



ADDITIONAL FISCAL COMPARISONS ON *THE PATH TO PROSPERITY*

March 20, 2012

The report on the House Republican Budget, *The Path to Prosperity*, includes summary tables making comparisons to the President's budget as re-estimated by the Congressional Budget Office (CBO). These tables show the clear choice the country faces between two fiscal futures.

To provide additional information on the House Republican Budget, this supplement makes comparisons to CBO's baseline, as well as a current policy baseline calculated from CBO and JCT data. To provide full context and the best apples-to-apples comparison of fiscal priorities, this supplement also shows the President's budget (as re-estimated by CBO) relative to these baselines.

To illustrate the impact of budget proposals on the government's fiscal health, comparisons are usually made to a "baseline."¹ CBO develops a baseline that is frequently referred to as the "current law" baseline. The current law baseline is developed pursuant to the Budget Enforcement Act (BEA) and is frequently referred to as the "BEA" baseline.² CBO makes an initial baseline projection in January and updates that baseline in March.³

Over time, due to the temporary nature of some major revenue and spending provisions in law, the baseline has become a poor point of reference to measure the impact of budgets. As a result, comparisons are usually made to "adjusted," "plausible," or "current policy" baselines.

In displaying the budgetary impact of the President's budget, for example, the Office of Management and Budget (OMB) developed an adjusted baseline that made a number of assumptions, including an assumption that the 2001 and 2003 tax relief, alternative minimum tax (AMT), and current estate and gift tax law are permanently extended.⁴ In addition, the Bowles-Simpson commission and the Domenici-Rivlin Commission presented their budget recommendations relative to adjusted baselines.

The two major flaws with the CBO current law baseline are the assumption that military operations in Iraq and Afghanistan would continue at 2012 levels permanently and the assumption of a \$4.4 trillion tax increase as a result of the expiration of current tax rates.

¹ House Budget Committee primer on baselines: <http://budget.house.gov/News/DocumentSingle.aspx?DocumentID=242900>

² Section 257 of the Balanced Budget and Emergency Deficit Control Act, as amended by the Budget Enforcement Act, specifies the assumptions CBO uses to develop its baseline projections.

³ "Updated Budget Projections: Fiscal Years 2012 to 2022," Congressional Budget Office, March 13, 2013. <http://www.cbo.gov/publication/43058>

⁴ Table S-8, "Bridge From Budget Enforcement Act Baseline to Adjusted Baseline," from page 216 of the President's Budget displays how the Office of Management and Budget develops its adjusted baseline. The President's budget shows the budget impact relative to this adjusted baseline. <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/tables.pdf>

The War Gimmick: The House Republican FY2012 budget (which carried the budget levels requested by the President for the war), when compared with last year's CBO current law baseline, showed a difference in spending for the war from the current law baseline. This was due to a distortion in the baseline, and the House Republican budget did not falsely claim savings as a result of this distortion.⁵ The House Republican FY2012 budget claimed \$6.2 trillion of spending cuts relative to President Obama's FY2012 budget. The \$6.2 trillion figure included zero savings from the global war on terror.

The Looming Tax Hike: A similar situation arises with tax policy. Some may compare the House Republican budget to the current law baseline and charge that it is producing large tax reductions, when in fact revenues under the House Republican budget rise every year and return to their historical average of between 18 and 19 percent of the economy. The House Budget proposes to avoid the huge tax increase that is scheduled under current law at the end of 2012, advancing instead a framework for revenue-neutral tax reform.

To remove these distortions, the House Budget Committee staff developed a "current policy" baseline using CBO and Joint Committee on Taxation (JCT) budget estimates.

Despite the broad bipartisan agreement that CBO's current law baseline provides a poor point of comparison, this supplement provides comparisons of the House Republican budget to it and to a current policy baseline. And, to enable fair comparisons, it also provides the same comparisons to the President's budget as re-estimated by CBO.

- Table 1 provides a crosswalk from CBO's current law baseline to a current policy baseline derived from CBO and JCT estimates.
- Table 2 compares the House Republican Budget to the current policy baseline developed in Table 1.
- Table 3 compares the President's budget (as re-estimated by CBO) to the current policy baseline developed in Table 1.
- Table 4 compares the House Republican Budget to the CBO current law baseline.
- Table 5 compares the President's budget (as re-estimated by CBO) to the CBO current law baseline.

