12. CURRENT SERVICES ESTIMATES

Current services, or "baseline" estimates, are designed to provide a benchmark against which the magnitude of the policy changes in the President's Budget or other budget proposals can be measured, and can also be used to warn of future problems if policy is not changed. A baseline is not a prediction of the final outcome of the annual budget process, nor is it a proposed budget. However, it can still be a useful tool in budgeting.

Ideally, a current services baseline would provide a projection of estimated receipts, outlays, deficits or surpluses, and budget authority reflecting this year's enacted policies and programs for each year in the future. Defining this baseline is challenging because funding for many programs in operation today expires within the 10-year budget window. Most significantly, funding for discretionary programs is typically provided one year at a time in annual appropriations acts. Mandatory programs are not generally subject to annual appropriations, but many operate under multiyear authorizations that expire within the budget window. The framework used to construct the baseline must address whether and how to project forward the funding for these programs beyond their scheduled expiration dates.

Since the early 1970s, when the first requirements for the calculation of a "current services" baseline were enacted, the Office of Management and Budget (OMB) has constructed the baseline using a variety of concepts and measures. Throughout the 1990s, OMB calculated the baseline using a detailed set of rules in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended (BBEDCA) by the Budget Enforcement Act of 1990 (BEA; Title XIII of Public Law 101-508). Although BBEDCA's baseline rules lapsed for a period when the enforcement provisions of the BEA expired in 2002, budget practitioners continued to adhere to them. The Budget Control Act of 2011 (BCA; Public Law 112-25) formally reinstated the BEA's baseline rules.

Table 12–1 shows estimates of outlays by major component of the budget under the Administration's baseline for 2025 through 2036.[1] The estimates are based on the economic assumptions underlying the Budget, which, as discussed later in this chapter, were developed on the assumption that the Administration's budget proposals will be enacted.

Table 12—1. Category Totals for Baseline Outlays

In Billions of Dollars

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Discretionary:												
Defense	894	903	953	975	984	998	1,017	1,037	1,064	1,092	1,121	1,151
Non-defense	982	992	1,011	1,028	1,049	1,057	1,071	1,091	1,114	1,141	1,169	1,192
Subtotal, discretionary	1,875	1,895	1,964	2,003	2,033	2,055	2,088	2,128	2,178	2,233	2,290	2,344
Mandatory:												
Social Security	1,575	1,670	1,764	1,858	1,951	2,046	2,145	2,248	2,353	2,461	2,573	2,688
Medicare	988	1,063	1,193	1,342	1,307	1,465	1,565	1,686	1,911	1,972	1,980	2,232
Medicaid and CHIP	691	750	751	769	811	844	875	923	978	1,036	1,109	1,179
Other mandatory	912	1,147	1,209	1,155	1,219	1,243	1,243	1,302	1,402	1,384	1,395	1,477
Subtotal, mandatory	4,166	4,629	4,918	5,123	5,288	5,597	5,829	6,160	6,644	6,853	7,058	7,576
Net Interest	970	1,017	1,063	1,160	1,223	1,290	1,349	1,409	1,461	1,513	1,556	1,609
Total, outlays	7,011	7,541	7,945	8,286	8,545	8,942	9,265	9,696	10,284	10,599	10,904	11,529

[1] The estimates are shown on a unified budget basis; i.e., the off-budget outlays of the Social Security trust funds and the Postal Service Fund are added to the on-budget outlays to calculate the unified budget totals.

Conceptual Basis for Estimates

Receipts and outlays are divided into two categories that are important for calculating the baseline: those controlled by authorizing legislation (receipts and direct or mandatory spending) and those controlled through the annual appropriations process (discretionary spending). Different estimating rules apply to each category.

Direct Spending and Receipts

Direct spending includes the major entitlement programs, such as Social Security, Medicare, Medicaid, Federal employee retirement, unemployment compensation, and the Supplemental Nutrition Assistance Program (SNAP). It also includes such programs as deposit insurance and farm price and income supports, where the Government is legally obligated to make payments under certain conditions. Taxes and other receipts are like direct spending in that they involve ongoing activities that generally operate under permanent or long-standing authority, and the underlying statutes generally specify the tax rates or benefit levels that must be collected or paid, and who must pay or who is eligible to receive benefits.

