

## LOCAL FISCAL POLICY

### *A Study of the Trends, Problems, and Prospects Surrounding Local Government Finances*

Edward J. Bloustein School of Planning and Public Policy

Rutgers - The State University of New Jersey

10:762:330:01

Fall 2007

Professor Henry A. Coleman

Tuesdays, 1:10 p.m. to 4:10 p.m.

**Scott Hall (room 206)**

(732) 932-2499 ext. 616 (phone)

[hcoleman@rci.rutgers.edu](mailto:hcoleman@rci.rutgers.edu) (email)

### Course Syllabus

#### **I. Description**

This course is designed to encourage students to think analytically about the fiscal issues facing local governments in the United States. We will rely on insights from traditional academic literature, as well as policy reports prepared by local governmental units, local professional associations, and policy think tanks.

A series of questions will be addressed, including:

1. What is meant by local fiscal policy?
2. What is meant by the fiscal health of local governments, and what factors influence local fiscal health?
3. How local revenues are raised (especially issues related to property taxation) and spent (especially issues related to local school finances)?
4. How does competition among local units of government affect their finances?
5. How do the federal and state government policies affect local finances?
6. What are the major challenges that will likely confront local finances in the future?

These are among the issues to be explored during this course. Our emphasis will focus on identifying problems, noting major trends and inter-jurisdictional variations, and identifying and analyzing the likely efficacy of various policy options.

#### **II. Readings**

The readings for this course consist of a required text, available at the Rutgers University Book Store:

J. Richard Aronson and Eli Schwartz (editors), Management Policies in Local Government Finance, fifth edition (Washington, DC: ICMA Press) (hereafter Aronson & Schwartz)

Students are expected to purchase the primary text. Unless otherwise indicated, the other readings will be available through the link shown on the syllabus or at <https://sakai.rutgers.edu/portal>. As a general rule, you will be expected to complete the assigned readings prior to the class discussion.

In addition, handouts may be provided and other readings may be assigned or substituted as appropriated throughout the semester.

#### **III. Evaluation**

Grading for the course will be based on several factors, including:

1. an in-class mid-term examination (**scheduled for October 23**) (25 percent)
2. a short (five-page) policy brief and oral presentations (25 percent)
3. an in-class final examination (**scheduled for December 11**) (50 percent).

The examinations will be based on the readings, class lectures/discussions, and information presented in

the policy briefs prepared by students.

**IV. Office Hours**

My office hours will be Tuesdays and Wednesdays from 4:00p.m. to 5:00 p.m., and by appointment. My office is located in room 550 of the Civic Square Building, 33 Livingston Avenue in New Brunswick.

## Weekly READINGS

### (Week one: September 4)

#### Overview of Local Government Structure and Finances

Aronson & Schwartz, chapters 1-2

Hoene, Christopher W. and William R. Barnes (2006), "Taxing Problems: Municipalities and the Flawed System of Public Finance," *State Tax Notes* (September 25), pp. 923-928.

U.S. Bureau of the Census, 2002 Census of Government, volume 1, number 1, Government Organization, tables number 417 and 418 (at <http://www.census.gov/prod/2003pubs/gc021x1.pdf>)

### (Week two: September 11)

#### Measuring Local Government Fiscal Health

Coleman, Henry A. (2002), "Fiscal Stress: It's Not Just A Big City Problem," (Trenton: New Jersey Policy Perspective) (available at [www.njpp.org](http://www.njpp.org))

Pagano, Michael A., and Christopher W. Hoene (2006), "City Fiscal Conditions in 2005," A Research Brief on American Cities, National League of Cities (available at [www.nlc.org](http://www.nlc.org))

Pagano, Michael A. (2004), "City Fiscal Conditions in 2004," a Research Report on American Cities, National League of Cities (available at [www.nlc.org](http://www.nlc.org))

Wallin, Bruce A. (2005), "Budgeting for Basics: The Changing Landscape of City Finances," The Brookings Institution, Metropolitan Policy Program (available at [www.brookings.edu](http://www.brookings.edu))

### (Week three: September 18)

#### Local Government Budgets---How They Spend Money

Aronson & Schwartz, chapters 4-5, 7, and 18

### (Week four: September 25)

#### Local Government Budgets---How They Raise Money

Aronson & Schwartz, chapters 11-12

Wassmer, Robert W. (1998), "Local Financing Options for Urban Governments," *State Tax Notes* (January 19), pp. 197-200.

Mackey, Scott (1998), "A Guide to Local-Option Taxes," *State Tax Notes* (January 19), pp. 201-225.

