

Scorekeeping of the Bills Approved in 2019

Economic Cost Estimates Division
Estimates & Tax Analysis Department

“ In 2019, 565 bills were passed during the National Assembly's plenary session, among which 182 were budget-related. As a result of scorekeeping 101 laws subject to budget estimation, it is expected that the annual average revenue of KRW 2,520.7 billion will decrease from 2020 to 2024 due to the enforcement of 16 revenue-related laws. Expenditure of KRW 3670.8 billion is expected to increase with the enactment of 85 expenditure-related laws. The analysis of the legislation with fiscal requirements reveals a decrease in the revenue generated in 2020 by KRW 174.2 billion with the enactment of the 16 revenue-related legislation. A total of KRW 3130.5 billion (KRW 274.7 billion in 2019, KRW 2,855.9 billion in 2020) was allocated in the budget according to 66 expenditure-related laws. ”

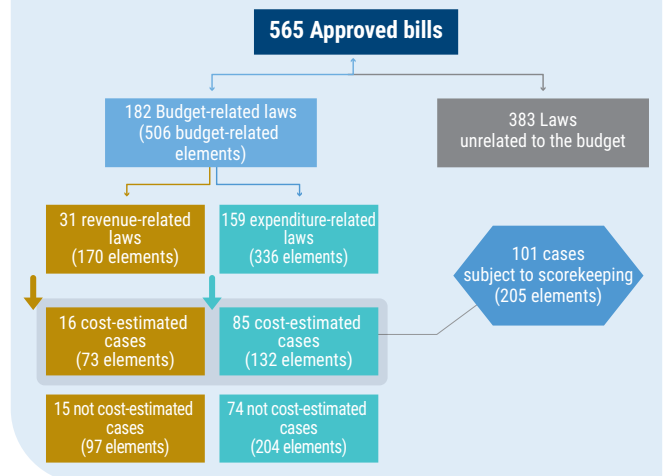
Scorekeeping is an instrument that analyzes the fiscal impact of legislation on central or local governments by estimating changes in projected revenue and expenditure upon the passage of legislation in the enacted National Assembly plenary session.

The purpose of scorekeeping

Scorekeeping comprehensively identifies the fiscal impact of passed bills and checks the efficiency and stability of fiscal operations.

- checks the overall scale of the fiscal impact of the approved bills and the linkage between budget and legislation.
- allows for analysis of the size of fiscal requirements, such as whether the budget and medium-term fiscal plan reflects the approved bill.
- Korea's budget process does not include an instrument to comprehensively check the fiscal burden of an approved bill, so the scope of the fiscal requirements of the newly-enacted legislation must be examined.

Approved bills and budget-related bills in 2019

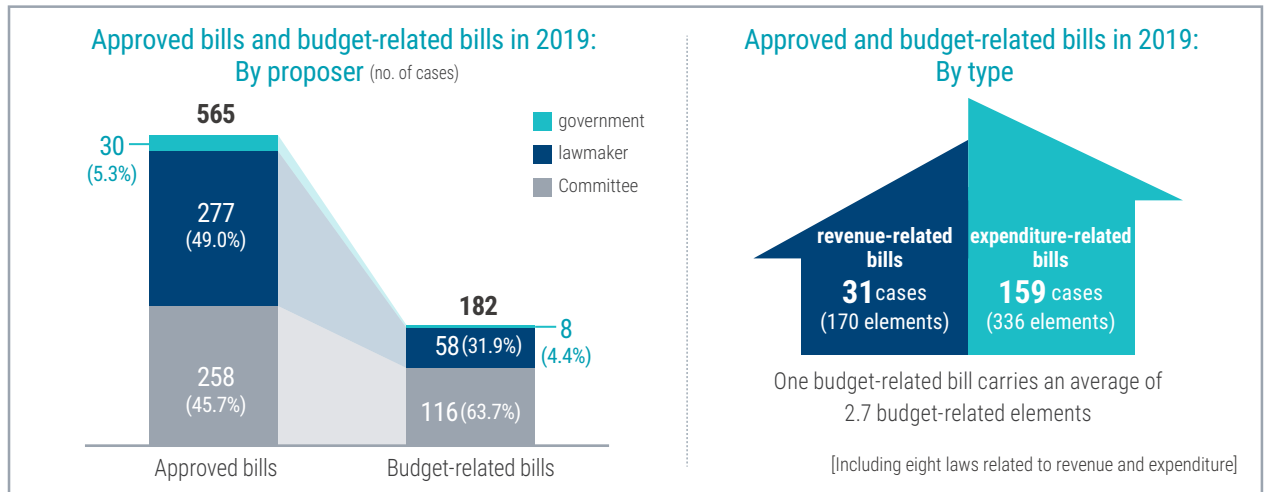


[Including eight laws related to revenue and expenditure]

