Background: This one-quarter class in the economics of state and local governments covers topics such as property, sales, and income taxation, as well as nontax revenue sources such as lotteries and user fees; intergovernmental grants; education finance; capital projects and debt finance; and local economic development.

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 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 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.

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

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.

How this class will work: Well, this is new territory for many of us! I have developed a plan involving both synchronous and asynchronous elements and using Zoom, Canvas, and other tools. Once the term gets started, I’ll learn what is working and what is not and can make adjustments based on input from you and my own observations. To paraphrase Helmuth von Moltke the Elder, “no plan survives contact with the enemy.” Or, perhaps a more vivid expression comes from boxer Mike Tyson, who basically said that everyone has a plan until they get punched in the face. So, what is the plan, before we all get punched in the face?
Format of class: Roughly speaking:

- 45 to 60 minutes of prerecorded material each week
- 80 minutes of synchronous Zoom sessions, Mondays 9:10 am to 10:30 am
- 45 to 60 minutes of synchronous Zoom sessions, Wednesdays starting at 9:10 am, with Zoom office hours to follow until 10:30 am

Basic rhythm of the class:

- Asynchronous lectures and other materials will be posted to Canvas by noon on Fridays
- Discussion questions about asynchronous materials must be submitted by 8 am on Mondays; students will be responsible for submitting three (3) questions over the course of the term
- Monday synchronous sessions by Zoom
  - I will review selected issues or answer selected DQs related to the asynchronous material
  - I will provide an in-class exercise (usually using Excel or some simple algebra); students will work in small groups in breakout rooms to complete
  - We will reconvene as full group to discuss exercise and how it relates to current topic
  - These sessions will be recorded
- Wednesday synchronous sessions by Zoom
  - Outside speakers will visit on some weeks, with time for Q&A; students will be responsible for posting discussion questions ahead of speaker visits
  - Possible breakout room activity
  - These sessions may be recorded, depending on the preference of outside speakers
  - Office hours added on at the end, going to 10:30 am

Special dates:

- Week 1: we meet only on Wednesday, September 30, at 9:10 am
- Weeks 2 through 8: we meet on Mondays and Wednesdays at 9:10 am
- Week 9: Thanksgiving week, no class meetings
- Week 10: we meet on Monday and Wednesday at 9:10 am
- Week 11: final papers due, date TBD

Student assignments: Students will be assessed on individual and group work efforts and products throughout the term. 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. 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. Here is a list of assignment types and weights:
• Short in-class exercises, participation, and overall engagement (20%)
  o These will include participation and engagement with in-class exercises, posted discussion questions, and so on

• Larger assignments (55%)
  o City finances (15%)
  o “Referee report” on a research paper (10%)
  o Fiscal impact note (15%)
  o Medicaid (15%)

• Final project (25%): students will be paired and choose a (state, city) pair to analyze—for example, state of Alabama and city of Birmingham, Alabama. Each team will prepare a fiscal assessment examining COVID-19’s impact on its (state, city) pair and make recommendations for policy responses at the state & local levels.
  o Pecha kucha-style presentations will be held via Zoom in week 10 during class time
  o Written policy memos will be due during week 11, exact date TBD

Teaching assistants: We are fortunate to have Devon Braunstein dbraunstein@uchicago.edu serving as a TA this term; we may have a second TA, and I will share contact info if/when appropriate. Devon will assist with various elements of the course and will be responsible for a significant share of the grading.

Teaching and learning remotely: In the current remote environment, using Canvas and other web-based resources will be essential. The university’s “Learning Remotely” website includes student-friendly FAQs, links to tech-related resources and policies, and so on, and I encourage you to become familiar with what is posted there. I will rely heavily on Canvas, and students are responsible for any and all material posted there. I encourage the use of email and try to respond in a timely fashion. 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.

Policies regarding recordings and access to course materials:

Please note that the University has developed specific policies and procedures regarding the use of video/audio recordings: these policies are explicitly described in the University’s student manual and its “Learning Remotely” website. The basic ideas are clear: By attending course sessions, students acknowledge that:

• They will not: (i) record, share, or disseminate University of Chicago course sessions, videos, transcripts, audio, or chats; (ii) retain such materials after the end of the course; or (iii) use such materials for any purpose other than in connection with participation in the course.
- They will not share links to University of Chicago course sessions with any persons not authorized to be in the course session. Sharing course materials with persons authorized to be in the relevant course is permitted.
- Course recordings, content, and materials may be covered by copyrights held by the University, the instructor, or third parties. Any unauthorized use of such recordings or course materials may violate such copyrights.
- Any violation of this policy will be referred to the Dean of Students.

