

The Budget and Economic Outlook: Fiscal Years 2005 to 2014

SEC. 257. [12 U.S.C. 907] THE BASELINE.
(a) IN GENERAL.—For any budget year, the baseline refers to a projection of current-year levels of new budget authority, outlays, revenues, and the surplus or deficit into the budget year and the outyears based on laws enacted through the applicable date.
(b) DIRECT SPENDING AND RECEIPTS.—For the budget year and each outyear, the baseline shall be calculated using the following assumptions:

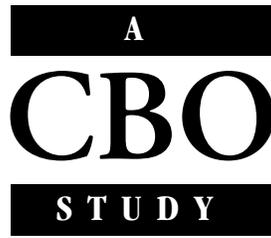
(1) IN GENERAL.—Laws providing or creating direct spending and receipts are assumed to operate in the manner specified in those laws for each such year and funding for entitlement authority is assumed to be adequate to make all payments required by those laws.

(2) EXCEPTIONS.—(A)(i) No program established by a law enacted on or before the date of enactment of the Balanced Budget Act of 1997 with estimated current year outlays greater than \$50,000,000 shall be assumed to expire in the budget year or the outyears. The scoring of new programs with estimated outlays greater than \$50,000,000 a year shall be based on scoring by the Committees on Budget or OMB, as applicable. OMB, CBO, and the Budget Committees shall consult on the scoring of such programs where there are differences between CBO

A REPORT TO THE SENATE AND
HOUSE COMMITTEES ON THE BUDGET



JANUARY 2004



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January 2004

Notes

Unless otherwise indicated, the years referred to in this report are federal fiscal years, which run from October 1 to September 30.

Numbers in the text and tables may not add up to totals because of rounding.

Some of the figures in Chapter 2 and Appendix A use shaded vertical bars to indicate periods of recession. A recession extends from the peak of a business cycle to its trough.

Data for real gross domestic product are based on chained 2000 dollars.



Preface

This volume describes the state of the budget and the economy. It is one of a series of reports that the Congressional Budget Office (CBO) issues each year in response to the requirement of section 202(e) of the Congressional Budget Act of 1974 for CBO to submit to the Committees on the Budget periodic reports about fiscal policy and to provide baseline projections of the federal budget. In accordance with CBO's mandate to provide impartial analysis, the report makes no recommendations.

The baseline spending projections were prepared by the staff of CBO's Budget Analysis Division under the supervision of Robert Sunshine, Peter Fontaine, Janet Airis, Tom Bradley, Kim Cawley, Paul Cullinan, Jeffrey Holland, and Jo Ann Vines. The revenue estimates were prepared by the staff of the Tax Analysis Division under the supervision of Thomas Woodward, Mark Booth, and David Weiner, with assistance from the Joint Committee on Taxation. (A detailed list of contributors to the spending and revenue projections appears in Appendix G.)

The economic outlook was prepared by the Macroeconomic Analysis Division under the direction of Robert Dennis. John F. Peterson and Robert Arnold carried out the economic forecast and projections. David Brauer, Ufuk Demiroglu, Tracy Foertsch, Douglas Hamilton, Juann Hung, Kim Kowalewski, Mark Lasky, Angelo Mascaro, Shinichi Nishiyama, Benjamin Page, Frank Russek, Robert Shackleton, John Sturrock, and Christopher Williams contributed to the analysis. Tumi Coker, Brian Mathis, and Amrita Palriwala provided research assistance.

CBO's Panel of Economic Advisers commented on an early version of the economic forecast underlying this report. Members of the panel are Andrew B. Abel, Alan Blinder, Michael J. Boskin, Barry P. Bosworth, Dan Crippen, Robert G. Dederick, William C. Dudley, Martin Feldstein, Robert J. Gordon, Robert E. Hall, Allan H. Meltzer, William D. Nordhaus, June E. O'Neill, Rudolph G. Penner, James Poterba, Robert Reischauer, Alice Rivlin, and Joel Slemrod. John Fernald, Daniel Sichel, and Chris Varvares attended the panel's meeting as guests. Although CBO's outside advisers provided considerable assistance, they are not responsible for the contents of this report.

Jeffrey Holland wrote the summary. Barry Blom, Ann Futrell, and Ellen Hays wrote Chapter 1, with assistance from Tom Bradley, Sandy Davis, and Eric Schatten. Mark Lasky was the lead author for Chapter 2. Gerard Trimarco and Christina Hawley Sadoti wrote Chapter 3, with assistance from Tom Bradley and Eric Schatten. Mark Booth and Thomas Woodward wrote Chapter 4. Frank Russek and Ufuk Demiroglu wrote Appendix A. Ellen Hays wrote Appendix B. Matt Schmit wrote Appendix C. Frank Russek and Barry Blom wrote Appendix D. Tumi Coker prepared Appendix E. Ann Futrell compiled Appendix F. Jennifer Smith produced the glossary.

Christine Bogusz, Juyne Linger, Leah Mazade, John Skeen, and Christian Spoor edited the report. Marion Curry, Linda Lewis Harris, and Denise Williams assisted in its preparation. Maureen Costantino designed the cover and, with assistance from Allan Keaton, prepared the report for publication. Lenny Skutnik and Brian Plummer printed the initial copies. Annette Kalicki, with help from Martina Wojak-Piotrow, produced the electronic versions for CBO's Web site (www.cbo.gov).

Douglas Holtz-Eakin
Director

January 2004

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