PUBLIC AFFAIRS 891: STATE AND LOCAL PUBLIC FINANCE

This course will examine the financing of state and local governments. The course is divided into four parts. Part 1 explores the structure of subnational governments and their role in providing public goods and services. Part 2 examines key sources of revenue for state and local governments, including property, income, consumption and business taxes as well as user fees and government borrowing. Part 3 introduces key concepts in public budgeting with a focus on the mechanics of local budget administration. Part 4 analyzes contemporary issues in the financing of state and local government services, with a specific focus on health, education, transportation and economic development.

COURSE READINGS


Additional readings will be assigned throughout the course that engage current issues in state and local finance in real time. These will be available online.

COURSE REQUIREMENTS

• Wisconsin State Budget Issue Tracker Assignment (1p. + Canvas) [Due Week 2]
  o Students will review 2017-2019 budget requests for WI state agencies and identify and summarize a proposal of interest.
  o Students will take turns (in pairs) to update class on recent happenings in Wisconsin State Budget Process for 2017-2019.

• State Revenue Data Exercise (using Census of Governments Data) (3p.) [Due Week 4]
• Wisconsin State/Local Revenue Reform Proposal Memo (5p.) [Due Week 10]
• State/Local Finance Issue Paper and Presentation (8-10p.) [Paper Due May 10]

Details on each assignment will be provided in class and/or posted on the course website.
Grades will be assigned based on the following:

- Wisconsin Budget Tracker: 10%
- State Revenue Data Exercise: 10%
- Wisconsin State/Local Revenue Reform Proposal Memo: 20%
- State/Local Finance Issue Paper (30) and Presentation (10): 40%
- Class Participation (debates, discussions, activities): 20%

Note: Students are expected to be familiar with and adhere to University of Wisconsin policies regarding academic honesty and integrity. See: students.wisc.edu/doso/academic-integrity/

**Course Outline and Readings [Subject to Change]**

### Week 1 (January 17) Introduction and Overview
- Fisher 1: Why Study State and Local Government Finance (pp. 3-30)

### Part I. Local Governance Structure and Provision of Goods & Services

### Week 2 (January 24) State/Local Gov’t Finance Structure
- Fisher 2: Microeconomic Analysis: Market Efficiency and Market Failure (pp. 31-38)
- Fisher 6: Organization of Subnational Government (111-127)
- Spotlight Wisconsin: The 2016 State of Wisconsin Cities and Villages

### Week 4 (January 31) Budgeting; Federalism; Fiscal Restraints
- Fisher 7: Budgeting and Fiscal Outcomes
- Fisher 10: Intergovernmental Grants
- State Tax and Expenditure Limits (National Conference of State Legislature)
- State General Fund Expenditure Limits (Wisconsin Legislative Fiscal Bureau)

### Week 4 (February 7) Providing Public Goods & Services
- Fisher 3: Demand for State and Local Government and Goods (49-72)
- Fisher 8: Costs and production of state and local goods and services (160-85)
- Fisher 4: Public Choice Without Mobility: Voting (73-92)
- Fisher 5: Public Choice Through Mobility (93-110)

### Part II. State and Local Government Revenues

### Week 5 (February 14) Principles of Taxation & Property Tax I
- Fisher 12: Principles of Tax Analysis
- Fisher 13: The Property Tax: Institutions and Structure
• NCSL: Principles of a High-Quality State Revenue System

Week 6 (February 21)  Property Tax II
  • Fisher 14: Property Tax: Economic Analysis and Effects

Week 7 (February 28)  Income and Consumption Taxes
  • Fisher 15: Sales and Excise Taxes
  • Fisher 16: Income Taxes

Week 8 (March 7)  Business Taxes; User Fees, Charges, Other Revenue
  • Fisher 17: Business Taxes

Week 9 (March 14)  Government Monopoly; Borrowing, Debt, Capital Investment
  • Fisher 18: Revenue from Government Monopoly and Regulation
  • Fisher 11: Borrowing, Debt and Capital Investment

**SPRING BREAK**

Part III. Basics of Public Budgeting

Week 10 (March 28)  Introduction to Budgeting
  • Cases to be assigned.

Week 11 (April 4)  Budgeting Principles and Mechanics
  • Recommended Budget Practices: A Guide for Improved State and Local Budgeting

Week 12 (April 11)  State + Local Government Budgeting
  • State and Local Government Pension Risks
  • States Forecast Slow Revenue Growth

Part IV. Applications and Current Issues

Week 13 (April 18)  Education, Health, Welfare
  • Fisher 19: Education
• Fisher 21: Health & Welfare

Week 14 (April 25)  Transportation, Economic Development
• Fisher 20: Transportation
• Fisher 22: Economic Development

Week 15 (May 2)  Projecting the Future: Federalism and Fiscal Capacity

[Final Paper Due May 10th 2017]