Public Finance PUBL 6312  
Section 29320, M119, Thursday 5:30 – 8:30 PM  
University of Houston Masters of Public Administration Program  
Fall 2010

Instructors:
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- Michelle Arnold, Ph.D. -- marnold@collegeboard.org
- David Hawes, MPA -- dhawes@hhcllp.com
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Introduction  
This course provides a sense of the basic economics theory for public finance as applied in public administration. Using a team approach of four instructors from the Economics Department and the MPA Program, it introduces students to public finance economic theories, concepts, and approaches, and to the application of the theory in public administration. This is vital to public administrators and policy analysts, because public finance and economics is a major part of their everyday practice.

The course will include theory in the readings, examples of application from the readings and current events, and in class papers. In the end, students should have a greater understanding of public finance and its application in the practice of public administration.

Learning Outcomes
1. Have a better understanding of the importance of public finance to public management and public policy analysis especially at the local and state levels of government.
2. Be able to think critically about the effects of government fiscal decisions on the private sector and about public sector finance issues such as efficiency and equity properties of various taxes and user fees.

Requirements for the Course
1. Read the assignments and carefully prepare for each class.
2. Regularly participate in seminar discussions based upon the readings and your experience.
3. Papers/Exams: There will be three exams and/or papers. One in late September, one in late October or early November, and the final.

Grading
- Class participation and attendance 10%
- Exam I 30%
- Exam II 30%
- Final 30%
**Statement on Academic Dishonesty**

Presenting the words or works of others as your own is plagiarism, is dishonest, and is a violation of the University Policy on Academic Honesty. If you are not certain of what is permissible, you should contact the professor prior to submitting the assignment and/or check the UH webpage [www.uh.edu/provost/policies/uhhonesty_policy.html](http://www.uh.edu/provost/policies/uhhonesty_policy.html). A student found in violation of academic honesty may be subject to a failing grade, suspension, or dismissal from the university.

**Students with Disabilities**

Students who need special accommodations/assistance due to a disability should contact Learning Support Services (713-743-5411) so appropriate arrangements can be made.

**Required Textbook**


**Assignments**

August 26: Introduction and Overview of the Course (Thurmond)

- **Topics:** Public administration, economics, and public finance
  - **Readings:**
    - Essential economic concepts for public administrators (Keating and Keating, *Microeconomics for Public Managers*, 2009, 9)
    - Economic Thinking in Not-For-Profit Administration (Keating and Keating, 11 and 12)
    - Interaction Between Sectors (Keating and Keating, 70-72)

- **Topics:** Market/government failure, externalities, the commons, free riders, and public/private goods
  - **Readings:**
    - Public Goods (Keating and Keating, 2009, 40-42)

- **The Fall of the House of California – How the richest state in the country cratered into budgetary chaos and a fiscal nightmare.** In *Cases in Public Policy and Administration*. Shafritz and Borick 2011.
Sept. 2: Microeconomics and the Market Economy (Craig)
  • Steinemann, Apgar, and Brown. 2005.
    o Chapter 2. Supply and Demand
    o Chapter 3. Market Dynamic and Interventions
    o Chapter 4. Choice and Demand
    o Chapter 5. Costs and Supply

Sept. 9: Public Sector Economics and Market Failure (Craig)
  • Steinemann, Apgar, and Brown. 2005.
    o Chapter 6. Efficiency and Equity
    o Chapter 7. Welfare Economics
    o Chapter 8. Monopoly

Sept. 16: Public Sector Economics and Market Failure – continued (Craig)
  • Steinemann, Apgar, and Brown. 2005.
    o Chapter 9. Externalities
    o Chapter 10. Public Goods
    o Chapter 11. Imperfect Information

Sept. 23: Public Sector Economics, Market Failure, and the Urban System (Craig)
    • Basic urban economic theory

Sept. 30: Cost-Benefit Analysis (Arnold)
  • Steinemann, Apgar, and Brown. 2005.
    o Chapter 13. Cost-Benefit Analysis
    o Chapter 14. Cost-Benefit Applications

Oct. 7: Exam

Oct. 14: Public School Finance – Class Exercise (Arnold)
  • During this meeting, students will analyze a school district budget (to be provided prior to class) and will participate in a class budgeting exercise. Students will be asked to apply a macroeconomic perspective of budgeting and will apply previous course readings and objectives to this discussion. Specifically, students will assume the roles of school district administrators, trustees, advocates and public citizens and must proactively advocate for their constituencies as they are tasked with editing a school district budget. Class participation by all students is expected.
Oct. 21: State and Local Finance/Revenue Structure and Organization (Hawes)

- Topics: State, county, municipal and other local governments (METRO, Houston Financing Authority, etc.) financing/tax structure and organization – who and what are they.
- Topics: Review and provide information with regard to constitutional construct and organization, as it relates to sources of revenues, tax construct, ad valorem concept, sales tax, assessments, etc.
- Topics: Role, responsibility and intergovernmental relationship, and tax equity
  - Readings:

BE PREPARED TO TAKE COPIOUS NOTES AS THIS LECTURE FORMS THE BASIS AND UNDERSTANDING OF THE FINANCING MECHANICS OF GOVERNMENTAL OPERATION AND THEIR RELATIONSHIP TO THE EFFICACY AND USE OF SPECIAL PURPOSE DISTRICTS, ECONOMIC INCENTIVE TOOLS, AND STRATEGIC ANNEXATION POLICIES.

Oct. 28: Construct of Special Purpose Districts, use of economic development/incentive tools as policy instruments, and annexation policy as an economic development tool (Hawes)

- Topics: Creation/Development Process and Use of Special Purpose districts (MUDs, WCIDs, PIDs, MMDs, TIRZ)
- Topics: Other economic development tools (Chapter 38-0/381 Agreements, tax abatements, 4a/4b Corporations, MMDs)
- Annexation Policy as an economic tool, the annexation-MUD connection, evolving patterns of Houston annexations
  - Readings:
    - Texas Water Code, Ch. 54.
    - Texas Tax Code, Ch. 311 & Ch.312.
    - Local Government Code, Ch. 380 & Ch. 381.
    - Local Government Code, Ch. 372 & Ch. 375.
Nov. 1: Government Intervention – When is it necessary, or is it ever? (Hawes)
• Topics: Case study presentations related to the use of special purpose districts, economic development tools and strategic annexations.
• Topics: Class discussion of case studies as to the efficacy, public good, tax equity considerations, market place failure, consequences of market involvement by government, public/private relationships and interlocal cooperation.
  o Readings:

• Exam

Nov. 11: Urban Economy (Loftin)
• Topics: Regional economy, development processes, urban development, revenue sources
• Readings: Approx. 100 pages.
  o #2 - Burton, James H. *Residential Real Estate Development*. 2000. West Georgia University. 7
  o #3 - Loftin, Mike. *Property Value Model, City of Houston*. 2008.
  o Handouts: City of Houston Population, Employment, Building Permits, and Oil and Gas Prices.

• Topics: Development process and private-public cooperation
• Readings: Approx. 75 pages.

Nov. 18: Urban Economy (Loftin)
• Topics: Strategic planning and long-term forecasting
• Readings: Approx. 125 pages.
  ⑰ GFOA Recommended Practice: Long-Term Financial Planning, 2008.
  ⑱ GFOA Recommended Practice: Strategic Plans, 2005.
  ⑲ GFOA Recommended Practice: Capital Maintenance and Replacement, 2007.


Dec. 3: Wrap-up (Thurmond)

Dec. 14: Final exam due 8 AM

Final due 8 AM, Tuesday, December 14