

# Report of Findings and Recommendations

December 1, 2010

- 1 Overview
  - Current Practices (narrative)
  - New Techniques (narrative)
  - Policy Analysis Techniques Matrix
  
- 2 Protocols
  - Description: A convention, code of correct conduct or set of guidelines, especially in regard to technology
  - LISTING OF SPECIFIC PROTOCOLS
  
- 3 Procedures
  - Description: A specified series of actions or operations which have to be executed in the same manner in order to always obtain the same result under the same circumstances
  - A. Request Procedure
  - B. Start-Up Procedure
  - C. Session Procedure
    - 1) Return on Investment
    - 2) Cost-Benefit Procedure
    - 3) Dynamic Analysis / Scoring
    - 4) All Other Techniques
  - D. Reporting Procedure
  - E. Adoption Procedure
  - F. Transmission Procedure
  - G. Use of Results
  
- 4 Discussion Items for Protocols and Procedures
  - Description: Background material for key decision points related to protocols or procedures evaluating the options available under reasonable circumstances.
  - LISTING OF SPECIFIC DISCUSSION ITEMS

## CHAPTER 2010-101

### Committee Substitute for Senate Bill No. 1178

An act relating to cost-benefit, return-on-investment, and dynamic scoring techniques; creating s. 216.138, F.S.; authorizing the President of the Senate or the Speaker of the House of Representatives to request special impact sessions of consensus estimating conferences to evaluate proposed legislation based on specified techniques; providing for the information used in the evaluations to be available to the public unless otherwise exempt from disclosure; requiring the Office of Economic and Demographic Research to develop protocols and procedures to be used by the consensus estimating conferences when evaluating proposed legislation; establishing minimum requirements; requiring submission of a report; requiring the use of the protocols and procedures until the approval is affirmatively revoked; amending s. 216.133, F.S.; conforming a cross-reference to changes made by the act; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 216.138, Florida Statutes, is created to read:

216.138 Authority to request additional analysis of legislation.—The President of the Senate or the Speaker of the House of Representatives may request special impact sessions of consensus estimating conferences to evaluate proposed legislation based on tools and models not generally employed by the conferences, including cost-benefit, return-on-investment, or dynamic scoring techniques, when suitable and appropriate for the legislation being evaluated. Unless exempt from s. 119.07(1), information used to develop the analyses shall be available to the public.

Section 2. The Office of Economic and Demographic Research, acting in consultation with the principals of the consensus estimating conferences and after receiving public input, shall develop protocols and procedures necessary to implement the provisions of s. 216.138, Florida Statutes. At a minimum, the protocols and procedures to be used for evaluating specific proposed legislation shall include cost-benefit, return-on-investment, and dynamic scoring techniques, and may include additional, appropriate economic techniques. Additionally, the protocols and procedures must address the format for reporting results and provide proposed linkages to the appropriations and revenue forecasting processes, including any statutory changes that may be needed. The linkages must be consistent with the constitutional requirement for a balanced budget. The office shall submit a report of its findings and recommendations to the President of the Senate and the Speaker of the House of Representatives by December 1, 2010. Subject to approval by the President of the Senate and the Speaker of the House of Representatives following the submission of the report, the protocols and procedures shall be used to the extent feasible for the analysis of specific proposed legislation by consensus estimating conferences as

provided in s. 216.138, Florida Statutes, unless and until such approval is subsequently affirmatively revoked.

Section 3. Section 216.133, Florida Statutes, is amended to read:

216.133 Definitions; ss. ~~216.133-216.138~~ ~~216.133-216.137~~.—As used in ss. ~~216.133-216.138~~ ~~216.133-216.137~~:

(1) “Consensus estimating conference” includes the Economic Estimating Conference, the Demographic Estimating Conference, the Revenue Estimating Conference, the Education Estimating Conference, the Criminal Justice Estimating Conference, the Occupational Forecasting Conference, the Early Learning Programs Estimating Conference, the Self-Insurance Estimating Conference, the Florida Retirement System Actuarial Assumption Conference, and the Social Services Estimating Conference.

