I. RATIONALE

Urban public finance is the bones of urban planning. Finance rarely starts planning careers or planning agendas, but it has a long history of ending them. Planners promote many goals related to many aspects of cities—housing, environmental protection, transportation, and so on. Yet every proposed policy, whatever its methods or merits, must somehow be paid for. Who will pay for urban policy, and how they will pay for it, can make or break the success of urban policy. And public finance often goes wrong: at the extreme, large cities go bankrupt, as New York did in the 1970s and Detroit did in 2013. More commonly, voters are often unsatisfied with the level
of taxes and public services, and many states have adopted tax limitation laws to prevent localities from raising more revenue. Planners operate within these constraints when they hatch plans to improve neighborhoods and cities, so planners should understand the forces that shape local finance. More broadly, the study of public finance gets to the heart of urban studies: scholars of public finance ask when how and why people are willing to come together and act in their own common interests. Ultimately the study of public finance is the study of how people live together.

The class is divided into three parts. In Part I we address theory, and examine both the purpose of public finance and the challenges of local public finance in particular. This section will also introduce the Tiebout hypothesis, which is the workhorse of academic urban public finance. Part II examines local government services and revenues, the core issues of public finance. In Part III we turn to two of the most controversial activities of local government: efforts to help the poor, and efforts to "create jobs" and pursue economic development through the tax code.

II. CLASS FORMAT

I have structured the class as a lecture, but the topic lends itself well to discussion. Thus as the semester progresses I expect more participation from students, and participation will be a part of grading (see below).

III. REQUIREMENTS AND GRADING

Students should keep up with the readings and be prepared to discuss them in class. There is no required text; most of the readings are available either on the class Blackboard site or the Internet. The workload for this class consists of three short homework assignments, a midterm essay of 4-5 double-spaced pages, and a take-home exam.

All work should be your own, unless I explicitly state that you may work with a partner.

In addition, each student must complete ten "reading notes" throughout the quarter. A reading note is simply your reaction to one of the week’s readings. The note can be a comment, an opinion, a rant, an analysis, or some amalgamation of all of these. But it must not exceed one page (in 12 point or larger type). The purpose of the reading note is to prepare the class for discussion, to help you reflect on the readings, and to guide me in preparing lectures. Reading notes should be posted on the class Blackboard site (under the “Discussions” section) the evening before class. If we have already discussed a reading in class, you should not post a note on that reading.

The grading breakdown for the class is as follows:
1. Homework (3): 25%
2. Midterm Essay: 30%
3. Take Home Exam: 40%
4. Reading Notes (10): 5%
5. Attendance and Participation: 10%

Note that if circumstances require it, I will change this format. For instance, I might find it useful to give a quiz at some point. If that happens, I will update the grading breakdown accordingly. I will provide further details about the assignment and their due dates in the first few weeks of the semester, when I have a better idea of our pace through the course material.

IV. ACADEMIC INTEGRITY

Each student is expected to abide by the Cornell University Code of Academic Integrity. Any work submitted by a student in this course for academic credit must be the student’s own. Work written with another student must include that student’s name. Violation of the Code of Academic Integrity can result in punishments ranging that include failure and expulsion.

V. ACCOMMODATIONS FOR STUDENTS WITH DISABILITIES

I am available to discuss any appropriate accommodations for students with disabilities. If possible, requests for these accommodations should be made during the first three weeks of the semester, so that arrangements can be made.
VI. SCHEDULE OF CLASSES AND READINGS

Note: The schedule is subject to change depending on how quickly or slowly we move, as well as on guest speakers, etc. Students should complete the reading for each class before the class meets. Because I am not certain how quickly we will move through each module, I have not attached specific dates to the readings. However, students should begin the first set of readings immediately after the first class, and have them largely done by the middle of the following week.

Note: I will be traveling on February 5. We will either have a guest speaker or cancel class on that day.

I: THE PURPOSE OF PUBLIC FINANCE: COLLECTIVE GOODS AND COLLECTIVE ACTION


II: FEDERALISM


Gerald Frug. The City as a Legal Concept. In *City Making*.

III: THE MEDIAN VOTER, ZONING AND THE TIEBOUT HYPOTHESIS


IV: GOVERNMENT SERVICES: WHAT SHOULD THE GOVERNMENT PROVIDE? WHAT SHOULD THE PRIVATE SECTOR PROVIDE?


**VI: LOCAL REVENUE: TAXATION AND THE PROPERTY TAX**

Harvey Rosen and Ted Gayer. Pages 302-352 in *Public Finance*.


**VI: LOCAL REVENUE: SALES TAXES AND IMPACT FEES**


**VII: USER CHARGES AND TAX INCREMENT FINANCE**


VIII: INTERGOVERNMENTAL GRANTS AND INTERGOVERNMENTAL OBLIGATIONS

Ronald S. Fisher. Chapter 9 of *State and Local Public Finance*.


IX: CAN LOCAL GOVERNMENTS HELP THE POOR? (I): EQUALIZING EDUCATION FUNDING


Fischel, *Comment on Martin*, “Does School Finance Litigation Cause Taxpayer Revolt?”
Morgan Smith. Wind Farm Money Fuels Spending on West Texas Schools. Texas Tribune.

Virginia Postrel. A Texas experiment that shifts money from rich to poor school districts is turning into a major policy disaster. Dynamist Blog.

X: CAN LOCAL GOVERNMENTS HELP THE POOR? (II): MAGNET EFFECTS AND OTHER PROBLEMS


Jason Deparle, pages 5-17 of American Dream.

College Hospital to Pay $1.6 Million in Skid Row Dumping Case. Los Angeles Times.


Two Years After Crackdown, Feeding Problems Persist. Santa Monica Lookout News.


Paul Peterson, chapter 11, City Limits.


XI: CAN LOCAL GOVERNMENTS CREATE JOBS? TAX COMPETITION AND ECONOMIC DEVELOPMENT


XII: FINANCING THE FUTURE: THE PENSION PROBLEM AND COST-BENEFIT ANALYSIS


John W. Schoen. 2013. *Pandemic of Pension Woes is Plaguing the Nation*. CNBC.


Ronald Fisher. 2006. Chapter 10 of *State and Local Public Finance*.

Harvey Rosen and Ted Gayer. Chapter 8 of *Public Finance*. 