Course Description

This ten-week course will focus on state and local public finance primarily through the lens of applied microeconomics. It will address questions regarding: the role of government in providing of public goods and addressing market failures, how state and local governments make revenue and expenditure choices, and equity and efficiency in taxation and other sources of state and local revenue.

Students will be introduced to models of public choice without mobility (voting) and with mobility (Tiebout hypothesis). Within the context of fiscal federalism, students will study specific state and local tax sources including income, sales and excise, and property taxes and nontax revenue sources. The course will provide an overview of the uses of state and municipal funds and priorities in production of state and local government services. The course will assess state and local government roles in economic development initiatives and their interactions with the private sector in the form of development incentives and public-private partnerships.

Students will become familiar with data sources that are commonly used to describe and analyze state and local government finance and be encouraged to seek additional sources of information. Using appropriate theoretical perspectives, students will be required to study issues in public finance such as school funding, pension obligations, health care, prisons, wastewater management, transportation infrastructure, tourism assets, and other current issues.

Required Readings: State and Local Public Finance Fourth Edition, Ronald C. Fisher. Other articles as may be assigned.

Assignments – Unannounced quizzes. Problem sets, answers to discussion questions, or memorandum on policy issues (weeks 2 through 7). Group presentations on selected policy issues (week 10).

Prerequisites: Pre-requisites for the course are the two-quarter core sequence in microeconomics, PP32300 and PP32400, or their equivalent.

Relationship to Certificate in Municipal Finance: This course may be taken as part of the certificate program; see http://harris.uchicago.edu/centers/municipal-finance/certificate.

Format of Class: Lectures, discussions, and student presentations. Meet on Mondays 5:00–7:50 pm.

Office Hours: Before class on Monday’s or by phone appointment.
WEEK 1 – Role of State and Local Governments in the Economy

a) Structure of state and local governments
   Fisher pps. 1-31,
b) Government services
   Fisher pps. 51-71
c) Market efficiency and market failure
d) Sources of data on state and local government

WEEK 2 – Public Choice

a) Public choice without mobility
   (Fisher pps. 73-90)
b) Voting methods in state and local government: majority vote, direct democracy (referenda), line item vetoes
   (Fisher pps. 92-108)
c) Choice with mobility (Tiebout Hypothesis)
   (Fisher pps. 93-107)

WEEK 3 – Provision of Good and Services

a) How budgets are proposed and approved in state and local governments
   (Fisher pps. 131-158)
b) Costs and production of goods and service
   (Fisher pps. 160-183)
c) Pricing of government goods
   (Fisher pps. 186-208, City of Chicago Office of Inspector General Audit of the City's Process of Evaluating and Setting User Fees)

WEEK 4 – How Governments Fund Themselves

a) Tax analysis single market and multi-market analysis
   (Fischer Chapter 12)
b) Borrowing
   (Fischer Chapter 11, MSRB: Municipal Securities Financing the Nation's Infrastructure)

WEEK 5 – Property Taxes

a) Institutions and structure
   (Fischer Chapter 13)
b) Economic analysis and effects
   (Fischer Chapter 13, McMillen, Daniel P. Assessment Regressivity, A tale of Two Illinois Counties, Barry, Christopher, Estimating Property Tax Shifting Due to Regressive Assessments)
WEEK 6 – Income Taxes
   a) Structure and efficiency  
      (Fischer Chapter 16)
   b) Income Inequality  
      (readings tbd)

WEEK 7 – Sales and Excise Taxes
   a) Structure and efficiency  
      (Fischer Chapter 15)
   b) Sin taxes  
      (Alcott et. al., Regressive Sin Taxes with and Application to the Optimal Soda Tax)

WEEK 8 - Business Taxes
   a) Structure, efficiency and equity  
      (Fischer Chapter 17)
   b) Revenue from monopoly and regulation  
      (Fischer Chapter 18)
   c) Fiscal Policy and Economic Development  
      (Fischer Chapter 22)

WEEK 9 - Fiscal Policy and Economic Development
   a) Policies  
      (Fischer Chapter 22)
   b) Public Private Partnerships  
      (readings tbd)
   c) Sports venues  
      (Sanderson, Allen, In Defense of New Sports Stadiums, Ballparks and Arenas)
   d) Tourism development  
      (HVS Lodging Tax Study, other reading tbd)

