

PADP6930 Public Financial Administration

Course Number: 26200 (Wednesdays, 18:50-21:30)

Department of Public Administration & Policy

School of Public & International Affairs

The University of Georgia

Semester: FALL 2016

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Office Hours @: Baldwin Hall 406; W 09:30-10:30; or right after class; or by appointment.

Classroom: MLC 153

Study Materials: Posted on eLC.

HW supporting files: Submit/upload to eLC.

Course Description:

Public Financial Administration PADP6930 is a graduate level survey course on government fiscal management duties – the area generally known as public finance or fiscal administration. Public finance is a catch all term that is supposed to describe what government institutions do with taxpayers' money and with economic resources of any given community. The field of public financial administration is a mosaic of public economics and policy, budgeting, revenue policy and taxation, financial management, and politics (not necessarily in this particular order). It is impossible to (intelligently) evaluate the fiscal affairs of any government at any level without knowing the bits and pieces from all these fields. One necessarily has to have a multidisciplinary 'toolbox' of knowledge and skills in order to appreciate and navigate the complexities of government finances. The course will survey government fiscal affairs at all levels (federal, state and municipal), with a healthy bias toward state and local governments in Georgia and the surrounding region.

The students are exposed to the world of budgeting, revenue structures and tax administration, and financial risk management and debt valuation. In particular, in the beginning of the semester we survey the budgetary process and learn how to evaluate the budgets (transparency, stability, diversity, trends). Toward the middle of the semester we will study tax policy principles and administration methods. We will also focus on assessing property and sales/excise tax systems, evaluate individual and corporate tax liabilities, and conduct revenue-forecasting exercises using a variety of techniques. Towards the end of the semester we will dive into the world of government debt, which is sometimes neglected, misunderstood, and, therefore, mysticized. We will complete the course with an investigation of risk and return management practices in municipal financial markets (why and how governments issue debt; how bonds are priced, how the asset portfolios are managed, and who to 'blame' when states, cities, and counties go bankrupt).

Course Competency Objectives:

Upon successful completion of this course, students should be able to:

1. Identify and master policy issues that are pertinent to contemporary fiscal administration.
2. Formulate a step-by-step approach for analyzing fiscal problems and fiscal policy questions, as well as identify and offer resolution to various issues using economic, financial, and microeconomic tools of analyses.
3. Analyze and interpret financial and economic data, develop descriptions of fiscal problems, and propose policy solutions.
4. Produce fiscal reports and policy memoranda that effectively inform the public and other stakeholders with a distinct public service perspective.

Student progress on these learning objectives will be measured through both individual and group based technical analyses and expert memos.

More specifically, by the end of this course:

- a) Students will master the vocabulary and concepts used in public finance;
- b) Students will have the skills to evaluate budgets;
- c) Students will have the skills to evaluate tax systems;
- d) Students will have the skills to apply public policy assessment tools;
- e) Students will estimate municipal security prices and risk exposures for a single asset or a portfolio of assets;
- f) Students will understand and discuss the logic behind the primary types of financial regulations or institutions;
- g) Students will see the significance of both the public and private solutions to the problems (as well as 'hybrid' approaches to solving the 'wicked' problems) and propose/apply choices with a distinct public service perspective;
- h) Students will come to understand current issues/challenges in public finance;
- i) Students may choose to become responsible citizens in their communities, states, and countries for the good of other fellow humans.

Required Reading Materials/Application Tools:

Textbook: **Mikesell, John L.** (2014). *Fiscal Administration: Analysis and Applications for the Public Sector, 9th Edition*, Wadsworth Cengage Learning, ISBN: 1-133-59486-7 / 978-1-133-59486-4.

Articles and Book Chapters (ALL available on eLC in Readings directory):

- 1) Chapters/articles from **other sources** will be available on eLC.
- 2) Access to a computer station that has Microsoft Office package applications. **Expertise with EXCEL is REQUIRED. ALL home assignments will require the use of Excel.**
- 3) Access to a basic data analysis application is a plus but a scientific calculator is required.
- 4) Access to iTunes via computer for podcasts – specific podcasts will be identified and announced in advance.
- 5) Occasional additional article readings will be distributed in class or posted on eLC.

