

Fall 2024: State and local public finance PPHA 32100
Syllabus: September 30, 2024

Information about this course

Background

This one-quarter class in the economics of state and local governments applies basic microeconomic analysis to topics such as property, sales, and income taxation, as well as nontax revenue sources such as lotteries and user fees. We also cover intergovernmental grants, with a focus on Medicaid and education finance; capital projects and debt finance; public sector pensions and other post-employment benefits; and/or local economic development. While some material and themes apply easily in international settings, the course's primary focus is on fiscal choices and outcomes for subnational governments in the United States. The course does *not* treat in detail topics such as municipal bond markets and the variety of financial statements such as budgets, annual financial reports, or bond prospectus issued by specific jurisdictions.

Goals of class

Use applied tools of microeconomics and simple data analysis to analyze spending and revenue-raising choices of state and local governments in the United States. Use Tiebout local public goods framework to motivate rationale for local government service provision. Throughout the quarter, students will be introduced to a variety of public data sources commonly used to describe and analyze the fiscal choices and conditions of sub-national governments in the United States.

Students completing this course will be able to:

- Review and analyze the economic factors shaping the fiscal structure of subnational governments in the United States.
- Assess the efficiency, equity and revenue productivity effects of income, sales and excise, and property tax and nontax revenue policy choices of subnational governments.
- Analyze the economics of selected locally provided services and programs (e.g., primary and secondary education; Medicaid; public safety; infrastructure).
- Assess the financial viability and policy reforms for state and local government pension programs.
- Assess the consequences of local economic development policies.
- Use publicly available datasets to investigate these topics.
- Improve ability to create and interpret meaningful graphs and tables.

Prerequisites

Pre-requisites for the courses are the two-quarter core sequence in microeconomics, PP32300 and PP32400, or their equivalent. Students are also expected to have basic proficiency with Microsoft Office (Word, Excel, PowerPoint) and either R or Stata for data analysis.

Relationship to Certificate in Municipal Finance

This course is required as part of the certificate program; see <http://harris.uchicago.edu/centers/municipal-finance/certificate>. Please note that students may NOT take this course pass/fail if they intend to complete this certificate.

Class Schedule and Special Dates

- We will meet in person, twice weekly, for nine weeks: Tuesday and Thursday mornings, 11:00 am to 12:20 pm, in Keller 0023.
 - In week 1 of the quarter, our schedule will differ due to conflicts with Rosh Hashanah late that week: our first class meeting will be in Keller 0023, from 4:30 to 5:50 pm, on Monday, September 30, and our second class meeting will be in Keller 0023, from 11:00 am to 12:20 pm, on Tuesday, October 1. We will NOT meet on Thursday, October 3.
 - Beginning the week of October 7, we will meet on Tuesdays and Thursdays, 11:00 am to 12:20 pm, also in Keller 0023.
- Class *does not* meet during the week of Thanksgiving; so no class on Tuesday November 26 or Thursday November 28.
- We *do* meet the week following Thanksgiving; our last regularly scheduled class will be Thursday, December 5.
- The class FINAL EXAM is scheduled for Tuesday, December 10, at 11 am.

Class Policies and Plans

- Unless directed by the Dean of Students to accommodate students with disabilities, I will not record class sessions.
- Class time will be devoted to lectures, working through examples of problems, in-class activities, and outside speakers TBD. Outside of class, students will be expected to review lecture notes and read selected articles and policy briefs.
- Each week, I will post a README page in the relevant Canvas module; that file will contain links to readings, the exact schedule for the week, lecture notes, and any needed links to other materials. These README pages will be the basic way I communicate our plans and announce any needed adjustments during the term.
- I will hold regular office hours and will post my schedule on Canvas.

Use of electronics in class

In keeping with the Harris School's emphasis on creating engaged classrooms and supporting professionalization throughout its programs, I ask that all students refrain from using laptops, phones, tablets, and/or other smart devices (thinking about you, Garmins and Apple Watches!) while in class.

That means turning all devices to “silent” or “do not disturb” mode and keeping them out of sight during class. Students with documented disabilities requiring or permitting the use of such devices should email me to discuss arrangements.

