

PPA 220B – APPLIED ECONOMIC ANALYSIS II

**GRADUATE PROGRAM IN PUBLIC POLICY AND ADMINISTRATION
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
SPRING 2019**

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Class Location: Thursday, 6 - 8:50 p.m., 110 Sac State Downtown Center Building

Office Phone: (916) 278-6304 (campus) or (916) 278-4556 (downtown)

Downtown Office Hours: Thursday and Friday, 4:00 – 5:30 p.m.; and by appointment if necessary

Prerequisite: Grade of B- or higher in PPA 220A

Required Texts:

(1) “Cost-Benefit Analysis for Public Sector Decision Makers,” 1999, Diana Fuguitt and Shanton J. Wilcox, Quorum Books; purchase at [Amazon](#) (\$85 used on Jan. 1, 2019), Sac State Bookstore, or any used book internet seller.

(2) “The Quality Cure: How Focusing on Health Care Quality Can Save Your Life and Lower Spending Too,” 2014, David Cutler, University of CA Press; purchase at [Amazon](#) (\$10 used on Jan. 1, 2019) or any used book internet seller.

Canvas:

This course requires that you have access to the Internet and Canvas at Sac State. On Canvas I will post an outline of material covered in each meeting. These will be available by the Friday evening before the class meets. Your grades will also be accessible through Canvas.

Course Objectives:

At the end of PPA 220B, a student that attends all meetings will:

- (1) Understand the basic process of how to conduct a cost benefit analysis (CBA) and have a working knowledge of some of the specific techniques necessary to do it.

(2) Learn to apply the concepts of cost benefit analysis (CBA) to a California public policy (for example a public works construction project) and to appreciate this policy tool's relevance to gaining a better understanding of whether to pursue a policy intervention.

(3) Be able to apply a specific public policy "tool" (Munger's Triangle, Government Failure, Comparative Institutional Analysis, Microeconomic Based Market Analysis, Market Failure Approach, CBA, Rational Prioritization, etc.) to a California relevant public policy concern to gain a better understanding of how "best" to deal with it.

(4) Gain a greater comfort in ability to make a public presentation and engage with an expert panel in a discussion on a public policy topic.

(5) Explore further how the framing of a policy problem in terms of "what is fair" or "what is efficient" results in the choice of different "best" solutions.

(6) Compose an effective PowerPoint presentation on a public policy problem.

This course further) exposes you (after PPA 220a) to the study and application of economics and CBA to public policy interventions specific to California. You will learn and apply theoretical concepts; however, the goal in doing so is to increase your ability to better understand, analyze, and critique existing and proposed public policies.

Method:

This class will have two distinct halves. The first half covers CBA for public policy formulation and evaluation. I will be responsible for this in the form of lectures, classroom discussions, and homework assignments. The details on this are in meetings one (Jan. 24) through ten (April 4) described below. **For some of the CBA classes you will need to bring your own laptop with Excel installed (this includes our first meeting). If you do not have this, please arrange to share with another student.**

For the second half of the course, I am turning it over to you to practice what Mintrom described in his book's Chapter 6 as "Presenting Policy Advice." Each group of five students will be responsible for one class meeting of coverage on one of five policy topics: (1) Budget Surplus Spending, (2) Preschool Attendance, (3) Prison Reform, (4) Affordable Housing, and (5) K-12 Achievement Gap. The Bardach-style policy question, and the students working on it, were chosen in PPA 220A and are below:

(1) What should the State of California do with its projected budget surplus of \$4B+ for the 2018-19 Fiscal Year? (Sumeet, Joey, Baron, Clarissa, and Michael M.)

(2) Too many of CA's low SES preschool age children do not attend a pre-K educational program. (Chris Sanchez, Alex S., Molly, BJ, and To Lan)

(3) Prison Reform – Group members will need to formulate a Bardach-type problem statement on either prison conditions, rehabilitation, or sentencing to focus this broader topic. Please complete this before the second week of class (Erika, Lindsay, Zoe, Sara, and Joshua)

(4) Many of CA's most populated and productive metro areas lack enough affordable housing for all who want to live in them. (Mike F., Anna, Alex M., Michael A., and Liam)

(5) The Local Control Accountability Plans (LCAPs) that direct the spending of additional dollars to educate ELs and low-socio-econ students, through the now five-year old Local Control Funding Formula (LCFF), have not resulted in significant reductions in the achievement gap. (Elizabeth, Noel, Noah, Rachel, and Chris Skidmore)

As noted in the schedule below, each group will meet with me for an hour before class on assigned dates (beginning in early February) to discuss their own presentations in class, and the selection of a speaker panel. If we cannot finish this discussion in an hour, we will continue it at the end of class. Before these meeting, we will devote time in class to start on this.

