

GSPP/PUBP 802: Public Finance

University of Regina Campus	
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Term:	Winter 2010
Room:	ED193 (Normal Classes) AH527 (Presentations and Cabinet Debate)
Time:	Thursdays (7:00 p.m. – 9:45 p.m.)

CALENDAR DESCRIPTION

The purpose of this course is to provide a survey of Canadian public finance. Students will examine rationales for government intervention in a market economy, the assessment of public policy, how government decisions are made and the impact of government expenditures and taxation on the economy and the well-being of Canadians, in terms of economic efficiency and interpersonal equity.

REQUIRED TEXTBOOK/READINGS

The text for the course is Rosen, Dahlby, Smith, Wen and Snoddon, *Public Finance in Canada: Third Edition*. (Toronto: McGraw–Hill Ryerson, 2008). Students should note the following:

- The second edition (e.g. Rosen, Dahlby, Smith and Boothe, *Public Finance*) is an acceptable substitute for the third edition; and
- There are likely a number of used copies around since this book has been used for a number of years.

Students are expected to read all required chapters of the textbook as well as the associated course notes and 'key questions' material provided on the instructor's UR Courses website. Please note this material may be supplemented with other materials that will be distributed later to students.

STUDENTS WITH SPECIAL NEEDS

Students in this course who may have a need for accommodations because of a disability are encouraged to come and discuss accommodations with the instructor, and to contact the Coordinator of Special Needs Services at 585-4631.

ACADEMIC INTEGRITY AND CONDUCT

Ensuring that you understand and follow the principles of academic integrity and conduct as laid out in the University of Regina's Graduate Calendar and the University of Saskatchewan's Guidelines for Academic Conduct is vital to your success in graduate school. Ensuring that your work is your own and reflects both your own ideas and those of others incorporated in your work is important: ensuring that you acknowledge the ideas, words, and phrases of others that you use is a vital part of the scholarly endeavour. If you have any questions at all about academic integrity in general or about specific issues, contact your course instructor and to discuss your questions.

EVALUATION

The evaluation framework for students has three main components to it:

- Student attendance/participation;
- A case study; and
- A final exam.

Grades for the course will be determined as shown in Figure 1 (please note the due dates listed in brackets). Please note the grading structure and due dates are subject to change at the instructor's discretion.

Figure 1 - Grading Structure

Assignment Type	Weight	Due Dates
Attendance & Participation	10%	N/A
Case Study		
Written Submission	30%	Feb. 11 (Ministries); Mar. 11 (Finance)
Power Point Presentation	10%	Mar.4 (Ministries); Mar.25 (Finance)
Oral Presentation	10%	Mar.18 and Mar.25 (Ministries); Apr.1 (Finance)
"Cabinet" Debate	10%	Apr. 8 (All)
Sub-Total	60%	
Final Exam	30%	Apr. 22
Total	100%	

COURSE CONTENT AND APPROACH

Details on the attendance, case study and final exam components of the course are provided below.

1. Student Attendance and Participation

It is important for students to attend lectures and to participate in the class discussion to demonstrated and enhance their understanding of the material in this class. Therefore, a maximum of 10 marks will be allocated to students based on their attendance and participation. The marks will be allocated as follows:

- a. Participation. Five (5) marks will be allocated for each student's participation based on the instructor's assessment of the following:
 - The quality of the questions asked by a student; and
 - The quality of the questions answered by a student.

 - b. Attendance. Five (5) marks will be allocated for each student's attendance throughout the semester.
 - Students will be allowed to miss two lectures without penalty through the semester.
 - The purpose of allowing up to two missed lectures is to allow students to miss class for any one of a variety of reasons (e.g. illness, vacation, etc.) without having to provide a reason for missing to the instructor.
 - Therefore, the instructor will accept no reasons for missing if students choose to miss more than two lectures.
 - For any additional lectures missed beyond the first two, students will be penalized one mark for each lecture missed up to a maximum of 3 marks.
- **Please note that any student that misses more than 5 lectures in the semester will receive an automatic grade of 0 out of 10 for both participation and attendance.**

2. Case Study

There is a case study that emulates the budget decision making process for government. It will be on a 'hypothetical' provincial government (e.g. Saskatchewan).