(2) “Official information” means the data, forecasts, estimates, analyses, studies, and other information which the principals of a consensus estimating conference unanimously adopt for purposes of the state planning and budgeting system.

(3) “Consensus” means the unanimous consent of all of the principals of a consensus estimating conference.

Section 4. This act shall take effect upon becoming a law.

Approved by the Governor May 26, 2010.

Filed in Office Secretary of State May 26, 2010.

## Description of Policy Analysis Techniques

Effects	Return on Investment	Cost Benefit	Dynamic Analysis (Statewide Model)
<b>Monetary</b>	✓	✓	✓
<b>Non-Monetary</b>		✓	Limited
<b>Indirect / Induced</b>		Limited	✓
<b>Behavioral Changes</b>		Social Welfare	Economic
<b>Size of Proposal</b>	Any Size	Any Size	Initially: \$25M or more  Later: \$10M or more

Return on Investment should only be used when the issue relates to strictly monetary effects (increased revenues or savings to the state) and externalities and social benefits and costs are to be excluded from the analysis.

Cost-Benefit can be used for evaluating strictly monetary effects; however, this technique is more often used for issues that include non-monetary benefits and costs (such as the allocation of social resources to achieve a desired result) or externalities. The focus is on monetizing (converting to dollars) social costs and benefits. This technique should also be used when the key metric involves the use of a variable that is not included in the dynamic scoring model.

Dynamic Analysis (Statewide Model, REMI, Implan) should be used to measure proposed changes that are likely to result in indirect and/or induced impacts and possibly will cause changes in the economic behavior of taxpayers (e.g. stimulate increased savings). This technique should be used when the impact of the proposed legislation affects macro-economic variables and non-market based benefits or costs are not to be taken into account unless monetized via some other technique prior to use.

**STATEWIDE POLICY ANALYSIS TOOLS  
PROTOCOLS AND PROCEDURES**

ITEM	TYPE
Run Time; Optimal Number of Concurrent Analyses	Discussion Item for Protocols
Availability of Data	Discussion Item for Protocols
Number of Years Projected	Discussion Item for Protocols
Use of Generated Surpluses (Gov't Savings vs. Gov't Expenditures)	Discussion Item for Protocols
Conferences for Special Impact Studies	Discussion Item for Procedures
Dollar Criteria for the use of Dynamic Analysis / Dynamic Scoring	Discussion Item for Procedures
Use of Results	Discussion Item for Procedures
Development of Results	Discussion Item for Procedures
Identification of Key Parameters and Model Specifications	Protocol
Core Variables	Protocol
Geographic Level	Protocol
Balanced Budget Requirement	Protocol
Baseline and Data Maintenance	Protocol
Data Aggregation	Protocol
Discount Rates for ROI and C/B	Protocol
Procedures	Procedure

**STATEWIDE POLICY ANALYSIS TOOLS  
DATA SOURCES**

<b>DATA</b>	<b>SOURCE</b>	<b>INTERMEDIATE UPDATES</b>	<b>BENCHMARK MONTH</b>
Personal Income	BEA	Monthly	September
Current Employment Survey	BLS	Monthly	March
Current Population Survey	BLS	Monthly	N/A
Census of Employment and Wages	BLS	Quarterly	N/A
Construction Starts	McGraw Hill - Dodge	Monthly	N/A
Housing Sales and Prices	Florida Association of Realtors	Monthly	N/A
Tourism	Visit Florida	Quarterly	N/A
Sales Tax - Taxable Sales and Taxes Collected	Department of Revenue	Monthly	Annual
REMI	REMI		
IMPLAN	IMPLAN		
National	Various		
US Input - Output Data	BEA		Every 5 years

# STATEWIDE POLICY ANALYSIS TOOLS PROCEDURES

## A. Request Procedure

1. Either the President of the Senate or the Speaker of the House of Representatives may request a special impact session for an issue by notifying the Office of Economic and Demographic Research (EDR).
2. To assist in the identification of issues, either presiding officer may accept and forward a member request for a special impact session.
  - a. To identify an issue for consideration by the President of the Senate or Speaker of the House of Representatives, a legislative member shall send a written request to his or her presiding officer no later than November 15<sup>th</sup> of each year. At a minimum, the request must include the following information:
    - 1) A brief description of the issue to be analyzed;
    - 2) Identification of any similar legislation or appropriation line items from prior sessions; and
    - 3) Identification of an individual who may be contacted in the event that staff requires further clarification of the request.
  - b. The presiding officer will determine at his or her discretion whether a member request should be evaluated using the statewide policy analysis tools. If so, the presiding officer will forward the request to EDR.

