



HOUSE
BUDGET
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Budget Digest

Chairman Steve Womack

April 10, 2018

THE BUDGET AND ECONOMIC OUTLOOK: CBO'S BASELINE

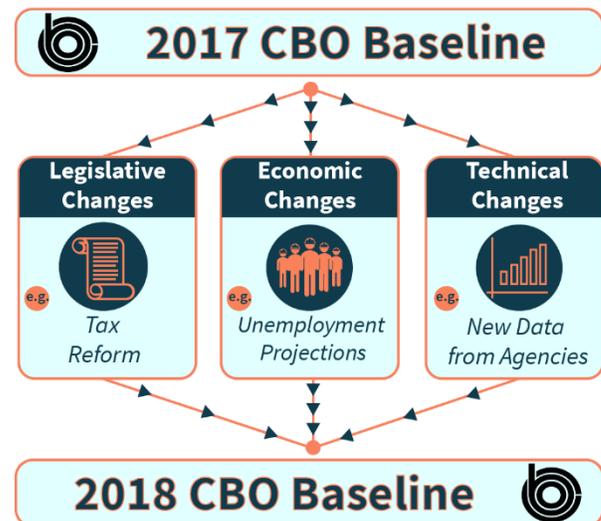
The Congressional Budget and Impoundment Control Act of 1974 (Budget Act) requires the Congressional Budget Office (CBO) to provide the Budget Committees with budget and economic projections for the upcoming 10 years. Known as the *Budget and Economic Outlook* and typically received at the beginning of each calendar year, CBO's annual report is often referred to as the "baseline."

In the congressional budget process, the baseline serves as a neutral benchmark from which to consider the effects of policy options and determine funding levels when writing the budget resolution.

Baseline Contents and Timeline. CBO's baseline includes projections of federal spending, revenue, surpluses or deficits, and debt. CBO makes these 10-year projections assuming the continuation of current law. Along with these estimates, the baseline contains a forecast of key economic indicators, such as changes in gross domestic product (GDP), inflation, interest rates, and unemployment. CBO also includes detailed budget estimates for specific programs and categories of spending—a foundational piece in building the budget resolution.

While CBO usually publishes its report on or before February 15, this year's report was delayed to April 9, primarily due to the need to adjust for the recently enacted tax reform law. With the publication of CBO's baseline, the House Budget Committee will hold a hearing on the report on April 12.

Updating the Baseline. The CBO baseline accounts for current law. As current law changes with enacted legislation, the baseline becomes increasingly outdated. CBO updates the baseline every year,



usually twice a year, to reflect changes in the nation's fiscal picture.

When updating the baseline, CBO accounts for three major areas of adjustment: legislative changes, economic changes, and technical changes.

Importance of the Baseline. CBO's baseline gives Congress information that is independent from the Administration's Office of Management and Budget (OMB). Cost estimates for all legislation considered by Congress rely on the baseline. When estimating the budgetary impacts of a bill, CBO compares the proposed policy changes to the baseline. This allows CBO to show Congress the cost or saving effects of a bill versus the status quo.

By relying on its own support agency's baseline, Congress keeps a close hold on the power of the purse.