

What is Public Finance?

By Victoria S. Byerly, esq.

I am often asked, “What is public finance” or, “What kind of work do you do?” So, I thought I would write about it. Public finance is a subfield of economics that is concerned with the income and expenditure of government. Philosopher and theorist, Adam Smith wrote about public finance and economics, generally, in *The Wealth of Nations*. The fifth book, specifically discusses public finance.

The Wealth of Nations is actually short for “An Inquiry into the Nature and Causes of the Wealth of Nations.” This work was published (first) in 1776 and is considered fundamental in the study of economics as well as other disciplines. Public finance involves the following: 1) income; 2) expenditures; 3) debt; and 4) budgets. As a result, public finance involves the relationship of the aforementioned four items. In Washington State, sources of revenue include taxes and fees. Washington does not have an income tax. Instead, Washington has the business and occupation tax and sales tax. Washington also has a property tax.

Expenditures include salaries, employee benefits and supplies (and much more). This makes sense because governments run like businesses.

Debt includes both short term and long term debt. Article VIII of the Washington State Constitution authorizes the State to contract for debt and provides a formula for debt capacity. It is worthwhile to note that debt for purposes of Article VIII, is defined as borrowed money represented by bonds, notes or other evidences of indebtedness that are secured by the full faith and credit of the state. Authorization like this is powerful because it provides a tool for government to finance infrastructure and so much more.

A budget is a summary of revenue and expenditures. It is useful because it provides insight into the past and future. It can reveal past behavior and provide information relative to specific future events.

Public finance involves not just government, but special purpose districts, non-profit entities and schools. Public finance lawyers draft legislation, draft official statements, and assist with audits. Roles include bond counsel, underwriter’s counsel and trustee’s counsel. Since bonds are securities and there are tax implications, we traverse through layers of regulation.

So, in short, public finance lawyers help public entities like government fulfill their role. In Washington, all one has to do is look to the 520 bridge or see the Chehalis Centralia Airport to see what kind of projects we can work on.

Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (W. Strahan and T. Caddell, London (1776)

Id.

RCW 82.04 and RCW 82.08.

WA Const. art VII and RCW 84.

WA Const. art. VIII, §1(d).

Upcoming Local CLE Opportunities

(some topics are still tentative)

1. Friday, March 16, 2012—Ramblin Jacks Lunchtime Education, 1 Ethics credit is approved by the WSBA
2. Tuesday, March 27, 2012-Family & Juvenile Court building, “Attachment Disorder” 1 CLE credit is pending
3. Friday, April 20, 2012-Ramblin Jacks Lunchtime Ed., Allen T. Miller to present, 1 credit pending
4. Tuesday, April 24, 2012– Family & Juvenile Court building, “Adverse Childhood Experiences” 1 credit pending
5. Friday, April 27, 2012– St. Martin’s 3 hour seminar on using technology, speakers will include John Sinclair, John Tunheim and Betty Gould. More information will be provided soon. There is 1 ethics and 2 general credits pending with the WSBA.
6. Thursday, May 17, 2012– Govt Lawyers Bar Association will have a 1/2 day seminar. Details to come.
7. Tuesday, May 22, 2012– Family & Juvenile Court building “D.V. vs PTSD and Brain Trauma”
8. Friday, June 15, 2012-GLBA presents a CLE on Treatment Courts
9. Friday, June 22, 2012—St. Martin’s 3 hour, 2 track seminar with lunch speaker. Track 1: Real Estate and Track 2: Personal Injury