The Heritage Foundation

BACKGROUNDER

No. 3740 | DECEMBER 12, 2022

GROVER M. HERMANN CENTER FOR THE FEDERAL BUDGET

Improving Budget Rules and Processes to Achieve Policy Outcomes in the 118th Congress

Matthew D. Dickerson

KEY TAKEAWAYS

The budget process should become more transparent and promote accountability by providing more information about legislation to Members of Congress and the public.

Cost estimates should be improved and modernized, providing more accurate budgetary scoring.

Budget reforms should also help control the growth of government spending and make it more difficult to increase spending.

The goal of fiscal policy in the 118th Congress is to reverse the growth of government spending and inflation. The rules and processes by which lawmakers approach this important task can either set them up for success or failure. Therefore, it is vital that the new Congress adopt the right approach that provides the tools it needs to accomplish its goal. Congress should strengthen the rules and processes used to implement fiscal policy in three ways:

1. **Increase transparency and accountability.** Lawmakers and the public must be able to analyze legislative proposals under consideration, understand the implications of the policies, and assess whether they advance their goals. The congressional scorekeeping agencies—the Congressional Budget Office (CBO) and the Joint

Committee on Taxation (JCT)—play an important role in providing reliable information about the budgetary and economic impacts of legislation. Cost estimates and the procedures followed by the CBO and the JCT should be made more transparent to promote accountability and public understanding.

2. **Score more accurately.** Cost estimates from the CBO and the JCT should be improved and modernized to follow best practices and provide lawmakers with thorough information about the fiscal and economic impact of legislative proposals.

3. **Control the growth of spending.** Because reversing the growth of government spending and inflation is the overarching goal of fiscal policy in the 118th Congress, the budget rules and processes that the new Congress adopts should give lawmakers tools to accomplish their goal. It should generally be more difficult to pass legislation that increases spending—and it should be easier to pass legislation that reduces government spending. Much of the current budgetary procedure is biased toward higher levels of government spending, and that bias should be reversed.

The federal budget process has evolved and adapted over time. In the current era, budgeting has become ad hoc as policy decision-making became centralized in the executive branch and congressional leadership rather than following a regular-order legislative process. The timeline and procedures specified by the Congressional Budget Act of 1974 are now often ignored, leading to missed deadlines, uncertainty, and a less deliberative policymaking process. Reformers of the budget process should recognize that modifications that are overly prescriptive, such as the 1974 Budget Act, are unlikely to be durable. Rather than focusing on the exact steps that future Congresses would be expected to follow, today's policymakers should be provided additional information and incentives that respond to the unsustainability and harmful effects of current federal spending levels.

Improving the budget process is only a small first step toward achieving the goal of reversing the growth of government spending. Budget rules and processes are needed tools for achieving this goal, but they are no substitute for political will. For a century, Congress has attempted various budget reforms.[1] Nevertheless, during that same time period, the size and scope of the federal government has grown significantly. Only a steadfast recommitment and fidelity to the Constitution by our elected representatives will refocus government back to its proper roles and produce a sustainable federal budget.

The considerations that matter most for evaluating the federal budget are how much money is spent out of the Treasury, what that spending is for, the Constitutional authority for the activity being funded, and what effects those programs have on American families, communities, society, and the economy. Policymakers should recognize that the budget process is about making tradeoffs—deciding how best to allocate limited taxpayer resources among competing interests.

While some have rightly called for a comprehensive reform of the federal budget process, this *Backgrounder* recommends improvements to the current system that could be implemented quickly. Each of the policies described below could be implemented via incorporation in the rules package for the House or the Senate at the opening of the 118th Congress, in a budget resolution, a resolution of either chamber, or, in some cases, direction from the Chairs of the Budget Committees.

Transparency and Accountability

Transparency from the Congressional Scorekeepers. The CBO and the JCT serve Congress by providing analysis independent from the executive branch. To accomplish this mission, it is essential that Congress and the public have faith in the methodology by which the CBO and the JCT produce their estimates and reports.[2] An important way to improve trust in the congressional scorekeepers is by increasing transparency.[3]

In response to mounting criticism by Members of Congress and the public, the CBO has made progress in increasing transparency in recent years. The CBO has disclosed additional data, published working papers explaining methodology and assumptions, and conducted selected analyses of previous cost estimates. It has also produced a centralized web page and reoccurring reports that increase transparency.[4] Despite this progress, more can be done.