Groups of students will represent 'line' ministries or Finance (i.e. the Treasury Board) in a simulated budget process. The simulated budget process is as follows:

- The line ministry groups will provide a written budget submission (i.e. a 'Call for Estimates' submission) to be considered by Finance and Cabinet;
- The ministry groups will create a Power Point presentation on their budget submissions and present it within class;
- The Finance group will provide a written submission (i.e. a provincial budget document and 'Treasury Board exhibits') that makes recommendations on the overall provincial budget by evaluating/critiquing/supporting each of the ministries written Call for Estimates budget submissions;
- The Finance group will create a Power Point presentation that makes a recommendations based on the provincial budget document and present it to the class; and
- All groups will participate in a 'Cabinet' debate to decide on the final budget for the government.

There are three main purposes of the case study:

1. Give students 'hands-on' experience of how the budget process works;
2. Develop an understanding of how different interests drive decision making within government; and
3. Provide a substantial group work component to the class.

The following are some other details about the case study:

- There will be a minimum of 3 people per group up to a maximum of 6 people per group;
- The instructor will choose the groups to try to create a fair and balanced opportunity to learn and succeed for all students; and
- The instructor will assign the ministry and Treasury Board assignments to each group.

Details on each component of the case study are provided below.

i) Call for Estimates Written Submission (Line Ministries)

The 'Call for Estimates' budget submission has three main purposes. It details a ministry's budget request for human, capital and financial resources for its programs. It also explains its plan for spending the funds to meet the strategic goals of the ministry and the government as well as outline the expected impact of its program expenditure for citizens/taxpayers.

There are three basic components of the 'Call for Estimates' written submission for each ministry:

- An executive summary section that briefly describes the ministry's overall Call-for-Estimates budget submission. (500 words recommended);
- The 'base-funding' level section that provides an overview of the ministry, its programs and the funding level it is currently allocated. This section will also include a description of the rationale for these programs and their design as well as the impacts/outcomes of these programs. (3,500 words recommended); and
- A description of each of the four 'pressure and priority' initiatives the ministry is putting forth to request additional resources to develop new and/or expanded programs to cope with the unique pressures, trends and issues the ministry is facing. This part details how many additional resources are required (including the number of new employees), an overview of the program(s) and an explanation of the impact/benefit of the new/expanded program. Groups will be required to conduct research from outside sources (i.e. beyond the Government of Saskatchewan) on the initiatives to provide evidence on the effectiveness of the program. (4,000 words recommended)

Ministry groups will be required to write a complete budget submission based on both of the above components. Groups will be provided a template document to guide their writing of the Call for Estimates document. Groups will also use information from four main sources to write the submission:

- The case study;
- Information available on the Government of Saskatchewan's website;
- The textbook; and
- Other relevant information sources aside from the above (i.e. groups must do research to complete their assignments).

Please note the following conditions for the Call for Estimates submission:

1. The document is to be 8,000 words in length.
 - There is a 500-word ‘margin of error’ around the 8,000 word limit (i.e. students can write between 7,500 and 8,500 words).
 - 2 percentage points will be deducted for every 200 words below the minimum of 7,500 words.
 - 2 percentage points will be deducted for every 200 words above the maximum of 8,500 words.
2. The document will be done in a Microsoft Word 2003 format using the templates posted on the UR Courses website.
 - Please save the file in the following format: Group # - Ministry Name.doc (Ex. Ministry of Education 2010-11 Call for Estimates Budget Submission.doc)
3. The document will be sent to the instructor, to shaunaugustin@hotmail.com, by Thursday, February 11th at 7 p.m.
 - 2 percentage points will be deducted for every day it is late (note: 7:01 p.m. is considered one day late).
 - Assignments submitted more than five (5) days late will not be accepted and the group will receive a grade of 0 (i.e. assignments 6 days late will not be accepted).
 - The time of arrival is measured by the time the outline has arrived in the instructor’s e-mail inbox.
 - Please note that an e-mail sent without an attached Word document, in the specified format, does not constitute submission of the assignment.