Supplementary Reading Materials/Application Tools:

Gruber, Jonathan. (2009). *Public Finance and Public Policy, 3rd Edition*, Worth Publishers.

Rosen, Harvey and Ted Gayer. (2009). *Public Finance, 9th Edition*, McGraw-Hill/Irwin.

Hyman, David. (2010). *Public Finance: A Contemporary Application of Theory to Policy, 10th Edition*, South-Western College Publications.

Stiglitz, Joseph. (2000). *Economics of the Public Sector, 3rd Edition*, W. W. Norton & Company, Inc.

NOTE: The course assumes that students have the necessary skills in algebra and basic statistics/econometrics. Given the time frame and the goals of this course, it is neither possible nor efficient to spend time on math or statistics fundamentals. Students are expected to have completed the readings before the class that the chapters are assigned for.

Grading Scale:

The following scale is used to determine the course grade:

A	93-100	B-	80-82	D+	67-69
A-	90-92	C+	77-79	D	63-66
B+	87-89	C	73-76	D-	60-62
B	83-86	C-	70-72	F	< 60

Final Grading Components:

Assignment/Task	Percent of Final Grade	Total
Midterm Exam	25%	25%
Home Assignments:		
Individual Assignments (2) 10% x 2 =	20%	
Group Assignments (2) 10% x 2 =	20%	
Final Course (Omnibus) Assignment (1)	25%	
Assignments (5) Total		65%
In class problem sets (about 8; 5 will count)	10%	10%
<hr/> GRAND TOTAL		100%

Examinations:

There is a **midterm exam** in this course. This exam will contain multiple-choice questions as well as essay questions. HOWEVER, the multiple-choice questions will be more than just choice sets: they will require knowledge of the definitions of concepts, solutions for problem sets, ability to link sets of concepts, and ability to recognize and link the deviations from the theoretical ideals. Specific exam grading criteria will be enclosed with your course exam. The midterm exam is worth **25% of the total grade** and it will have 30 multiple-choice questions (combined worth 15%) and 5 essay questions (each worth 2%, combined worth 10%). Therefore, about **1/4 of your grade** in this class will depend on this midterm.

If a student cannot attend class the day s/he is to take an exam (and has a very, very, very good excuse not to attend class) that person must notify me in advance in-person or via e-mail, except when physical circumstances prohibit notification. I reserve the right to determine what a “good excuse” is, and I will consider these on a case-by-case basis. In extremely exceptional cases and with enough time to construct an alternative exam, the students will be allowed to make-up the missed exam.

IMPORTANT: NO EARLY exams will be allowed, no exceptions (unless you are drafted to join the armed forces or fell seriously ill). Make your spring break trip reservations accordingly. Tickets bought for earlier dates are not a sufficient reason for a tailored exam time.

Home Assignments:

In this course there are two types of assignments – individual and group. Each student is required to turn in **4(four) home assignments: 2 individual and 2 group home works**. For all home assignments, students may work in groups to discuss the home-works; **however, for individual home-works each student must submit an INDIVIDUAL assignment containing a single student’s work; for group home-works, obviously, only one group effort is required and a single grade is assigned to the group**. All assignments are due in class in hard copies. There is also a ‘**comprehensive**’ (a.k.a. omnibus) final home assignment worth exactly 1/4 of your grade. This assignment is designed to draw on the skills accumulated during the semester and is due in stead of the final exam.

For individual assignments, those students submitting identical works with just names changed will get a zero (F) for the entire semester. **For group assignments**, groups cannot copy each other’s work. The penalties are the same as for individual assignments. No exceptions. Home-work guidelines will be posted on eLC. Students will be assigned into groups of 2 (or 3) students by the course instructor. Group membership will be rotated for the three group home assignments. All group members are expected to add to group work – in terms of time, availability for meetings, data management, writing, and final

product editing. It is only fair to report a student that has not added to group work. I will take appropriate action against non-participating students on a case-by-case basis as the issues arise.