## B. Start-Up Procedure

1. Upon notification by the President of the Senate or the Speaker of the House of Representatives that a special impact session has been requested, EDR must analyze the request and determine which analytical technique should be used to evaluate the issue. To make this determination, the following criteria shall be used:
  - a. Return On Investment...CRITERIA
  - b. Cost-Benefit Analysis...CRITERIA
  - c. Dynamic Analysis / Scoring...CRITERIA
    - 1)Dollar Criteria for the use for dynamic analysis / scoring
    - 2)ADDITIONAL CRITERIA
  - d. All Other Techniques...CRITERIA

# STATEWIDE POLICY ANALYSIS TOOLS

## PROCEDURES

2. A brief description of the issue, the determination of a specific analytical technique, and a call for designation of principals shall be transmitted to the President of the Senate, Speaker of the House of Representatives, and the Executive Office of the Governor. In those instances where EDR anticipates the analysis will require extraordinary time and/or new costs (e.g. the need to purchase additional data related to the issue), EDR will communicate the extraordinary time and/or cost requirements to the presiding officers.
3. The principals shall be professional staff of the respective appointing entity and shall have subject matter expertise or familiarity with the recommended technique. The fourth principal of each impact session shall be the Coordinator of EDR. Collectively, the principals shall be known as a consensus estimating conference or Conference.

### C. Session Procedure

1. Upon appointment of the Conference, EDR shall schedule and coordinate a minimum of three meetings for each impact session in accordance with the procedures identified for the specific analytical technique being deployed.
  - a. Return on Investment Procedure
    - 1) The first scheduled meeting shall be for the primary purpose of receiving public input.
    - 2) During the first scheduled meeting, the Conference shall identify participants and other affected parties that may have information relevant to the analysis of the issue.
    - 3) Prior to the second scheduled meeting, EDR shall prepare a list of potential returns and investment costs for submission to the Conference.
    - 4) The second scheduled meeting shall be for the primary purpose of having public discussion of the potential returns and investment costs associated with the issue. After the discussion, the Conference shall reach agreement on which returns and investment costs are probable, as well as adopt key assumptions.
    - 5) Prior to the third scheduled meeting, EDR shall collect the necessary data; conduct the analysis; and, prepare a draft report for presentation to the Conference.
    - 6) During the third or final meeting (whichever is later), the Conference shall adopt a final report according to the procedure specified herein.
  - b. Cost-Benefit Procedure
    - 1) Prior to the first scheduled meeting, EDR shall develop a list of potential externalities and social costs and benefits that are potentially associated with the issue under consideration.
    - 2) The first scheduled meeting shall be for the primary purpose of receiving public input.

# STATEWIDE POLICY ANALYSIS TOOLS

## PROCEDURES

- 3) During the first scheduled meeting, the Conference shall identify participants and other affected parties that may have information relevant to the analysis of the issue. EDR will present the list of potential externalities and social costs and benefits associated with the issue. After discussion, the Conference shall add or subtract from the list.
- 4) Prior to the second scheduled meeting, EDR shall further investigate the externalities and social costs and benefits associated with the issue. EDR shall also develop initial estimates to monetize the social costs and benefits.
- 5) The second scheduled meeting shall be for the primary purpose of having public discussion of the externalities and social costs and benefits associated with the issue and their monetization. After the discussion, the Conference shall reach agreement on which externalities and social costs and benefits are probable, as well as adopt key assumptions.
- 6) Prior to the third scheduled meeting, EDR shall collect the necessary data; conduct the analysis; and, prepare a draft report for presentation to the Conference.
- 7) During the third or final meeting (whichever is later), the Conference shall adopt a final report according to the procedure specified herein.