ii) Treasury Board Finalization Document (Ministry of Finance)

The Finance group will create a ‘Treasury Board Finalization’ document that recommends a total budget (i.e. a budget rollup) for the provincial government. The written document will make recommendations on two main things:

- Whether to run a deficit, a balanced budget or a surplus given the assumptions/conditions laid out in the case study; and
- Whether to accept, in whole or in part, each ministry’s Call for Estimates submission.

The document will have five main components:

- A budget summary section that explains the recommended total budget (1,500 words recommended);
- An economic forecast section that provides explains the expected growth/trends in the main provincial economic indicators like Gross Domestic Product (GDP), employment and inflation through a four-year forecast period (1,500 words recommended);
- A revenue forecast section that explains the Province’s expected revenue growth through a four-year forecast period (1,500 words recommended);
- An expense forecast section that explains the Province’s expected expense growth through a four-year forecast period. This section must include Finance’s recommendation on the overall budget, including its recommendations on the ministry’s initiatives (1,500 words recommended); and
- ‘Treasury Board Exhibits that critique/support each line ministry’s Call for Estimates submission (750 words/ministry Exhibit x 8 ministries = 6,000 words recommended).

The Finance group will be provided a template document to guide them in the development of the provincial budget document. The document must provide a rationale(s) for its recommendations both on the overall budget and on the line ministry's budget submissions. The document will also need to incorporate the impact of the recommended budget in supporting the provincial government's strategic plan.

Please note the following conditions for the provincial budget document:

1. The document is to be 12,000 words in length.
 - There is a 500-word 'margin of error' around the 12,000 word limit (i.e. students can write between 11,500 and 12,500 words).
 - 2 percentage points will be deducted for every 200 words below the minimum of 11,500 words.
 - 2 percentage points will be deducted for every 200 words above the maximum of 12,500 words.

2. The combined document will be done in a Microsoft Word 2003 format using the template posted on the UR Courses website.
 - Please save the file in the following format: Ministry of Finance 2010-11 TB Finalization Submission.doc

3. The document will be sent to the instructor to shaunaugustin@hotmail.com, by Thursday, March 11th at 7 p.m.
 - 2 percentage points will be deducted for every day it is late (note: 7:01 p.m. is considered one day late).
 - Assignments submitted more than five (5) days late will not be accepted and the group will receive a grade of 0 (i.e. assignments 6 days late will not be accepted).
 - The time of arrival is measured by the time the outline has arrived in the instructor's e-mail inbox.
 - Please note that an e-mail sent without an attached Word document, in the specified format, does not constitute submission of the assignment.

iii) Power Point/Oral Presentation (Line Ministries)

Each line ministry group will create a Power Point presentation and present it to the whole class with the following requirements:

- The presentation will be 20 to 30 minutes in length;
- Each group will be prepared to answer 10 to 15 minutes in questions from the Finance group, the instructor and other groups; and
- The information provided must be based on the Call for Estimates submission provided to the instructor.
- The Power Point and oral presentation are worth 20 percent of each group's final grade (10 percent for the Power Point presentation itself and 10 percent for the oral presentation).

The Power Point presentation and/or any visual aids used in the presentation will be graded. They will be graded on two broad elements:

- Content, including clarity of language, structure/logic flow and key points made; and
- Format, including easy-to-read text/font, attractive backgrounds and eye-pleasing graphics or charts.

As well, the oral presentations will be graded on two broad elements: the group component and the personal performance component. The group component examines each group's ability to deliver an effective presentation based on the following elements:

- Introduction;
- Presence;
- Communication skills;
- Use of visual aids;
- Ability to make key points effectively to audience;
- Good teamwork within the presentation;
- Time management; and
- Wrapping up the presentation with a strong conclusion.