By contrast, the JCT has not undertaken similar efforts to promote transparency. Concerns from Members of Congress about the lack of transparency from the tax estimators have been present for some time. Legislation mandating more disclosure from the JCT was first introduced more than three decades ago.[5]

Part of the difference between the JCT and the CBO may be traced to the organic statutes that established and govern the two scorekeeping agencies. While the Budget Act does generally promote disclosure and public access to the CBO's work,[6] such requirements do not exist in law to the same extent for the JCT. Because of the lack of disclosure, tax policy is developed in a "secret chamber" rather than the public square.[7]

To make and keep transparency a top priority for the congressional scorekeeping agencies, lawmakers should:

- Require the CBO and the JCT to publish detailed descriptions of how they produce cost estimates, including the assumptions and data inputs. The ultimate goal should be to have enough transparency so that independent sources could replicate the CBO and JCT estimates. The CBO Show Your Work Act, proposed by Representative Warren Davidson (R–OH) and Senator Mike Lee (R–UT), would require the CBO to publish its models used for cost estimates.[8]

- Require the CBO and the JCT to conduct sensitivity analysis, including describing their confidence of cost estimates, the potential range of outcomes, and factors that contribute to uncertainty in the estimate.

- Conduct oversight led by the Budget Committees, such as by producing a regular report assessing the capabilities and activities of the congressional scorekeepers, including reviewing the models, staffing, initiatives, research, and other strengths and weaknesses of the CBO and the JCT.[9]

- Require the CBO to provide additional information on the Spending Projections by Budget Account spreadsheets, including historical funding levels, and indicate the relevant House and Senate authorizing committees of jurisdiction and the appropriations subcommittees of jurisdiction.

CBO Appropriations Scoring. Appropriations bills are the most important legislation affecting federal spending considered by Congress on a regular basis. Despite this, the CBO does provide formal cost estimates on the regular appropriations bills.[10] This is because a loophole in Section 402 of the Budget Act carves out bills reported by the House or Senate Appropriations Committees from the requirement that the CBO prepare cost estimates for legislation reported by other committees.[11]

However, the appropriations loophole does not prohibit the CBO from conducting analyses of appropriations bills. The CBO has disclosed that it "provides detailed reports" on the account-level budget authority, outlays, and the changes in mandatory programs, known as CHIMPs, in appropriations bills.[12] But these reports are not made publicly available, nor are they made widely available to Members of Congress and their staff. Instead, they are distributed to a small list of "interested parties," including staffers for leadership, committees, and a handful of others.[13]

In response to questioning from Representative Tom McClintock (R–CA), previous CBO Director Keith Hall testified in 2017 that "CBO is developing a plan to make that information available to the public in an accessible format."[14] Unfortunately, the CBO has not followed through after more than five years.

Lawmakers should require the CBO to publicly disclose its full analysis of appropriations bills, including account-level and aggregate budget authority, outlays, and CHIMPs. To achieve this reform, Congress can strike the appropriations loophole in the Budget Act, amend the House and Senate rules, issue a standing order in either chamber, or have the chairmen of the Budget Committees issue a directive to the CBO.

Long-term Scoring. Congress should require the CBO to provide information about the long-term impacts of legislation under consideration. Such cost estimates should assess whether the legislation would increase outlays or deficits in any fiscal year or 10-year period following the normal budget window.

Congress should be prohibited by House and Senate rules from considering any legislation that increases outlays in any 10-year period beyond the normal 10-year budget window. A similar point of order was established by the fiscal year (FY) 2016 budget resolution.[15]

Supplemental Scoring of "Temporary" Programs. A common budget gimmick is for legislation to create new programs—but to fund them for only a few years. This is designed to make them look less costly on paper, even though lawmakers have every intention of continuing the spending indefinitely in future legislation.

When applicable, the CBO cost estimates should include information describing the fiscal impacts of temporary policies if they were made permanent. This information should be considered supplementary to help lawmakers understand the potential impacts of the policy, and to not replace the formal cost estimate of the legislation.[16]

Read the Bills. Congress has developed a habit of ramming through major substantive legislation that Members of Congress and the public have not actually read or reviewed. For example, the FY 2022 omnibus appropriations bill clocked in at 2,741 pages of legislative text and 2,413 pages of explanatory materials, yet the Speaker of the House forced a vote *the same day* the final text was made available.[17] There is simply no way Members of Congress or their staff were able to process and understand the implications of this massive $1.5 trillion spending bill in just a few hours before the vote. If congressional leadership does not allow the public—not to mention Members of Congress—to fully understand the legislation being voted on, there can be no transparency or accountability.

