

PUBLIC BUDGETING
PADM 60373 / POL 70373
Master of Public Administration Program
Kent State University

Main

To Students With Disabilities:

In accordance with University Policy, if you have a documented disability and require accommodations to obtain equal access in this course, please contact the instructor at the beginning of the semester or when given an assignment for which accommodation is required. Students with disabilities must verify their eligibility through the Office of Student Disability Services (SDS) in the Michael Schwarz Student Services Center (672-3391).

Additionally, this is a web-based course which is Section 508 accessible for persons with physical disabilities. If you are a disabled student residing in Northeast Ohio who is blind, vision-impaired, has limited use of their hands, or is deaf and or hard-of-hearing, please contact the Coordinator for training and use of assistive technologies in your home.

Budgets are not merely affairs of arithmetic. In a thousand ways they go to the root of the prosperity of individuals, the relation of classes, and the strength of kingdoms. (William Gladstone)

This is a core course in the Master's in Public Administration (MPA) program. The purpose is to introduce you to the central concepts and issues of public budgeting. The course will also provide the analytical approaches necessary for success in public budgeting either in a budget, policy or finance office of a public or non-profit organization, in a consulting firm, or as a program manager or policy analyst who prepares budget information for a public or non-profit program.

The course covers the components of public budgeting. It focuses on the operating budget, the elements of budgets and budgetary decision-making. Emphasis is placed on analyzing a policy or program budget initiative, or analyzing a proposal to add or remove a function or policy objective to a government agency. In the not-for-profit sector, a budget initiative might be thought of as the core of a grant proposal, although almost all grants require completion of very specific forms. A budget is not merely the tables and math which demonstrates the cost of a program. More importantly, it is the communication of the role of the initiative in meeting the decision-maker's objectives.

Public budgeting involves the allocation of scarce resources to meet the objectives the public values most. This goal involves balancing costs and goals. From the perspective of the prospective performer of a public function, it is important to obtain an adequate amount of resources to perform the assigned duty. From the perspective of the decision-maker, it is important to conserve resources, allocating no more than are minimally necessary to any one

objective, as there are a seemingly unlimited number of objectives demanded by various constituencies. These conflicting goals create the tension that is observed in all forms of budget decision making, both in the initial resource allocation and the continuing review of usage.

In this course, the student should learn how to analyze a budget request using the criteria that will either produce adequate funding to perform the duties implied in an initiative or a decision not to pursue the initiative. While the optimal goal, from the requestor's perspective, is to obtain the funds to implement the initiative, a secondary goal is to avoid being assigned the duty without sufficient resources to succeed. Students will learn why budgeting is central to government and, indeed, all decision-making and how to participate within this setting.

Learning Objectives: At the end of this course, the student should be able to understand and use a variety of public budgeting terms, read a budget document, understand the variety of documents called a "budget", apply specific analytic skills to budgetary problems, analyze an individual budget within a policy environment, understand the role of budgeting in managing public organizations, understand the political nature of budgetary decisions, and implementation of budgets.

Learning Format: The course is taught through a combination of readings and assignments completed between sessions. This is an "on-line" course that is expected to enroll students from varying locations. Class will not physically meet, but instead will be conducted by electronic means. Therefore, it is very important that the student take the responsibility to keep up with the assignments, and to notify the professor when they have questions or difficulties. Some assignments involve relatively simple math. Students will be expected to produce tables and charts in spreadsheets. Students are expected to have basic spreadsheet skills at the beginning of the course.

Class Policies

Disclaimer: The professor reserves the right to make modifications to any part of the class syllabus or schedule to better accommodate the needs of the students within the course. Students will be given advance notice of relevant changes in class or via email.

Kent State University does not condone cheating in any form. Written work must be of publication quality and must follow the format as listed in the APA Style Manual.

Your Course Evaluation

Evaluation will be based on web discussion, seven homework assignments, a mid-term exam, a final exam, and a budget project. Written assignments (homework) are due by noon on the week they are assigned. Late assignments (including the budget project) will be penalized 4% of the grade per day, or portion thereof.

The components of the final grade are as follows:

Assignments (7 assigned) 40%
Mid-term Exam 10%
Budget Project 20%
Web-based discussion participation 20%
Final Exam 10%

Students will be graded on a 90%, 80%, 70%, 60% scale. Specifically,
A=90-100% (A+=98-100%, A-=90-92%)
B=80-89 (B+=87-89, B-=80-82
C=70-79, etc.