The baseline generally—but not always—assumes that receipts and direct spending programs continue in the future as specified by current law. The budgetary effects of anticipated regulatory and administrative actions that are permissible under current law are also reflected in the estimates. BBEDCA requires several exemptions to this general rule. Exceptions in BBEDCA are described below:

- Expiring excise taxes dedicated to a trust fund are assumed to be extended at the rates in effect at the time of expiration. During the projection period of 2026 through 2036, the taxes affected by this exception are:
  - taxes deposited in the Airport and Airway Trust Fund, the Sport Fish Restoration and Boating Trust Fund, and the Leaking Underground Storage Tank Trust Fund, and non-fuel taxes deposited into the Highway Trust Fund, which all expire after September 30, 2028;
  - the heavy vehicle use tax deposited into the Highway Trust Fund, which expires after September 30, 2029;
  - taxes deposited in the Patient-Centered Outcomes Research Trust Fund, which expire after September 30, 2029; and
  - taxes deposited in the Hazardous Substances Superfund, which expire after December 31, 2031.
- Expiring authorizations for direct spending programs that were enacted on or before the date of enactment of the Balanced Budget Act of 1997 are assumed to be extended if their current year outlays exceed $50 million. For example, even though the Environmental Quality Incentives Program, which was authorized prior to the Balanced Budget Act of 1997, continues only through 2031 under current law, the baseline estimates assume continuation of this program through the projection period, because the program's current year outlays exceed the $50 million threshold.[2]

The baseline also includes savings to mandatory entitlement programs due to the activities funded by discretionary program integrity allocation adjustments. Given the history of consistent enactment of these adjustments, this presentation provides a more accurate representation of expected mandatory outlays for these programs.[3]

Discretionary Spending

Discretionary programs differ in one important aspect from direct spending programs: the Congress provides spending authority for almost all discretionary programs one year at a time. The spending authority is normally provided in the form of annual appropriations. Absent appropriations of additional funds in the future, discretionary programs would cease to operate after existing balances were spent. If the baseline were intended strictly to reflect current law, then a baseline would reflect only the expenditure of remaining balances from appropriations laws already enacted. Instead, the BBEDCA baseline provides a mechanical definition to reflect the continuing costs of discretionary programs. Under BBEDCA, the baseline estimates for discretionary programs in the current year are based on that year's enacted appropriations, or on the annualized levels provided by a continuing resolution if final full-year appropriations have not been enacted.[4] For the budget year and beyond, the spending authority in the current year is adjusted for inflation, using specified inflation rates.[5] The definition attempts to keep discretionary spending for each program roughly level in real terms.

For purposes of budget enforcement, BBEDCA allows for adjustments to the discretionary levels for specified programs. Funding for other discretionary programs is excluded from the discretionary levels used for budget

[2] If enacted after the Balanced Budget Act of 1997 (Public Law 105-33), programs that are expressly temporary in nature expire in the baseline as provided by current law, even if their current year outlays exceed the $50 million threshold.

[3] See the "Budget Process" chapter of this volume for a more thorough discussion of program integrity initiatives.

[4] At the time the Budget was prepared, the 2026 appropriations bill for the Department of Homeland Security was not enacted, and funding provided by the last continuing resolution the Department had been operating under (Continuing Appropriations Act, 2026, division A of Public Law 119-37, as amended by division H of Public Law 119-75) had lapsed. References to 2026 spending in the text and tables for programs and activities normally provided for in the full-year appropriations bill reflect the annualized level provided by the last continuing resolution.

[5] The Administration's baseline uses the inflation rates for discretionary spending required by BBEDCA. This requirement results in an overcompensation in the calculation for Federal pay as a result of the calendar-year timing of Federal pay adjustments. Updating the calculation to address this annual timing discrepancy would have only a small effect on the discretionary baseline.

enforcement by statute. The adjustments are used when BBEDCA discretionary enforcement ("caps") is in place and in the congressional budget process.[6] These adjustments and exclusions are described below:

- *Disaster Relief and Wildfire Suppression*. The BBEDCA baseline projects forward the $22.5 billion of continuing disaster relief funding for the Department of Homeland Security and $0.3 billion in enacted disaster relief funding for the Small Business Administration in 2026. The BBEDCA baseline also projects the $2.9 billion in enacted funding for wildfire suppression activities at the Departments of Agriculture and the Interior. Both the disaster and wildfire amounts are increased after 2026 by the BBEDCA inflation rates.
- *Program Integrity*. The BBEDCA baseline assumes the program integrity levels at the amounts enacted in final 2026 appropriations Acts, and inflates those amounts after the current year. Additionally, as explained above, the baseline assumes savings from enacting the program integrity allocation adjustments.
- In addition to the adjustments specified in BBEDCA, there is other discretionary funding that is, by statute, not included in base amounts subject to the caps or congressional budget enforcement and for which neither BBEDCA nor congressional budget rules permit adjustments. This includes 21st Century Cures Act appropriations, certain revenues provided for the Environmental Protection Agency's Superfund program, appropriations for the Harbor Maintenance Trust Fund in the Corps of Engineers, and certain appropriations provided in the Infrastructure Investment and Jobs Act and the Bipartisan Safer Communities Act. These amounts are included in the baseline outside of the discretionary base levels at enacted or authorized levels and adjusted for inflation where applicable.

BBEDCA § 251A Sequestration

BBEDCA § 251A requires reductions to non-exempt mandatory spending through 2032 for most programs and into 2033 for Medicare.[7] The BBEDCA baseline includes the effects of the across-the-board reductions ("sequestration") already invoked by the BBEDCA § 251A sequestration orders for 2013 through 2026, the BBEDCA § 251A sequestration order for mandatory spending for 2027 issued with the transmittal of the 2027 Budget, and the extension of sequestration of mandatory spending through 2032 for most programs or into 2033 for Medicare.[8] Amounts that are sequestered in the baseline but return in the subsequent year as available (pop-up) are shown through 2033.

Economic Assumptions

As discussed above, an important purpose of the baseline is to serve as a benchmark against which policy proposals are measured. By convention, the President's Budget constructs baseline and policy estimates under the same set of economic and technical assumptions. These assumptions are developed on the basis that the President's Budget proposals will be enacted.

Of course, the economy and the budget interact. Government tax and spending policies can influence prices, economic growth, consumption, savings, and investment. In turn, changes in economic conditions due to the enactment of proposals affect tax receipts and spending, including for unemployment benefits, entitlement payments that receive automatic cost-of-living adjustments (COLAs), income support programs for low-income individuals, and interest on the Federal debt.

Because of these interactions, it would be reasonable, from an economic perspective, to assume different economic paths for the baseline projection and the President's Budget. However, this would greatly complicate the process of producing the Budget, which normally includes a large number of proposals that could have potential economic feedback effects. Agencies would have to produce two sets of estimates for programs sensitive to economic assumptions even if those programs were not directly affected by any proposal in the Budget. Using different economic assumptions for baseline and policy estimates would also diminish the value of the baseline estimates as a benchmark for measuring proposed policy changes, because it would be difficult to separate the effects of proposed policy changes from the effects of different economic assumptions. Using the same economic assumptions for the baseline and the President's Budget eliminates this potential source of confusion.

The economic assumptions underlying the Budget and the Administration's baseline are summarized in Table 12–2. The economic outlook underlying these assumptions is discussed in greater detail in the "Economic Assumptions" chapter of this volume.

Major Programmatic Assumptions

A number of programmatic assumptions must be made to calculate the baseline estimates. These include assumptions about annual cost-of-living adjustments in the indexed programs and the number of beneficiaries who will receive payments from the major benefit programs. These assumptions affect baseline estimates of direct spending

[6] See the "Budget Process" chapter of this volume for a more thorough discussion of budget enforcement.

[7] Since enactment of the BCA, the Congress has extended sequestration of mandatory spending through a series of amendments to BBEDCA § 251A (2 U.S.C. 901a). See the "OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2027", available at *https://www.whitehouse.gov/omb/information-resources/legislative/sequestration-reports-and-orders/*, for more information on the sequestration of mandatory spending required by BBEDCA § 251A.