Congress should adopt rules prohibiting votes on any legislation or amendment spanning:

- 100 pages or fewer unless it has been publicly available for at least 72 hours,
- 500 pages to 999 pages unless it has been available for 96 hours, and
- 1,000 pages or more unless it has been available for at least 120 hours.

Furthermore, Congress should deem out of order consideration of legislation until a CBO cost estimate has been available for at least one day. The cost estimate should reflect the exact bill under consideration; an outdated score of a previous version of legislation should not suffice.

Follow the Budget Resolution. It is vital for both transparency and accountability that Members of Congress and the public understand whether Congress is meeting its fiscal policy goals. One way to measure progress is to demonstrate whether legislative committees are following the budget resolution.

Section 308(b) of the Congressional Budget Act requires the CBO to issue monthly reports on the progress of congressional action on legislation and their fiscal impacts, including a comparison to the levels set forth in the budget resolution. The House and Senate Budget Committees are also required to make this information available to Members of their respective chambers.[18] In recent years, scorekeeping reports are made widely available only infrequently. This reporting should be modernized and updated.

Pursuant to the budget resolution, the Appropriations Committee and all authorizing committees are provided Sec. 302(a) allocations, directing the committees to change budget authority and outlays within their jurisdictions by specific amounts. To help Members of Congress and the public better track each committee's efforts to meet its obligations, the website of every committee should be required to prominently display its assigned allocations, update a tracker showing the total fiscal effects of legislation from the committee, and disclose the gap between what the committee has accomplished to date and the fiscal results the committee is required to achieve under the budget. The website of the budget committees should display a scoreboard for all of the committees as well as an aggregate tabulation. This overview table should be duplicated on the Congress.gov website for public consumption.

More Accurate Scoring

Use Dynamic Scoring. Taxes and government spending distort economic decision-making and can significantly impact the economy.[19] That means estimates of the costs of legislation must take into account the recursive economic effects of changes in taxes and government spending, a process called dynamic scoring.[20] Congress should mandate that the CBO and the JCT incorporate predicted macroeconomic effects into cost estimates for major legislation.

However, Congress must also ensure that scorekeeping agencies use best practices. In the past, the CBO has utilized outdated models that assign simplistic "multipliers" to government spending, which attempt to quantify the change in the gross domestic product (GDP) associated with an increase in government spending. Estimates of fiscal multipliers remain highly uncertain and may vary with the state of the economy, so multipliers should only be considered in rough, unsophisticated calculations—not formal analyses.

Despite the uncertainty around estimates of the fiscal multiplier, a recent review noted that many of the estimates lay in the range of 0.6 to 1.0.[21] A fiscal multiplier of 1.0 means that GDP increases by $1 for every additional $1 the government spends. Values less than 1.0 suggest that additional government spending is an inefficient way to stimulate economic output.

The fiscal multiplier may be less than 1.0 because the private sector reduces output as the government expands, either because crowding out reduces private investment or because anticipated taxes reduce saving. A recent CBO working paper has shown there are significantly different effects on the economy depending on the sources of financing government spending.[22] A complete score should account across all markets for the equilibrium effects of fiscal policy, both revenue and spending changes.

Cost estimates for major legislation should incorporate the budgetary effects of changes in economic output, employment, capital stock, tax revenues, sources of financing new outlays, total debt of the federal government, international trade, and international capital flows resulting from the legislation. The Pro-Growth Budgeting Act, introduced by Representative Kevin Hern (R–OK), would implement this vital reform.[23]

The CBO and JCT should also be as transparent as possible regarding their dynamic scoring models.[24]

Understand How Government Spending and Taxes Fit into the Economy. The terms by which components of the federal budget are generally described can be confusing and often fail to convey information about how government spending and taxes will fit into the national economy. For example, spending is described as either mandatory or discretionary based on the process by which it was approved by Congress, but these terms do not necessarily describe how the money is ultimately used in the economy.