Expectations:

The instructor is expected to:

- Be prepared for each class;
- Be responsive to student questions both inside and outside class;
- Provide timely feedback regarding student assignments; and
- Keep students informed of their progress in the course.

Students are expected to:

- Attend class and participate in class discussion;
- Spend no less than six hours each week outside the class for this course;
- Read textbook and other assigned readings;
- Complete all assignments by the due date;
- Check e-mail on a regular basis

Class Web Site:

The website for this class is <http://dept.kent.edu/mpa>. The web site contains the following course materials:

- Class announcements
- Abbreviated Syllabus
- Lectures
- Assignments
- Discussion Board
- Weekly Discussion Questions
- Other related course materials

The web-based discussion will be on the questions listed for each week. Students must answer the discussion question(s) assigned by posting their answer to the class web site by noon on Wednesday of each week. The discussion grade has two components: quality and quantity of the debate. Those not actively participating regularly will not do well in this component of the grade. Criteria for evaluating participation in the discussion questions are:

1. ability to respond directly to the question asked by the professor;
2. ability to ask a completely different question (on the same topic);
3. ability to answer a question posed by another student; and
4. ability to respond to a comment made by a different student and building on that comment to continue the topic initiated by the professor.

Seven written assignments are listed in the syllabus. Each student must do seven written assignments. The seven assignments must be submitted as an e-mail attachment, fax or by mail. These assignments are based on assigned readings and the weekly lecture. The final project is an analysis of revenue and expenditures. A handout will be sent to you the Second Week of class that outlines the requirements for the project. The project should draw on readings and other resources from outside of the syllabus. Please consult with me as you develop your project. It is due 9:00 a.m. on April 27, 2004. The Mid-Term and Final Examination will be in essay form and are based on readings and lecture material.

Instructions for Budget Project:

I will be sending a separate handout with more detailed instructions. In summary, the purpose of this project is to provide you the opportunity to develop practical knowledge about budget practices and techniques. You must choose a federal, state or local government or single agency and conduct in-depth analyses of revenues and expenditures. You are responsible for interviewing the government and/or agency budget/fiscal officer(s) to determine budget roles and strategies and provide a description of the budget process. Also, you need the appropriate legislation and budget documents to gather the fiscal data necessary to complete the project. Your completed project will be a written analysis of revenue and expenditures for the government or agency of your choice, supported with tables, a graph, and an organization chart. You must charts and graphs in the presentation of your budget analysis. Your written analysis must be at least 10 typed pages, double-spaced, 12 point type and 1" all around.

Required Reading

Required readings include cases, unpublished materials, book chapters and journal articles.

Required readings will be on electronic reserve at the KSU library.

For current research on specific topics, consult the leading journals in the field of public financial management such as:

- Journal of Accounting and Public Policy
- National Tax Journal
- Journal of Policy Analysis and Management
- National Tax Journal
- Public Budgeting & Finance
- Journal of Public Budgeting, Accounting & Financial Management
- Public Administration Review
- State and Local Government Review

- Policy Studies Review
- General Accounting Office (GAO) Reports
- Policy Studies Journal

Useful Websites: I have provided related web sites throughout the syllabus. I encourage you to browse the internet for other relevant web sites.

OECD Member Budget Links:

<http://www.oecd.org>

Selected Statistics for United States: all levels of government, selected agencies

<http://www.fedstats.gov>.

Association for Budgeting and Financial Management

<http://www.abfm.org>

National Association of State Budget Officers

www.nasbo.org

American Association for Budget and Program Analysis

www.aabpa.org

January 13, 2004

Topic: Principles of Public Budgeting and Overview

Required Readings

Miksell, Chapter 2: The Logic of the Budget Process

James Carney and Stanley Schoenfeld, "How to Read a Budget," in *Budgeting: Formulation and Execution* (Athens, Ga: Carl Vincent Institute of Government, 1996).

Barbara Neuby, "On the Lack of a Budget Theory," *Public Administration Quarterly*, Summer 1997, vol. 21(2): 131-142.