[8] The effects of the sequestration reductions are reflected in the detailed schedules for the affected budget accounts for all years. See the "Budget Concepts" chapter of this volume for a more thorough discussion of sequestration procedures.

for each of these programs, and they also affect estimates of the discretionary baseline for a limited number of programs. For the administrative expenses for Medicare, Railroad Retirement, and unemployment insurance, the discretionary baseline is increased (or decreased) for changes in the number of beneficiaries in addition to the adjustments for inflation. Assumptions about various automatic cost-of-living-adjustments are shown in Table 12–2. It is also necessary to make assumptions about the continuation of expiring programs and provisions. As explained above, in the baseline estimates provided here, expiring excise taxes dedicated to a trust fund are extended at cur-

Table 12—2. Summary of Economic Assumptions

Fiscal Years; in Billions of Dollars

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Gross Domestic Product (GDP):												
Levels, in billions of dollars:												
Current dollars	30,323	32,076	33,793	35,540	37,372	39,285	41,254	43,295	45,436	47,683	50,039	52,515
Real, chained (2017) dollars	23,709	24,352	25,140	25,920	26,723	27,542	28,357	29,180	30,026	30,897	31,793	32,715
Percent change, year over year:												
Current dollars	4.7	5.8	5.4	5.2	5.2	5.1	5.0	4.9	4.9	4.9	4.9	4.9
Real, chained (2017) dollars	2.1	2.7	3.2	3.1	3.1	3.1	3.0	2.9	2.9	2.9	2.9	2.9
Inflation measures (percent change, year over year):												
GDP chained price index	2.1	2.7	3.2	3.1	3.1	3.1	3.0	2.9	2.9	2.9	2.9	2.9
Consumer price index (all urban)	2.7	2.6	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Unemployment rate, civilian (percent)	**4.2**	**4.0**	**3.7**	**3.7**	**3.7**	**3.7**	**3.7**	**3.7**	**3.7**	**3.7**	**3.7**	**3.7**
Interest rates (percent):												
91-day Treasury bills	4.2	3.4	3.0	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
10-year Treasury notes	4.3	3.8	3.6	3.5	3.4	3.4	3.3	3.3	3.3	3.3	3.3	3.3
MEMORANDUM:												
Related program assumptions:												
Automatic benefit increases (percent):												
Social security and veterans pensions	2.5	2.8	2.4	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Federal employee retirement	2.5	2.8	2.4	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Supplemental Nutrition Assistance Program	0.2	1.9	2.6	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Insured unemployment rate	1.34	1.29	1.19	1.18	1.18	1.18	1.19	1.18	1.18	1.19	1.18	1.19

Table 12—4. Receipts by Source in the Baseline

In Billions of Dollars

	2025 Actual	Estimate										
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Individual income taxes	2,656.0	2,629.9	2,869.3	3,074.0	3,280.0	3,564.2	3,802.7	4,043.8	4,294.9	4,546.2	4,804.3	5,069.1
Corporation income taxes	452.1	398.6	440.1	455.5	481.8	516.3	540.8	562.9	579.4	605.3	630.0	653.4
Social insurance and retirement receipts	1,748.3	1,849.8	1,934.5	2,053.9	2,158.5	2,276.4	2,395.1	2,518.8	2,675.6	2,806.0	2,954.7	3,110.3
(On-budget)	*(464.6)*	*(482.2)*	*(510.2)*	*(542.3)*	*(570.6)*	*(602.4)*	*(634.3)*	*(669.0)*	*(709.5)*	*(745.9)*	*(781.8)*	*(824.0)*
(Off-budget)	*(1,283.7)*	*(1,367.7)*	*(1,424.3)*	*(1,511.6)*	*(1,588.0)*	*(1,674.0)*	*(1,760.9)*	*(1,849.8)*	*(1,966.1)*	*(2,060.2)*	*(2,172.8)*	*(2,286.3)*
Excise taxes	105.9	105.6	107.4	107.6	110.2	113.1	113.6	114.7	116.2	116.9	120.0	123.0
Estate and gift taxes	29.5	35.8	42.0	45.1	47.5	51.6	54.7	57.8	61.5	64.8	68.7	72.7
Customs duties	194.9	406.1	464.0	479.2	500.0	524.2	551.7	575.0	600.0	625.4	652.4	681.3
Miscellaneous receipts	49.7	49.9	63.7	73.2	82.2	91.4	100.9	111.3	119.2	126.6	130.8	136.2
Total, receipts	**5,236.4**	**5,475.7**	**5,921.0**	**6,288.4**	**6,660.3**	**7,137.3**	**7,559.4**	**7,984.3**	**8,446.8**	**8,891.3**	**9,360.8**	**9,846.1**
(On-budget)	*(3,952.7)*	*(4,108.1)*	*(4,496.7)*	*(4,776.8)*	*(5,072.4)*	*(5,463.3)*	*(5,798.5)*	*(6,134.6)*	*(6,480.8)*	*(6,831.1)*	*(7,188.0)*	*(7,559.8)*
(Off-budget)	*(1,283.7)*	*(1,367.7)*	*(1,424.3)*	*(1,511.6)*	*(1,588.0)*	*(1,674.0)*	*(1,760.9)*	*(1,849.8)*	*(1,966.1)*	*(2,060.2)*	*(2,172.8)*	*(2,286.3)*

