

BASELINE ASSUMPTIONS

The "baseline" -- the starting point required to construct any budget resolution -- is another important element in the development of any budget resolution. Alternative baselines can be constructed. The baseline described in this markup book has been developed by the Committee Majority Staff with the assistance of the Congressional Budget Office (CBO) and is called the "Freeze baseline".

The Freeze baseline is calculated in the general manner proscribed by the BEA, except that discretionary appropriated accounts are "frozen" at the 1998 enacted level and include no increase for inflation. This is the same as CBO's updated February WODI (without discretionary inflation) baseline, with several adjustments to discretionary spending.

- ▶ The baseline incorporates the effects of the Military Construction veto override that passed the Senate on February 25, 1998. The measure passed too late to be included in CBO's revised baseline. No assumptions have been made regarding the 1998 supplemental.
- ▶ The baseline is adjusted downward to reflect discretionary funding that is outside the caps, pursuant to Section 251 of the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman) and Section 314 of the Congressional Budget Act. These adjustments include: arrearages for international organizations, peacekeeping, and multilateral development banks; continuing disability reviews (CDRs); and an IRS initiative to improve EITC compliance.
- ▶ The baseline for highway and mass transit programs reflect the assumptions in last year's BBA, adjusted for congressional action, to maintain the baseline for the ISTEA Reauthorization.

Estimates for direct spending, which is all spending authority provided by law other than appropriations acts, assume full funding of current law, including cost-of-living adjustments. Direct spending includes entitlements and other mandatory programs such as social security, medicare, and federal retirement, where spending levels are controlled by eligibility rules, benefit calculations, participation levels, and other non-discretionary cost factors. The baseline assumes that all programs greater than \$50 million a year will continue, even if their authorization expires. Net interest spending, which is another subset of direct spending, is driven by the size of the annual and cumulative cash deficits and interest rates and is rarely affected directly by Congressional action.

Likewise, baseline revenue estimates assume no change in current tax law. Excise taxes dedicated to a trust fund are assumed to continue if their expiration occurs during the baseline period. However, other expiring provisions of tax law, whether increasing or decreasing revenues, are not extended in the baseline.