If there are concepts or ideas covered in a Thursday night session that you did not understand, it is important to your overall success that you resolve these misunderstandings before the next time we meet. You can do this by talking to your fellow classmates (I encourage you to form study groups or electronic study networks), visiting me in my Thursday or Friday office hours, and/or sending an e-mail question to me at rwassme@csus.edu. I will respond to your Monday through Friday e-mail within 24 hours.

Please ask questions, offer comments, and engage in discussion about material assigned for a Thursday night class during that class. In office hours, I am pleased to answer any questions about material covered in class and discuss pedagogical suggestions, economics/public policy in general, the PPA/ULD Programs, and/or your career plans. To insure an adequate participation grade, visit me at least once during my office hours.

Students should come well prepared to class in the form of completing all reading assignments and looking over my posted notes. This will guarantee your adequate prepared to participate in discussion. I will not hesitate to call on students who do not voluntarily participate.

Twitter:

We will again use Twitter to stimulate thought on the topics covered in class and to relate to contemporary events that arise throughout the semester. I evaluate your participation as part of the overall participation grade I assign you. Guidelines to follow: (1) post at least two tweets (but no more than four) on CBA and respond to at least two tweets on CBA from others (but no more than four), (2) post at least two tweets (but no more than four) on the specific policy area you are covering and respond to at least two other policy-area Tweets (but no more than four) on a policy area you are not covering. Remember, I evaluate these in terms of both quality and quantity.

Grading:

The grade you receive in this course comes from five different components. The first component counts 30 percent and is the average of highest grades received in eight of the 10 weekly homework (HW) assignments from the CBA material. **The first HW is due at our first meeting and listed after the assigned reading below for that night.** I will post future HW assignments at Canvas by 6 pm on the Friday evening before the Thursday class they are due.

Note that HW format for 220B is not a two-page essay, but instead a series of questions that usually requires a one-paragraph answer for each. All answers should be in typed 11 font, with one-inch margins, and include a cover sheet with your name, date of class, and a reproduction of each of the numbered questions. The person completing them can only turn in a HW assignment on the night they are due in paper form. I will allow you to miss two HW assignments/classes without punishment by only using the highest grades you received on eight of the required ten assignments.

The second component of your course grade counts 20 percent and is an Excel spreadsheet representation and written explanation done separately for two CBAs. The first CBA is personal in nature and intended to assess the benefits of receiving your MPPA degree in comparison to the costs. The second CBA is a California-based public works construction project that the class will pick later as a group, and all will work on together and independently. The work for much of this done as HW and in groups during class time.

The third portion of your grade counts 30 percent and is based upon your class presentation in verbal and PowerPoint form. The fourth counts 10 percent and is my evaluation of your group's panel presentation. The fifth component of your overall grade counts 10 percent and is based upon the grade I assign for your participation on Twitter, during class, and in office hours. You must complete all five components of grading to receive a passing grade in this class. Thus:

$$\text{Course Grade} = 0.30 * (\text{average of eight highest HW assignments}) + 0.20 * (\text{average evaluation of your two CBA assignments}) + 0.30 * (\text{evaluation of PowerPoint presentation and content}) + 0.10 * (\text{evaluation of your group's expert panel presentation}) + 0.10 * (\text{evaluation of your classroom and Twitter participation})$$

See the end of this syllabus for the rubric used for grading your PowerPoint presentation.

Where relevant, grades are based on the following table:

Percent Correct	Letter Grade	Number Grade
100-97	A+	4.3
96-93	A	4.0
92-89	A-	3.7
88-85	B+	3.3
84-81	B	3.0
80-77	B-	2.7
76-73	C+	2.3
72-69	C	2.0
68-65	C-	1.7
64-60	D	1.0

<60	F	0.0
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Schedule:

This class meets 15 times throughout the semester. The readings for each meeting are below. I only list HW for Meeting 1. HW for other meetings posted on Canvas by 5 pm the Friday before class meets.

