

PSc 404a / 604a – Public Financial Administration
Class Time: Monday & Wednesday 5:30-6:45pm, Room SEM 347

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Hours:	4 -5:30 pm, or appointment		

Description: The primary objectives of this course are to introduce students to the basic theory, procedures, and debates in public sector finance. This class seeks to answer four fundamental questions: when should the government intervene in the economy, what types of interventions are possible, what are the effects of these interventions, and why do governments choose to intervene in the way they do? The course is designed to address these questions in two ways. First, it will introduce students to the general theory of public finance and its application. Most of this is based on the textbook, although occasional supplemental material will be provided. Toward this goal we will cover an introduction to the theory and tools of public finance, public goods theory, redistribution and social insurance programs, political economy, and taxation theory and application. The textbook and our in-class discussions will link the theoretical understanding of public finance to events discussed in the media and current public policy debates.

Second, the course is designed to provide fundamental applied skills to students for performing basic public finance analysis. Toward this goal we will occasionally deviate from the textbook to give a hands-on approach to managing public financial resources. These exercises will be based on material supplemental to the textbook. The skills we will cover include: financial analysis with spreadsheets, basic budgeting, cost-benefit analysis, life cycle cost analysis, and basic investment decisions and bond financing. The dual emphasis is intended to provide an appropriate mix of theory, application to current policy debates, and tool skills.

Prerequisites: While public finance theory draws heavily upon microeconomics, calculus and statistical inference, only a working knowledge of college algebra is required. Although many of the theoretical concepts we will be covering involve a basic knowledge of microeconomics, all the economic theory required will be explained and simplified for this course.

Required Texts: There are two books required for this course as well as various individual readings that have been posted to WebCT. It is your responsibility to read each assignment before the date a reading has been assigned.

Public Finance and Public Policy (2005), by Jonathan Gruber, McGraw-Hill.

Quick Course in Microsoft Excel (2005), Online Training Solutions.

“Financial Formulas for Microsoft Excel”, (Available via WebCT).

Life Cycle Cost Analysis Primer Office of Asset Management, 2002, Federal Highway Administration, FHWA-IF-02-047. (Available via WebCT).

“The Budgetary Process” and *“The Governmental Fund Accounting Cycle”*, from Governmental and Not-for-Profit Accounting, Razek, Hosch and Ives, (Available via WebCT).

“Financing and Bonds”, (Available via WebCT).

The textbook includes a very useful CD-Rom for self-study. It is highly recommended that you use the review questions and self-study exercises after each chapter to prepare for exams as well as refer to online resources provided by the publisher. If you do not have access to a personal computer to install the study material, speak with the instructor after class and it can be installed in a public computer lab.

I recommend printing course material from WebCT well in advance of due dates, since there are often technical problems with the server that prevent accessing material at the last minute. Supplemental readings may also be handed out in class. WebCT is an important component of the class, and will generally be used to communicate with other students and post grades.

A calculator with financial functions is required for exams in this course. Cell phone calculators will not substitute, and furthermore, cell phones are not allowed in class during exams.

Requirements

Class Participation (10%): Class participation is critical to your success in this course. There are numerous in-class activities that require attendance and the class is designed as a mix of lecture and discussion. Students are expected to stay abreast of current events in the media and be prepared to discuss them in class. It is important that you are vocal and raise interesting issues throughout the class. You activity earn your participation credit throughout the course and all students begin with zero participation points. Periodically check your participation score in WebCT to determine your status.

Attendance will be taken using in-class exercises. There are no make-ups for in-class assignments if you are late or miss a class. You are allowed to miss up to 3 classes without penalty. Every additional absence will count as 3% of your grade. There are no excused absences for any reason, so please use your three absences wisely and plan for contingencies.

Exercises (25%): There are a total of eight (8) homework exercises. Some of these will ask you to answer question at the end of various chapters, while others have been written specifically for this course. These are an important part of your class grade as well as being critical for exam preparation.

Midterm Exam (30%): The midterm will cover material from the first half of class. It will include a mix of fill-in questions, short answer and multiple choice.

Final Exam (35%): The final is comprehensive; however it will focus on material from the second half of class.