January 20, 2004

Topic: Performance Budgeting

Required Readings

Lee, R.D., Jr. and Burns, R.C. (2000 "Performance Measurement in State Budgeting:

Advancement and Backsliding from 1990 to 1995." *Public Budgeting & Finance* 20, (1)

"Strengthening 'Performance' in Public Expenditure Management," Salvatore Schiavo-Campo and Daniel Tommasi, *Managing Government Expenditure Manila: Asia Development Bank, 1999*, Chapter 15.

Jones, David Seth, "Recent Budgetary Reforms in Singapore," *Journal of Public Budgeting, Accounting and Financial Management* 10 (Summer, 1998): 279-310

Paula K. Few and A. John Vogt (1997). "Measuring the Performance of Local Governments in North Carolina." *Government Finance Review* (August): 29-34.

January 27, 2004

Topic: The Locus of Public Budgeting

Required Readings

Lynch, pp. 47-67

February 3, 2004

Topic: Types of Public Budgets

Required Readings

Bland and Rubin, pp. 208-210

February 10, 2004

Topic: The Politics of Public Budgeting

Required Readings

Rubin, Public Budgeting: The Concept of Budgeting as Political Choice

Fesler & Kettle, pp. 217-249

February 17, 2004

Mid-Term Exam

February 24, 2004

Topic: Operating Budget Revenue Systems

Required Readings

Allan, "Evaluating Alternative Revenue Sources"

March 2, 2004

Topic: Operating Budget Revenue Forecasting

Required Readings

Mikesell, Chapter 13

Ian J. Allan, "Evaluating Alternative Revenue Sources," In Budgeting: Formulation and Execution.

March 9, 2004

Topic: Expenditure Forecasting

Required Readings

Lynch, pp. 148-163

March 16, 2004

Topic: Capital Budget

Required Readings

Lee and Johnson, Chapter 12

March 22-26, 2004**Spring Break****March 30, 2004****Topic: Debt Management****Required Readings:**

Petersen and McLoughlin, pp. 263-292

April 6, 2004**Topic: Performance Measurement****Required Readings**

Hatry, Chapters 1-3

April 13, 2004**Topic: Fund Accounting/GASB#34****Required Reading**

Wilson, Kattelus, Hay, Chapter 2

www.gasb.org

April 20, 2004**Topic: Understanding Financial Statements****Required Readings**

Wilson, Hay, Kattelus, Chapter 9

April 27, 2004**Topic: Criteria for Evaluating a Budget****Required Readings**

<http://www.gfoa.org>

May 4, 2004**Final Exam****Office Hours and Contact Information**

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Office Hours
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or by appointment

Course Outline

Public Budgeting Weekly Topics and Readings:

January 13, 2004

Topic: Principles of Public Budgeting and Overview

Required Readings:

Miksell, Chapter 2: The Logic of the Budget Process
James Carney and Stanley Schoenfeld, "How to Read a Budget," in *Budgeting: Formulation and Execution* (Athens, Ga: Carl Vincent Institute of Government, 1996).
Barbara Neuby, "On the Lack of a Budget Theory," *Public Administration Quarterly*, Summer 1997, vol. 21(2): 131-142.

Further Readings:

Gosling, J.J. (1985). "Patterns of Influence and Choice in the Wisconsin Budgetary Process." *Legislative Studies Quarterly*. (4) November
Rubin, I. S. (1997). *The Politics of Public Budgeting: Getting and Spending, Borrowing and Balancing*, (3rd Edition), Chatham House Publishers, Chatham, New Jersey
Wildavsky, A. and Caiden, N. (1997) *The New Politics of the Budgetary Process*, Boston: Little, Brown and Company

Discussion Question:

Why is politics important for effective Public Budgeting?

Assignment #1: Reading a budget. For the federal budget, look on the OMB Budget web site;

For other countries, go to OECD Budget website above.

For state and local government budgets go to ABFM website (above) and then select “Budgeting and Financial Links”, or go to NASBO website below for state budgets.