Important! The home assignments are worth **10%** each of the total grade (4 assignments sum up to **exactly 40%**). The following is the grading scale for home assignments (the rubric for the omnibus assignment will be on a similar scale and will be provided with the guidelines to the final home work):

- 10** Case assignment is above satisfactory; contains appropriate, detailed, and logical solution and case analysis; provides comprehensive discussion of all the relevant concepts; provides all the mathematical solutions and intermediary steps, provides a good case review and discussion of competing arguments; provides a clear conclusion/recommendation.
- 8** Case assignment is satisfactory; contains appropriate and logical case analysis, yet with certain important details missing; provides comprehensive discussion of most of the relevant concepts; BUT provides a partial or segmented solution, provides a partial discussion of competing arguments; or provides an irrelevant, unclear, and/or inappropriate conclusion/recommendation, AND is mainly descriptive and retells/recites the case, or provides incorrect solutions.
- 6** Case assignment is not satisfactory; contains fragmented, limited, and/or incorrectly specified case analysis or problem set up; provides partially relevant discussion of some concepts and omits others; fails to give appropriate discussion of competing arguments or solution results; provides an irrelevant conclusion/recommendation, AND is mainly descriptive and retells/recites the case.
- 4** Case assignment is exceptionally poor; poor discussion and analysis; incorrect solutions, no discussion of competing arguments or solution results; provides no discussion of concepts; provides no conclusion/recommendation.
- 0** Assignment was not submitted.

Late home assignments receive no points. Solutions for home-works are (usually) posted on eLC in the evening of the same day the assignments are due. Once the solutions are posted, the assignments are considered late.

In-class Problem Sets:

On occasion, we will work in groups to complete in-class problems sets. There will be about 8 of these throughout the semester and they will pop-up when and if necessary. **There are absolutely no make-ups on in-class problem sets.** Only, top 5 (2% each) of these will be counted toward the final **10% for in-class assignments**. So, if you miss a couple, you are still fine with these.

Attendance & Participation:

Attendance is a University REQUIREMENT. It is expected that the students attend classes. We will do applied problems in class. If you miss a class, you may find it very hard to complete the home assignments or exam problem sets on your own. Any student that misses 5 (five) or more classes should consider dropping the course. Attendance is not graded, well sort of – see below:

Note 1: Absence during exam days is highly discouraged. For arbitration purposes, we will address the departmental and college policies.

Note 2: The surest way to learn is to participate. The best way to participate is to join the class discussions and ask questions. When students are in the classroom it is expected that they participate; it's an integral part of your 'job description'.

Note 3: I do understand that we all have the days when we are late. Should you be late, don't be upset, you are very welcome to join the class. However, **chronic lateness** will be considered as negative participation and will be graded correspondingly (after a short while, it becomes obvious who is chronically late).

Note 4: Leaving class early (without a prior notice; i.e. before class) is disliked. If you leave in the middle of the class without any substantive justification, your action will be considered as negative participation. Should you leave early, without prior permission, you will be marked absent.

Note 5: Please participate in class discussions by using the widely expected and accepted norms of civility. Please adhere to the norms of university student conduct. If you are not sure what these are, please study the link of the Office of Student Conduct: https://conduct.uga.edu/content_page/welcome-to-student-conduct-content-page.

Students that accumulate three instances of negative participation will see a 20% deduction from the total course grade.

Academic Honesty:

The University of Georgia requires all members of the University community to be responsible for knowing and understanding the policy on academic honesty. In addition, every student must agree to abide by the University of Georgia's academic honesty policy and procedures when applying for admission to the University of Georgia.

The University of Georgia defines academic honesty as “performing all academic work without plagiarism, cheating, lying, tampering, stealing, giving or receiving unauthorized assistance from any other person, or using any source of information that is not common knowledge without properly acknowledging the source.” Academic dishonesty is defined as “performing, attempting to perform, or assisting any other person in performing any academic work that does not meet this standard of academic honesty.”

According to the policy's prohibited conduct, “No student shall perform, attempt to perform, or assist another in performing any act of dishonesty on academic work to be submitted for academic credit or advancement. A student does not have to intend to violate the honesty policy to be found in violation. For example, plagiarism, intended or unintended, is a violation of this policy.” The policy also states that, “Any behavior that constitutes academic dishonesty is prohibited.”