Meeting 1 (Jan 24): Rational Prioritization

Fixing the World, Bang-for-the-Buck Edition (Podcast), <http://freakonomics.com/podcast/fixing-the-world-bang-for-the-buck-edition-a-freakonomics-radio-rebroadcast/>

A Better World by 2030 - Post-2015 Development Goals – YouTube, <https://www.youtube.com/watch?v=u5BDIBRwQ88>

Post-2015 Consensus / Copenhagen Consensus Center Website, <https://www.copenhagenconsensus.com/post-2015-consensus/>

The general problem of prioritization, <https://zipar.org/discussion-paper/general-problem-prioritization/>

Californians want state to spend surplus on health care for all, free community college, <https://www.sfchronicle.com/politics/article/Californians-want-state-to-spend-on-health-care-13462049.php>

HW: After viewing/reading all the material, come to class with typed, double-spaced, one-paragraph answers to each of the questions below (thus you should submit four paragraphs in the manner under "Grading" above:

(1) Off the top of your head (that is not using the methods listed above), describe your top three, broadly-defined items, that you believe California should spend its 2019-20 expected budget surplus on. Remember this could also include depositing money in the State's Rainy-Day Fund or cutting taxes.

(2) Explain "Rational Prioritization" as Bjorn Lomborg envisions it as a method to set spending priorities. How does it rely on "Return on Investment" (ROI)?

(3) What is "[t]he general problem of prioritization"?

(4) Suggest to the group working on the policy problem of "What should the State of California do with its projected budget surplus of \$14B+ for the 2019-20 Fiscal Year?"

one locally available person they should invite to be a panel member on this issue. Base this choice on a Google search of the topic. In your paragraph answer, begin with the name and title of this person, and then describe what led you to pick them.

Meeting 2 (Jan 31): What is CBA?

FugWil (Chapter 1) - A History of Application

FugWil (Chapter 2) - The Decision Maker, the Analyst, and Cost-Benefit Analysis

FugWil (Chapter 3) - Policy Advocates and Adversaries

Cost-benefit analysis 101 for policymakers & public managers: An interview with Henry Levin, Professor, Columbia University, http://govinnovator.com/henry_levin/

PODCAST: A cost/benefit analysis for playing in the NFL, <https://www.marketplace.org/2015/03/17/life/mid-day-update/podcast-costbenefit-analysis-playing-nfl>

Will College Pay Off? A Surprising Cost-benefit Analysis, <http://knowledge.wharton.upenn.edu/article/will-college-pay-off-a-surprising-cost-benefit-analysis-when-youll-ever-make/>

Red Tape Rising, <https://www.heritage.org/government-regulation/report/red-tape-rising-2016-obama-regs-top-100-billion-annually>

The case for preschool, <https://www.npr.org/sections/money/2011/06/13/137109349/the-friday-podcast-the-case-for-preschool>

Preschool for everyone, <http://freakonomics.com/2013/12/18/preschool-for-everyone/>

Public preschools in California, <https://www.ppic.org/publication/public-preschools-in-california>

Meeting 3 (Feb. 7), The Methods of CBA (1)

FugWil (Chapter 4) - Economics and Cost-Benefit Analysis

FugWil (Chapter 5) - Economic Valuation of Individual Preferences

FugWil (Chapter 6) - Who is Society?

FugWil (Chapter 9) - Present Value of Benefits and Costs Over Time

The Cost-Benefit Revolution Is Far From Over, <https://www.forbes.com/sites/frankdavid/2018/09/16/sunstein/#e3bf73d54382>

Can technocracy be saved? An interview with Cass Sunstein, <https://www.vox.com/future-perfect/2018/10/22/18001014/cass-sunstein-cost-benefit-analysis-technocracy-liberalism>

Why is CBA so controversial?, <https://www.slideserve.com/hashim/why-is-cost-benefit-analysis-so-controversial>

CBA, <https://www.economist.com/news/2009/09/15/cost-benefit-analysis>

Why doing a cost-benefit analysis is harder than it looks, <https://www.economist.com/the-economist-explains/2014/04/23/why-doing-a-cost-benefit-analysis-is-harder-than-it-looks>