I. Budget related legislation and budget-related elements among bills approved in 2019

Budget-related laws and elements

Out of 565 bills passed in 2019, 182 bills (32.2%) were related to budgets, representing an increase of about 8 %p from the previous year (24.0%). Regarding the proposers of bills, the committee recorded the largest proportion of budget-related bills, with 116 bills (63.7%); followed by lawmakers' proposals (58 cases, 31.9%); and government proposals (8 cases, 4.4%)

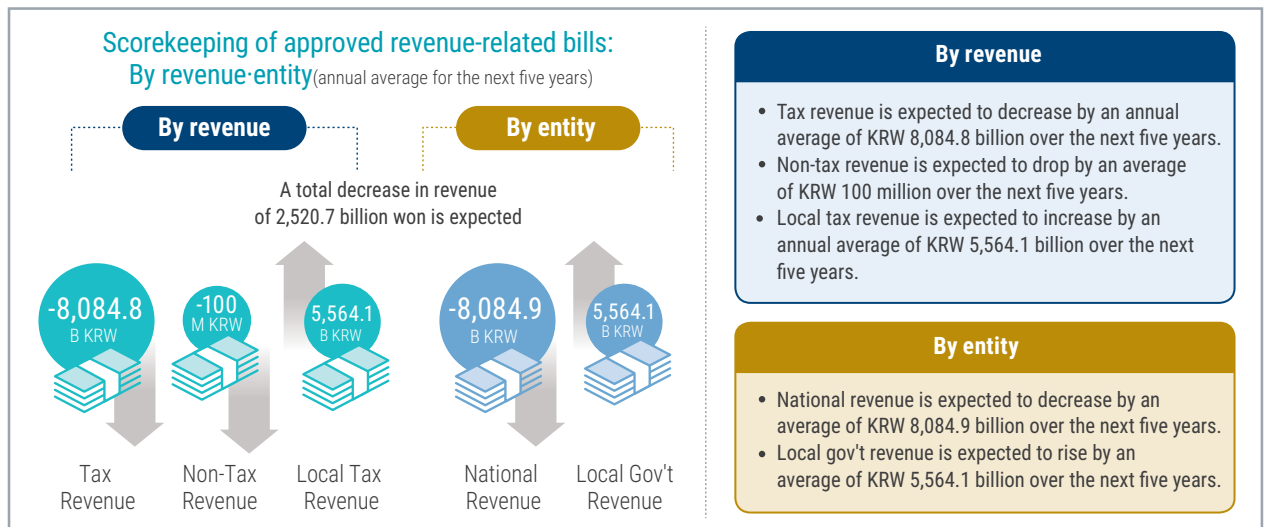


II. Scorekeeping of the bills approved in 2019

1. Scorekeeping: Public revenue

According to 16 revenue-related bills passed in 2019 (73 elements), revenue is expected to decrease by an average of **KRW 2520.7 billion** for the next five years.

