U.S. House of Representatives
Committee on the Budget
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Chris Van Hollen,
Ranking Democrat

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VOTE NO ON DYNAMIC SCORING BILL, H.R. 3582

- **This bill does nothing to address the economic challenges facing America's families. It does not create a single job.**

- **This bill does nothing to address our serious budgetary challenges. It does not increase revenues or reduce spending and thus does nothing to cut the deficit.**

- **The bill is designed to bolster Republicans' case for passing large tax cuts while minimizing the actual costs.**

Republicans incorrectly argue that tax cuts pay for themselves, something they hope would be captured by dynamic scoring.

  - **According to CBO, permanent extension of the Bush tax cuts would actually REDUCE economic growth by up to 1.6 percent by 2020.** CBO Director Elmendorf has testified that the resulting higher debt will crowd out private investment because people will choose to purchase Treasury notes instead of investing in America's businesses (source: Elmendorf testimony before the Senate Budget Committee on September 28, 2010, Table 4).

- **There is nothing "pro-growth" about the "Pro-Growth Budgeting Act"**

This bill requires that CBO produce a supplementary economic impact analysis (also known as a "dynamic scoring" estimate) in addition to regular cost estimates for certain major bills. It does not stimulate economic growth, create a job, or reduce the deficit and growing debt, which are the real budgetary problems facing the country.

- **It excludes analysis of our biggest fiscal challenge – whether to extend the Bush tax cuts.**

The bill requires analysis of economic impact relative to a baseline that already includes the Bush tax cuts. That means the analysis of one of the largest issues facing the Congress -- whether to extend these tax cuts -- would not show any economic impact.

- **It only considers the dynamic impacts of tax cuts, not spending on investments**.

The bill specifically excludes analyzing the economic impact of bills reported by the Appropriations Committee, which contain investments that foster economic growth.

- **It is designed to put us on a slippery slope towards dynamic scoring.**

Although the requirements here are for <u>supplemental</u> information, having legally mandated estimates available could lead to the use of them for scorekeeping purposes. Republicans already included in their last budget resolution a new authority for the Chairman to use alternate, “fair value” estimates, where he wanted to; it seems likely that they would also choose to use the supplemental dynamic scoring estimate if that estimate suited their goals.

- **Dynamic scoring estimates are very subjective, and economists have varying assumptions.**

Dynamic scoring requires many subjective decisions, including the offsetting effects of many different changes. Implementing partial dynamic scoring would be very susceptible to political pressure to employ rules of thumb and short cuts that favor tax cuts over other policies.

- **The bill only highlights effect on revenues, not deficits.**

The bill stresses that the analysis should describe the impact on revenues, but does not highlight that the analysis should cover any potential non-revenue impacts, such as changes in interest rates or debt service payments. The bill specifically excludes bills reported by the Appropriations Committee from the trigger for dynamic scoring estimates, making clear that this approach is targeted to favor tax cuts.

- **The bill mandates information that is already available.**

CBO currently produces this type of estimate for the President’s budget as a whole and for major bills upon request. House rules already require the Joint Committee on Taxation to include a similar analysis for tax bills. The bill also mandates a Long-Term Outlook report that would cover the next 40 years, something that CBO already produces.

- **Compliance will be time-consuming and expensive.**

CBO is concerned that producing these estimates will take time, which may delay consideration of legislation, or would add to government costs for extra computational and staff resources.

Details of the bill:

H.R. 3582 requires that CBO produce a supplementary economic impact analysis (also known as a “dynamic scoring” estimate) in addition to regular cost estimates for certain major bills. Major bills are defined as those that would have a budgetary impact of at least .25 percent of GDP in any fiscal year – that is about $40 billion in 2012 and increases to about $60 billion by 2021. Only a few bills per session are likely to meet this trigger. Bills reported by the Appropriations Committee are specifically exempted. The economic impact analysis is to include the bill’s effects on major economic variables, including GDP, investment, and employment, as well as estimates of fiscal changes that are likely to result from the changes in the economy. Changes are to be analyzed relative to a baseline that assumes the Bush tax cuts are all extended. CBO is to use a variety of economic models and provide information on assumptions and data sources. The bill also mandates a Long-Term Outlook report that would cover the next 40 years.