WEEK 10 – Group Presentations on Current Topics in State and Municipal Finance
Potential Topics
   a) School funding (comparative analysis of Chicago and suburban districts)
   b) E-Commerce taxation (e.g. Airbnb, online sales)
   c) Incentives for business Attraction (e.g. Amazon, Foxconn)
   d) Tourism development initiatives (e.g. convention centers, stadiums, arenas)
   e) Incentivizing environmental initiatives (e.g. grocery bag tax, energy taxes and fees)
   f) Pension Funding
Class and Student Conduct

Use of web and email: I will post course materials to the university's CANVAS web-based course management system: the URL is http://courses.uchicago.edu. Students are responsible for any and all material posted there. My email address is thazinski@uchicago.edu. I do not text, tweet, or Facebook message regarding course matters, so please check your UNIVERSITY OF CHICAGO email and CANVAS regularly.

Use of electronic devices in class: You may NOT use your laptop or smartphone during class. You may not consult smart watches, wear Google glasses, or use any other electronic aids.

Academic integrity: All University of Chicago students are expected to uphold the highest standards of academic integrity and honesty. Among other things, this means that students shall not represent another's work as their own, use un-allowed materials during exams, or otherwise gain unfair academic advantage. All students suspected of academic dishonesty will be reported to the Harris Dean of Students for investigation and adjudication. The disciplinary process can result in sanctions up to and including suspension or expulsion from the University. In addition to disciplinary sanctions, I will impose a grade penalty for students who have committed academic dishonesty. The student will receive a grade of 0 on the exam or problem set in question and cannot earn higher than a B- in the course, regardless of their performance on other assignments and exams.

The Harris policy and procedures related to academic integrity can be found at https://harris.uchicago.edu/gateways/current-students/policies. The University of Chicago Policy on Academic Honesty & Plagiarism can be found at https://studentmanual.uchicago.edu/academic-policies/academic-honesty-plagiarism/.

It is contrary to justice, to academic integrity, and to the spirit of intellectual inquiry to submit the statements or ideas of work of others as one's own. To do so is plagiarism or cheating, offenses punishable under the University's disciplinary system. Because these offenses undercut the distinctive moral and intellectual character of the University, we take them very seriously and punishments for them may include expulsion from the University.

Proper acknowledgment of another's ideas, whether by direct quotation or paraphrase, is expected. If any written or electronic source is consulted and material is used from that source, directly or indirectly, the source should be identified by author, title, and page number. Any doubts about what constitutes "use" should be addressed to the instructor.

These expectations apply to all assignments in this class, in which your submitted work represents your commitment that it is your own independent work and that you have relied on no other individuals or resources, except as explicitly specified in the assignment instructions, in producing this work. Any chart, graph, or table you create should also contain complete source information as indicated. I encourage any students with specific questions to contact me directly. You may also find this recent article interesting: http://www.nytimes.com/2010/08/02/education/02cheat.html?pagewanted=all
**Professionalism:** Students are expected to act with professionalism and respect throughout this course. This includes, but is not limited to, being on time to class and for any outside-the-classroom study group meetings; not using electronic or other electronic devices during class time; and generally acting in a fashion consistent with the young professionals you are now becoming.

**Students with disabilities:** Any students requesting accommodations related to disabilities should contact me to make proper arrangements. Please be prepared to share your documentation from the Dean of Students regarding appropriate accommodations.

**Name cards:** I will distribute name “tents” to all students in the class; please bring these and use them each day in class so I can learn your names more quickly.

**Background resources, websites, and organizations:** In addition to the ones appearing on the reading, you may find this list helpful: Federation of Tax Administrators; National Conference of State Legislators; Tax Foundation; Civic Federation; Illinois Policy Institute; Center for Budget and Policy Priorities; Center on Tax and Budget Accountability; National League of Cities.

**STUDENT ASSIGNMENTS AND GRADING**

- Weekly Problem Sets/Unannounced Quizzes 50%
- Mid-term Paper (topic to be determined) 25%
- Group Assignment (week 10) 25%