Readings and topics

A separate reading list and schedule will be provided for students. That said, here is the basic list of topics we will cover, with the last few dependent on time available and student preferences:

- What *do* state and local governments do? What *should* they do?
- Principles of public finance
- Demand for local public services
- Fiscal federalism: who should do what?
- Principles of taxation
- Property taxation
- Sales and excise taxation
- Individual income taxation
- Taxation of business
- Growth, tax reform, and inequality
- User fees and congestion charges
- Intergovernmental grants: general; Medicaid; education finance
- Debt, borrowing, and infrastructure
- Pensions and Other Post-Employment Benefits (OPEBs)
- Local economic development

Student assignments and assessments

All of the following are individual assignments, with the exception of the November 5 in-class presentations. Grading weights and due dates are as follows:

- Description of one selected own-source revenue for the state of Illinois (15%), Friday October 18
- Analysis of U.S. city finances (15%), Friday November 1
- In-class presentations of state tax ballot measures (15%), Tuesday, November 5
- Quizzes: 4 total (top 3 will count for grade) (15%): October 10, October 24, November 14, and November 21
- Final exam (40%): Tuesday, December 10, 11 am

Grading policies and procedures

- As a general matter, submitted student work may be evaluated in multiple domains, including but not limited to the responsiveness to the assignment prompt; writing style and mechanics; analytical depth; clarity and professional appearance of graphs and tables; and creativity and initiative. For more objective quizzes and the final exam, students will be evaluated on which analytical tools they use; how they apply them; and/or whether their analysis is correct.

- Students are expected to include full citations, using Chicago Manual of Style protocols, in any written work. Specific guidance will be provided in individual assignments.
- Students taking the class pass/fail must complete all assignments and receive passing grades on all assignments to receive a “pass” grade for the course.
- Student work must be uploaded via Canvas or Gradescope by the due date to receive full credit. Late submissions will be penalized by 10% if received within 24 hours of the due date and time and by 20% if received within 48 hours of the due date and time. No work will be accepted beyond the 48-hour threshold.
- Some assignments will be handled via Gradescope, with others possibly handled via Canvas. Instructions for each assignment will clarify our plans.
- Students requesting regrade requests must submit requests either via Gradescope (if originally submitted there) or by email (if otherwise). You should explain why the work should be reconsidered. If solutions to the work have been made available, students must discuss why their work deserves additional credit vis-à-vis the solutions. Any regrade requests must be submitted no later than 7 days after the return of the graded work.
- Individual assignments will be graded on a points basis (e.g., “37 out of 40 possible points”); weighted using the grading weights given above; and then summed for a final course score at the end of the term. Letter grades corresponding to those course scores will be based on an informal curve; in previous years, between 20 and 25% of students earned an A; a somewhat higher percent earned A-; and so on. I award very few grades of B- or lower in this class—in fact, I hope to award none in that range!

Teaching assistants

We are fortunate to have two excellent grading TA’s for this course: Amir Ali Rajani amrajani@uchicago.edu and Yuqing Wen wyuqing@uchicago.edu. Each will hold office hours by Zoom, details on Canvas, and will be responsible for a significant share of the grading.

Communications preferences

I encourage the use of email and try to respond in a timely fashion. Please be direct and clear with the subject line of your messages! And please do not use the Inbox/Messaging feature of Canvas to communicate with me. I also do not text, tweet, or Facebook message regarding course matters, and I don’t even use Slack! So please check your UNIVERSITY OF CHICAGO email and CANVAS regularly.

Harris School and University of Chicago Resources

- Harris School supports are described here: <https://harris.uchicago.edu/student-life/dean-of-students-office/academic-support-programs>
- From the home page of the University’s [Learning Remotely](https://learningremotely.uchicago.edu/) site, links to learning and health and well-being resources are provided: <https://wellness.uchicago.edu/> and <https://learningremotely.uchicago.edu/learning-resources/> .

- Students needing urgent mental health care can speak with clinicians over the phone 24/7 by calling (773) 702-3625.

Harris School and University of Chicago Policies

No surprises here, but all University and Harris School policies apply to this course. The best source of information is from the Harris School's Dean of Students Office: <https://harris.uchicago.edu/student-life/dean-of-students-office>. That page includes links to [Harris School policies](#), [University Academic Policies](#), and [University General Policies](#). Some specific items to highlight:

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.

- It is worth explicitly stating the University's approach: "It is contrary to justice, academic integrity, and to the spirit of intellectual inquiry to submit another's statements or ideas as one's own work. 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."
- Any students suspected of academic dishonesty will be reported to the Harris Dean of Students (Kate Shannon Biddle) for investigation and adjudication. The disciplinary process can result in sanctions up to and including suspension or expulsion from the University. In addition to those penalties, I reserve the right to assign a grade of "F" for any assignment for which a student is found to have committed academic dishonesty; in a subset of such cases, a student may also receive a grade of "F" for the course, earning zero credit.

Artificial Intelligence

I have prepared a separate document with policies regarding the use of generative artificial intelligence (GenAI) tools. But in a nutshell, the policy requires students to:

- Comply with existing University and Harris School policies, including those pertaining to academic integrity
- Review and confirm the both the accuracy and the ownership of AI-generated content
- Disclose the use of any and all AI-generated content
- Refrain from sharing any confidential or sensitive data or information with publicly available generative AI tools
- Understand that compliance is at the individual as well as group level in cases of group work