<http://www.nasbo.org>

In this session, we will review the syllabus, determine your learning objectives for the course, discuss the semester project and have web discussions of current public budgeting issues. Most people wonder what the words “public budgeting” and “public budget” really mean. It is usually a mystery to most people. In most of our daily lives, our own budget means balancing income and expenditures. And basically that is what a budget means in the public sector as well. Simply put, it is allocating scarce resources in the public sector. But because the “public budget” is debated in the public arena (or should be!), there are inevitably tensions based on competing societal values. For example, the education budget for a local public school competes with the local public works programs, such as street repair and maintenance. Because we have “opportunity costs” in connection with public funding decisions, we also have tensions between whether to, say, build or repair schools or to pave or build roads.

You should leave this session with an understanding of what is expected for you to successfully complete this course and with an understanding of some of the current issues in public budgeting today. You should also begin to develop an understanding of the political context of public budgeting. In this session, we will learn the basic language of public budgeting.

Near the end of the course you will report on the budget initiative of a state or local government. In this session, you will also receive the instructions to analyze the operating budget cycle of a state or local government. By January 23, 2004, you should select a local or state government whose budget initiative you will analyze. As we progress through the semester, many of your assignments will consist of developing skills for this budget analysis.

Assignment # 1 “Reading a Budget” Due Date: February 4, 2004

January 20, 2004

Topic: Performance Budgeting

Required Readings

Lee, R.D., Jr. and Burns, R.C. (2000 “Performance Measurement in State Budgeting: Advancement and Backsliding from 1990 to 1995.” *Public Budgeting & Finance* 20, (1) “Strengthening ‘Performance’ in Public Expenditure Management,” Salvatore Schiavo-Campo and Daniel Tommasi, *Managing Government Expenditure* Manila: Asia Development Bank, 1999), Chapter 15.

Jones, David Seth, “Recent Budgetary Reforms in Singapore,” *Journal of Public Budgeting, Accounting and Financial Management* 10 (Summer, 1998): 279-310

Paula K. Few and A. John Vogt (1997). “Measuring the Performance of Local Governments in North Carolina.” *Government Finance Review* (August): 29-34.

Further Readings

- Barrett, K. and Greene, R. (1994). "Managing for Results: Phoenix." *Financial World* 163-347
- Carter, K. (1996). "Measuring Performance Improves Budgeting." *National Conferences of State Legislatures LegisBrief* 4-7
- Carter, K. (1994). "Performance Budgets: Here by Popular Demand." *State Legislatures*
- Del'Agostino, B. (1995).
- Chan, A. (1994). "Managing a Government Like a Business: The Sunnysvale System." *Government Finance Review* 10-2, pp. 7-11
- Del'Agostino, B. (1995). "Observations about Performance Budgets from California". *The Fiscal Letter* 17-4 July/August): pp. 4-5, 10-11
- Florida. The Florida Commission on Government Accountability to the People. Executive Office Of the Governor. The Annual Progress Report from the Florida Commission on Government Accountability to the People. 1994-1995.
- The Florida Benchmarks Report. February, 1996. Tracking the Impact of State Agencies on Florida's Citizens: An Assessment of the Department of Corrections' Goal to Reduce Recidivism. A Report from the Florida Commission on Government Accountability to the People. July, 1995
- Office of Program Policy Analysis and Government Accountability. Performance-based Program Budgeting in Context. Tallahassee, Fl. April, 1997
- Grifel, S.S. (1993) "Performance Measurement and Budgetary Decision making". *Public Productivity and Management Review* 16 Summer pp. 403-407
- Jones, L.R. and McCaffery, J.L. (1997). "Implementing the Chief Financial Officers Act and the Government Performance and Results Act in the Federal Government". *Public Budgeting and Finance* 17 Spring pp 35-55
- Operations Carter, K. (1996). (1996). *Measuring Performance Improves Budgeting*. National Conference of State Legislatures *LegisBrief* 4-7
- LaPlante, A. (1994) "Sunnysvale: Performance-based Budgeting." *Computerworld* 28-40 (October 1994): 90

Discussion Question:

Identify and discuss two recommendations you have for public managers in implementing performance-based budgeting?

Web Sites

ICMA Performance Measurement Material: <http://icma.org/go.cfm?cid=1&gid=3&sid=101>
North Carolina performance measurement project:
<http://ncinfo.iog.unc.edu/programs/perfmeas/index.html>

In this session, we will look at the demands public budgeting is facing in the form of greater scrutiny from citizens. Public managers have been confronted with greater challenges in securing competitive advantage. Today's public managers face a conflicting set of demands—they are expected to minimize costs while increasing quality and fostering innovation and creativity. They are looking for strategies and practices to meet citizen pressure for more inclusion in the budget cycle and more accountability. Today, the most effective approach for public organizations in formulating public budgets is involving people from all levels of the

organization as well as key stakeholders and changing the rules of allocating resources to achieve competitive advantage.

