

Statewide Policy Analysis Tools

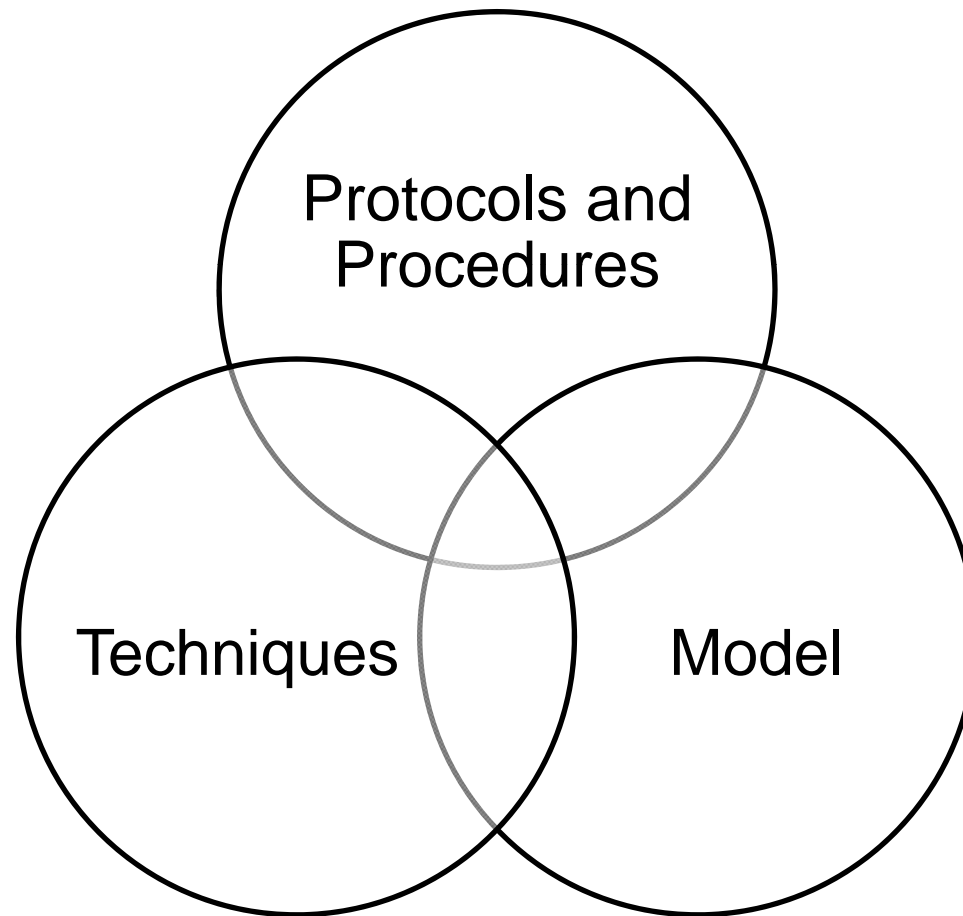
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Tools



Policy Analysis Techniques

Cost-Benefit

Return-on-Investment

Dynamic Scoring

Other Techniques



Cost-Benefit

- Policy analysis technique to compare the total expected benefits to the total expected costs
- Non-monetary variables, such as, quality of life, should be included and quantified if practical
- Calculations usually include a time dimension
- Costs and benefits projected over time should be adjusted for the time value of money, e.g., net present value

Potential Best Usage: Appropriations or discrete tax changes which may have a significant societal cost or benefit, e.g., Everglades Restoration



Return-on-Investment

- Policy analysis technique to evaluate the efficiency of an investment
- Results are expressed in percentages or ratios of the financial gains less the investments, divided by the investment amount (alternative calculations are sometimes employed)
- Non-monetary variables are generally not included
- Analysis are usually multi-year
- Costs and benefits projected over time should be adjusted for the time value of money, e.g., net present value

Potential Best Usage: Discrete investments with subsequent payoffs where societal benefits are of negligible concern, e.g., Toll Roads



Dynamic Scoring

- Policy analysis technique to evaluate the direct, indirect and induced impacts
- Predicts and quantifies the impact of changes in fiscal policy (revenue and budget)
 - Projections are compared to a forecast of current policy (baseline)
- Forecasts the behavioral changes of taxpayers or consumers to the proposed policy change
 - Assumes all taxpayers act in a manner that minimizes taxes and maximizes income
 - Assumes all taxpayers or consumers understand the full implications of the proposed policy change and act in their own best interests
- Quantifies the macro-economic impact of the behavioral changes
- Analyses are multi-year

Potential Best Usage: Larger initiatives that will likely have significant statewide economic impacts and will likely change taxpayer or consumer behavior, e.g., Overhaul of Tax Structure or elimination of a core state program



Other Techniques

- Contingent Valuation
- Hedonic Pricing
- Travel Cost Method
- Random Utility Model



Tools

Statewide policy analysis protocols and procedures, policy analysis techniques and a model capable of evaluating proposed legislation using econometric and other analytical techniques not normally employed by the consensus estimating conferences.

Benefits:

- Provide additional information to decision makers on the impacts of proposed legislation
- Account for the secondary and tertiary economic impacts
- Account for changes in taxpayer and consumer behavior
- Integrate tax policy
- Ensure key economic drivers are fully considered
- Enable more discrete analysis
- Provide transparency

