House Budget Committee
CBO Oversight: Member Day
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Statement for the Record

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Committee on Ways and Means

Chairman Womack, Ranking Member Yarmuth, and Members of the Committee:

Thank you for the opportunity to submit a statement for the record on CBO Oversight as it relates to issues of importance to the Ways and Means Social Security Subcommittee. First, I will discuss the Social Security Subcommittee's work examining the differences between CBO's and the Social Security Trustees' projections of Social Security's solvency. Then, I will discuss CBO's scoring conventions and House rules that make it difficult to make commonsense changes to Social Security, followed by CBO's responsiveness to Authorizing Committee requests. And finally, I will discuss the limited value of certain CBO publications.

<u>Differences between CBO and the Social Security Trustees</u>
During my time as Chairman, the Social Security Subcommittee has focused on the ongoing differences in CBO's and the Social Security Trustees' projections of Social Security's solvency.

Both CBO and the Social Security Trustees have been looking at Social Security's finances for decades. However, they paint very different pictures of just how much trouble Social Security is in. CBO projects that the combined Social Security Trust Funds will be exhausted in 2030, while the Trustees project that this will not occur until 2034. CBO's projection of Social Security's 75-year actuarial deficit is about 1.5 times that of the Trustees'.

With CBO and the Trustees so far apart, it's hard to know if a Social Security plan will actually make the program solvent. While a plan may be sustainability solvent according to the Trustees, it might only get you a couple additional years of solvency according to CBO.

In early 2016, Chairman Brady and I asked CBO and Social Security's Chief Actuary to take a look at each other's projections and help us understand how they come to such different views of Social Security's future.

On September 21, 2016, the Social Security Subcommittee held a hearing to discuss what they learned. According to Dr. Hall's testimony, about two-thirds of the difference between CBO's and the Trustees' projections comes from their economic and demographic assumptions, while the remaining one-third comes from different modeling approaches. In particular, they differ on assumptions about: labor force participation rates; wage growth, which affects the amount of earnings subject to payroll taxes; demographics, particularly fertility and mortality rates; and long run real interest rates.

The hearing restarted the conversation between CBO and the Trustees about their different approaches. Following the hearing, CBO made some changes to its labor force participation model. These steps are a good start, but the two still remain far apart.

In order to protect Social Security and strengthen it for generations to come, Congress needs to be sure the action it takes will work. Oversight of CBO's Social Security projections is a key role the Budget Committee can play as part of our shared commitment to strengthen Social Security.

<u>Bills with a 10-Year Cost but Long-Term Savings</u>

As you know, House Rules generally focus on the 10-year scoring widow, and CBO mainly produces scores for this time period. However, for Social Security purposes, we're concerned with the program's long-term solvency and look at the effect of policy changes over the 75-year window. There are a number of Social Security bills that have a cost in the 10-year window but improve Social Security's solvency overall.

The Senior Citizens' Freedom to Work Act of 2017 (H.R.3077) is a good example. H.R. 3077 fully eliminates the penalty on seniors who choose to enter, remain in, or return to the labor force while also receiving Social Security retirement benefits. The bill costs $192 billion over 10 years but actually reduces Social Security's long-term costs and improves Social Security's actuarial deficit. This is because individuals would be able to access their earned benefits regardless of earnings level, which is strictly a timing shift from a scoring perspective.

The focus on the 10-year window makes it difficult to move this type of practical legislation and just doesn't make sense for Social Security bills. Consideration should be given to whether CBO scores for legislation affecting Social Security benefits should include the 75-year score, in order to provide an accurate view of their long-run impact.

<u>CBO's Responsiveness to Authorizing Committees</u>

Another issue I would like to raise before this Committee is CBO's responsiveness to Authorizing Committees' scoring requests. As you know, CBO plays an important role in supporting the Congress's efforts to develop and advance legislation. CBO must provide timely responses for this process to work like it should. However, CBO can take weeks, and sometimes months, to get started on a scoring request. I am interested to know how CBO decides the order of priority for scoring requests and how CBO balances these requests with its other work. Given some of what I've seen over the years, this is an issue that would benefit from further discussion.

Due to responsiveness issues, the Subcommittee on Social Security has relied more heavily on the Social Security Actuary to provide scoring information for policy development decisions. Policy development would benefit from more ongoing dialogue with the staff at CBO.

<u>Value of Certain CBO Publications</u>

The final issue I would like to raise concerns the value of certain CBO publications. As you know, CBO produces a number of reports in addition to scoring legislation. Some of these reports, such as the Budget and Economic Outlook, provide important information to the

Congress and the public, and are directly related to CBO's other work. However, other reports, such as the Budget Options books, often provide little value to the Congress.

The Budget Options books often include proposals that are unworkable as scored. Social Security changes typically include a phase-in to give people time to plan. For example, in my solvency plan I phased in benefit changes over 10 years. However, the options in the Budget Options books typically don't include phase-ins, meaning they show higher savings than could actually be achieved in practice. Despite their limited value, the Budget Options books – and specifically the resources invested in developing those books – are often cited as a reason why CBO can't be more responsive to the Subcommittee's scoring requests, even though this workload is not required by statute.

The Committee may want to consider the value of all CBO publications in the context of the usefulness for policy development purposes. Like all agencies, CBO does not have indefinite resources and direction on how to better use those resources may be merited.

Thank you for the opportunity to submit a statement for the record on these issues of importance to the Committee on Ways and Means Social Security Subcommittee. I look forward to continuing to work with my colleagues to make sure the Congress has the best, most accurate information available when it comes to Social Security.