



ADVANCED FISCAL AND BUDGETARY POLICY

School of Economic, Political and Policy Sciences

PA 7360, Fall 2014

Wednesdays, 7:00 – 9:45 pm, CB3 1.308

Professor Contact Information

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Course Description

This advanced seminar is designed to provide you with an overview of scholarship on modern American fiscal and budgetary policies. The primary audience of this course is doctoral students, both those focusing on public finance in their research and those for whom public finance is a minor but fascinating field. The course reviews central theories of public budgeting and finance, covers key policy features of federal, state, and local financial management, and provides a foundation for evaluating and analyzing organizational budgets. The readings systematically encourage you to examine policy environments in which decision making happens. As a graduate seminar, this course maximally rewards active student participation and conscientious effort.

In this course you will:

1. Examine classic theories of public finance and their implications for public governance.
2. Examine competing budgeting theories.
3. Examine key sub-national institutions that affect state and local financial management and fiscal outcomes (e.g. tax and expenditure limits, balanced budgets requirements).
4. Discuss fundamental principles and dilemmas of capital budgeting.
5. Analyze local government Comprehensive Annual Financial Reports (CAFRs) from the fiscal policy perspective.
6. Write a research proposal and have an opportunity to submit it for a public finance research conference.



Required Textbooks

Most of the readings for the course are peer-reviewed publications and other materials available to students online. Two books are required for the course:

Rubin, Irene. 2010. *The Politics of Public Budgeting; Getting and Spending, Borrowing and Balancing*. (6th edition). Washington, DC: CQ Press. - Acquire by **September 3**.

Gruber, John. 2013. *Public Finance and Public Policy*. (4th edition). New York, NY: Worth Publishers. - Acquire by **September 3**.

Reference materials (optional)

Mikesell, John. 2010. *Fiscal Administration*. (8th edition). Boston, MA: Wadsworth Cengage Learning.

Course Expectations

Students in this course will be treated as committed scholars. A scholarly attitude, reflected in diligence, engagement, and respect for opinions of others is an integral requirement and prerequisite for the course.

The bulk of each class session will be devoted to critical analysis and discussion of the assigned readings. Doing the assigned readings and coming to class prepared for the discussion of the assigned material is the most critical task of a student.

Current events

Classes will begin with brief student presentations of current events – national, state or local news relating to financial management or budgeting. Presenters are encouraged to engage the audience in the discussion after presenting their analysis of the current event. **On the day of their presentation, the student should post a link to and a brief analysis of their current event on eLearning.** Students will sign up for presentations in advance. Each student is responsible for four current event presentations in the semester. This component of the course aims at developing and sustaining professional reading habits. Examples of the news outlets that feature news on public finance topics include the Atlantic, the Economist, Washington Post, and the New York Times.

Short summaries of the readings

After current event presentations, a class session will continue with a short lecture provided by the professor or a short summary of the readings, of roughly 10-15 minutes, provided by one of the students. Students will sign up for the presentations in advance. While the bulk of the



presentation will focus on summarizing the arguments of the assigned text, presenters will be expected to go beyond the assigned readings, placing them in the context of other writings on the subject and examining how the readings connect.

Discussion

After the brief summaries of the readings, a more in-depth discussion of the readings will follow. Topic masters – class leaders assigned to specific topics in advance – will lead the discussion by asking the audience questions prepared in advance. Topic masters are encouraged to think of questions that would help the class not only to discuss the readings in detail but also to critique the arguments, expose strengths and weaknesses of a theory or model, examine contradictory or inconsistent evidence, and assess the ultimate usefulness of the theory or model and its applicability to other fields. Topic masters are also encouraged to engage their peers in the discussion through group tasks, simulations, and games.

Writing Assignments

There are three types of writing assignments in this course.

1). Each student is expected to submit a brief summary of the weekly readings at the beginning of the class (1-2 pages). The goal of this assignment is to help students prepare for in-class discussions. To receive full credit for this component, a student should submit ten reading summaries over the semester.

2). A short reflective essay on the problems of government regulation of the financial sector will be assigned on September 24. Prior to the assignment, students will watch two movies on the origins and the development of the Great Recession.

3). An article review is intended to be the first step in preparing a student's final project. Students will choose a peer-reviewed article on a topic of interest for completing this assignment. Students will analyze the chosen article following a template for a review of an academic paper that will be available to them on eLearning.

Final Paper

For the final paper students will choose a policy, a feature of the tax or budgetary system, or a public finance issue that interests them. Students are encouraged to come up with a research question to study a topic of interest that they are already passionate about. The final paper should include a literature review on the topic, propose a research project that would fill an existing gap in scholarly understanding of the issue, and outline how the author will explore the research question via a quantitative or qualitative inquiry. The proposed project should be achievable by a social scientist. While the final paper's length is somewhat flexible depending



on the chosen topic, students should shoot for a paper of about 12-13 double-spaced pages, or roughly 4,000 words.

Research questions may be grounded in either a quantitative or an exploratory qualitative approach. So, for example, a student may be interested in examining effects of the form of government on budget deficits at the local level or decide to follow a fiscal issue – budget or tax – that is under consideration during the current session of the Texas State Legislature. The methods for completing these projects will be very different but both projects make good examples of potential research papers.