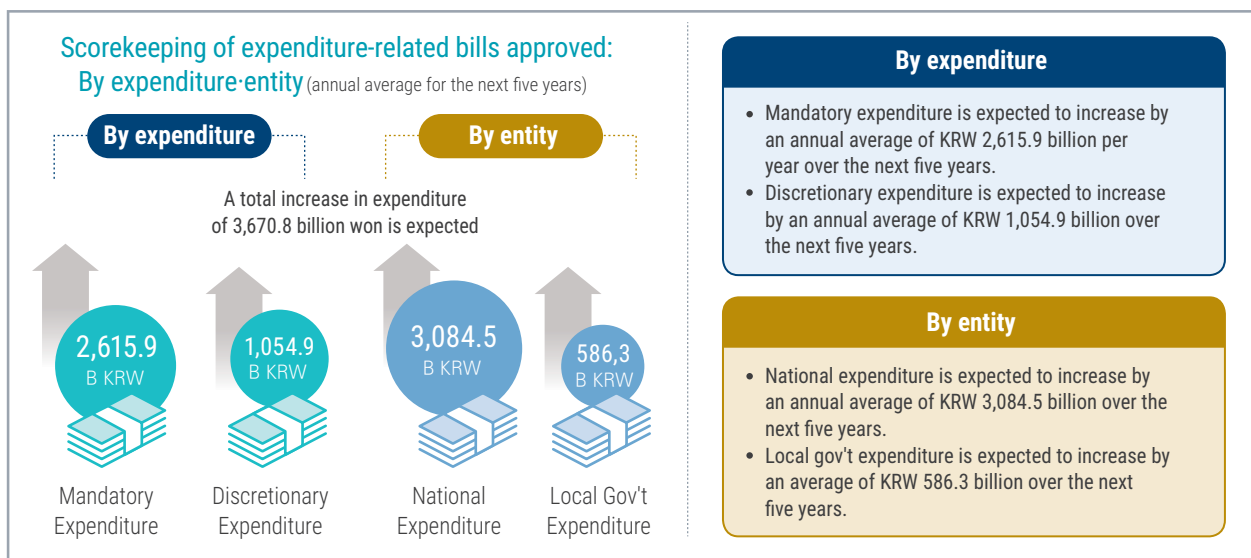
- Among the bills passed by the National Assembly in 2019, 31 bills directly affected the revenue of the central or local governments (170 budget-related elements).
- Apart from 15 bills (97 budget-related factors) insignificant or difficult to estimate, 16 bills were subject to scorekeeping (73 budget-related elements).



2. Scorekeeping: Public expenditure

According to 85 expenditure-related bills passed in 2019 (132 elements), expenditure is expected to increase by an average of **KRW 3,670.8 billion** for five years.

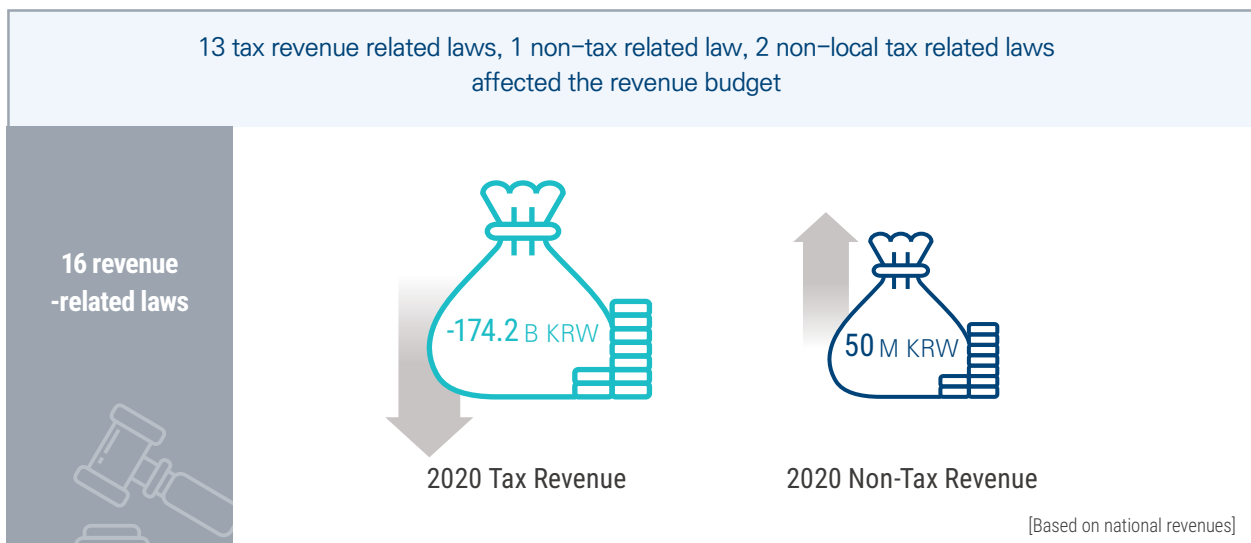
- Among the bills passed by the National Assembly in 2019, 159 bills directly affected the expenditure of the central or local governments (336 budget-related factors).
- Apart from 74 bills (204 budget-related factors) insignificant or difficult to estimate, 85 bills were subject to analysis (132 budget-related factors).