Course Policies: All assignments are due at the beginning of the class period when they are due. If you cannot turn in an assignment on time, it is your responsibility to contact the instructor at least three days before the deadline. If you have an emergency situation, please leave a message at the office. Late assignments will only be accepted under exceptional circumstances, with advanced permission from the instructor, and may receive a 10% reduction per day.

I expect all students to treat the class as a professional event. This means extending common courtesy to classmates and providing work in a timely and acceptable manner. Class work should be of the same quality you would submit to an employer. All assignments should be stapled, typed, have standard one-inch margins and use 12-point font. Sloppy, handwritten, unstapled assignments may not be accepted, and at a minimum will receive a 10-20% reduction. If you

disagree with a grade you have received, you may discuss it with the instructor during office hours only. Email messages requesting grade changes will not receive a reply.

There is an extremely strict policy against plagiarism in this course. While you are encouraged to work in groups, you must submit your own written work. If you have any doubt what constitutes plagiarism, please check with the instructor. You are responsible for knowing the guidelines. Plagiarized work will receive a failing grade for the course and be reported as academic misconduct for further disciplinary action, including expulsion from the University.

Students with documented disabilities should contact the instructor as soon as possible in order to ensure adequate accommodations.

Course Schedule

Date	Topic	Required Reading / *Assignment Due
Jan. 23	Class Introduction	Syllabus Begin exercises in <u>Quick Course in Microsoft Excel</u>
Jan. 25	Why Study Public Finance?	Ch. 1
Jan. 30	Theoretical Tools of Public Finance	Ch. 2
Feb. 1	Theoretical Tools of Public Finance	Ch. 2 (<i>continued</i>)
Feb. 6	Empirical Tools of Public Finance	Ch. 3 * Exercise 1 (Excel Spreadsheets)
Feb. 8	Tools of Budget Analysis	Ch. 4
Feb. 13	Budget Basics	<i>“The Budgetary Process” and “The Governmental Fund Accounting Cycle”</i>
Feb. 15	Externalities: Problems and Solutions	Ch. 5 * Exercise 2 (Basic Budgeting)
Feb. 20	Externalities in Action: Environmental Health Externalities	Ch. 6
Feb. 22	Public Goods	Ch. 7 * Exercise 3 (Chapter 1-6 Questions)
Feb. 27	Cost-Benefit Analysis	Ch. 8 & <i>“Financial Formulas for Microsoft Excel”</i>
Mar. 1	Political Economy	Ch. 9
Mar. 6	State and Local government Expenditures	Ch. 10
Mar. 8	Education	Ch. 11 * Exercise 4 (Cost Benefit Analysis)

Mar. 13	Social Insurance: The New Function of Government Midterm Review	Ch. 12
Mar. 15	Midterm Exam	
		<i>Spring Break Mar. 18 - 26</i>
Mar. 27	Exam Review	
Mar. 29	Social Security	Ch. 13
Apr. 3	Unemployment Insurance, Disability Insurance, and Workers' Compensation	Ch. 14 * Exercise 5 (Chapter 7-13 Questions)
Apr. 5	Life Cycle Cost Analysis	<i>"Life Cycle Cost Analysis Primer Office of Asset Management"</i>
Apr. 10	Health Insurance I & II: Health Economics and Private Health Insurance	Ch. 15 & Ch. 16
Apr. 12	Income Distribution and Welfare Programs	Ch. 17 * Exercise 6 (Life Cycle Cost Analysis)
Apr. 17	Taxation in the United States and the World	Ch. 18
Apr. 19	The Equity Implications of Taxation: Tax Incidence	Ch. 19
Apr. 24	Tax Inefficiencies and Their Implications for Optimal Taxation	Ch. 20
Apr. 26	Taxes on Labor Supply	Ch. 21 * Exercise 7 (Chapter 14-20 Questions)
May 1	Financing and Bonds	<i>"Financing and Bonds"</i>
May 3	Taxes on Risk Taking and Wealth	Ch. 23
May 8	Corporate Taxation	Ch. 24 * Exercise 8 (Chapter 20, 21, 23 & Financing and Bonds)
May 10	Final Exam Review	
May 12	Final Exam 4:30-6:30pm	

Note: Like most things in life, this syllabus is a work in progress. Thus I reserve the right to change the schedule to accommodate any unforeseen circumstances. All changes will be announced in class and posted online.