### (Week five: October 2)

#### Overview of Education Finance

Aronson & Schwartz, chapter 3

Van Slyke, Dore, Alexandra Tan, and Martin Orland (1994), "School Finance Litigation: A Review of Key Cases," The Finance Project (available at [www.financeproject.org](http://www.financeproject.org))

Waugh, William (1998), "Financing Public Education in the Twenty-First Century," in David Brunori (editor), *The Future of State Taxation* (Washington, DC: The Urban Institute Press), pp. 147-160.

Zhou, L., S. Honegger, and N. Gaviola (2007), *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2004-05* (Fiscal Year 2005) (NCES 2007-356), (Washington, DC: U.S. Department of Education, National Center for Education Statistics) (available at [www.nces.ed.gov](http://www.nces.ed.gov))

### (Week six: October 9)

#### Does Money Matter in School Finance?

Lynch, Robert G. (2004), "Exceptional Returns: Economic, Fiscal, and Social Benefits of Investment in Early Childhood Development," Economic Policy Institute (available at [www.epi.org](http://www.epi.org))

Picus, Lawrence (1995), "Does Money Matter in Education? A Policymaker's Guide," in William Fowler, Jr. (editor), *Selected Papers in School Finance 1995* (Washington, DC: National Center for Education Statistics/USDOE), pp. 19-35. (available at [www.nces.ed.gov](http://www.nces.ed.gov))

Rothstein, Richard (1993), "The Myth of Public School Failure," *The American Prospect*, number 13 (Spring), pp. 20-34.

### (Weeks seven: October 16)

#### The Taxation of Property

Aronson & Schwartz, chapter 10

Bradley, David H. (2005), "Property Taxes in Perspective," Center on Budget and Policy Priorities (available at [www.cbpp.org](http://www.cbpp.org))

Zelio, Judy (2004), "The Role of Property Taxes in State and Local Finance," State Tax Notes (October 4), pp. 43-55.

**(Week eight: October 23)**

**Mid-term Examination**

**(Week nine: October 30)**

**Property Tax Reforms and Alternatives**

Brunori, David (2001), "To Preserve Local Government, It's Time to Save the Property Tax," State Tax Notes (September 10), pp. 813-818.

Kenyon, Daphne A. (2006), "Talking Sense on Property Tax Relief," State Tax Notes (March 20), pp. 897-901.

Lyons, Karen and Iris J. Lav (2007), "The Problem with Property Tax Revenue Caps," Center on Budget and Policy Priorities (June 21) (available at [www.cbpp.org](http://www.cbpp.org))

McGuire, Therese J. (2000), "Alternatives to Property Taxation for Local Government," State Tax Notes, (May 15), pp. 1715-1723.

**(Week ten: November 6)**

**Competition Among Governmental Units--- Fiscal Incentives and Economic Development**

Aronson & Schwartz, chapter 13

Lynch, Robert G. (1996), "The Effectiveness of State and Local Tax Cuts and Incentives: A Review of the Literature," State Tax Notes (September 30), pp. 949-953.

Voith, Richard (1992), "City and Suburban Growth: Substitutes or Complements?" Federal Reserve Bank of Philadelphia: Business Review (September/October), pp. 21-33

**(Week eleven: November 13)**

**No Class Meeting---prepare and submit policy brief**

**(Week twelve: November 20 = RU Thursday classes)**

**(Week thirteen: November 27)**

**Oral Presentation of Policy Briefs**

**and**

**Intergovernmental Relations**

Chernick, Howard and Andrew Reschovsky (2000), "The Long-Run Fiscal Health of Central Cities: The Impact of Devolution," State Tax Notes (November 27), pp. 1445-1456.

Talanker, Alyssa and Kate Davis, with Greg LeRoy (2003), "How States are Weakening Enterprise Zone and Tax Increment Financing Programs," State Tax Notes (October 6), pp. 43-58.

**(Week fourteen: December 4)**

**Emerging Issues in Local Finance**

Berube, Alan and Alice Rivlin (2002), "The Potential Impacts of Recession and Terrorism on U.S. Cities," The Brookings Institution Center on Urban and Metropolitan Policy (January) (available at [www.brookings.edu](http://www.brookings.edu))

Kodrzycki, Yolanda K. (1998) "Fiscal Pressures and the Privatization of Local Services," New England Economic Review (January/February), pp. 39-50. (available at [www.bos.frb.org](http://www.bos.frb.org))

**(Week fifteen: December 11)**

**Final Examination**

