



Insight

Another Month, Another Baseline?

GORDON GRAY | MARCH 5, 2015

In late January, the Congressional Budget Office (CBO) released the *Budget and Economic Outlook: 2015-2025*, the latest update to CBO's periodic projections of federal spending and revenues, as well as U.S. economic performance. This is known as a "baseline" and its release essentially kicked-off "budget season" in Washington. The January baseline release was followed soon thereafter by the release of the President's Budget for FY2016. Following this release, CBO "re-estimates" the president's budget by comparing the policy changes proposed in the president's budget to its own "baseline" projections. This assists Congress in evaluating the president's budget compared to the baseline followed by Congress – the CBO-produced baseline.

In the time between the release of the January baseline and when CBO re-estimates the president's budget, new information may be available or there may have been policy developments that might alter the budget outlook – such as new legislation or other administrative announcement. The CBO incorporates this new information (though it relies on the underlying economic assumptions contained in the January baseline) and updates its budget baseline. While bundled with the exercise of re-estimating the president's budget, this new baseline is the most important for budget makers on Capitol Hill. Indeed, this baseline (often called the "March baseline" since it is typically released in March) is the "scoring baseline," that CBO will use in evaluating costs of legislation proposed by Congress.^[1] CBO will be releasing its latest March baseline this Friday.^[2]

The release of the "March baseline" typically precedes the construction of budgets in the House and the Senate. As a result, Congressional budget resolutions are built based off of the March baseline. Spending levels and tax levels established by Congressional budgets emanate from the March baseline and share the same underlying assumptions. This is important in understanding the role of both the CBO and Congressional budget resolutions.^[3]

CBO typically releases three baseline estimates a year. The March baseline is the one that really counts, because it's the one CBO uses to estimate costs and is generally the one the Budget Committees use to build and enforce budgets.

Congressional budget resolution sets limits on spending, among other things. To know whether a bill before Congress violates those limits, the Congress has to know how much the bill costs, which is CBO's role. But that cost estimate has to be consistent with the assumptions that informed the spending limit in the first place. In other words, Congress and CBO have to be on the same page and maintain the same assumptions.

A good example of how the March baseline informs the policy process is borne out in correspondence between a member of Congress and the CBO. In July of 2009, CBO issued a cost estimate related to student aid legislation. By then CBO had constructed its March baseline, and the Congress had passed a budget resolution built on that baseline. By September, CBO had subsequently released an August baseline with new assumptions – assumptions that significantly altered what the cost of the legislation would be *if* measured against the August baseline. But as CBO noted:

In your letter of August 28, 2009, you requested that CBO provide an estimate of the impact of those provisions on direct and discretionary spending relative to CBO's August baseline, which was released on August 25, 2009. That estimate is provided below. However, the August baseline is not used for Congressional scorekeeping purposes because the Congressional budget resolution is enforced using

estimates consistent with the baseline that underlies that resolution. As a result, CBO's July 24 estimate remains the basis for Congressional budget enforcement procedures.^[4]

For informational purposes, CBO provided an updated estimate based on the August baseline, and it altered the price-tag of the legislation by over \$11 billion.

[1] <https://www.cbo.gov/sites/default/files/cbofiles/attachments/MedicareAugust2010FactSheet.pdf>, see page 6