Before turning to course-specific readings, schedules, and so on, I’d like to highlight key university and Harris School policies and practices in the key domains of (1) academic integrity; (2) serving students with disabilities; and (3) diversity and inclusion. Key resources and full, up-to-date formal policies and procedures for the University are here, with Harris-specific materials available in Canvas via the Harris Student Handbook.

Academic integrity

**Principles:** 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.

- The University’s policies regarding academic integrity and dishonesty are described here. It is worth explicitly stating the University’s approach here: “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.”
- The Harris School’s policies are available in the Harris Student Handbook Canvas site.
  - The Academic Honesty and Plagiarism section expresses the main principles.
  - Detailed guidelines for more specialized student work (e.g., problem sets including computer code) are also provided.
  - Specifically, Harris policies state that:
    - All work submitted by a student must be the student's own original work.
    - Students may not submit previously submitted work from one course (i.e., final paper) to fulfill the academic obligations in another course, unless the student has received permission to do so by the course instructor.
    - Any works that are cited by the student as part of a greater work must utilize proper text and summary citations to properly identify the proper source(s).
    - In the case of group work, students must be prepared to identify their individual contribution (including proper citations of original work cited) when requested by the course instructor.

Application of these policies to this class: In this course, you will complete numerous assignments, including short papers, data analyses, and other assessments.
• For papers, data analyses, and short analytical exercises, you may discuss your ideas and approaches with fellow students while working on the assignment outside of class. Further, I may provide occasional times during class when you may talk with your classmates about your assignments. However, you may not copy or directly duplicate the text, calculations, and/or approach of others. All submitted work (written work, tables, charts, calculations, etc.) must be prepared individually, any outside sources relied on must be cited, and all charts, graphs, and/or tables should include source details. If we find that two submitted pieces of work appear to be too “similar” to one another, we will investigate more fully and hold both students accountable to these standards.

• In general, I encourage you to consider using a citation manager program to help manage references and bibliographies in your professional lives (http://guides.lib.uchicago.edu/c.php?g=297307&p=1984557). Questions? Please contact me directly.

Consequences: Violation of these standards generates significant consequences. Students found to have violated the standards will receive a grade of 0 on the assignment in question and cannot earn higher than a B- in the course, regardless of their performance on other assignments and exams. Further, violators will receive a formal letter stating that the student has been found in violation of the code of academic honesty and listing the imposed sanctions. The letter, along with any evidence presented, is archived in Harris Student Affairs records until the student graduates if the student has no other violations. Students found in violation of the academic honesty policy are not permitted to withdraw from the course to avoid grade penalties from the instructor. Repeat offenses face stiffer potential penalties than do first-time offenses.

Process: If I or one of the course TA’s has reason to suspect a student has violated these academic integrity standards, I will report that suspicion to the Dean of Students, who will meet with me and the student as part of his/her investigation. In most cases, first offenses are adjudicated in this setting. In cases where plagiarism or academic dishonesty is egregious, the case may be referred to the Harris Area Disciplinary Committee even on a first offense. The Dean makes all decisions about which cases will go before the Area Disciplinary Committee. Second violations are referred to the Harris Area Disciplinary Committee, described further here. If the student is found in violation of academic honesty a second time, the Area Disciplinary Committee can assign sanctions including transcript notes, disciplinary probation, suspension or expulsion from the University.

Students with disabilities

I welcome the opportunity to serve students with disabilities in this class, and I acknowledge that our remote teaching environment presents distinct opportunities and challenges in this realm. The University’s policies regarding students with disabilities are available here. Students who have disability accommodations awarded by the University Student Disability Services Office should inform the Harris Dean of Students office by the end of the first week of class. The Harris Dean of Students Office will work to coordinate the students’ accommodations implementation.
Harris students are not required to submit their accommodations letter to the instructor. Students from other divisions in the University must submit their accommodations letter to either the instructor or the Harris Dean of Students Office. Students who do not yet have formal accommodations in place but who feel they need accommodations on a temporary or ongoing basis should contact the Harris Dean of Students Office or Student Disability Services.

Finally, it is also worth noting that teaching in a remote environment may generate other questions and issues related to providing accommodations to students with disabilities. Some suggestions are available [here](#).

