Table of Contents

80.1 What are the basic requirements?
80.2 What general rules do I need to know?
80.3 What rules apply to discretionary spending and collections?
80.4 What rules apply to mandatory spending and collections?
80.5 What rules apply to mandatory supplemental requests?
80.6 What materials must I provide in support of baseline estimates?
80.7 How does OMB construct the alternative baseline?

80.1 What are the basic requirements?

OMB produces baseline estimates following the rules in section 257 of the Budget Enforcement Act of 1990 (BEA). Each agency, including the legislative and judicial branches, must submit estimates of budgetary resources, outlays, and receipts that project the CY levels into BY through BY+9, except:

- For credit financing accounts, baseline data is required only for net financing disbursements; and
- Government-sponsored enterprises do not have to submit baseline estimates.

Section 81 provides detailed information on entering baseline data into MAX.

The law provides explicit instructions on how to develop the baseline estimates. Some apply to all baseline estimates. However, most rules are specific to two categories of collections and spending:

- Those that are controlled through annual appropriations acts (discretionary spending); and
- Those that are controlled through authorizing legislation (mandatory spending and receipts).

The classification of collections and spending as discretionary or mandatory spending follows the criteria specified in the BEA. Consult your OMB representative if you have questions concerning BEA classification.

80.2 What general rules do I need to know?

The baseline is a projection of the current year (CY) levels of budgetary resources, outlays, and receipts into the outyears based on laws already enacted. The following rules apply to all baseline estimates:

- Legislative proposals. Legislative proposals are considered to be changes from current law. Do not reflect their budgetary effects in the baseline estimates.

- Supplementals. Include only supplementals associated with mandatory programs in the baseline.

- Regulations, management initiatives, and administrative actions. Include the effects of these, including planned regulations that are not final, in the baseline estimates, as long as they can be implemented without further legislation.

- Credit programs. Base the estimates for credit programs on enacted appropriations of subsidy budget authority for direct loans and guaranteed loan commitments. In addition, see section
for baseline requirements for net financing disbursements in liquidating and financing accounts (schedule Y).

80.3 What rules apply to discretionary spending and collections?

The BEA requires the baseline estimates for discretionary spending and collections to be based on the levels provided in the most recent appropriations act or full-year continuing resolution (CR). If a part-year CR is in effect, base the estimates on the annualized level of the CR. Except for advance appropriations, the most recent appropriations act or full-year CR is normally for the current year. The BEA provides special rules for estimating the baseline for BY through BY+9 when no appropriations have been enacted.

(a) **Current year base.**

Estimates will equal the enacted current year amounts reported in MAX under transmittal code 0. You must separate discretionary budgetary resources, except those related to spending authority from offsetting collections, into pay-related and non-pay portions. See section 81.2 for pay and non-pay definitions.

(b) **BY through BY+9 baseline estimates.**

In most cases, baseline estimates of budgetary resources are calculated by MAX to be equal to the most recent full year appropriation (generally the CY level) adjusted for anticipated inflation using factors supplied by OMB.

For the four BEA-specified accounts with social insurance administrative expenses (the Federal hospital insurance trust fund, the supplementary medical insurance trust fund, the unemployment trust fund, and the rail industry pension fund), you must report estimates of the beneficiary population (see explanation of line 9993 in section 81.3).

Outlays from budgetary resources provided prior to the budget year should be the same in the baseline and in the Presidential policy estimates, unless policy proposals restrict or accelerate spending from such balances. New budgetary resources generally should outlay at a rate that is consistent with Presidential policy spendout rates. Section 81.3 describes outlays more fully.

(c) **Advance appropriations.**

If an account is completely funded through advance appropriations, the baseline estimate of new budgetary resources should equal the advance appropriation, not the CY inflated level. The last year of the advance appropriation becomes the base for calculating the baseline estimate for the remaining years.

If an account is funded with both current and advance appropriations, inflate the current appropriation as described in (b) above; for the advance appropriation, follow the guidance in the paragraph above.

(d) **Discretionary credit accounts.**

The OMB subsidy model inflates CY subsidy budget authority using the annual adjustment factor for non-pay costs from the economic assumptions for the budget. The model derives subsidy outlays from the subsidy budget authority. The estimated subsidy rate for the BY should be a separate and distinct calculation from that done for the CY. The OMB subsidy model computes the subsidy rate using the economic assumptions for the budget. (See section 185.5 for instructions on calculating baseline subsidy estimates, including programs with negative subsidies.) We do not collect baseline information on direct loan obligations and guarantee commitments.
(e)  

**Discretionary offsetting collections and receipts.**

The baseline estimates should be consistent with the levels of budgetary resources assumed for the account conducting the activity that generates the collections. When the level of collections is independent of the appropriated level, reflect the level of activity anticipated under current law.