ANY INSTANCE OF ACADEMIC DISHONESTY WILL RESULT IN A GRADE OF F FOR THIS COURSE. In addition, the instructor reserves the right to pursue further academic disciplinary action. It is your responsibility to adhere to the University of Georgia's policies concerning academic honesty. See the Office of the Vice President for Instruction for policies regarding academic honesty: <https://ovpi.uga.edu/academic-honesty/academic-honesty-policy>.

Students with Disabilities:

Students who have a disability that requires accommodations should contact the Disability Resource Center to discuss their needs and obtain appropriate paperwork. I cannot make special accommodations for students with disabilities unless students have completed the appropriate paperwork to register with the Disability Resource Center. For further details, please see: <https://drc.uga.edu/>.

eLC:

This syllabus, necessary reading materials, and homework materials will be posted on the course on-line pages - eLC. More on this will be discussed in the classroom throughout the semester.

Other...

It is the student's responsibility to keep all copies of graded/returned assignments for this course. This will protect all the parties involved should any misunderstandings arise.

"Cell phones, pagers, walky-talkies, or any other similar electronic devices" must be switched off during the class time. No texting will be tolerated either. Should the student need to keep such a device switched on for any important reason, the course instructor should be consulted before the class starts. The course instructor reserves the right to define what an "important reason" constitutes.

Finally, **NO student will be allowed to use a laptop computer in this class** (laptops may be used IF AND ONLY IF one has a required need to use a computer due to a particular medical disability).

For All Other Matters Not Mentioned Here:

Please guide your participation in PADP6930 based on the values postulated in the UGA student code of conduct: https://conduct.uga.edu/content_page/welcome-to-student-conduct-content-page.

Class schedule: August 11th through December 13th, 2016 (class schedule is subject to adjustments; any changes will be announced in advance and/or posted on the eLC.)

WEEKS (DATES)	THEMES/READINGS/EXTRA MATERIALS Finish ALL readings PRIOR to class.	ASSIGNMENTS OUT/DUE
Week 1 (Aug 17)	Introduction & Some Vocabulary Readings: Syllabus Fundamental Principles Readings: Textbook, Chapter 1	
Week 2 (Aug 24)	Continued: Fundamental Principles Readings: Textbook, Chapter 1 Extra Article: Ross (2009) "What Should Policy Makers Know When Economists Say "Market" Failure?" Budgeting Process Readings: Textbook, Chapter 2 Extra Article: V.O. Key (1940) "The Lack of a Budgetary Theory" Wildavsky (1966) "The Political Economy of Efficiency"	
Week 3 (Aug 31)	Budget Analysis Tools Readings: Textbook, Chapter 5 Budget Analysis Example Budget Structures & Institutions: Federal Readings: Textbook, Chapter 3 Extra Article: Meyers (2014) "The Implosion of the Federal Budget Process" Palmer & Penner (2012) "The Hard Road to Fiscal Responsibility"	<u>**HW #1 assigned**</u>
Week 4 (Sep 7)	Budget Structures & Institutions: State & Local Readings: Textbook, Chapter 4	

	<p>Extra Article: Lauth (2014) “Zero-Based Budgeting Redux in Georgia” Lu (2007) “Performance Budgeting: The Perspective of State Agencies”</p> <p>Budget Systems and Reform Readings: Textbook, Chapter 6 Extra Article: Posner and Sommerfeld (2012) “The Politics of Fiscal Austerity” Rivlin (2012) “Rescuing the Budget Process” Nussle (2012) “Perspectives on Budget Process Reform”</p>	
Week 5 (Sep 14)	<p>Accounting, Capital Budgeting, & BCA Readings: Textbook, Chapter 7 Extra Article: Chan (2004) “Use of Capital Budgeting Techniques”</p> <p>Interest Rates, Time Value of Money Readings: Johnson et al. (2014) Appendix A</p> <p>BCA Analysis Example</p>	<p><u>**HW #1 DUE**</u> <u>**HW #2 assigned**</u></p>
Week 6 (Sep 21)	<p>Continued: Accounting, Capital Budgeting, & BCA Readings: Textbook, Chapter 7 Extra Article: Harris (2005) “The Discourse of Governmental Accounting and Auditing”</p> <p>Review for Exam</p>	
Week 7 (Sep 28)	<p>MIDTERM EXAM: Open notes (no books or electronic communication devices)</p>	<u>**HW #2 DUE**</u>
Week 8 (Oct 5)	<p>OUT OF CLASS ASSIGNMENT: Memo #1 Bring the memo for a discussion on November 9, 2016. TBA: “Most probably” a review of presidential candidates’ tax policies.</p>	**Additional detailed guidelines posted on eLC**
Week 9 (Oct 12)	<p>Taxation & Revenue Policy Readings: Textbook, Chapter 8 Extra Article: Stiglitz (2000) “A Student’s Guide to Tax Avoidance”</p> <p>Taxation of Property Readings: Textbook, Chapter 11 Extra Article: Carroll and Goodman (2011) “The Effects of Assessment Quality on Revenue Volatility”</p> <p>Property Tax Analysis Example</p>	<p><u>**Memo #1 Due**</u> <u>**HW #3 assigned**</u></p>
Week 10 (Oct 19)	<p>Taxation of Income Readings: Textbook, Chapter 9 Extra Article: Alm and Borders (2014) “Estimating the “Tax Gap” at the State Level: The Case of Georgia’s PIT”</p> <p>Taxation of Consumption Readings: Textbook, Chapter 10</p>	