### c. Dynamic Analysis / Scoring Procedure

- 1) Prior to the first scheduled meeting, EDR shall develop a list of model input assumptions that are potentially associated with the issue under consideration.
- 2) The first scheduled meeting shall be for the primary purpose of receiving public input.
- 3) During the first scheduled meeting, the Conference shall identify participants and other affected parties that may have information relevant to the analysis of the issue. EDR will present the list of potential model input assumptions associated with the issue. After discussion, the Conference shall modify the list.
- 4) Prior to the second scheduled meeting, EDR shall further investigate the model input assumptions associated with the issue.
- 5) The second scheduled meeting shall be for the primary purpose of having public discussion of the model input assumptions associated with the issue. After the discussion, the Conference shall reach agreement on which model input assumptions are probable, as well as adopt key assumptions.
- 6) Prior to the third scheduled meeting, EDR shall:
  - a) Collect the necessary data;
  - b) Conduct the analysis;
  - c) Produce both static and dynamic results;
  - d) Produce results from multiple models (Statewide Model and REMI or IMPLAN);  
and
  - e) Prepare a draft report for presentation to the Conference.

# STATEWIDE POLICY ANALYSIS TOOLS

## PROCEDURES

- 7) During the third or final meeting (whichever is later), the Conference shall adopt a final report according to the procedure specified herein.

### d. All Other Techniques Procedure

- 1) The first scheduled meeting shall be for the primary purpose of receiving public input.
  - 2) Prior to the start of the first scheduled meeting, EDR shall develop any information that is necessary for consideration by the principals.
  - 3) The second scheduled meeting shall be for the primary purpose of having public discussion of the key assumptions associated with the issue. The Conference shall reach agreement on those assumptions.
  - 4) Prior to the third scheduled meeting, EDR shall collect the necessary data and conduct the analysis.
  - 5) During the third or final meeting (whichever is later), the Conference shall adopt a final report according to the procedure specified herein.
2. Between meetings, any communications regarding the issue by the principals will be conducted through email. The emails will be posted on the EDR web site page for the issue. This process will allow the principals to clarify ambiguities in understanding without conducting a formal meeting while still maintaining transparency of communications.

### D. Reporting Procedure

1. No session shall conclude until a final report has been adopted by the Conference.
2. At a minimum, the final report shall contain the following information:
  - a. List of principals and participants;
  - b. Description of the issue;
  - c. Identification of the policy analysis technique deployed;
  - d. Description of key data and sources;
  - e. List of adopted assumptions;
  - f. Numerical results presented in the form of... A RANGE FOR DYNAMIC ANALYSIS / SCORING, AND AS POINT ESTIMATES FOR COST-BENEFIT ANALYSIS, RETURN ON INVESTMENT AND ALL OTHER TECHNIQUES; and
  - g. Explanation of the results, including key drivers.
3. Draft versions of the final report shall be prepared by EDR and modified as necessary by the Conference prior to adoption.

# STATEWIDE POLICY ANALYSIS TOOLS

## PROCEDURES

### E. Adoption Procedure

1. All actions taken by and the final report adopted by the Conference shall be agreed upon by consensus.
2. For the purpose of this procedure, "consensus" means the unanimous consent of all of the principals of a consensus estimating conference.

### F. Transmission Procedure

1. After adoption by the Conference, EDR shall transmit the final report to the presiding officers.
2. After transmission, the final report shall be posted on the EDR web site.

### G. Use of Results Procedure

1. Prior to the post-implementation evaluation by EDR and legislative action regarding the full integration of Conference results into the budget development and revenue estimating processes, all final reports shall be used as supplemental information for the state planning and budgeting system.
2. Prior to the post-implementation evaluation by EDR and legislative action regarding the full integration of Conference results into the budget development and revenue estimating processes, the results cannot be used to modify the state's official Financial Outlook Statement of funds available and estimated expenditures, nor can they be used to adjust any official forecast adopted by a consensus estimating conference established pursuant to ss. 216.133-216.137, Florida Statutes.

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