

insights

TYPES NOT MAPPED YET August 03, 2021 | TTR not mapped yet | Christopher T. Murray

Dynamic Scoring

A method of measuring the cost of legislation that factors in anticipated long-term economic impacts.

5, 6, 7, 8!

Congress's multi-step budget process begins with a [budget resolution](#). The resolution is a nonbinding agreement between the House and Senate on the budget framework for that year. The resolution may contain instructions to the authorizing committees for the [reconciliation](#) process, which allows the Senate to pass certain budget-related legislation with a simple majority. As Congress tries to determine the cost of budget legislation, it relies heavily on the [Congressional Budget Office](#) (CBO) and the [Joint Committee on Taxation](#) (JCT) for nonpartisan analysis. The nonpartisan nature of these bodies was complicated in 2015 when House Republicans [adopted](#) a rule that required the CBO to use a method called "[dynamic scoring](#)."

Dynamic scoring factors in the expected macroeconomic effects of policies. Thus, dynamic scoring would include how anticipated behavioral responses from policies would alter GDP, rather than simply looking at the budgetary effect of those changes in behavior. For example, if Congress was considering reducing taxes on wages, the conventional scoring method would measure the cost of the legislation by the amount of wages and tax reduction. But a dynamic scoring method might take into account revenue effects if this policy increases the amount of hours worked.

The Winner Takes It All

Dynamic scoring first appeared in House rules in 1997 but was to be used "for informational purposes only." In 2003, House Republicans applied dynamic scoring to a broader swath of legislation. The 2015 rule specified dynamic scoring was to be required for "major legislation," defined under these circumstances as any legislation projected to cause a budgetary effect of at least 0.25% of the U.S. GDP.

Both Democrats and Republicans have criticized dynamic scoring when the other party has used it, arguing its ambiguity allows the party in power to tilt budget projections in their favor. When Republicans announced the 2015 dynamic scoring requirement, it was met with skepticism from the then-head of the JCT, Tom Barthold, who [said](#) the process was "too political." Democrats were similarly frustrated when Republicans used dynamic scoring in 2017 to justify the [Tax Cuts and Jobs Act](#). When Democrats took back the House in 2018, they eliminated the formal rules requiring the use of dynamic scoring.

I Can't Quit You

As Democrats look to advance substantial spending policies, they are giving dynamic scoring a [second](#) look. Democrats are finalizing a \$3.5 trillion budget resolution that could eventually lead to massive federal investments in childcare, eldercare, and climate, and they will almost certainly need to do so through reconciliation. They argue that these policies will yield long-term economic growth and should be evaluated as such.

Meanwhile, the bipartisan infrastructure [plan](#) coming together in the Senate also employs dynamic scoring. The CBO [estimates](#) that \$56 billion of the \$550 billion in pay-fors will come from "economic growth resulting from a 33 percent return on investment in these long-term infrastructure projects." Though both pieces of legislation remain far from the finish line, it seems clear that dynamic scoring will be integral to justifying increased federal spending - for both parties.



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