To extend the fun of doing research further, students are encouraged to think of their final projects as papers that they would submit to the Public Finance and Budgeting panel of the annual meeting of the Western Social Science Association. The 2015 conference will take place in Portland, Oregon on April 8-11, 2015. The paper submission deadline is December 1, 2014. A confirmation page of abstract submission to WSSA will earn a student 20 points of extra credit 😊.

Grading

Class participation

Current events (4)	100 points
Topic master (2)	200 points
In-class discussion and participation in group activities	200 points

Short written assignments

Reading summaries (10)	200 points
Short essay (1) - due October 3	100 points
Article review (1) – due October 29	100 points

Fiscal policy project and in-class presentation – due December 10	300 points
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Grades will be awarded based on a student’s performance on the assignments and their contributions to class discussions. Students earning 90 percent or above on the graded assignments will earn an A/A-; grades of 80-89 represent a B- /B/B+; grades of 70-79 represent a C-/C/C+ .



Course Policies

Academic Integrity

I expect from students a high level of responsibility and academic honesty. The value of an academic degree depends on the absolute integrity of the work done by the student and it is imperative that the student demonstrate the highest standard of individual honor in their work. Please go to <http://go.utdallas.edu/syllabus-policies> to learn more about the University's policies and procedures that apply to students who engage in academic dishonesty. If you have any questions on what constitutes academic dishonesty, please do not hesitate to ask me.

Use of Electronic Devices

Students are allowed to take notes and access articles on their laptops or tablets and are expected to use electronic devices for coursework-related activities. Please be respectful of your colleagues and remember to keep your cell ringer off during class time.

Attendance and Late Work

Regular class attendance is very important for succeeding in the course because active student participation in the discussions is a crucial component of the course grade. If you need to miss a class, please e-mail me at least 24 hours in advance. If you must miss a class when you are responsible for the reading summary or are the Topic Master, please make advance arrangements with your classmates to swap your class leadership responsibilities with them. (They will present reading summaries or be the topic master for you when you are absent and you will present reading summaries or be the topic master for them when their turn comes.)

No late paper will be read (any exceptions owing to special circumstances must be arranged in advance of the due date).

Tips

I strongly recommend that you use a software program for formatting your references (e.g. www.zotero.org) and a professional document preparation software package (e.g. Latex – [la`tek] - <http://www.latex-project.org>) for completing assignments in this course. Moderate time investment may be necessary to learn how to use these tools but this investment is sure to pay off. First, it will save you time on formatting references in all future academic projects. Second, it will train you to work with sources and text in a very efficient manner. Third, your writing products will always look great.



Course Schedule

Week 1 - August 27

Introduction

Week 2 – September 3

Roles of Government in the Economy

Joyce, P. and S. Pattison. (2010). Public Budgeting in 2020: Return to Equilibrium, or Continued Mismatch between Demands and Resources? *Public Administration Review*, 70 (S1): S24-S32.

Warner, M. (2010). The Future of Local Government: Twenty-First Century Challenges, *Public Administration Review*, 70, (S1): S145-S147.

Rubin, I. (2007). The Great Unraveling: Federal Budgeting, 1998-2006. *Public Administration Review*, 67 (4): 608-617.

Hoagland, G.W. (2007). A Comment on “The Great Unravelling: Federal Budgeting, 1998-2006.” *Public Administration Review*, 67 (4): 618-623.

Gruber, J. 2013. Chapter 4. pp. 91 -118. *Public Finance and Public Policy*. Worth Publishers: New York, NY. (available on eLearning)

Week 3 – September 10

Federalism and Provision of Public Goods

Gruber, J. 2013. Chapters 7-8, pp. 183-225.

Tiebout, C. (1956). A Pure Theory of Local Expenditures. *The Journal of Political Economy* 64 (5): 416-424.

Gruber, J. 2013. Chapter 10, pp. 264-288.

Baicker K., J. Clemens, and M. Singhal. (2010). Fiscal Federalism in the United States. NBER working paper.



Week 4 – September 17

Political Economy: Theories of Fiscal Decision Making

Gruber, J. 2013. Chapter 9. pp. 229-260

Oates, W. (1988). On the Nature and Measurement of Fiscal Illusion: A Survey. In G. Brennan et al. (Eds.), *Taxation and Fiscal Federalism: Essays in Honor of Russell Mathews* (pp. 65-82) Sydney, Australia: Australian National University Press.
<http://www.econ.umd.edu/research/papers/347>

Hendrick R. et al. (2011). Does Local Government Fragmentation Reduce Local Spending?
Urban Affairs Review 47 (4): 467-510.

Tip: Start reading the book by Rubin. It is due for discussion on October 1.

Week 5 – September 24

Roles of Government in the Financial Crisis

Roberts, A. (2010). The Rise and Fall of the Discipline: Economic Globalization, Administrative Reform and the Financial Crisis. *Public Administration Review* 70 (S1): S56-S63.

Please watch movie ‘Inside Job’ before coming to class.

