



Defining the Baseline

SBCA Professional Development Workshop

June 11, 2024

For more information and to register: <https://www.benefitcostanalysis.org/workshops>

Description: In benefit-cost analysis, the *baseline scenario* describes how the world would look without the policy or regulatory intervention. It serves as the key comparator against which incremental benefits and costs of the proposed action are measured. Regardless of whether the analysis is retrospective or prospective in nature, the baseline scenario cannot be observed. It must be constructed by analysts based on a series of assumptions about likely future (or past) economic activity, population health, environmental conditions, behavioral choices, and the likely policy or regulatory environment. These assumptions can have profound impacts on the resulting estimates of benefits and costs.

Defining key baseline assumptions is challenging. For example, what if the amount of future economic activity in an affected sector is highly uncertain due to rapidly changing consumer demand or technological innovation? What if industry groups or state governments are in the process of developing voluntary or mandatory standards that overlap with the proposed policy intervention? What if the scientific models used to quantify future baseline conditions are subject to significant uncertainty? Or, what if stakeholders disagree on exactly which effects must be attributed to the baseline versus the intervention?

This half-day workshop will introduce theory and concepts associated with defining the baseline and best practices for communicating related uncertainty. We will also discuss recent clarifications provided in the baseline section of the U.S. Office of Management and Budget's 2023 update of *Circular A-4*. Finally, we'll review example case studies illustrating key challenges and provide ample time for discussion. The workshop is targeted to those interested in conducting benefit-cost analyses and those interested in better understanding the strengths and limitations of analyses they review. Although a background in economics will be helpful for workshop participants, those without formal economics training will also find the workshop helpful. Upon completion of the course, attendees should have a clear understanding of best practices for defining the baseline scenario(s) and transparently conveying uncertainty associated with key assumptions.

Instructors:



Jennifer Baxter (organizer) is a Principal at Industrial Economics, Incorporated (IEc), an economics consulting firm located in Cambridge, MA. She has nearly 25 years of practical experience designing and conducting benefit-cost analyses (BCA), and drafting guidance on BCA best practices, for U.S. regulatory agencies. She received a Master of Environmental Studies from Yale University and a Bachelor of Arts in Environmental Science from Boston University.



Elizabeth Ashley is an Economist in the U.S. Office of Management and Budget's Office of Information and Regulatory Affairs. Prior to joining OIRA, she held positions at the U.S. Food and Drug Administration and USDA's Economic Research Service. She received her doctorate in economics from the University of California – Santa Barbara and a Bachelor of Arts in mathematics and economics from Northwestern University – Evanston.



Dale Whittington is a Professor in the Departments of Environmental Sciences and Engineering, and City and Regional Planning, at the University of North Carolina at Chapel Hill. He is the author of over 150 scholarly publications, including a graduate textbook on public policy analysis. He is a past President of the Society for Benefit-Cost analysis. He received a doctorate in Business, Engineering, and Public Affairs and a Master of Public Policy from the University of Texas at Austin and a Master of Science in economics from the London School of Economics and Political Science.