issues. That meant that we had to recruit people who could do this and set up this office which was a nonpartisan office we worked for both Republicans and Democrats and we worked for both sides of Capitol Hill, the House of Representatives and the Senate. So it was nonpartisan impartial good advice, we thought.

**Alice Rivlin:** [00:03:49] So. An agent for Congress not the executive branch. No formal power never taking an explicit position. True?

**Alice Rivlin:** [00:03:58] That was actually a decision that I made that I think worked out well. We could have given the Congress advice on what they ought to do. The law was vague on this but I decided that it was a bad idea. If we were going to be credible to both parties we needed to give them options, give them the best information we could about what those alternative policies would cost and what they would do, but not take a position.

**Virginia Prescott:** [00:04:32] Who appoints the director of the office.

**Alice Rivlin:** [00:04:35] Well it's a little complicated but it is essentially the budget the two budget committees. The formal appointment is by the Speaker of the House and the president pro tem of the Senate who is the senior senator normally, on the advice of the budget committee so the budget committees really decide.

**Virginia Prescott:** [00:04:59] What is the background of these professionals that you wanted to assemble and that's still work for the CBO?

**Alice Rivlin:** [00:05:05] Well of course it isn't the same people because most of the people I appointed of are retired but they're the same kind of people they are economists mostly accountants and a few lawyers but they are basically people who are experienced with budget analysis and estimating the costs of public policies costs and effects.

**Virginia Prescott:** [00:05:30] This is to me what seems so difficult the hardest math problem in the world as far as I can see it and we don't really want to dig into the math but about that process, how does the CBO staff work to estimate the cost of a particular bill predicting year by year with so many different factors that could contribute to that cost?

**Alice Rivlin:** [00:05:51] Well it isn't easy. They do the best they can. And in general they assemble information about what's happened in the past with the same program if it's being changed or with similar programs if there hasn't been anything like this before. They look at information from the states which might have had a similar program but they really have to make their best judgment under great uncertainty. For example if you're starting a new health program you have to guess how many people will take advantage of it and what it will cost to provide those services.

**Virginia Prescott:** [00:06:33] And sometimes they have to do it really quickly it looks like.

**Alice Rivlin:** [00:06:36] Yes they do have to do it really quickly when they're in the mode of having a piece of legislation before them and the Congress is saying fast fast, what will it cost and how many people will it cover or how many people will lose coverage if we change it in this way. So they have to react very quickly. Often they have more time to do a more careful long range analysis. They do other kinds of reports but when there's a bill before them they have to work fast.

**Virginia Prescott:** [00:07:08] Do you recall times that bills lived or died based on the CBO score?

**Alice Rivlin:** [00:07:14] Yes that's quite normal. And indeed in crafting a piece of legislation the Congress or the administration takes into account what the CBO is likely to say and that's because resources are very constrained. We don't have enough coming in in revenues from taxes to pay for all the things that people want to do. We've run up a very big debt. And so the Congress has made rules about keeping the spending under control and not allowing big changes that will require a lot more debt. So that makes the people who are crafting legislation very conscious of what will this piece of legislation do to the deficit in the long run debt how will it change things for the better or for the worse.

**Virginia Prescott:** [00:08:20] I use that word CBO score which is something that a lot of people say on Capitol Hill, is it actually a score you know sort of viability 1-10 1 to 100?

**Alice Rivlin:** [00:08:29] No it is a set of estimates of cost also effects for example in the recent health bill, the CBO was asked what will the Republican plan to repeal and replace the Affordable Care Act cost. How much will it change the deficit in the long run debt, and how many people will who currently have insurance coverage will lose their coverage? So that set of estimates are loosely called the score.

**Virginia Prescott:** [00:09:08] Well as you well know the Trump spokesman Sean Spicer criticized those projections on the Republican plan to replace the ACA. He said the CBO was way way off and every aspect of how they scored and projected Obamacare. Now you yourself in 1981 President Reagan called your numbers phony because they differed from the optimistic projections of his office and Management and Budget. So looking back at all these unknowns did the CBO ever get it completely wrong.

**Alice Rivlin:** [00:09:41] Well I think a better question is did they ever get it completely right. Nobody ever gets these estimates exactly right. Because as you've indicated they're very complicated and they involve a lot of moving parts. But in the case of the Affordable Care Act later called Obamacare the CBO did underestimate the cost of that. They thought it would cost more because they thought more people would gain coverage than actually did as the Act came into effect.

**Alice Rivlin:** [00:10:16] They of course used the information that was coming from the actual program and made more accurate estimates.

**Virginia Prescott:** [00:10:26] Alice, you know, data analysts and economists, statisticians are not always the best people at explaining things. Was there anybody in place in your office that worked with you to help, I don't know. Translate these kind of numbers and analysis into English?

**Alice Rivlin:** [00:10:44] Yes that was very important to me. I thought the kinds of people we were hiring many of whom had PhDs in economics and economists are not awfully good at explaining things. I thought it was really important that we write in plain English and we actually hired a writing coach to help us because I thought this was so important to make the report's clear to the audience which was first and foremost the Congress but then also the press and the public. And I think we did quite a good job about that.

**Virginia Prescott:** [00:11:23] Well Alice thank you so much for explaining the CBO in English to us today really appreciate your time.

**Virginia Prescott:** [00:11:29] I enjoyed it.

**Virginia Prescott:** [00:11:37] All right CBO, check.