

SECTION 80 -- DEVELOPMENT OF BASELINE ESTIMATES

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80.1 Overview of requirements.

OMB must produce baseline estimates by following the rules in section 257 of the Budget Enforcement Act of 1990 (BEA). These estimates are used for sequestration reporting purposes. 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 as noted below. Government-sponsored enterprises are not required to submit baseline estimates.

Sections 80.2 through 80.7 describe the guidelines for the development of baseline estimates. Baseline estimates are required for all programs conducted under current law. Report baseline data in the following MAX schedules:

- Schedule S (CY through BY+9) for data on budgetary resources and outlays (see section 81).
- Schedule Y (CY through BY+4) for credit liquidating and financing accounts (see section 85.10).
- Schedule K (CY through BY+9) for receipts data (see section 81).

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 (direct spending and receipts).

The classification of collections and spending follow the criteria specified in the BEA. Consult your OMB representative if you have questions concerning BEA classification.

80.2 General rules.

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.

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- *Supplementals.* Generally, include only supplementals associated with mandatory programs in the baseline.
- *Regulations, management initiatives, and administrative actions.* Include the effect of these, including planned regulations that are not final, in the baseline estimates, as long as they can be implemented without further legislation.
- *Reductions pursuant to a sequester order.* Reflect CY reductions resulting from sequestration in the baseline estimates without separate identification.
- *Credit programs.* Base the baseline estimates for credit programs on enacted appropriations of subsidy budget authority for direct loans and guaranteed loan commitments (see section 85).

80.3 Rules for 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, the estimates will be based 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. Special rules are provided for estimating the baseline for BY through BY+9, when no appropriations have been enacted for those years.

(a) *Current year base.*

Estimates will equal the enacted current year amounts reported in MAX schedules A and R for accounts under transmittal code 0. Exclude proposed supplementals from the estimates. Consistent with the BEA scoring rules (see Appendix A), include the effects of enacted rescissions and transfers in the current year estimates. The rescission or transfer of unobligated balances to another account will be scored as a reduction in current year budget authority. Transfers of unobligated balances into an account are scored as increases in budget authority in the receiving account. Budgetary resources must be separated into sequestrable and exempt (from sequester) components. Each of these components, except those related to spending authority from offsetting collections, must be separated into pay-related and non-pay portions.

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

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

Special adjustments are required for assumptions about expiring housing contracts and social insurance administrative expenses. 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), report estimates of the beneficiary population in MAX schedule S on line 9993. Affected agencies should contact their OMB representative for guidance in developing estimates for expiring housing contracts.

Use the instructions in subsections (c) and (e) below for accounts with advance appropriations and for offsetting collections credited to appropriations accounts.

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.

MAX will automatically calculate the baseline estimates, discretionary budgetary resources (except offsetting collections), and outlays (including outlays financed by offsetting collections) in MAX schedule S based on:

- The level of CY budgetary resources entered into MAX by agencies;
- Outlays from end of PY balances entered into MAX by agencies;
- CY and BY spendout rates entered into MAX by agencies; and
- Pay-related and non-pay deflators entered into MAX by OMB.

Section 81.2 and exhibits 81B and 81C explain how to enter information on outlays from end of PY balances and spendout rates into MAX.

(c) Advance appropriations.

If an advance appropriation has been provided, and the budgetary resources provided were clearly intended to fund all of the account's activities or if the advance appropriation exceeds the current year appropriations level, then 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 estimates for the remaining years, using the rules described in (b) above.

If an advance appropriation is clearly intended to fund only a portion of the account's activities, it should be ignored, and the baseline should be estimated using the CY level as the base.

Affected agencies should consult with their OMB representative for guidance.

(d) Discretionary credit accounts.

The OMB subsidy model will inflate CY subsidy budget authority using the annual adjustment factor for non-pay costs from the economic assumptions for the budget. Subsidy outlays will be derived 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 will compute the subsidy rate using the economic assumptions for the budget. (See section 85.4 for instructions on calculating baseline subsidy estimates, including programs with negative subsidies.) Baseline direct loan obligations and guarantee commitments will not be collected.

(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, the estimates will 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. The CY amount should be inflated by account to derive the budget authority for BY through BY+9.

(g) *Accounts with negative budget authority in the CY.*

If the budget authority for an account is negative in the CY, the budget authority for BY through BY+9 will be estimated as zero. If the account has negative budget authority in the CY because it is credited with discretionary offsetting collections and the collections exceed the discretionary appropriation provided to the account, the net budget authority of zero for BY through BY+9 will be assumed to be composed of the "best guess" of offsetting collections under current law and an equal amount of new discretionary budget authority. Net outlays will equal the outlays estimated to result from the total spending authority for the account offset by any anticipated collections.

80.4 Rules for direct spending programs.

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

- *Expiring authorizations.* Programs that would expire under current law must be assumed to expire, with one exception. If CY outlays are greater than \$50 million, assume the program will continue at current levels. However, an expiring provision of law (in contrast to the entire program) is assumed to expire if that assumption would 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.

Agencies affected by these exemptions should contact their OMB representative for guidance.

80.5 Rules for mandatory collections.

Estimates of governmental receipts, offsetting receipts, and offsetting collections credited to an appropriation account that is not classified as discretionary should be based on current law. Note that collections affected by Federal pay rates should also be based on current law (i.e., FEPCA pay rates), not on the levels of compensation assumed in the baseline for the pay portion of discretionary accounts. The estimates should also assume that expiring provisions of law providing collections will expire, except that provisions providing for excise taxes dedicated to a trust fund will be assumed to continue at current levels.

80.6 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, the spendout of current year budget authority should be reflected, as appropriate, over the period BY through BY+9.

80.7 Discretionary limitations on obligations.

Where limitations are established, including those established to report the effect of reductions pursuant to the G-R-H law, as amended (see section 81.4) provide baseline estimates of limitations for CY through BY+9. Baseline estimates are not required for credit limitations because these limitations are not sequestrable.