California prison reform, <https://www.huffingtonpost.com/topic/california-prison-reform>

PPIC Corrections, <https://www.ppic.org/topics/corrections/>

Meeting 4 (Feb. 14), The Methods of CBA (2)

FugWil (Chapter 7) - With and Without Analysis

FugWil (Chapter 8) - Aggregate Benefits and Costs

FugWil (Chapter 10) - Decision Criteria

FugWil (Chapter 11) - Discount Rate

CBA Discounting, <https://www.youtube.com/watch?v=Mol1yT7tczY>

How should benefits and costs be discounted in an intergenerational context?, <http://www.rff.org/research/publications/how-should-benefits-and-costs-be-discounted-intergenerational-context-0>

California's housing future, www.hcd.ca.gov/policy-research/plans-reports/docs/SHA_Final_Combined.pdf

Meeting 5 (Feb. 21), The Methods of CBA (3)

5 pm Office Discussion with Budget Surplus Policy Group

FugWil (Chapter 12) – Inflation

FugWil (Chapter 13) - Time Horizon

FugWil (Chapter 14) – Uncertainty and Risk

FugWil (Chapter 15) - Principles of Cost-Benefit Analysis

Putting a price tag on your descendants, <https://www.npr.org/sections/money/2012/07/20/157105414/episode-388-putting-a-price-tag-on-your-descendants>

Cost-benefit analysis for climate change adaptation policies and investments in the agriculture sectors, <http://www.fao.org/3/I8905EN/i8905en.pdf>

What is LCFF?, <https://lcff.wested.org/lcff-channel/lcff-implementation-videos/episode-1/>

Friendly critic of LCFF issues warning, <https://edsource.org/2017/friendly-critic-of-californias-school-funding-reforms-issues-warning/586993>

Is CA's investment in needy students paying off?, <https://calmatters.org/articles/california-big-investment-needy-students-few-signs-achievement-gap-closing/>

24 ideas for improving the LCFF, <https://edsource.org/2017/24-ideas-for-improving-the-local-control-funding-formula/590709>

Meeting 6 (Feb 28), Identification and Valuation in CBA (1)

5 pm Discussion with Preschool Attendance Policy Group

FugWil (Chapter 16) - Identifying Benefits and Costs

FugWil (Chapter 17) - Market Valuation

FugWil (Chapter 18) - Contingent Valuation

Valuation of ecosystem services: contingent valuation,
<https://www.youtube.com/watch?v=xzmlG4L8s>

Contingent valuation: a practical alternative when prices aren't available,
<https://www.aeaweb.org/articles?id=10.1257/jep.26.4.27>

Meeting 7 (March 7), Identification and Valuation in CBA (2)

5 pm Discussion with Prison Reform Policy Group

FugWil (Chapter 19) - Travel Cost Method

FugWil (Chapter 20) - Hedonic Pricing Method

Valuation of ecosystem services: travel cost method,
<https://www.youtube.com/watch?v=AjcQpzlBu1l>

Valuation of ecosystem services: hedonic pricing method,
<https://www.youtube.com/watch?v=LkXVCQam5kw>

The value of proximity to a vacation home rental in a resort community, @ Canvas

Meeting 8 (March 14), Identification and Valuation in CBA (3)

5 pm Discussion with Affordable Housing Policy Group

FugWil (Chapter 21) -Valuation of Human Life

FugWil (Chapter 22) - Cost-Effectiveness Analysis

FugWil (Chapter 23) - Principles for Identifying and Valuing Benefits and Costs

To be determined selection of reading from David Cutler's *The Quality Cure: How Focusing on Health Care Quality Can Save Your Life and Lower Spending Too* (required text)

Meeting 9 (March 28)

5 pm Discussion with K-12 Education Policy Group

EconTalk: Pindyck on Climate Change, <http://www.econtalk.org/pindyck-on-climate-change/>

United Nations IPCC Climate Agenda Ignores Cost, <https://www.instituteforenergyresearch.org/climate-change/united-nations-ipcc-climate-agenda-ignores-cost/>

Stadiums: Last Week Tonight with John Oliver, <https://www.youtube.com/watch?v=xcwJt4bcnXs>

