



**Robert M. La Follette
School of Public Affairs**
UNIVERSITY OF WISCONSIN-MADISON

Public Affairs 891 State and Local Government Finance

Time Thursdays 1:20-3:15

Location: Education 1420

University of Wisconsin-Madison

Instructor: Ross Milton

Virtual Office Hours: Wednesdays 4:30-5:30pm or by appointment

Email: rtmilton@wisc.edu

This course examines the financing of state and local governments. The course uses microeconomic analytical tools to understand the fiscal environment of the system of subnational government in the United States, including its relationship with the federal government. The course begins by examining the role of state and local governments, their diverse structures, and their need for revenue. Next we study their major sources of revenue including property taxes, income taxes, sales taxes, business taxes, fees and fines, and debt. Throughout the semester the course will highlight a range of issues prominent in state and local policy related to health, education, transportation and economic development. However, we will end the semester with a focus on two policy issues, limits on state and local governments and school funding.

Course Learning Outcomes

- Students will demonstrate understanding of major policy debates, research findings, and analytical methods in state and local public finance.
- Students will summarize common datasets related to state and local governments for a policy audience.
- Students will communicate opinions and evidence regarding policy problems in clear written language accessible to non-experts.

Grading

The following grading scale will be used: 100-93 = A, 93-88 = AB, 88-83 = B, 83-78 = BC, 78-70 = C, 70-60 = D, <60 = F. Many assignments will be graded with an A, AB, B, etc. designations. In these cases letter grades have the following numeric grade equivalents: A 95, AB 90, B 85, BC 80, C 75, CD 70, D 65, DF 60, F 50. The final grade will weight assessments as follows

- State finance assignment: 15% (**Due Week 5**)
- State finance presentation: 10%
- Midterm exam: 25% (**Week 9**)
- Policy memo: 25% (**Due Week 12, April 20**)
- State/local op-ed: 15% (**Due May 8**)
- Class participation (articles, discussions, activities): 10%

Discussion Articles

State and local finance is in constant flux and that is particularly true now with many states facing unprecedented budget surpluses. Students are encouraged to look for articles in the popular media on recent developments in state and local finance in Wisconsin and in other parts of the country and the world. At the beginning of class, we will discuss any articles you have read.

Every student should post a minimum of 2 articles as “discussion” posts on Canvas by and come to the following class prepared to discuss it. Discussion posts for that week should be posted no later than 11:59pm on the Tuesday of that week. One should be prior to Week 7’s class and one should be after Week 7’s class. This will count as part of your class participation grade. Articles should not duplicate previously posted content. Students are encouraged to read other student’s articles and comment on them in class.

State Finance Assignment & Presentation

Groups of two students will be assigned a state. Together, you will produce a memo outlining the major features of the state’s finance system for state and local governments, highlighting features that differ from other states, and major fiscal issues facing the state this year. Students will present their findings to the class. Approximately one group will present each week.

Policy Memo

Students will produce a policy memo on an issue facing a state or local government. In addition, they will produce an op-ed on the issue that could be published in a newspaper. More information about these assignments will be distributed via Canvas.

Exam

There will be a midterm exam on March 23.

Course Readings

Required Text: Fisher, Ronald. 2023. *State and Local Public Finance*, 5th Edition. Routledge. ISBN: 978-0367467234. Available at [Amazon](#) and elsewhere

All other readings will be distributed via Canvas.

Course Outline and Readings(subject to change)

Week 1, January 26

- Fisher 1: Why study state and local government finance and structure of state and local governments.
- C. Hogue. 2013. “Government Organization Summary Report: 2012.” Government Division Brief G12-CG-ORG, September 26.

Week 2, February 2: Public Goods and Services

- Fisher 2: Public vs private provision of goods and services.
- Fisher 3: Demand for public goods and services (pgs. 47-54)
- " House Prices and Local Spending on Public School Teachers," NBER Digest, March 2021

Week 3, February 9: Fiscal Federalism

- Fisher 5: Public choice through moving
- Fisher 6: Structure of subnational government
- L. Meckler and Kate Rabinowitz, 2019. “The lines that divide: School district boundaries often stymie integration” *The Washington Post*, December 16.
- S.F. Reardon and K. Bischoff. 2016. “The Continuing Increase in Income Segregation, 2007-2012 ,” CEPA Report, Stanford University

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Week 4, February 16: State and Local Tax Principles

- Fisher 11 (12 in 4th ed): Principles of tax analysis
- “The Role of Taxes in Mitigating Income Inequality Across the U.S. States” Daniel H. Cooper, Byron F. Lutz, and Michael G. Palumbo, *National Tax Journal*, 2015, 68:4, 943-974
- Chapters 1-2: Brunori, D., 2016. *State tax policy: A primer*. Rowman & Littlefield.

Week 5, February 23: Property Tax I

- Fisher 12 (13 & 14 in 4th ed): The property tax
- Arik Levinson (2021) America’s regressive wealth tax: state and local property taxes, *Applied Economics Letters*, 28:14, 1234-1238

Week 6, March 2: Property Tax II – Assessments

- Berry, Christopher, 2021. "Reassessing the Property Tax," Working Paper
- Chu, Carolyn, and Brian Uhler. 2016. Common Claims About Proposition 13. California Legislative Analyst’s Office.
- Avenancio-León, C.F. and Howard, T., 2022. The assessment gap: Racial inequalities in property taxation. *The Quarterly Journal of Economics*, 137(3), pp.1383-1434.
- Bowman, J.H., Kenyon, D.A., Langley, A. and Paquin, B.P., 2009. Property Tax Circuit Breakers. Fair and Cost-Effective Relief for Taxpayers, Policy Focus Report, Cambridge, MA: Lincoln Institute of Land Policy.

