

INSTRUCTOR'S MANUAL:

**FISCAL ADMINISTRATION, ANALYSIS AND APPLICATIONS FOR THE PUBLIC
SECTOR**

**JOHN L. MIKESELL
INDIANA UNIVERSITY**

NINTH EDITION

Chapter One

Questions and Exercises

1.
 - a. Yes. Total project benefits (4,900) exceed total project cost (4,000).
 - b. No. No individual has benefits greater than cost of project.
 - c. No. Based on net benefits, A and B would vote yes; C, D, and E would vote no.
 - d. Revise cost shares so that Residents A and B pay more and reduce cost shares borne by C, D, and E.
2. Many of the benefits of primary and secondary education are public or social (external to the recipient of the education). The entity paying for the service is not able to capture the full benefit of the service.
4. No – the bread is rival and exhaustible.

Chapter Two

Questions and Exercises

2.
 - a. Defense outlay change: $(693,586 / 294,362) - 1 = 135.6$
Nondefense outlay change: $(658.2 / 319.7) - 1 = 105.9$
Defense prices: $(1.1327 / 0.8147) - 1 = 39.0$
Nondefense prices: $(1.1256 / 0.89) - 1 = 26.5$
Defense real: $[(693,586 / 1.1327) / (294,362 / 0.8147)] - 1 = 69.5$
Nondefense real: $[(658.2 / 1.1256) / (319.7 / 0.89)] - 1 = 62.8$
 - b. Deflator: $2000 = 1.00$; $2010 = 1.1256 / 0.89 = 1.2647$
Nondefense outlay, real: $2000 = 319.7$
Nondefense outlay, real: $2010 = 658.2 / 1.2647 = 520.4$
Change (2005 = 1.00): $584.8 - 359.2 = 225.6$
Change (2000 = 1.00): $520.4 - 319.7 = 200.7$
Percent change (2000 = 1.00): $(520.4 / 319.7) - 1 = 62.8$
3. Strategies:
 - a. Spend to save
 - b. All or nothing
 - c. Matching the competition
 - d. Cut the popular program
 - e. Spend to save
 - f. It's the local economy
 - g. It's so small

- h. Spend to save
- i. Washington Monument
- j. Crisis
- k. You pick
- l. Dire consequences
- m. Washington Monument
- n. Cut the popular programs
- o. Dire consequences

4. Hurricane damage, adjusted with GDP deflator:

	Damage, Current Dollars	Deflator, 2005 = 100	Constant (Real) Damage	Category
Katrina	81000	100	81,000.00	3
Andrew	26500	76.598	34,596.20	5
Wilma	20600	100	20,600.00	3
Charley	15000	96.786	15,498.11	4
Ivan	15000	96.786	15,498.11	4
Rita	11300	100	11,300.00	3
Hugo	7000	69.577	10,060.80	4
Frances	8900	96.786	9,195.54	2
Agnes	2100	26.657	7,877.86	1
Jeanne	6900	96.786	7,129.13	3
Betsy	1421	19.936	7,127.81	3
Camille	1421	23.119	6,146.46	5
Allison	5000	90.727	5,511.04	0
Frederic k	2300	43.798	5,251.38	3
Floyd	4500	86.842	5,181.82	2
Diane	832	16.601	5,011.75	1
Fran	3200	83.159	3,848.05	3
Opal	3000	81.606	3,676.20	3
Isabel	3370	94.135	3,579.96	2
Alicia	2000	57.652	3,469.09	3
Juan	1500	61.628	2,433.96	1
Dennis	2230	100	2,230.00	3
Elena	1250	61.628	2,028.30	3
Bob	1500	74.824	2,004.70	2
Gloria	900	61.628	1,460.38	3
Georges	1155	85.584	1,349.55	2
Lili	860	92.196	932.80	1
Bonnie	720	85.584	841.28	0
Erin	700	85.584		0

			817.91	
Allison	500	69.577	718.63	0
Alberto	500	79.94	625.47	0
Frances	500	85.584	584.22	0
Ernesto	500	103.231	484.35	0