Suggestions for the Needed Standardization of Determining the Economic Impact of Professional Sports, @ Canvas

A Benefit Cost Analysis on the Use of Fire Barriers in Upholstered Furniture, @ Canvas

Meeting 10 (April 4)

EconTalk: Bent Flyvbjerg on Megaprojects, <http://www.econtalk.org/bent-flyvbjerg-on-megaprojects/>

What You Should Know About Megaprojects and Why: An Overview, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2424835

Benefit-Cost Analysis of Rosecrans/Marquardt Grade Separation Project, http://www.dot.ca.gov/drmtdocs/spdocmaps/Rosecrans-MarquardtBCA_2015.pdf

Transportation BCA, <http://bca.transportationeconomics.org/home>

Benefit-Cost Analysis of The California Water Fix, <https://www.pacific.edu/Documents/school-business/BFC/WaterFix%20benefit%20cost.pdf>

Cost-Benefit Analysis of Proposed California Oil and Gas Refinery Regulations, https://www.rand.org/pubs/research_reports/RR1421.html

California's High Speed Rail System Just Isn't Economic: Kill It, Kill It Now,
<https://www.forbes.com/sites/timworstall/2016/03/18/californias-high-speed-rail-system-just-isnt-economic-kill-it-kill-it-now/#3f4deb216c20>

Meeting 11 (April 11), What should the State of California do with its projected budget surplus of \$14B+ for the 2019-20 Fiscal Year?

6:00-6:15: Student 1 Presentation
6:15-6:30: Student 2 Presentation
6:30-6:45: Student 3 Presentation
6:45-7:00: Student 4 Presentation
7:00-7:15: Student 5 Presentation
7:15-7:30: Break
7:30-8:50: Outside Expert Panel Discussion

Meeting 12 (April 18), Too many of CA's low SES preschool age children do not attend a pre-K educational program.

6:00-6:15: Student 1 Presentation
6:15-6:30: Student 2 Presentation
6:30-6:45: Student 3 Presentation
6:45-7:00: Student 4 Presentation
7:00-7:15: Student 5 Presentation
7:15-7:30: Break
7:30-8:50: Outside Expert Panel Discussion

Meeting 13 (April 25), Prison Reform – Group members need to formulate a Bardach-type problem statement on either prison conditions, rehabilitation, or sentencing to focus this broader topic.

6:00-6:15: Student 1 Presentation
6:15-6:30: Student 2 Presentation
6:30-6:45: Student 3 Presentation
6:45-7:00: Student 4 Presentation
7:00-7:15: Student 5 Presentation
7:15-7:30: Break
7:30-8:50: Outside Expert Panel Discussion

Meeting 14 (May 2), Too many of CA's most populated and productive metro areas lack enough affordable housing for all who want to live in them?

6:00-6:15: Student 1 Presentation
6:15-6:30: Student 2 Presentation
6:30-6:45: Student 3 Presentation
6:45-7:00: Student 4 Presentation
7:00-7:15: Student 5 Presentation
7:15-7:30: Break
7:30-8:50: Outside Expert Panel Discussion

Meeting 15 (May 9), The spending of too much of the Local Control Funding Formula (LCFF) dollars, allocated through Local Control Accountability Plans (LCAPS), does too little to reduce the achievement gap of English learners and low socio-economic status K-12 students.

6:00-6:15: Student 1 Presentation
6:15-6:30: Student 2 Presentation
6:30-6:45: Student 3 Presentation
6:45-7:00: Student 4 Presentation
7:00-7:15: Student 5 Presentation
7:15-7:30: Break
7:30-8:50: Outside Expert Panel Discussion

Final (May 16)

Revised PowerPoint Presentations Due

Name: _____

Grading Rubric for Student PowerPoint Presentations

PPA 220B

Spring 2017

Excellent = 10, Good = 9, Acceptable = 8, Needs Improvement = 7, Poor = 6, Absent = 0

Required Content	10	9	8	7	6	0
TBD						
TBD						
TBD						
TBD						
TBD						
Command of the material / appropriate knowledge of the subject (Five times other values)	<u>50</u>	<u>45</u>	<u>40</u>	<u>35</u>	<u>30</u>	<u>0</u>

Total score (100 possible)

Comments (Three Positive and One Area to Work On):

1.

2.

3.

4.