January 27, 2004

Topic: The Locus of Public Budgeting

Required Readings

Lynch, pp. 47-67

Further Readings:

Berry, F.S., Bower, R.S and Flowers, G. Implementing Performance Accountability in Florida. Public Productivity and Management Review. (23) (3)

Kathlene, L. and Martin, J. (1991). Enhancing Citizen Participation: Panel designs, perspectives and policy Formation. Journal of Policy Analysis and Management 10 (1)

Roberts, N. (1997) Public deliberation: An alternative approach to crafting policy and setting direction. Public Administration Review (57)

Rubin, I. (1992) Budget reform and political reform: Conclusions from six cities. Public Administration Review (52)

Discussion Question:

Given term limits on legislators, is there a shift in allocating resources?

Assignment # 2 Due Date: February 13, 2004

Answer the following questions in a five-page paper:

1. Describe to what extent citizens should be involved in decisions on making school budget reductions.
2. From your analysis of the citizen participation table below, describe any other methods of citizen involvement in the budget process not listed in the table.
3. Based on your answer to question 2 above, if you were the budget manager of the city of Jonesville, how effective do you think the method would be in involving citizens in the budget reduction process?

On a scale of 1-4, (1=high, 4=low) rank which options you believe would be most effective in involving citizens in Jonesville in the proposed school budget.

1. Formal recommendations from citizen groups or committees. _____
2. Coordination with local media to highlight the community input process. _____
3. Sending special public information materials to residents to explain the budget while it is being considered by the elected body. _____
4. Making the proposed budget document or summary available to the public prior to adoption. _____
5. Sending the proposed budget summary to residents for comments during the consideration process. _____

Based on your scores, why do you see the highest ranking as the one that would be the most effective? How does your response compare to your response to question three above?

In this session we extend the discussion of “accountable government” through exploration of the role of the executive and legislative branches of government in public budgeting. We saw that in the evolution of American public budgeting, the recent citizen interest in the public budget process. This interest represents the continuing but heightened citizen manifestation of a concern that public officials be held accountable for their actions. In a democracy, a budget is a device for limiting the powers of government. Today, two themes recur in public budgeting-responsibility to whom and for what.

February 3, 2004

Topic: Types of Public Budgets

Required Readings

Bland and Rubin, pp. 208-210

Discussion Question

Should the budget format affect resource allocation decisions?

In this session, we will study the reasons why the budget document is considered the foundation for building most public budgets. Decisions regarding implementation of public policies, human resource planning, etc. typically are made from information contained in the budget document. While more than one budget format is typically used in a budget document, the “line-item” budget is the foundation for using other budget formats. The line-item budget emphasizes inputs rather than outputs and outcomes. Although a number of local governments use traditional line-item budgets, many have included performance measures in line-item budgets to form a hybrid budget, called a “performance-based” budget.

February 10, 2004

Topic: The Politics of Public Budgeting

Required Readings

Rubin, Public Budgeting: The Concept of Budgeting as Political Choice. Fesler & Kettle, pp. 217-249

Further Readings

Cox, C.W. and Kernell, S. Eds., The Politics of Divided Government. Boulder, CO: Westview Press

Jewell, M.E. and Whicker, M.L. (1994). Legislative Leadership in the American States. Ann Arbor: University of Michigan Press

Keefe, W.J. and Ogul, M.S. The American Legislative Process: Congress and the States, 9th ed. Upper Saddle River, NJ. Prentice-Hall

Wildavsky, A. and Caiden, N. (1997). The New Politics of the Budgetary Process, 3rd edition. New York: Longman

Discussion Question:

Why do public budgets have a role in political engagement?

