

Dynamic Scoring of Fiscal Notes

An attempt to predict the impact of fiscal policy changes by forecasting the economic reactions to the policy change

The Current Debate

- Static scoring does not take into account all fiscal impacts generated by tax changes - tax cuts may also increase revenues
- Dynamic scoring poses a number of problems
 - Cannot accurately measure future changes, impact is relatively small, etc.

Philosophies, Politics and Projections

One's view of the usefulness or value of dynamic scoring can be directly tied to one's political or philosophical leanings

- Conservative versus liberal tendencies
- Media, think tanks and administrations
- Joint Select Committee on Deficit Reduction

Issues

- Assumptions
- Consistency
- Comparability
- Controls
- Guidelines

Questions

- Will it impact legislative desire to enact or reject a particular policy change?
- Can future impact be predicted and defined?

Current Use in Utah

Raising the cigarette tax:

- Static measure of the increase
 - Cost per pack times the current volume of sales
- Dynamic measure
 - Reduction in sales volume due to increase in price

Challenges of Static Scoring

- Timing
- Complexity/Multiple Agencies
- Dispute Resolution
- Defined Guidelines
- Follow up
- Historical Basis or Trend

Applying Challenges to Dynamic Scoring

- Timing
- Complexity/Multiple Agencies
- Dispute Resolution
- Defined Guidelines
- Follow up
- Historical Basis or Trend

Can a Balance Be Achieved?



Can the use of dynamic scoring (similar to what is done now with static scoring) be effectively used to predict with any accuracy the future economic impact of a change to revenue or costs?

Can a Balance Be Achieved?



Limited use on relatively small economic impacts may be beneficial if using generally agreed upon assumptions

What Is Needed?

- More research
- Independent group to oversee
- Standard set of guidelines

The more that assumptions or bias enter the equations, the more unreliable are the results

Remember

The value we gain from dynamic scoring of fiscal notes will be in direct proportion to the effort and time we put into it