Groups will be also graded on their performance within their question and answer periods after their presentations. Specifically, each group will be assessed on their persuasiveness and effectiveness in answering groups questions by the knowledge of their answers, making compelling arguments flowing from the logic and rationale as well as answering questions clearly and confidently (i.e. like they know their 'stuff').

Additionally, individual student's personal performance will be graded during these sessions in two ways:

1. Minister Role. Each student will serve as the 'Minister' for one of the presentations. Students will be graded on the effectiveness via the quality of questions they ask other presenting groups and by the quality of the language they ask it with (i.e. professional language and etiquette);
2. Individual Oral Presentation. While the oral presentation will be mostly based on the group's ability to deliver the presentation, the instructor recognizes that some individual students are stronger or weaker than others in delivering presentations. Thus, the instructor may add or subtract up to a maximum of 10 percentage points from students based on their individual performance within the group presentation component.

The Power Point presentations will be sent to the instructor at shaunaugustin@hotmail.com by Thursday, March 4th at 7:00 p.m.

- 2 percentage points will be deducted for every day it is late (note: 7:01 p.m. is considered one day late).
- Assignments submitted more than five (5) days late will not be accepted and the group will receive a grade of 0 (i.e. assignments 6 days late will not be accepted).
- The time of arrival is measured by the time the outline has arrived in the instructor's e-mail inbox.
- Please note that an e-mail sent without an attached Word document, in the specified format, does not constitute submission of the assignment.
- Save the file in the following format: Ministry of xx 2010-11 TB Finalization Presentation.ppt (Ex. Ministry of Education 2010-11 TB Finalization Presentation.ppt).

iv) Power Point/Oral Presentation (Finance)

The requirements for the Finance group's Power Point/oral presentation are the same as the line ministries with the following exceptions:

- The Finance group's presentation will be 45 to 60 minutes in length;
- The group will be prepared to answer 15 to 30 minutes in questions from the instructor and the line ministry groups; and
- The information provided must be based on the provincial budget submission provided to the instructor.

The due date for the submission of the Power Point presentation is Thursday, March 25th at 7:00 p.m.

- 2 percentage points will be deducted for every day it is late (note: 7:01 p.m. is considered one day late).
- Assignments submitted more than five (5) days late will not be accepted and the group will receive a grade of 0 (i.e. assignments 6 days late will not be accepted).
- The time of arrival is measured by the time the outline has arrived in the instructor's e-mail inbox.
- Please note that an e-mail sent without an attached Word document, in the specified format, does not constitute submission of the assignment.
- Save the file in the following format: Ministry of Finance 2010-11 TB Finalization Presentation.ppt

v) Cabinet Debate (All Ministries)

This activity will see all groups participate in a ‘Cabinet’ debate that will make a “final” decision on the budget. Each group member should play one of the following roles:¹

- Minister
- Deputy Minister (DM)
- Assistant Deputy Minister (ADM)

The instructor will serve as Premier and chair of the discussion. Each Minister will debate Finance’s recommended budget. Group members will support the Minister with information to help the Minister provide relevant points to the group discussion and/or counter other Minister’s arguments (i.e. only the Minister will be allowed to speak unless the Minister requests one of the group members to make a point).

Groups will be graded on the quality of their participation within the debate. Key elements that will be considered are:

- Persuasiveness;
- Effectiveness/thoroughness based on information within written submissions;
- Ability to build consensus among the groups;
- Demonstrated understanding of ‘big-picture’ strategic issues by linking government’s strategic plan and through the use of public finance principles; and
- Involvement of all group members (i.e. the more the better).

A consensus decision must be reached by the Ministers by the conclusion of the class. Failure to do so will cause a reduced mark for all groups.

The class will begin promptly at 7 p.m. Please arrive by 6:45 a.m. so that class can start on time. People that are late will have their group docked marks.