	Extra Article: Mikesell (2014) “Misconceptions about VAT and RST”	
Week 11 (Oct 26)	<p>Taxation of ‘Sins’, Public Monopolies Readings: Textbook, Chapters 10 & 12 Extra Article: Dutkowsky and Sullivan (2014) “Excise Taxes, Consumer Demand, Over-Shifting, and Tax Revenue”</p> <p>Intergovernmentalism Readings: Textbook, Chapter 14 Extra Article: Nesbit and Kreft (2009) “Federal Grants, Earmarked Revenues, and Budget Crowd Out” de Mello (1999) “Intergovernmental Fiscal Relations, Coordination Failures, and Fiscal Outcomes”</p>	<p>**HW #3 DUE**</p> <p>**OMNIBUS/FINAL assigned**</p>
Week 12 (Nov 2)	<p>OUT OF CLASS ASSIGNMENT: Memo #2 Bring the memo for a discussion on November 9, 2016. Watch a video on municipal debt management and derivatives. Write a 1-2 page memo analyzing the problem and proposing potential solutions/preventions in the future. The video is at: https://www.youtube.com/watch?v=CP9v3eroVco</p>	**Additional detailed guidelines posted on eLC**
Week 13 (Nov 9)	<p>Debt Administration Readings: Textbook, Chapter 15 Extra Article: Bifulco et al. (2012) “Debt and Deception: How States Avoid Making Hard Fiscal Decisions”</p> <p>Bond Markets & Pricing Readings: Johnson et al. (2014) Appendix B and Chapter 1</p>	<p>**Memo #2 Due**</p> <p>**HW #4 assigned**</p>
Week 14 (Nov 16)	<p>Risk Management & Duration Method Readings: Johnson et al. (2014), Appendix B Lawrence & Shankar (2007) “A Simple and Student Friendly Approach to the Mathematics of Bond Prices”</p> <p>Municipal Debt Types & Trends Readings: Textbook, Chapter 15 Extra Article: Hildreth and Zorn (2005) “The Evolution of the State and Local Government Municipal Debt Market over the Past Quarter Century”</p>	
Week 15 (Nov 23)	THANKSGIVING BREAK: NO CLASS	
Week 16 (Nov 30)	OMNIBUS RESEARCH/REPORT PRESENTATIONS	<p>**HW #4 DUE**</p> <p>**Presentations**</p>
Week 17 (Dec 7)	THIS IS THE FINAL EXAMINATIONS WEEK Submit via eLC on December 7 (Wednesday) after incorporating comments from the presentation.	<p>**OMNIBUS Assignment DUE**</p> <p>SUBMIT BY 6PM</p>
Grades Available:	The course grades will be submitted to the Registrar’s Office after the finals week.	You are all done here. Good luck elsewhere!

