THE VALUE OF A NONPARTISAN, INDEPENDENT, OBJECTIVE ANALYTIC UNIT TO THE LEGISLATIVE ROLE IN BUDGET PREPARATION

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A NONPARTISAN, INDEPENDENT, OBJECTIVE ANALYTIC UNIT

- Value
- Functions
- Characteristics
- Examples
- CBO
- Conclusions
VALUE

- Simplifies Complexity
- Promotes Transparency
- Eliminates Executive’s Information Monopoly
- Serves Both Majority & Minority
- Provides Rapid Responses
- Improves Budget Process
- Enhances Credibility
- Promotes Accountability
CORE FUNCTIONS

I. Economic Forecasts
II. Baseline Estimates
III. Analysis of Executive Budget
IV. Medium Term Analysis
I: ECONOMIC FORECASTS

- Objective
  - Not a function of policy proposals - not dynamic
  - Not based on wishful thinking - no rosy scenario
  - Not a means to an end - for example, interest rates, & oil & crop prices are estimates, not targets

- Conservative - allows for better-than-forecasted performance to reduce deficits/debt

- “Centrist”, based on:
  - Panel of experts
  - Private forecasters
  - Central Bank
II: BASELINE ESTIMATES

- “Centrist” Economic Forecast
- Current Law Basis, including
  - “Spend Out” of Enacted Legislation
  - Termination of Expiring Legislation
- Medium Term Focus
- Replaces Previous Year & Executive Baselines
III: ANALYSIS OF EXECUTIVE BUDGET

- An objective budgetary assessment – not a programmatic evaluation
- Enhances credibility – both of government as a whole and of executive forecasts
IV: MEDIUM TERM ANALYSIS

- Forces executive to look beyond one year
- Estimates medium term economic and fiscal impacts of policy proposals
OTHER FUNCTIONS

- Analysis of proposals
- Options for spending cuts
- Policy briefs
- Analysis of mandates (regulatory analysis)
- Economic/programmatic analysis
- Tax analysis
- Long term analysis
FUNDAMENTAL CHARACTERISTICS

- Nonpartisan (*not* Bipartisan)
- Independent
- Objective
- Informed
- Transparent (Everything on the Internet)
- Understandable
- Serve Both Majority & Minority
ADDITIONAL CHARACTERISTICS

- Put core functions in law
- Do not make recommendations
- Make everything public, including all critical reports
- Brief members first, especially if news is bad
- Meet with lobbyists or anyone else, but seek balance
- Be physically separate from legislature
- The Director should be more technical than political
- Avoid limelight
- Serve Committees, not Members
- Be responsive and timely
Countries with Specialized Legislative Budget Research Organizations

- **With 26 or more staff:** 3 (Korea, Mexico, US)
- **With less than 10 staff:** 8 (Cambodia, Canada, Chile, Indonesia, Japan {more than 10}, Jordan, Netherlands, Sweden)
- **None:** 28 (Including Argentina, Bolivia, Columbia, Suriname, and Uruguay. Note that Brazil, Costa Rica, Ecuador, Paraguay, Peru, Venezuela and other Latin American countries did not participate in the Survey.)

ORIGINS OF CBO

- Nixon
  - Impoundment
  - Creation of a More Powerful OMB
  - Monopoly on Budget Information
- Congress
  - No Budget Process
  - Creation of Budget Committees
  - Separation of Powers: CBO vs. OMB
  - Precedent of GAO, CRS, OTA
- Other Factors
  - Deficits without War or Recession
  - Complexity
  - Long Term Perspective
  - Gimmicks
One View of CBO: Like A Sewer

“What the House wanted [when CBO was created] was basically a manhole in which Congress would have a bill or something and it would lift up the manhole cover and put the bill down it, and 20 minutes later a piece of paper would be handed up, with the cost estimate, the answer, on it. No visibility, [just] some kind of mechanism down below the ground level doing this...non-controversial [work], the way the sewer system [does].”
## Distribution of CBO Staff

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<th>Function</th>
<th>Core</th>
<th>Other</th>
<th>Total</th>
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## Staffing by Core Function

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<th>LAO (Calif)</th>
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CONCLUSIONS

- Legislatures need an independent source of information to improve their participation in budget preparation.
- A nonpartisan, independent, objective analytic unit can provide information without polarizing relations between executive and legislature.
- Successful creation of such a unit is not easy: in particular, it demands balance in a political environment.