In-class movie: ‘Too Big to Fail’

Based on ‘Inside Job,’ ‘Too Big to Fail,’ and an article by Roberts (2010), you will write an essay on the problems of government regulation of the financial sector. Use guidelines provided on eLearning in the folder for Week 5.

Week 6- October 1

Government Budgeting

Rubin. I. 2010. *The Politics of Public Budgeting*. CQ Press: Washington, DC.

Exercise: Exploring Databases of the Census Bureau.



Week 7 – October 8

State and Local Fiscal Sustainability

- Chapman, J.I. (2008). State and Local Fiscal Sustainability: The Challenges, *Public Administration Review* 68 (S): 115-131.
- Bifulco, R. et al. (2012). Debt and Deception: How States Avoid Making Hard Fiscal Decisions. *Public Administration Review* 72 (5): 659-667.
- Mallach, A. & L. Brachman. (2013). Regenerating American Legacy Cities. Policy Focus Report. *Lincoln Institute of Land Policy*: Cambridge, MA.
- Kaplanoglou, G. & T. Rapanos. (2011). Fiscal Deficits and the Role of Fiscal Governance: The Case of Greece. *Economic Analysis and Policy* 43 (1), 5-27.

Week 8 – October 15

Institutions: TELs and BBRs

- Rose, S. (2010). Institutions and Fiscal Sustainability. *National Tax Journal*, 63: 807-838.
- Hoene, C. and M. Pagano. (2008). [Cities and State Fiscal Structure](#). Washington D.C.: National League of Cities Research Report.
- Martell, C. and P. Teske. (2007). Fiscal Management Implications of the TABOR Bind. *Public Administration Review*, 67 (4): 673-687.
- Hou, Y., and D. L. Smith. (2010). Do state balanced budget requirements matter? Testing two explanatory frameworks. *Public Choice* 145: 57–79.

Week 9 – October 22

Institutions: Form of Government

- Coate, S. & B. Knight. (2011). Government Form and Public Spending: Theory and Evidence from US Municipalities. *American Economic Journal: Economic Policy* 3 (3): 82–112.
- MacDonald, L. (2008). The Impact of Government Structure on Local Public Expenditures. *Public Choice* 136: 457-473.
- Nelson, K and J. Svara. (2011). Form of Government Still Matters: Fostering Innovation in U.S. Municipal Governments. *The American Review of Public Administration* XX (X): 1-25.



Week 10 – October 29

Revenue Diversification

Carroll Deborah. (2009). Diversifying Municipal Government Revenue Structures: Fiscal Illusion or Instability? *Public Budgeting & Finance* 29 (1): 27-48.

Mikesell J. & J. Ross. (2012). Fast Money? The Contribution of State Tax Amnesties to Public Revenue Systems, *National Tax Journal* 65 (3): 529-562.

Kenyon, D. and A. H. Langley. (2010). Payments in Lieu of Taxes: Balancing Municipal and Non-Profit Interests. Policy Focus Report. Cambridge, MA: Lincoln Institute of Land Policy.

Week 11 – November 5

Accountability

Coe, C. (2008). Preventing Local Government Fiscal Crises: Emerging Best Practices. *Public Administration Review*, 68 (4): 759-767.

Maher, C. & K. Nollenberger. (2009). Revisiting Kenneth Brown’s “10-Point Test,” *Government Finance Review*, 25 (5):61-66.

Analysis of the Comprehensive Annual Financial Report (CAFR) of the city of Glendale, AZ, FY 2010.

TBA

Week 12 – November 12

Capital Budgeting

Hildreth B. & K. Zorn. 2005. The Evolution of the State and Local Government Municipal Debt Market over the Past Quarter Century, *Public Budgeting and Finance* 25 (4): 127-153.

Wang, W. and Y. Hou. (2009). Pay-as-You-Go Financing and Capital Outlay Volatility: Evidence from the States over Two Recent Economic Cycles, *Public Budgeting and Finance*, 29 (4): 90-107.

Chapman, J. & E. Gorina. (2012). Municipal Fiscal Stress and the Use of Tax Increment Financing. *Town Planning Review* 83 (2): 196-203.



Week 13 – November 19

Funding of Public Pensions

Munnell, A., Aurby, J.P. and L. Quinby. (2011) Public Pension Funding in Practice. *Journal of Pension Economics and Finance* 10 (2): 247-268.

Rich, K. T., & Zhang, J. X. (2013). Unfunded Public Pension Liabilities and Local Citizen Oversight. *Working Paper*. Retrieved from <http://dx.doi.org/10.2139/ssrn.2261211>

Week 14 – November 26

NO CLASS – FALL BREAK

Week 15 – December 3

Taxation and Tax Reform

Gruber, J. 2013. Chapters 18-22, 25. *Public Finance and Public Policy*. New York, NY: Worth Publishers.

National Conference of State Legislatures. (2010). *Tax Policy Handbook for State Legislators*. <http://www.ncsl.org/documents/fiscal/TaxPolicyHandbook3rdEdition.pdf>

Week 16 – December 10

In-class presentations of final projects

The descriptions and timelines contained in this syllabus are subject to change at the discretion of the Professor.