⁵ "A Trillion-Dollar Gimmick," House Budget Committee analysis, July 25, 2011.
<http://budget.house.gov/News/DocumentSingle.aspx?DocumentID=253640>

Cross-Walk from CBO March 2012 Baseline to Current Policy

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
CBO March Baseline Surplus(+) / Deficit(-)	-1,171	-612	-385	-257	-259	-201	-175	-224	-234	-237	-303	-2,887
Revenue Effect of Extension of Tax Policy	-12	-235	-302	-357	-389	-424	-460	-497	-534	-574	-617	-4,390
Outlay Effect of Spending Adjustments	0	+17	+59	+84	+95	+100	+103	+106	+109	+112	+116	+900
Debt Service	-	-1	-4	-10	-22	-37	-56	-78	-101	-127	-155	-591
Total Current Policy Surplus (+) / Deficit (-)	-1,184	-831	-633	-540	-574	-562	-589	-694	-761	-827	-959	-6,968
CBO March Baseline Outlays	3,627	3,580	3,668	3,846	4,097	4,267	4,447	4,708	4,953	5,200	5,520	44,285
Remove Disaster Spending not Subject to Spending Caps	0	-5	-7	-9	-10	-10	-10	-10	-9	-10	-10	-90
Adopt President's War Policy	0	-12	-52	-75	-85	-90	-93	-96	-99	-102	-106	-810
Subtotal of Spending Adjustments	0	-17	-59	-84	-95	-100	-103	-106	-109	-112	-116	-900
Debt Service	+	+1	+4	+10	+22	+37	+56	+78	+101	+127	+155	+591
Total Current Policy Outlays	3,627	3,565	3,613	3,772	4,023	4,204	4,400	4,680	4,945	5,215	5,559	43,976
CBO March Baseline Revenue	2,456	2,968	3,283	3,589	3,838	4,066	4,272	4,484	4,719	4,962	5,218	41,398
Extend 2001/2003 Tax Policy, Estate Tax, Patch AMT	-12	-235	-302	-357	-389	-424	-460	-497	-534	-574	-617	-4,390
Total Current Policy Revenue	2,444	2,734	2,980	3,232	3,449	3,642	3,811	3,986	4,184	4,388	4,601	37,008
CBO March Baseline Debt Held by Public	11,347	12,068	12,556	12,909	13,263	13,560	13,820	14,123	14,432	14,741	15,115	
New Debt Resulting from Current Policy	+12	+231	+479	+762	+1,077	+1,438	+1,852	+2,321	+2,848	+3,437	+4,093	
Total Current Policy Debt Held by Public	11,359	12,299	13,035	13,671	14,340	14,998	15,672	16,444	17,280	18,178	19,208	

FY 2013 Budget Resolution vs. Current Policy

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Outlays	-4	-34	-136	-236	-333	-380	-422	-481	-536	-610	-671	-3,841
Revenue	0	0	0	0	0	0	0	0	0	0	0	0
Deficit	-4	-34	-136	-236	-333	-380	-422	-481	-536	-610	-671	-3,841
Debt Held by Public	-4	-38	-174	-410	-743	-1,124	-1,546	-2,027	-2,563	-3,173	-3,844	

President's Budget vs. Current Policy

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Outlays	+20	+153	+194	+180	+163	+152	+153	+149	+138	+124	+54	+1,459
Revenue	-49	+7	+124	+181	+208	+226	+231	+241	+261	+273	+284	+2,036
Deficit	+69	+146	+69	-1	-45	-74	-79	-92	-123	-149	-230	-577
Debt Held by Public	+68	+218	+296	+311	+278	+218	+153	+75	-34	-171	-389	

FY 2013 Budget Resolution vs. CBO Current Law Baseline

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Outlays	-4	-50	-191	-310	-406	-443	-469	-509	-544	-595	-632	-4,149
Revenue	-12	-235	-302	-357	-389	-424	-460	-497	-534	-574	-617	-4,390
Deficit	+9	+185	+111	+47	-18	-19	-9	-11	-9	-21	-15	+240
Debt Held by Public	+9	+193	+304	+351	+334	+315	+306	+294	+285	+264	+249	

President's Budget vs. CBO Current Law Baseline

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Outlays	+20	+137	+139	+106	+90	+89	+106	+121	+131	+139	+92	+1,150
Revenue	-61	-228	-178	-176	-181	-198	-229	-256	-274	-301	-333	-2,354
Deficit	+82	+365	+317	+282	+270	+287	+335	+377	+404	+440	+425	+3,504
Debt Held by Public	+80	+449	+774	+1,072	+1,355	+1,656	+2,005	+2,396	+2,814	+3,267	+3,704	