**Diversity and inclusion**

The Harris School welcomes, values, and respects students, faculty, and staff from a wide range of backgrounds and experiences, and we believe that rigorous inquiry and effective public policy problem-solving requires the expression and understanding of diverse viewpoints, experiences, and traditions. The University and the Harris School have developed distinct but overlapping principles and guidelines to ensure that we remain a place where difficult issues are discussed with kindness and respect for all.

- The University’s policies are available [here](#). Specifically, the University identifies the freedom of expression as being “vital to our shared goal of the pursuit of knowledge, as is the right of all members of the community to explore new ideas and learn from one another. To preserve an environment of spirited and open debate, we should all have the opportunity to contribute to intellectual exchanges and participate fully in the life of the University.”

- The Harris School’s commitments to lively, principled, and respectful engagement are available [here](#): “Consistent with the University of Chicago’s commitment to free expression, we believe that open discourse is vital to our mission as a policy school. Harris encourages its leadership, faculty, student body, and administrative staff to respect and engage with others of differing backgrounds or perspectives, even when the ideas or insights shared may be viewed as unpopular or controversial. Recognizing that diverse views, as well as political, cultural, religious, and social differences, can sometimes create tensions, Harris aims to foster thought-provoking discourse by encouraging community members to speak freely about all issues. We are a place where difficult questions are discussed with mutual respect and open minds.” We foster thought-provoking discourse by encouraging community members not only to speak freely about all issues but also to listen carefully and respectfully to the views of others.
Readings and Schedule

There is no required textbook for this class. However, I encourage students to skim the general references listed below, namely Fisher’s State and Local Public Finance textbook (“Fisher”) and the relevant selections from the Palgrave Dictionary of Economics (“Palgrave”). Relevant selections of those books are included in the reading list below:

- Fisher textbook (Fisher 2016)

For getting the basic facts about how states and localities raise and spend their money in the U.S., students should read relevant sections as needed from the Tax Policy Center’s Briefing Book (Tax Policy Center 2020). Pages 603-678 of this book focus on the “State of State (and Local) Tax Policy.” On the expenditures side, the Urban Institute’s “State and Local Backgrounders” site is useful (Urban Institute 2018), and I itemize a few specific items below (“Backgrounders”).

Finally, the reading list below includes not only these Fisher, Palgrave, and Tax Policy Center items but additional working papers, journal articles, policy briefs, etc. that you should read (or at least skim). Several of your assignments will also require you to read additional materials. Most items are available via links in the references (at end of syllabus) or, in a few instances, posted as pdfs to Canvas; access to some of the items may require you to be on the University’s network (on campus or via VPN or proxy). Please note the reading list is arranged by topic; I will use Canvas and in-class announcements to update you on “where we are” as we proceed through the course.

1. What do state and local governments do? What should they do?
   a. Fisher, Chapter 1.
   b. State of State (and Local) Tax Policy: “State and Local Revenues” (separate sections on states and localities)
   c. (Chernick, Copeland, and Reschovsky 2020)
   d. (Driessen and Gravelle 2020)
   e. (Zelizer, Dorssom, and Kirkland 2020)

2. Principles of public finance
   a. Palgrave: “Public Finance”; “Local Public Finance”
   b. Fisher, Chapter 2.

3. Demand for local public services
   c. Brueckner, Jan K., Lectures on Urban Economics, Chapter 8, “Local Public Goods and Services” [posted to Canvas]; (Brueckner 2011)

4. Fiscal federalism: who should do what?
   a. Palgrave: “Fiscal Federalism”
c. (Driessen and Hughes 2020)
d. (Shoag, Tuttle, and Veuger 2019)
e. COVID-era considerations
   • (Katz, Petrisin, and Noring 2020)
   • (Arthur 2020)
   • (Kreitner 2020)
   • (Perez and Ross 2020)
   • (Organisation for Economic and Cooperative Development 2020, 19)
5. Principles of taxation
      “Progressive and Regressive Taxation”
   b. *Fisher:* Chapter 12
6. Property taxation
   b. *Fisher:* Chapters 13 and 14
   d. (Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence 2020)
   e. (Moulton, Waller, and Wentland 2018)
   f. (Lutz 2015)
   g. Optional:
      • (Lav and Leachman 2018)
      • (Davis 2018)
      • (Paquin and Kenyon 2018)
7. Sales and excise taxation
   d. (Marron and Morris 2016)
   e. (Allcott, Lockwood, and Taubinsky 2019a)
   f. (Cohen 2020)
   g. Optional:
      • (Allcott, Lockwood, and Taubinsky 2019b)
      • (Pew Charitable Trusts 2018)
      • (Hansen et al. 2020)
      • (Mikesell and Ross 2019)
8. Individual income taxation
   a. *Fisher:* Chapter 16
   c. (Rauh and Shyu 2019)
   d. (Tharpe 2019)
e. Optional
   • (Cunningham 2019)
   • (Gleckman 2016)
   • (Cox 2020)
   • (Young et al. 2016)

