SMALL BUSINESS LEGISLATIVE COUNCIL

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YARDSTICKS

The House of Representatives has passed H.R. 3578, the Baseline Reform Act, which would change the way in which spending is projected by the Congressional Budget Office (CBO). Under H.R. 3578, projections of spending would still be based on the current year's appropriations, but would not be adjusted for inflation going forward. Other adjustments to discretionary projections of future discretionary spending would also be eliminated. (Does not get any more budget speak than a sentence with two discretionary's in it. ☺)

Proponents say the current *assumption* of additional spending in the budget baseline creates a bias towards *actual* additional spending. It also creates the "only in Washington" situation when a program's funding could be increased in comparison to the previous year but still be called a cut because the funding level is below the inflationary increase assumed in the discretionary baseline.

Opponents say requiring CBO to assume that current spending is set below real purchasing power levels in all future years rather than have it track growth in overall prices will distort the picture of the federal budget outlook.

The House also passed H.R. 3582, the Pro-Growth Budgeting Act, which would require the CBO to provide a macroeconomic impact analysis for bills that are estimated to have a large budgetary effect. The bill would also require CBO to provide supplemental budget projections that assume certain tax policies are extended.

Under H.R. 3582, the CBO would be required to provide, to the extent practicable, an analysis of the impact on the economy of any bill that would have an estimated budgetary effect of greater than 0.25 percent of gross domestic product (GDP) in any fiscal year. (Currently, that threshold would be about $40 billion, based on GDP of about $16 trillion.) The macroeconomic analysis would include the estimated effect on revenues and spending outlays of a change in GDP resulting from the legislation being evaluated. Appropriation bills would be excluded.

The proponents say the current model for the CBO estimates determines the cost of legislative proposals by a static method that does not take into account macroeconomic factors such as the impact on real gross domestic product, business investment, the capital stock, employment, and labor supply. The analysis would also describe the potential fiscal effects of the bill or resolution, including any estimates of revenue increases or decreases resulting from changes in GDP.

The opponents focus primarily on the exclusions, noting that major investments, for example, infrastructure and transportation investments, which they consider to be beneficial, to the extent that they are part of the appropriations process, would not be analyzed.

The House will consider two more budget process bills this week – one that would give the President line item veto authority and one that would require "fair value" accounting of government loan programs for budgetary purposes.

SURFACE TRANSPORTATION

There are a lot of moving parts, but at least they are moving. Congress is struggling with a long term reauthorization of surface transportation programs. For most of us that translates into the Highway Trust Fund, but the effort includes other programs as well.

Our bottom line is that small businesses depend on a reliable transportation system supported by a dependable financing system, and it is time for Congress to pass a long term reauthorization bill.