PLYMOUTH INSTITUTE FOR FREE ENTERPRISE
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ADVANCING AMERICAN FREEDOM

REFORM BUDGET SCORING

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TOPLINE: The baseline assumptions of Congress's scorekeepers: the Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) favor spending growth and disfavor tax cuts. These biases should be eliminated.

BACKGROUND: Together, CBO and JCT are the formal entities responsible for producing comprehensive fiscal outlooks of the federal budget and for "scoring" the budgetary impact of congressional legislation. CBO's 10-year baseline plays an important role in informing Congress and the public about the status and outlook for the federal budget. In addition, Congress relies on their baseline assumptions when determining the budgetary impact of new legislation. So, the baseline assumptions regarding what is expected to happen with expiring tax provisions, discretionary appropriations, and autopilot spending programs can affect how legislation is scored (whether it is reported as increasing or decreasing revenues, spending, and deficits).

Biased Assumptions: CBO's baseline assumptions generally work in favor of perpetuating spending growth over tax cuts. Extensions of temporary tax provisions are usually scored against the assumption that they will expire. But discretionary appropriations are scored relative to the assumption that they will be extended and increased at the rate of inflation. Moreover, CBO relies on JCT to score tax provisions, and they do not generally account for the favorable budgetary impacts from the growth effects that result from some tax cuts ("dynamic scoring").

The Importance of CBO and JCT Scoring:

- CBO and JCT are usually treated as authoritative by the media in public debates.
- The Senate Parliamentarian also uses these scores to determine if provisions violate budget rules, including raising deficits outside the budget window (part of the Byrd Rule). If so, the bill may require 60 votes to overcome a point of order.

Action Items (Congress, Congressional Budget Office):

- Congress should require CBO to estimate budgetary impacts of bills vs. flat baseline discretionary spending levels (no assumed inflation growth).
- The change in baseline assumption should *not* be reflected in the CBO Outlook.
- Congress should require dynamic scoring for major fiscal legislation.

How It Would Make Life More Affordable:

- It would support fiscal restraint by increasing transparency about deficit impacts.

Related Legislation: No Bias in the Baseline Act (H.R. 8979 [118th Congr.] and S. 4660).

BOTTOMLINE: It's hard enough for lawmakers to push pro-growth legislation and resist growing spending without having to also fight biased budgetary assumptions.