Complete references for extra readings:

- Alm, James, and Kyle Borders. (2014) "Estimating the "Tax Gap" at the State Level: The Case of Georgia's Personal Income Tax." *Public Budgeting and Finance*, 34(4): 61-79.
- Bifulco, Robert, Beverly Bunch, William Duncombe, Mark Robbins, and William Simonsen. (2012) "Debt and Deception: How States Avoid Making Hard Fiscal Decisions." *Public Administration Review*, 72(5): 659-667.
- Carroll, Deborah A., and Christopher B. Goodman. (2011) "The Effects of Assessment Quality on Revenue Volatility." *Public Budgeting and Finance*, 31(1): 76-94.
- Chan, Yee-Ching Lilian. (2004) "Use of Capital Budgeting Techniques and an Analytic Approach to Capital Investment Decisions in Canadian Municipal Governments." *Public Budgeting and Finance*, 24(2): 40-58.
- Dutkowsky, Donald H., and Ryan S. Sullivan. (2014) "Excise Taxes, Consumer Demand, Over-Shifting, and Tax Revenue." *Public Budgeting and Finance*, 34(3): 111-125.
- Harris, Jean. (2005) "The Discourse of Governmental Accounting and Auditing." *Public Budgeting and Finance*, 25(4s): 154-179.
- Hildreth, Bartley W., and C. Kurt Zorn. (2005) "The Evolution of the State and Local Government Municipal Debt Market over the Past Quarter Century." *Public Budgeting and Finance*, 25(4s): 127-153.
- Johnson, Craig L., Martin J. Luby, and Tima T. Moldogaziev. (2014) *State and Local Financial Instruments: Policy Changes and Management*. Cheltenham, UK: Edward Elgar.
- Key, V.O. (1940) "The Lack of a Budgetary Theory." *American Political Science Review*, 34(6): 1137-1144.
- Lauth, Thomas P. (2014) "Zero-Based Budgeting Redux in Georgia: Efficiency or Ideology?" *Public Budgeting and Finance*, 34(1): 1-17.
- Lawrence, Edward R., and Siddharth Shankar. (2007) "A Simple and Student Friendly Approach to the Mathematics of Bond Prices." *Quarterly Journal of Business and Economics*, 46(4): 91-99.
- Lu, Yi. (2007) "Performance Budgeting: The Perspective of State Agencies." *Public Budgeting and Finance*, 27(4): 1-17.
- de Mello, Luiz R. (1999) "Intergovernmental Fiscal Relations, Coordination Failures, and Fiscal Outcomes." *Public Budgeting and Finance*, 19(1): 3-25.
- Meyers, Roy T. (2014) "The Implosion of the Federal Budget Process: Triggers, Commissions, Cliffs, Sequesters, Debt Ceilings, and Shutdown." *Public Budgeting and Finance*, 34(4): 1-23.
- Mikesell, John. (2014) "Misconceptions about Value-Added and Retail Sales Taxes: Are They Barriers to Sensible Tax Policy?" *Public Budgeting and Finance*, 34(2): 1-23.
- Nesbit, Todd M., and Steven F. Kreft. (2009) "Federal Grants, Earmarked Revenues, and Budget Crowd-Out: State Highway Funding." *Public Budgeting and Finance*, 29(2): 94-110.
- Nussle, Jim. (2012) "Perspectives on Budget Process Reform." *Public Budgeting and Finance*, 32(3): 57-60.
- Palmer, John L., and Rudolph G. Penner. (2012) "The Hard Road to Fiscal Responsibility." *Public Budgeting and Finance*, 32(3): 4-31.
- Posner, Paul, and Matthew Sommerfeld. (2012) "The Politics of Fiscal Austerity: Implications for the United States." *Public Budgeting and Finance*, 32(3): 32-52.
- Rivlin, Alice M. (2012) "Rescuing the Budget Process." *Public Budgeting and Finance*, 32(3): 53-56.
- Ross, Justin M. (2009) "What Should Policy Makers Know When Economists Say "Market" Failure?" *Georgetown Public Policy Review*, 14(1): 27-32.
- Stiglitz, Joseph E. (2014) *Economics of the Public Sector*. New York, NY: W.W. Norton & Company.
- Wildavsky, Aaron. (1966) "The Political Economy of Efficiency: Cost-Benefit Analysis, Systems Analysis, and Program Budgeting." *Public Administration Review*, 26(4): 292-310.