The Bureau of Economic Analysis at the Department of Commerce describes economic activity using national income and product accounts (NIPAs), which make up the GDP. This data provides a useful framework for understanding how the government sector affects production and consumption, and how much is transferred by the government from individuals to other individuals, state and local governments, or the rest of the world. The CBO provides a reoccurring report that translates the projections of the budget baseline projections into NIPAs.[25] During the FY 2022–2023 period, 65 percent of projected federal expenditures represent transfer payments, 14 percent are interest payments, 12 percent are defense consumption, 8 percent are non-defense consumption, and 2 percent are subsidies.[26]

Additional information about how policy changes would fit into the economy would help policymakers make better decisions. In the cost estimates for legislation that would affect direct spending, the CBO should describe how the legislation would affect NIPAs. Specifically, the cost estimate should include supplementary estimates of the increases or decreases to consumption expenditures, current transfer payments, subsidies, and interest payments resulting from the legislation. This information should not replace the normal cost estimate, but it would help lawmakers better understand the impact of bills under consideration.

Incorporate Debt Service in Cost Estimates. With rising interest rates and a growing national debt, the cost of servicing debt will become an increasingly larger share of the federal budget. Under current law, annual net interest outlays are projected to grow from $352 billion in FY 2021 to $1.2 trillion in FY 2032, more than doubling as a percentage of GDP.[27] When considering legislative proposals, lawmakers should be able to understand how it would affect interest payments.

Cost estimates produced by the CBO should be required to include the projected debt services costs that would be attributable to the legislation. The Cost Estimates Improvement Act, sponsored by Representative Michael Cloud (R–TX), and the Budgetary Accuracy in Scoring Interest

Costs Act of 2022, introduced by Representative Daniel Meuser (R–PA), would implement this reform.[28] CBO Director Phillip Swagel has testified that "[i]n most cases, inclusion [of debt service costs] would be feasible and require few additional resources."[29]

Use Fair-Value Scoring of Credit Programs. The federal government supports a significant amount of loans, with more than 100 programs and a projected total of $2.2 trillion of credit assistance in FY 2023, including $171 billion in new direct loans and $2 trillion in loan guarantees.[30]

The Federal Credit Reform Act of 1990 (FCRA) dictates how these credit assistance programs are counted for purposes of budget scorekeeping. The FCRA method discounts the cost of loans using the interest rates of Treasury securities. This understates the actual costs to taxpayers because it fails to take into account market risks.

In contrast, fair-value accounting would take into account the market risk of the cost of credit assistance. A CBO working paper states, "Fair-value budgeting represents a more comprehensive measure of cost for government activities than the measure required under current law."[31]

The two accounting methods can yield very different results. An analysis by the CBO of 118 credit programs using FCRA determined they reduced the federal deficit by $41 billion, while the CBO's estimate of those same programs using fair-value accounting showed they actually increase the deficit by $51 billion.[32]

Fair-value accounting should replace FCRA as the method for scoring federal credit and insurance programs. The Fair-Value Accounting and Budget Act, introduced by Representative Ralph Norman (R–SC), would require the CBO to provide a fair-value estimate upon request, and that the Chair of the Budget Committee in the House or Senate may use fair-value scoring for the purpose of budget enforcement.[33] This proposal could be strengthened by requiring fair-value scoring and using it for scorekeeping purposes by default.

Control the Growth of Spending

CUTGO. The House and the Senate both operate under flawed "pay-as-you-go" (PAYGO) rules.[34] PAYGO rules require that tax cuts or spending increases that increase deficits be offset with higher taxes or spending reductions. While perhaps well-intentioned, the PAYGO rules are too limited in their scope and are focused on controlling deficits rather than stopping the growth of spending, which is the underlying cause of deficits.[35] PAYGO is flawed because it allows bigger government and higher spending—and even encourages damaging tax increases.

These PAYGO rules should be replaced with cut-as-you-go (CUTGO) rules. CUTGO rules would require that all new spending be offset with reductions to other spending. In contrast to PAYGO, CUTGO would not allow the growth of government by raising taxes and increasing spending. Any motion to waive enforcement of CUTGO rules should be a standalone vote, with a supermajority required. A limited CUTGO rule was included in the House Rules for the 112th Congress but was replaced with the current PAYGO rule in the 116th Congress. On net, the 118th Congress should not increase government spending.