III. Analysis of budgetary effect of the bills passed in 2019

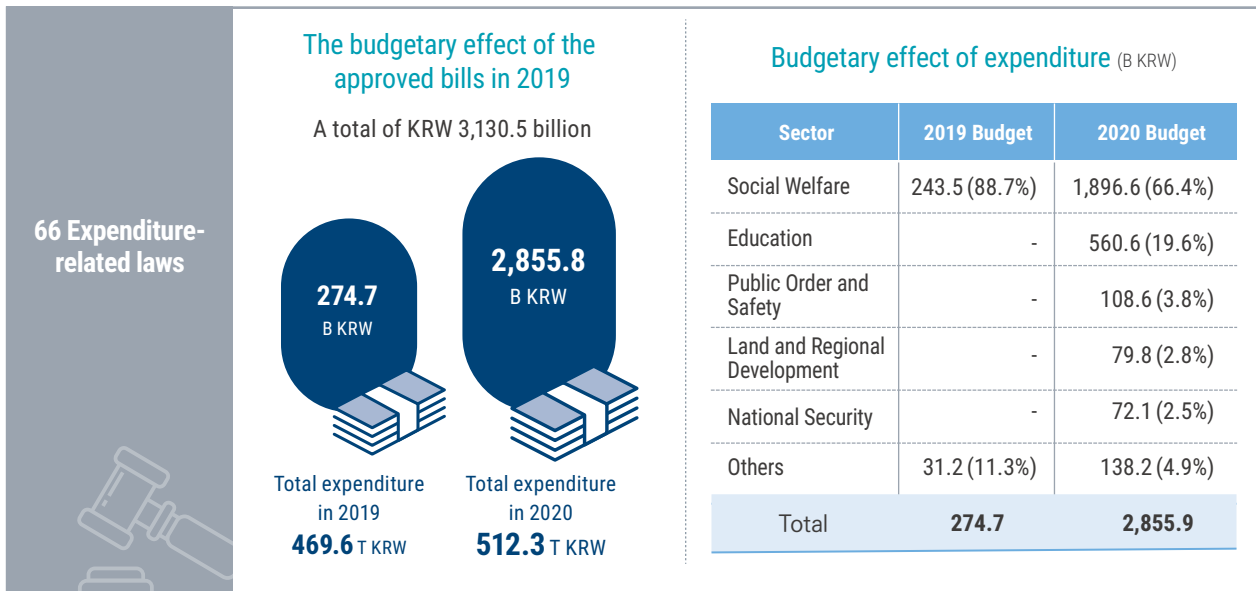
1. Budgetary effect analysis: Revenue

The budgetary effect analysis of the revenue-related laws passed in 2019 shows that, with the enactment and amendment of 16 revenue-related laws in 2020, national tax revenue decreased by KRW 174.2 billion; and non-tax revenue increased by KRW 50 million.



2. Budgetary effect analysis: Public expenditure

- The budgetary effect analysis of the expenditure bills passed in 2019 shows that, with the implementation of 66 laws, KRW 274.7 billion was allocated in the 2019 budget, and KRW 2,855.9 billion was allocated in the 2020 budget, totaling KRW 3,130.5 billion.
- Welfare and education comprise the largest portion.



IV. Implications

In a legislative environment where fiscal legislation requiring fiscal input by the central and local governments continues to increase, it is necessary to check their fiscal impact closely and to ensure that limited resources are distributed and operated efficiently.



Korea does not manage fiscal aggregates through fiscal rules like the United States. Thus, it is necessary to continuously examine the link between legislation and national finance through scorekeeping.



Legislation and budget are operated by different systems in Korea. It is necessary to check the direction of mid-term expenditure frameworks, such as the tax expenditure budget and the National Fiscal Management Plan, reflecting the intention and purpose of the enactment and amendment of law in a timely manner.