Policy Brief Guidelines

As noted in the syllabus, students in this class will develop policy briefs for presentation at the end of the semester. The basic objective is to find an interesting topic in state/local public finance, broadly conceived, to research the economic policy aspects of this topic, and to present the findings from this research. I want to allow considerable latitude in the choice of topics, but will offer below some illustrative examples.

Each project should achieve the following objectives:

1. It should identify a meaningful issue in state or local public finance for investigation. It can focus on market failures, the provision of state and local goods and services, or some particular feature of tax/revenue policy, such as (to name a few examples at random):
   - the impact of recent unfunded mandates on states and localities;
   - privatization of public services;
   - some feature of the state personal income taxes (like the the treatment of pension income in Kansas);
   - school finance litigation and its implications for education finance: how have court cases like Serrano v. Priest, the Kansas City public schools case (Missouri v. Jenkins), or similar cases affected (a) local taxes, (b) state taxes, (c) intergovernmental fiscal relations (specifically, state transfers to local school districts), (d) educational choice, quality, and equity?
   - the role of user fees vs. taxes as sources of finance for such public services as transportation (toll roads, bus/subway systems, airports), education (tuition and fees for higher education), or health care (co-payment rates for health care provided or funded by state or local governments, including prescription drugs, nursing homes, etc.);
   - the equity and efficiency implications of greater reliance on local taxes as compared with heavy reliance on state revenues coupled with generous transfers from state government to local governments;
– the increasing reliance on debt finance as a source of revenue for state or local governments;

– fiscal crisis management at the state/local level: how states or localities get themselves into crises, and how they get out.

This list could easily be extended indefinitely. You should see from it that you may consider specific aspects of individual taxes, the funding of specific types of public services like education, transportation, or health; intergovernmental fiscal transfers; the role of courts and constitutional constraints on state and local government finance; and so on. What is essential is that you address an interesting and important issue using appropriate analytical tools, including but not limited to the tools of economic analysis.

2. You should analyze the policy issue that you select. This is the heart of your project’s contribution and value. What does it mean to “analyze” a policy issue?

If you consider the above list, you will see that every single topic listed there involves some important economic dimension, in which policy choices affect the efficiency of resource allocation (the production and consumption of different goods and services, including public goods and services, the location of economic activity, the incentives to organize economic activity in one way or another ....) and equity (some people will be harmed or helped by one policy choice or another). In every one of these cases, you can use basic economic theory, including the fundamental principles of public finance, to help frame the issues and to guide your thinking about the effects of alternative policies. I expect everyone to devote serious thought to the fundamental economic issues that arise with reference to your chosen research topic, and your report should include some application of basic economic analysis that helps in sharpening our understanding of the issues under investigation.

In addition to using economic principles to zero in on fundamental policy implications, you will need to think about the empirical dimensions of your policy problem. At a minimum, you will need to gather some data that allow you to describe the policy issues in an informed manner. For instance, what amounts of revenue or expenditures are at stake in your chosen policy area? How have these changed over time? What are the possible budgetary/revenue implications of alternative policies? To do this intelligently is not a small task. You must learn how to find reliable and meaningful statistical data. Do not fall into the trap of scanning a few random web pages and assuming that whatever numbers you have found on the web are either true or meaningful. Rather,
discover what sources of data are used by serious analysts, why, and what the strengths and weaknesses of these data are.

Do you need to do your own statistical analyses? I encourage effort along these lines and will welcome and appreciate it. However, this can easily become a rather involved undertaking, and time constraints are sure to limit what you can achieve. So, instead of or in addition to doing your own statistical analysis, you might think about how to design an appropriate statistical study. Suppose, for example, that you were going to formulate an RFP (request for proposals) on behalf of a state or local agency, in which you ask for proposals from policy consulting firms that will undertake the research that you specify. What would be a good research design? When they come and make a pitch as to why you ought to hire them for the project, how will you be able to determine whether they are going to do something useful or are merely blowing smoke? In other words, what are the really important empirical/statistical issues, and how could they be analyzed? If you can bring this question into focus, you will probably be well on the way to executing an interesting analysis and might be able to do some preliminary analysis for your report. If you can’t bring the question into focus, then whatever analysis you do is unlikely to be very meaningful.

“Analysis” does not mean only the use of economic principles and statistical methods. It also means learning about other relevant features of the problem you study, such as: the legal and constitutional context within which policy is made (as in the school finance cases mentioned above); the administrative dimensions of policy formulation (for instance, what kinds of information do businesses assemble through their financial accounting systems, and how do their accounting practices affect the range of feasible tax policies, the costs of compliance and enforcement for taxpayers and taxing authorities, etc.); or the measurement of the cost of providing public services to different users (how much damage do trucks do to highways compared to automobiles, how much does it cost to educate a lawyer or doctor compared to an English major, how much do poor people spend on state-funded “discretionary” health care, etc.). Intelligent analysis of policy does not proceed in an abstract void, and you need to discern what is really important within the context of the issue you wish to analyze.

3. You need to prepare a written report that describes your policy issue, why it is important, how you have analyzed it, what you have learned from your analysis, and why what you have learned is relevant for policymaking. You also need to describe the limitations are of your analysis. In addition to what you have discovered, what else should policy makers know about? What additional research would be worthwhile undertaking? Your report should be a very professional product, with clear and effective writing, good organization, appropriate supporting materials such as statistical tabulations, diagrams
that illustrate technical arguments, etc. You can include statistical or other appendices as seems appropriate.

4. Recognizing that policymakers, journalists, and the general public don’t actually bother to read reports, you need to write a one-page *executive summary* of your report, giving the most essential points in plain, non-technical language.

5. Recognizing that policymakers, journalists, and the general public don’t actually bother to read executive summaries, you will also need to prepare an *oral presentation* in which you lay out the essential elements of your analysis in an engaging and informative discussion lasting approximately 15 minutes. (We’ll haggle about the timing later on.) Your oral presentation should provide important insights into the policy issue that you study and should encourage your audience to pick up your report and read the executive summary. Once they have done that, they should be really interested in reading your report!

6. A word about advocacy vs. analysis: you will notice that I have not asked you to stake out a policy position and defend it. If, on the basis of your analysis, you think that you can support some policy proposals or can make at least some recommendations about policy options to avoid, that is terrific and you ought to do so. However, remember that you are an analyst. You haven’t prepared a platform and gotten elected, you have no particular reason to think that your personal opinion counts for much more than anyone else’s, and, most certainly, you will not get credit in this course for advocating liberal, conservative, Democratic, Republican, Libertarian, or Socialist Worker Labor Party viewpoints.

As you undertake your research, the role of existing academic literature should not be underestimated. You should definitely browse appropriate academic journals – the *Journal of Public Policy Analysis and Management; Public Budgeting & Finance; Journal of Political Economy; Public Administration Review; and National Tax Journal* are obvious candidates – to see what sorts of analyses have been undertaken by other analysts. You should also look at other sources, like the ones shown on our reading list and others that I can recommend. I will expect you to have read at least a few relevant scholarly papers and to use them to inform your research and provide you with examples of what analytical research looks like, that you can then emulate.