CUTGO should be strengthened with additional enforcement. If a committee reports legislation that increases outlays in violation of the CUTGO rule, the Clerk of the House or Secretary of the Senate should automatically return the bill to the committee. If a bill is expected to become CUTGO compliant only after changes to policies in the jurisdiction of two or more committees, that understanding should be reflected by an exchange of letters of the chairmen included in the committee report, and the Clerk or the Secretary should refer the bill to the committee expected to add the offsetting spending reductions. Legislation that has not been marked up by a committee should not be scheduled for floor consideration unless a CBO report has been available for at least one day. If such legislation violates the CUTGO rule, it should be referred to the committee of jurisdiction to rectify the violation rather than called up on the floor.

The House and Senate should each enforce CUTGO rules—even if the other chamber violates it. A process for doing so could be modeled on the blue-slip process currently used by the House of Representatives to return to the Senate revenue legislation that violates the Origination Clause.[36] If a chamber passes legislation that increases outlays in violation of the other chamber's CUTGO rule, any Member of the receiving chamber should be permitted to offer a privileged resolution that would return the offending legislation to the original chamber with a message indicating the CUTGO violation.

Prohibit Higher Spending During Periods of High Inflation. With inflation reaching rates not seen in four decades due to excessive government spending and Federal Reserve accommodation, Congress needs to be better informed about the inflationary effects of legislation and be prohibited from making the problem worse.

Congress should deem it out of order to consider bills that increase spending during periods of high inflation. Several proposals to implement similar reforms have been introduced, including the Preventing Runaway Inflation in Consumer Expenditures Act sponsored by Senator Lee, the Inflation Prevention Act sponsored by Representative Mike Garcia (R–CA), the Informed Lawmaking to Combat Inflation Act sponsored by Representative John Katko (R–NY), and the Stop Inflationary Spending Act sponsored by Representative Daniel Meuser (R–PA).[37]

Remove Bias in the Baseline for Higher Spending. The budget baseline provides a benchmark against which to measure legislative proposals. The CBO generally describes its baseline estimates of future spending and revenues as reflecting current law. However, several deviations from the current-law standard result in the baseline making it easier for Congress to increase spending in future legislation. Congress should reverse these biases that promote higher spending, and make the baseline more closely reflect current law.

Three deviations in the CBO baseline from a true current law standard that result in a bias for higher spending are below.

1. The CBO baseline presumes every discretionary appropriations account increases with inflation each year even though such increases are not required by law.[38] This builds higher spending into expectations and makes it more difficult to rein in the costs to taxpayers of legislative proposals. The baseline for discretionary programs should instead be equal to the most recently enacted level (as if extended by a continuing resolution) as proposed by the Zero-Baseline Budget Act of 2021.[39]

2. A major exception to the current law baseline pertains to mandatory spending programs with outlays exceeding $50 million, which were established before 1997. These programs are assumed to continue forever, regardless of the lack of legal authorization or funding expiration.[40] This makes reauthorizations of certain mandatory spending programs appear "free"—despite the fact that extending these programs beyond their current expirations would actually cost taxpayers $2.2 trillion in budget authority during the FY 2023–2032 period.[41] The baseline should follow current law, and this loophole should be eliminated.

3. The baseline also assumes that programs financed by trust funds will continue to make scheduled payments, even after the trust fund is exhausted and such payments would be unable to be processed. This assumption adds $345 billion in outlays to the baseline during the FY 2023–2032 period.[42] The baseline should follow current law, and programs financed by trust funds should reflect the requirements

governing permissible spending, not assuming levels higher than current law would allow.

Account for the Costs of Transfers from the General Fund to Trust Funds. Trust funds finance the two biggest programs in the federal budget: Social Security and Medicare. Surface transportation programs are financed by the Highway Trust Fund. Due to outdated designs, all three of these programs spend more than they collect in tax revenues, depleting their trust fund balances.[43] Once its trust fund is exhausted, a program is unable to pay out promised benefits.