(f)  

**Multi-account appropriations.**

If an appropriation covers more than one account and does not specify the amount provided for each account, such as the limitation on administrative expenses for the Social Security Act, the distribution of the budget authority by account in the CY is the base for subsequent years. Inflate the CY amount by account to derive the budget authority for BY through BY+9.

(g)  

**Accounts with negative budget authority in the CY.**

- If the account has negative budget authority as a result of a rescission, reduction, or transfer of balances, estimate the budget authority for BY through BY+9 as zero.

- If the account has negative budget authority because the offsetting collections credited to the account exceed the spending authority from those offsetting collections (e.g., as a result of limitations on administrative expenses or repayments of debt), provide your best estimate of the offsetting collections under current law, and
  - If the spending authority is controlled by appropriations, project the authority using the guidance in section 80.3(b).
  - If the spending authority from offsetting collections is indefinite, reflect the level of activity anticipated under current law.

80.4  

**What rules apply to mandatory spending and collections?**

The BEA requires the estimates for budgetary resources provided in authorizing law and for appropriated entitlements to reflect the level of activity anticipated under current law, using the same economic and technical assumptions that are used for the Presidential policy estimates. Include the effect of changes to programs and activities directed by previously enacted legislation (such as a change in a benefit formula that becomes effective in BY+2) in the year that the changes become effective. The following special rules apply:

- **Expanding authorizations.** Assume that programs that would expire under current law will expire, with one exception. If CY outlays are greater than $50 million, assume the program will continue at current levels. However, assume an expiring provision of law (in contrast to the entire program) will expire if that assumption does not have the effect of terminating the basic program.

- **Veterans' compensation cost-of-living-adjustment (COLA).** Assume enactment of a COLA for veterans' compensation that is equal to the COLA required by law for veterans' pensions.

Affected agencies should contact their OMB representative for guidance.

Base estimates of mandatory receipts, offsetting receipts, and offsetting collections on current law. Also base collections affected by Federal pay rates on rates used for Presidential policy, not on the levels of compensation assumed in the baseline for the pay portion of discretionary accounts. The estimates should assume that expiring provisions of law will expire, except that provisions providing for excise taxes dedicated to a trust fund will be assumed to continue at current levels.
The BEA requires that substantive changes to or restrictions on entitlement law or other mandatory spending law in appropriations laws (including changes in offsetting receipts or collections) be treated as changes in discretionary spending for the purposes of scoring those appropriations laws (see Appendix A). However, in the subsequent budget, OMB can decide to reclassify such changes, especially in accounts that are generally mandatory. If advised by OMB to reclassify the change, the mandatory spending entries for the account should reflect the change made in appropriations law.

80.5 What rules apply to mandatory supplemental requests?

Baseline estimates for mandatory supplemental requests will reflect current year baseline estimates of budget authority and the related outlays. Budget authority estimates for BY through BY+9 will be zero. However, you should reflect the spendout of current year budget authority, as appropriate, over the period BY through BY+9.

80.6 What materials must I provide in support of baseline estimates?

After final budget decisions, you must submit a table showing the impact on the baseline of estimates of:

- Major regulations;
- Expiring provisions of law;
- Caseloads for major mandatory programs;
- Management initiatives;
- Administrative actions; and
- Other major program assumptions included in the baseline.

Show the budgetary impact of each major assumption separately. For example, a change in outlays due to a regulatory change should be shown separately from a change due to the expiration of a provision of law. Consult with your OMB representative on the format and content of this table.

80.7 How does OMB construct the alternative baseline?

Estimates required for the baseline follow the definitions included in the Budget Enforcement Act. OMB will centrally make adjustments to the estimates to produce an alternative baseline to be used in the budget documents. The alternative will: (1) assume emergencies are one-time only; (2) assume provisions of the 2001 and 2003 Tax Acts will be extended upon expiration (estimates for these provisions are due in the same time frame as entry of other baseline estimates); (3) use a different pay inflator, which removes the overcompensation included under the BEA definitions; and (4) only apply the general pay inflator to the administrative expenses of four entitlement programs that, under the BEA baseline definition, also receive a special adjustment for the change in the number of beneficiaries. This alternative baseline will be available to agencies after it is completed.