9. Taxation of business
   b. *Fisher:* Chapter 17
taxes work?” and “How do state and local severance taxes work?”
   d. (Suárez Serrato and Zidar 2016)

10. Growth, tax reform, and inequality
    a. U.S.: *State of State (and Local) Tax Policy:* “What are the economic effects of
       the Tax Cuts and Jobs Act?”; (Gale et al. 2018); [optional (Sherlock and Marples
       2019)]
    b. Kansas: (DeBacker et al. 2019)
    c. Inequality: (Saez and Zucman 2019); (Splinter 2019); (Splinter Forthcoming);
       (Kallen, Slavov, and Viard 2017)

11. User fees and Congestion Charges
    b. *Fisher:* Chapter 9 (user fees) and Chapter 18 (monopoly, regulation)
    c. *Backgrounders:* “Charges”, “Highway and Road Expenditures”, ‘Motor Fuel
       Taxes”
    d. (Mack et al. 2020)
    e. (The Chicago Fines, Fees, and Access Collaborative 2019)
    f. (Worthington 2020)

12. Intergovernmental grants: General
    b. *Fisher:* Chapter 10
    c. *State of State (and Local) Tax Policy:* “What types of federal grants are made to
       states and local governments and how do they work?”
    d. (Pew Charitable Trusts 2020a)
    e. (Dilger and Cecire 2019)
    f. (T. Gordon 2018)
    g. (Leduc and Wilson 2017)
    h. (Constantinou, Chicago Metropolitan Agency for Planning, and Anderson-
       Justice 2020)

13. Intergovernmental Grants: Medicaid
    a. *Backgrounders:* “Health and Hospital Expenditures”
    b. *Fisher:* Chapter 21
    c. (Rudowitz, Orgera, and Hinton 2019)
    d. (Guth, Garfield, and Rudowitz 2020)
    e. (Gallagher et al. 2020)
    f. (Ward 2020)
   b. *Fisher*: Chapter 19
   c. *Backgrounders*: “Elementary and Secondary Education Expenditures”
   d. (Weiler and Kiracofe 2020)
   e. (Lee and Blagg 2020)
   f. (Cascio, Gordon, and Reber 2013)
   g. (N. Gordon and Reber 2020)
   h. [optional]: (Steinberg, Quinn, and Anglum 2020)

15. Public safety
   a. *Backgrounders*: “Police and Corrections Expenditures”
   b. (Fuller 2020)
   c. (Auxier 2020)
   d. (Weichselbaum and Lewis 2020)

16. Debt, borrowing, and infrastructure: all optional!
   a. *Fisher*: Chapters 11 and 20
   b. General: (American Society of Civil Engineers 2017), (Chicago Metropolitan Agency for Planning 2019), (U.S. Congressional Budget Office 2018)
   c. Municipal debt: (Driessen 2018), (Driessen 2020)
   d. PPPs: (Macquarie Atlas Roads, Limited 2014), (Gilroy and Aloyts 2013), (Wee 2012), (Bondy 2016),
   e. Indiana Toll Road: (Bipartisan Policy Center 2016)
   f. Pennsylvania bridges: (Rapid Bridge Replacement Project 2018), (Vigna 2019), (Global Infrastructure Hub 2017), (Federal Highway Administration n.d.)

17. Pensions and Other Post-Employment Benefits (OPEBs)
   a. (Pew Charitable Trusts 2020c)
   b. (Urban Institute n.d.)
   c. (Draine, Sliwa, and Wei 2020)
   d. (Biggs and Norcross 2020)
   e. (Aubry and Wandrei 2020)

18. Economic development
   a. Specific programs: NMTC (Freedman 2013); TIFs (Merriman 2018)
   b. Big picture: (Bartik 2018); (Slattery and Zidar 2020)
   c. Public policy: (Goodman and Hamman 2020); (Pew Charitable Trusts 2020b); (Chicago Metropolitan Agency for Planning 2020)
References


Constantinou, Dean, Chicago Metropolitan Agency for Planning, and Lauren (Che) Anderson-Justice. 2020. “An Equitable Distribution Model of Cook County’s CARES Act Funding to Suburban Municipalities.” Cook County.


PPHA 321/Fall 2020/Syllabus
Page 14 of 15