The CBO projects that the Social Security Old-Age and Survivors Insurance Trust Fund, the Medicare Hospital Insurance Trust Fund, and the Highway Trust Fund will run a combined deficit of $3.2 trillion during the FY 2023–2032 period.[44] The Social Security and Medicare Boards of Trustees project that the Medicare Hospital Insurance program will be exhausted by 2028, and the Social Security Trust Fund will be exhausted by 2034.[45] The Highway Trust Fund is projected to be exhausted in FY 2027—despite several bailouts totaling more than $275 billion in transfers from the General Fund.[46]

For purposes of scoring and budget enforcement, transfers from the General Fund to any trust fund should be counted as new budget authority and outlays. A similar rule related to transfers to the Highway Trust Fund was included in the FY 2016 budget resolution.[47]

Reconciliation That Does Not Expand Government. The budget reconciliation process was created by the 1974 Congressional Budget Act to provide a fast-tracked process to amend laws so that actual spending and revenues would align with Congress's budget plans. It is a powerful tool because it is privileged in the Senate and can be passed by a simple majority, rather than the 60 votes required to end debate on most legislation. Because the reconciliation process is so powerful, Congress has placed restrictions on its use, most notably the provisions of the Byrd Rule that require provisions in a reconciliation bill to be budgetary in nature, compliant with the reconciliation instructions provided by the budget resolution, and not increase the deficit beyond the budget window.[48]

Unfortunately, recent years have seen abuses of the budget reconciliation process. Rather than a tool to control the growth of government and reduce deficits, reconciliation has morphed into a mechanism to enact partisan polices that increase deficits. A shell budget[49] was used to enact the $1.9 trillion American Rescue Plan Act of 2021 via reconciliation,[50] which served as the match that lit an inflationary fire. The Inflation Reduction Act of

2022,[51] which increased outlays by more than $110 billion during a five-year period, was also enacted using reconciliation.

Federal spending is already unsustainable. Reconciliation should not be used to expand government. It should be deemed out of order in the House and the Senate for any title of a reconciliation bill to increase outlays in any fiscal year.

Conclusion

Federal spending is unsustainable and causing harm to American families and communities. While Members of Congress need the political will to limit spending in laws, budgetary rules and processes can provide them with better information and incentives to do the right thing. The incoming 118th Congress should improve the rules governing budget processes to set lawmakers up for success in reversing the growth of spending and inflation. These rule changes could be implemented via incorporation in the rules package for the House or the Senate, in a budget resolution, a resolution of either chamber, or, in some cases, by direction of the Chairmen of the Budget Committees.

Matthew D. Dickerson is Director of the Grover M. Hermann Center for the Federal Budget at The Heritage Foundation.