Table 12–5. Effect on Receipts of Changes in the Social Security Taxable Earnings Base

In Billions of Dollars

Social security (OASDI) taxable earnings base increases:	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
$184,500 to $193,500 on Jan. 1, 2027	5.5	13.9	15.4	17.1	19.0	21.0	23.5	25.8	28.4	31.2
$193,500 to $201,300 on Jan. 1, 2028	....	4.8	12.3	13.6	15.1	16.7	18.6	20.5	22.8	25.0
$201,300 to $211,200 on Jan. 1, 2029	....	....	6.3	15.8	17.5	19.3	21.7	23.9	26.5	29.3
$211,200 to $221,700 on Jan. 1, 2030	....	....	....	6.7	16.8	18.6	20.8	23.0	25.5	28.2
$221,700 to $233,100 on Jan. 1, 2031	....	....	....	....	7.3	18.3	20.4	22.5	25.1	27.7
$233,100 to $244,800 on Jan. 1, 2032	....	....	....	....	....	7.4	19.0	20.9	23.2	25.8
$244,800 to $256,800 on Jan. 1, 2033	....	....	....	....	....	....	7.8	19.5	21.6	23.9
$256,800 to $269,700 on Jan. 1, 2034	....	....	....	....	....	....	....	8.4	21.0	23.3
$269,700 to $282,900 on Jan. 1, 2035	....	....	....	....	....	....	....	....	8.7	21.6
$282,900 to $297,000 on Jan. 1, 2036	....	....	....	....	....	....	....	....	....	9.3

rent rates. In general, mandatory programs with spending of at least $50 million in the current year are also assumed to continue, unless the programs are explicitly temporary in nature. Table 12–3 provides a listing of mandatory programs and taxes assumed to continue in the baseline after their expiration.[9] Many other important assumptions must be made in order to calculate the baseline estimates. These include the timing and content of regulations that will be issued over the projection period, the use of administrative discretion under current law, and other assumptions about the way programs operate. Table 12–3 lists many of these assumptions and their effects on the baseline estimates. The list is not intended to be exhaustive; the variety and complexity of Government programs are too great to provide a complete list. Instead, the table shows some of the more important assumptions.

Current Services Receipts, Outlays, and Budget Authority

Receipts

Table 12–4 shows the Administration's baseline receipts by major source. Table 12–5 shows the scheduled increases in the Social Security taxable earnings base, which affect both payroll tax receipts for the program and the initial benefit levels for certain retirees.

Outlays

Tables 12–6 and 12–7 show the Administration's baseline outlays by function and by agency, respectively. A more detailed presentation of these outlays (by function, category, subfunction, and program) is provided as part of Table 12–10.

Available Online ↗

https://www.whitehouse.gov/omb/information-resources/budget/analytical-perspectives/

Table 12-3. Impact of Regulations, Expiring Authorizations, and Other Assumptions in the Baseline

Table 12-6. Outlays by Function in the Baseline

Table 12-7. Outlays by Agency in the Baseline

Table 12-8. Budget Authority by Function in the Baseline

Table 12-9. Budget Authority by Agency in the Baseline

Table 12-10. Current Services Budget Authority and Outlays by Function, Category, and Program

Budget Authority

Tables 12–8 and 12–9 show estimates of budget authority in the Administration's baseline by function and by agency, respectively. A more detailed presentation of this budget authority with program-level estimates is provided as part of Table 12–10.

[9] All discretionary programs are assumed to continue and are therefore not presented in Table 12–3.