In this session, we will begin to see that the size and shape of the budget is a matter of serious debate in the political arena. Legislatures, presidents, Congress, political parties, interest groups and citizens all compete to have their preferences reflected in the budget. Government makes different commitments to the administration of public programs, nonprofit organizations and to individuals. These commitments are ultimately formalized in law. Some laws (such as appropriations) constitute approval to spend or permission to enter into contractual obligations for specified amounts of money. Other laws promise to pay specific amounts to certain individuals who meet certain criteria (such as social security). These laws are called entitlements. Frequently we see a conflict between values and commitments.

Web Sites

<http://www.abfm.org>

<http://www.cbo.gov>

www.npr.org

February 17, 2004

Mid-Term Exam

February 24, 2004

Topic: Operating Budget Revenue Systems

Required Readings

Allan, "Evaluating Alternative Revenue Sources"

Further Readings

Bahl, R. and Schroeder, L. (1984). "The Role of Multi-Year Forecasting In the Annual Budgeting Process For Local Governments". *Public Budgeting and Finance* (4) (1) Spring

Forrester, J.P. (1993). "Use of Revenue Forecasting Techniques". In Thomas D. Lynch and Lawrence Martin (eds.). *Handbook of Comparative Public Budgeting and Financial Management*. New York: Marcel Dekker

McCullough, J. and Frank, H. (1992). "Incentives For Forecasting Reform Among Local Finance Officers." *Public Budgeting and Financial Management* (4) (4)

Rubin, I. S. (1987). "Estimated and Actual Urban Revenues: Exploring the Gap" *Public Budgeting and Finance* (7) (4)

Discussion Question:

Identify the major trends in intergovernmental revenue systems and discuss the implications of those trends for budgeting for revenue sources?

In this session we will study how public budgets affect the allocation of resources. The revenues collected by a government allow it to carry out its programs and services. There are many revenue sources. Sources of revenues are the bases. Collecting public revenues means locating a revenue base (source). A revenue measure is a law, policy, regulation, or program for gaining revenue. For example, governments have laws that authorize revenue collection. But many government organizations do not have a formal revenue policy. While there are formal restrictions on revenue raising authority, the lack of a formal revenue policy can sometime mean

a confusing (and sometimes conflicting) array of revenue sources. We know from citizen involvement in the budget process that citizens react negatively when they perceive an unfair approach to revenue increases. So having a politically acceptable approach to revenue raising would be important to understand in looking at revenue raising capacity.

Web Site

www.census.gov.

March 2, 2004

Topic: Operating Budget Revenue Forecasting

Required Readings

Mikesell, Chapter 13

Ian J. Allan, "Evaluating Alternative Revenue Sources," In Budgeting: Formulation and Execution.

Further Readings:

Bahl, R. and Schroeder, L. (1984). "The Role of Multi-Year Forecasting in the Annual Budgeting Process For Local Governments". Public Budgeting and Finance (4) (1) Spring
Forrester, J.P. (1993). "Use of Revenue Forecasting Techniques". In Thomas D. Lynch and Lawrence Martin (eds.) Handbook of Comparative Public Budgeting and Financial Management. New York: Marcel Dekker

McCollough, J. and Frank, H. (1992). "Incentives for Forecasting Reform Among Local Finance Officers." Public Budgeting and Financial Management (4) (4)

Rubin, I. S. (1987). "Estimated and Actual Urban Revenues: Exploring the Gap" Public Budgeting and Finance (7) (4)

Discussion Question:

Should revenue forecasts be communicated to citizens?

Assignment #3 Due Date: March 6, 2004

Answer the following questions in a five-page paper:

1. Do Ohio local governments have a tax expenditure (revenue) budget? How are revenue estimates prepared for the budget process?
2. Ohio has adopted a tuition tax credit for college students. How would you estimate the revenue impact of the provision? How would the decision to use qualitative, time series or causal analysis affect your estimate?

Now we move from revenue forecasting to expenditure forecasting. Expenditure forecasting is similar to revenue forecasting. In spite of the availability of historical data, expenditure forecasting, like revenue forecasting, remains somewhat "uncertain". Expenditure forecasts are based on informed judgment and/or forecasting techniques. Often, changes in the operations of a public organization cause a change in the actual expenditures as compared to the estimated. Given the conflicting budget interpretations we saw in Week Five, even with sound information,

political leaders interpret the data from their own perspectives. The technical problems involved in expenditure estimating are immense. Inevitably expenditure forecasting boils down not to just to technical issues but to political issues as well.