Endnotes

1. See Paul Winfree, *A History (and Future) of the Budget Process in the United States* (New York, NY: Palgrave Macmillan, 2019).
2. Paul Winfree, "Joint Select Committee Should Focus on Improving Budget Transparency," The Daily Signal, April 17, 2018, https://www.dailysignal.com/2018/04/17/joint-select-committee-should-focus-on-improving-budget-transparency.
3. Drew Gonshorowski, "How the CBO Can Begin to Earn Back the Public's Confidence," The Daily Signal, July 27, 2017, https://www.dailysignal.com/2017/07/27/cbo-can-begin-earn-back-publics-confidence/.
4. Congressional Budget Office, "Transparency," https://www.cbo.gov/about/transparency (accessed October 4, 2022).
5. Tax Policy Freedom of Information and Sunshine Act of 1990, S. 3243, 101st Cong., 2nd Sess.
6. See, for example, Congressional Budget and Impoundment Control Act Of 1974, Public Law 93–344, Sec. 203.
7. Dan R. Mastromarco, David R. Burton, and William W. Beach, eds., *The Secret Chamber or the Public Square*, (Washington, DC: The Heritage Foundation, 2005), p. 65.
8. CBO Show Your Work Act, H.R. 5638, 117th Cong., 1st. Sess., and S. 793, 117th Cong., 1st Sess.
9. Winfree, "Joint Select Committee Should Focus on Improving Budget Transparency."
10. Matthew Dickerson, "CBO Has Made Important Progress in Transparency, But Additional Steps Needed," The Daily Signal, April 27, 2021, https://www.dailysignal.com/2021/04/27/cbo-has-made-important-progress-in-transparency-but-additional-steps-are-needed.
11. Congressional Budget And Impoundment Control Act Of 1974, Sec. 402 reads: "The Director of the Congressional Budget Office shall, to the extent practicable, prepare for each bill or resolution of a public character reported by any committee of the House of Representatives or the Senate (except the Committee on Appropriations of each House), and submit to such committee (1) an estimate of the costs which would be incurred in carrying out such bill or resolution in the fiscal year in which it is to become effective and in each of the 4 fiscal years following such fiscal year, together with the basis for each such estimate."
12. Congressional Budget Office, "How CBO Prepares Cost Estimates," February 2018, https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53519-costestimates.pdf (accessed October 4, 2022).
13. Dickerson, "CBO Has Made Important Progress in Transparency."
14. Keith Hall, "Answers to Questions for the Record Following a Hearing on the Budget and Economic Outlook for 2017 to 2027 Conducted by the House Committee on the Budget," Congressional Budget Office, March 3, 2017, https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/reports/52468-outlookqfrs.pdf (accessed October 4, 2022).
15. An Original Concurrent Resolution Setting Forth the Congressional Budget for the United States Government for Fiscal Year 2016 and Setting Forth the Appropriate Budgetary Levels for Fiscal Years 2017 through 2025, S. Con. Res. 11, Sec. 3101, 114th Congress, 1st Sess.
16. This recommendation would ensure that the official cost estimate reflects the text of the bill under consideration while providing supplementary information to lawmakers about the costs of potential future legislation. This would complement the recommendation below to remove the exception from the current law baseline that assumes certain programs continue beyond their legal expiration by providing more accurate scoring of the actual cost to taxpayers of legislation and potential future legislative proposals.
17. Matthew Dickerson, "8 Ways Massive Omnibus Spending Bill Is a Mistake," The Daily Signal, March 8, 2022, https://www.dailysignal.com/2022/03/09/8-ways-massive-omnibus-spending-bill-is-a-mistake/.
18. Congressional Budget and Control Act Of 1974, Sec. 308(b).
19. Parker Sheppard, "A Dynamic Score of the Proposals in the Budget Blueprint for Fiscal Year 2023," Heritage Foundation *Issue Brief* No. 5292, September 23, 2022, https://www.heritage.org/budget-and-spending/report/dynamic-score-the-proposals-the-budget-blueprint-fiscal-year-2023.
20. Salim Furth, "Accurate Budget Scores Require Dynamic Analysis," Heritage Foundation *Backgrounder* No. 2984, December 30, 2014, https://www.heritage.org/budget-and-spending/report/accurate-budget-scores-require-dynamic-analysis.
21. Valerie A. Ramey, "Ten Years after the Financial Crisis: What Have We Learned from the Renaissance in Fiscal Research?" *Journal of Economic Perspectives*, Vol. 33, No. 2 (2019), pp. 89–114.
22. Jaeger Nelson and Kerk Phillips, "The Economic Effects of Financing a Large and Permanent Increase in Government Spending: Working Paper 2021–03," Congressional Budget Office *Working Paper*, March 22, 2021, https://www.cbo.gov/publication/57021 (accessed October 9, 2022).
23. Pro-Growth Budgeting Act, H.R. 3869, 117th Cong., 1st Sess.
24. For example, the CBO and JCT should discuss their assumptions regarding the long-run equilibrium and the speed of convergence for when the debt-to-GDP ratio stabilizes.
25. See Congressional Budget Office, "CBO's Projections of Federal Receipts and Expenditures as Measured by the National Income and Product Accounts: 2022 to 2032," August 29, 2022, https://www.cbo.gov/publication/58356 (accessed October 16, 2022).

26. Ibid., Table 1.

27. Congressional Budget Office, "The Budget and Economic Outlook: 2022 to 2032," Table 1–1.

28. Cost Estimates Improvement Act, H.R. 638, 117th Cong., 1st Sess., and Budgetary Accuracy in Scoring Interest Costs Act of 2022, H.R. 8775, 117th Cong., 2nd Sess.

29. Phillip L. Swagel, "Answer to a Question for the Record Following a Hearing on CBO's Appropriation Request for Fiscal Year 2023," May 12, 2022, https://www.cbo.gov/publication/58129 (accessed November 1, 2022).

30. Congressional Budget Office, "Estimates of the Cost of Federal Credit Programs in 2023," June 24, 2022, https://www.cbo.gov/publication/58031 (accessed October 6, 2022).

31. Michael Falkenheim, "Fair-Value Budgeting: Practical Issues: Working Paper 2021-08," Congressional Budget Office *Working Paper*, July 29, 2021, https://www.cbo.gov/publication/57264 (accessed October 6, 2022).

32. Congressional Budget Office, "Estimates of the Cost of Federal Credit Programs in 2023," June 24, 2022, https://www.cbo.gov/publication/58031 (accessed October 6, 2022).