¹ If groups have more than three members, additional members will serve as executive directors.

3. Final Examination

During each lecture, the instructor will discuss a number of key questions pertaining to the material within each chapter. These questions will be a part of the material on the final exam. The following are some details about the questions:

- The instructor will discuss up to a maximum of five questions per chapter of the textbook.
- The purpose of the questions is to examine the main concepts and/or insights of the material in each chapter.
- The instructor will pose the questions for each chapter during the lecture (i.e. the instructor will not be posting the questions on a website).
- The instructor and students will discuss the answers for the questions within class and students will be expected to take notes.

There will be two major components of the exam, which are as follows:

1. Chapter Questions
 - Four questions will be answered on the questions from the six different sections of the textbook.
 - Students will choose among a group of questions (e.g. 1 of 2, 1 of 3, etc.).
 - Each group of questions will be taken from the chapters within a particular part of the textbook (e.g. Part 5: A Framework for Tax Analysis).
2. Capstone Question
 - The purpose of the question is to examine 'big-picture' issues that run throughout the course.
 - There will be only one question in this section so that all students will answer the same question.
 - The question in this section will not specifically be based on any of the questions discussed in the lectures although students will likely want to draw on that material to answer this question.

The following are some other details about the final exam:

- The exam will be comprehensive although there will be an emphasis on the material from Chapter 8 on.
- The exam will be closed book.
- Answers to the questions may contain mathematical and graphical components to them, if necessary to explain a concept and/or insight, but there will be an emphasis on written answers.
- Students do not need to pass the final exam in order to pass the class overall.

COURSE OUTLINE SCHEDULE

Figure 2 below outlines the suggested course outline for the class. The course outline is tentative and subject to change at the instructor's discretion, **particularly the April 15th class. Currently, this date is not scheduled to have a class but may change if the instructor needs to cancel a class for any reason.**

Figure 2 – Course Outline Schedule

<u>Week</u>	<u>Date</u>	<u>Chapter</u>	<u>Title</u>
Section 1: Introduction			
1	Jan.7	N/A	Course Outline
		1	Introduction
		2	Normative Analysis
2	Jan.14	3	An Overview of Expenditure and Taxation Analysis
		N/A	Government of Saskatchewan Budget Process
		N/A	Case Study Overview/Presentation by Instructor
Section 2: A Framework for the Analysis of Public Expenditure			
3	Jan.21	4	Public Goods
		5	Externalities
4	Jan.28	6	Income Redistribution
		7	Cost Benefit Analysis
Section 3: Political Economy			
5	Feb.4	8	Public Choice
		9	Fiscal Federalism
Section 4: Public Expenditure in Canada			
6	Feb.11	10	Social Welfare Programs
		11	Unemployment Insurance
		N/A	Written Submissions by Ministries Due
7	Feb.18	N/A	Reading Week - Class Cancelled
8	Feb.25	12	Public Pensions
		13	Health Care
		14	Education
Section 5: A Framework for Tax Analysis			
9	Mar.4	15	Taxation and Income Distribution
		16	Taxation and Efficiency
		17	Efficient and Equitable Taxation
		N/A	Note: Ministry Powerpoints due to instructor
Section 6: The Canadian Revenue System			
10	Mar.11	18	The Personal Income Tax
		19	Personal Taxation and Behaviour
		20	Consumption Taxation
		21	Taxes on Wealth and Property
		22	The Corporation Tax
		N/A	Fiscal Policy Review
		N/A	Written Submission by Finance Due
11	Mar.18	N/A	Ministry Presentations: Session #1
12	Mar.25	N/A	Ministry Presentations: Session #2
		N/A	Note: Finance Powerpoint due to instructor
13	Apr.1	N/A	Finance Presentation
14	Apr.8	N/A	Cabinet Debate
15	Apr.15	N/A	Class Cancelled (Floater Class that may be moved at instructor's discretion)
16	Apr.22	N/A	Final Exam