Week 7, March 9: Sales & Excise Taxes

- Fisher 13 (15 in 4th ed): Sales & excise taxes
- "Are Sin Taxes Healthy for State Budgets?" Pew Charitable Trusts, 2018

Spring Break

Week 8, March 23: *Midterm Exam*

Week 9, March 30: Individual Income Taxes

- Fisher 14 (16 in 4th ed): Income taxes
- Young, Cristobal, author. (2018). *The myth of millionaire tax flight: how place still matters for the rich*. Stanford, California :Stanford University Press. Chapter 2, "Do The Rich Flee High Taxes"
- "Informing the tax debate A Closer Look at Trends and Changes in the State’s Income Tax", Wisconsin Policy Forum, 2022
- Richard Auxier and David Weiner, "Who Benefited from 2022's Many State Tax Cuts and What is in Store for 2023?" The Urban Institute, 2023

Week 10, April 6: Business taxes and tax incentives

- Fisher 15 (17 in 4th ed): Business taxes
- Slattery, C. and Zidar, O., 2020. Evaluating state and local business incentives. *Journal of Economic Perspectives*, 34(2), pp.90-118.

Week 11, April 13: Pricing Publically Provided Goods and Services

- Fisher 8 (9 in 4th ed): Pricing of government goods: user charges
- Fisher 16 (18 in 4th ed): Revenue from government monopoly and regulation (SKIM)
- Sances, Michael and Young You, Hye " Who Pays for Government? Descriptive Representation and Exploitative Revenue Sources," *The Journal of Politics*, 2017
- "The Demand for Money Behind Many Police Traffic Stops" *The New York Times*, 2021, Mike McIntre and Michale Keller
- "Locals Give Wheel Taxes the Gas", Wisconsin Policy Forum, 2021

Week 12, April 20: Debt and Borrowing

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- Fisher 10 (11 in 4th ed): Borrowing, debt, and capital investment
- Investor's Guide to Municipal Bonds
- "What are municipal bonds and how are they used?," Tax Policy Center

Week 13, April 27: Intergovernmental Transfers

- Fisher 9 (10 in 4th ed): Intergovernmental grants

Week 14, May 4: Education funding

- Fisher Ch 17 section on "Intergovernmental grants for financing education"
- Chapter 3 "State Aid" in Rethinking the Property Tax-School Funding Dilemma
- Pages 1-12 (Sections I-III). "The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms"

Requisites: PA880

Instructional Modality: In-Person

Credits:3

The credit standard for this course is met by an expectation of a total of 135 hours of student engagement with the course learning activities, which include 15 regularly scheduled instructor:student meeting times of 115 minutes, reading, writing, problem sets, and other student work as described in the syllabus.

Privacy of Student Records & the Use of Audio Recorded Lectures

Lecture materials and recordings for this course are protected intellectual property at UW-Madison. Students in this course may use the materials and recordings for their personal use related to participation in this class. Students may also take notes solely for their personal use. If a lecture is not already recorded, you are not authorized to record my lectures without my permission unless you are considered by the university to be a qualified student with a disability requiring accommodation. [Regent Policy Document 4-1] Students may not copy or have lecture materials and recordings outside of class, including posting on internet sites or selling to commercial entities. Students are also prohibited from providing or selling their personal notes to anyone else or being paid for taking notes by any person or commercial firm without the instructor's express written permission. Unauthorized use of these copyrighted lecture materials and recordings constitutes copyright infringement and may be addressed under the university's policies, UWS Chapters 14 and 17, governing student academic and non-academic misconduct.

Diversity & Inclusion Statement

Diversity is a source of strength, creativity, and innovation for UW-Madison. We value the contributions of each person and respect the profound ways their identity, culture, background, experience, status, abilities, and opinion enrich the university community. We commit ourselves to the pursuit of excellence in teaching, research, outreach, and diversity as inextricably linked goals. The University of Wisconsin-Madison fulfills its public mission by creating a welcoming and inclusive community for people from every background – people who as students, faculty, and staff serve Wisconsin and the world.

Academic Integrity Statement

By virtue of enrollment, each student agrees to uphold the high academic standards of the University of Wisconsin-Madison; academic misconduct is behavior that negatively impacts the integrity of the institution. Cheating, fabrication, plagiarism, unauthorized collaboration, and helping others commit these previously listed acts are examples of misconduct which may result in disciplinary action. Examples of disciplinary action include, but is not limited to, failure on the assignment/course, written reprimand, disciplinary probation, suspension, or expulsion.

Accommodations for Students with Disabilities Statement

The University of Wisconsin-Madison supports the right of all enrolled students to a full and equal educational opportunity. The Americans with Disabilities Act (ADA), Wisconsin State Statute (36.12), and UW-Madison policy (Faculty Document 1071) require that students with disabilities be reasonably accommodated in instruction and

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campus life. Reasonable accommodations for students with disabilities is a shared faculty and student responsibility. Students are expected to inform faculty [me] of their need for instructional accommodations by the end of the third week of the semester, or as soon as possible after a disability has been incurred or recognized. Faculty [I], will work either directly with the student [you] or in coordination with the McBurney Center to identify and provide reasonable instructional accommodations. Disability information, including instructional accommodations as part of a student's educational record, is confidential and protected under FERPA. (See: [McBurney Disability Resource Center](#))