

School of Urban Studies and Planning
USP579: State & Local Public Finance
Office Hours: Thurs. 3:00-4:00 & by appt.
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Syllabus

This course will focus primarily on the financing of state and local governments, with some discussion of expenditure issues. This involves not only looking at the various sources of revenue and patterns of expenditure but also analyzing how government choices affect the economy. Since local governments in Oregon rely heavily on state funding, especially for schools, we will also examine intergovernmental transfers of money. Oregon has historically led the country in the use of innovative finance. For example, Oregon was the first state to institute a tax on gasoline to fund road construction and maintenance, Oregon's property tax system has historically been quite different from that used in other states, and the state continues to look at innovative finance methods such as a value-added tax and pricing the use of roads. Oregon also is one of only five states to forego the use of a sales tax and has one of the highest income tax burdens in the country. Analysis of the major revenue sources and their issues will help identify the strengths and weaknesses of various revenue structures. The required text for the course is *State & Local Public Finance, 3e* by Ronald C. Fisher, listed below as (F).

The Legislative Revenue Office (hereafter LRO) conducts studies for the Oregon Legislature and provides data and analyses. Their publications are at (<http://www.leg.state.or.us/comm/lro/>). Required readings from the *National Tax Journal* can be found in the library or accessed on line through the library. The midterm is tentatively scheduled for October 28th. There will be a series of problem sets. They will be graded but will not count much toward the final grade. The midterm will count about 40% and the final about 60% of the grade. Note that the University will be closed on both November 11 and 25, so we will only have eight weeks for lectures. I will plan to schedule some outside review sessions since the closures will reduce the amount of class time available for reviews. The topics will be covered in approximately the following order, but some topics will receive more attention than others. I have only listed one hour per week as office hours, but my general rule is that if my door is open you are welcome to come in and ask questions. Also, feel free to make appointments, and I try to respond to e-mail questions promptly.

Introduction & Review

(F) Chapters 1, 2, and 12: "Why Study State and Local Government Finance," "Microeconomic Analysis: Market Efficiency and Market Failure," and "Principles of Tax Analysis."

LRO *2009 Oregon Public Finance: Basic Facts*, Research Report #1-09, pp. A1-A7.

The Property Tax

(F) Chapters 13 and 14, "The Property Tax: Institutions and Structure," and "Property Tax: Economic Analysis and Effects"

LRO *The New Direction of Oregon's Property Tax System Under Measure 50* (1999), Report #6-99.

Consumption Taxes

(F) Chapter 15, “Sales and Excise Taxes.”

Income Taxes

(F) Chapter 16, “Income Taxes.”

LRO *Oregon's 2% Surplus Kicker* Research Report #2-07.

Other Taxes and Related Revenue

(F) Chapters 17 and 18, “Business Taxes,” and “Revenue from Government Monopoly and Regulation.”

User Charges

(F) Chapter 8, “Pricing of Government Goods-User Charges.”

Intergovernmental Grants

(F) Chapter 9, “Intergovernmental Grants.”

Debt

(F) Chapter 10, “Borrowing and Debt.”

Giertz, J/ Fred and Leslie E. Papke, “Public Pension Plans: Myth and Realities for State Budgets,” *National Tax Journal* 60:2 (June 2007), pp. 305-323.

Budgeting

(F) Chapter 11, “The Budget Process.”

Local Government

(F) Chapters 3, 5, and 6, “Public Choice Without Mobility: Voting,” “Public Choice Through Mobility,” and “Organization of Subnational Government.”

Fiscal Stress

Alexander, Lori and Phil Spilberg, “The California Budget Crisis: Factors Leading to the Current Budget Deficit and a Discussion of Certain Proposed Solutions,” *National Tax Journal* 56:3 (September 2003), pp. 555-566.

Petersen, John E. , “Changing Red To Black: Deficit Closing Alchemy,” *National Tax Journal* 56:3 (September 2003), pp. 567-577.