33. Fair-Value Accounting and Budget Act, H.R. 3785, 117th Cong., 1st Sess.

34. PAYGO rules include the Statutory Pay-As-You-Go (PAYGO) Act of 2010, Public Law 111–139; in the House, Clause 10 of Rule XXI of the Rules of the House of Representatives for the 117th Congress; and in the Senate, Sec. 4106 of H. Con. Res. 71, Budget Resolution for FY 2018, 115th Congress.

35. See David Ditch, "PAYGO: A Bipartisan Failure in Need of Replacement," Heritage Foundation *Issue Brief* No. 4935, January 28, 2018, https://www.heritage.org/budget-and-spending/report/paygo-bipartisan-failure-need-replacement.

36. For background on the blue-slip process, see "Blue-Slipping: Enforcing the Origination Clause in the House of Representatives," Congressional Research Service *Report for Congress* R 46556, October 1, 2020, https://crsreports.congress.gov/product/pdf/R/R46556 (accessed November 1, 2022).

37. Preventing Runaway Inflation in Consumer Expenditures Act, S. 3770, 117th Cong., 2nd Sess.; Inflation Prevention Act, H.R. 6485, 117th Cong., 2nd Sess.; Informed Lawmaking to Combat Inflation Act, H.R. 6629, 117th Cong., 2nd Sess.; and Stop Inflationary Spending Act, H.R. 4181, 117th Cong., 1st Sess.

38. The Balanced Budget and Deficit Control Act, Public Law 99–177, Sec. 257(c) provides that the baseline for discretionary appropriations accounts shall be assumed to be equal to the level available in the current year, adjusted sequentially and cumulatively for inflation. Budgetary resources for personnel are adjusted using the Employment Cost Index. Budgetary resources for all non-personnel purposes are adjusted using the GDP price index.

39. Zero-Baseline Budget Act of 2021, H.R. 3464, 117th Cong., 1st Sess.

40. Balanced Budget and Deficit Control Act, Sec. 257(b)(2).

41. Congressional Budget Office, "The Budget and Economic Outlook: 2022 to 2032," Table 3–3.

42. Ibid., Box 3-3.

43. Comprehensive reform proposals to improve and modernize Social Security, Medicare, and surface transportation can be found at Rachel Greszler, "Social Security Policy for the Next Administration and the 117th Congress," Heritage Foundation *Backgrounder* No. 3559, November 19, 2020, https://www.heritage.org/social-security/report/social-security-policy-the-next-administration-and-the-117th-congress; Robert Moffit, "Medicare: How Timely Reforms Can Prevent Painful Consequences," Heritage Foundation *Backgrounder* No. 3336, August 1, 2018, https://www.heritage.org/medicare/report/medicare-how-timely-reforms-can-prevent-painful-consequences; David Ditch and Nicolas Loris, "Improving Surface Transportation Through Federalism," Heritage Foundation *Backgrounder* No. 3450, November 12, 2019, https://www.heritage.org/transportation/report/improving-surface-transportation-through-federalism; and *Budget Blueprint for Fiscal Year 2023* (Washington, DC: The Heritage Foundation), https://www.heritage.org/budget/index.html.

44. Congressional Budget Office, "The Budget and Economic Outlook: 2022 to 2032," Table B–2.

45. Janet Yellen, Martin J. Walsh, Xavier Becerra, and Kilolo Kijakazi, "A Summary of the 2022 Annual Reports," Social Security and Medicare Boards of Trustees, June 2, 2022, https://www.ssa.gov/OACT/TRSUM/index.html (accessed October 7, 2022).

46. Congressional Budget Office, "The Budget and Economic Outlook: 2022 to 2032," p. 132.

47. An Original Concurrent Resolution, Sec. 3302.

48. Matthew Dickerson, "Consequential Decisions on Reconciliation and the Byrd Rule," Heritage Foundation *Backgrounder* No. 3583, February 4, 2021, https://www.heritage.org/budget-and-spending/report/consequential-decisions-reconciliation-and-the-byrd-rule.

49. The use of so-called "shell budgets" that do not actually lay out a budgetary path, but instead are only vehicles to activate the reconciliation process, undercut the purpose of why the procedure was created in the first place.

50. American Rescue Plan Act of 2021, Public Law 117–2.

51. Inflation Reduction Act of 2022, Public Law 117–169.