March 9, 2004

Topic: Expenditure Forecasting

Required Readings

Lynch, pp. 148-163

Further Readings

Cope, G.H. (1992). "Juggling Dollars and Making Sense: Budgeting in Local Governments." Paper presented at 1992 Conference on Budgeting and Financial Management, American Society for Public Administration, Arlington, VA. October.

Rosen, H.S. (1997). The Fiscal Behavior of State and Local Governments. Studies in Fiscal Federalism and State-Local Finance Series. Edward Elgar.

U.S. Office of Management and Budget, Preparation and Submission of Budget Estimates, Circular A-11 (1997). <http://www.whitehouse.gov/WH/EOP/OMB/circulars.html>

Discussion Question:

If there is no historical data available for using forecasting techniques, discuss the implications for use of the forecasting techniques for decision making.

Assignment: #4 Due Date: March 13, 2004

Answer the following questions in a five-page paper:

1. Choose a local government budget. Identify and describe how much object of expenditure detail appears in the budget. Compare and contrast to the Tables 1 and 2. What are the similarities and differences between these tables and the local government budget you have chosen?

In this session we move from revenue forecasting to expenditure forecasting. Expenditure forecasting is similar to revenue forecasting. In spite of the availability of historical data, expenditure forecasting, like revenue forecasting, remains somewhat "uncertain". Expenditure forecasts are based on informed judgment and/or forecasting techniques. Often, changes in the operations of a public organization cause a change in the actual expenditures as compared to the estimated. Given the conflicting budget interpretations we saw in Week Five, even with sound information, political leaders interpret the data from their own perspectives. The technical problems involved in expenditure estimating are immense. Inevitably expenditure forecasting boils down not to just to technical issues but to political issues as well.

March 16, 2004

Topic: Capital Budget

Required Readings

Lee and Johnson, Chapter 12

Further Readings

Bland, R. and Nunn, S. (1992). "The Impact of Capital Spending on Municipal Operating Budgets." Public Budgeting and Finance.

Corwin, M.A. and Getzels, J. (1981). "Capital Expenditures: Causes and Controls" in R. Burchell and D. Liskotkin eds. Cities under Stress. Piscataway, NJ: Center for Urban Policy Research, Rutgers University.

Kee, R., Robbins, W. And Apostolou, N. (1987). "Capital Budgeting Practices of U.S. Cities: A Survey." The Government Accountants' Journal.

Nunn, S. "Formal and Informal Processes in Infrastructure Policy-making" (1991) Journal of the American Planning Association (Summer).

Discussion Question

What criteria would you recommend be used in setting priorities for capital improvements?

Assignment #5: Due Date: March 20, 2004

Answer the following questions in a five-page paper:

1. How does the decision-making process differ in capital versus operating budgets?
2. Select a local government or nonprofit organization that has a capital budgeting process. What criteria are used in placing items on the budget and in setting priorities for those items?
3. What factors would you include when prioritizing items for a capital budget? What makes this different for public agencies compared with private ones?

In this session, you will learn that a capital budget helps public decision-makers choose between individual capital assets and projects for funding while staying within a total resource threshold. Maintaining two separate budgets may appear to complicate an already complicated budget process but separate budgets maintain the distinction between non-recurring spending in a single year and financing for large-scale projects and assets. Capital assets and projects can be financed by revenue raised currently (taxes, charges and grants, etc.) or by borrowing on the promise to repay from future revenues. The beginning stage in the process of preparing a capital budget is the link with the multi-year Capital Improvement Plan. With capital budgets, the standard problem exists, as with all public decisions concerning resource allocations-that is, how to fund capital priorities.

March 22-26, 2004

Spring Break

March 30, 2004

Topic: Debt Management

Required Readings:

Petersen and McLoughlin, pp. 263-292

Further Readings:

Hackbart, M. and Leigland, J. (1990) "State Debt Management Policy: A National Survey". *State and Local Public Finance* (10) (1)

Larkin, R. and Joseph, J. (1991). "Developing Formal Debt Policies". *Government Finance Review* (7)

Berne, R. and Schramm, R. (1986). "The Financial Analysis of Governments". Prentice Hall
Corwin, M. and Getzels, J. "Capital Expenditures: Causes and Controls" in Burchell, R., and Listokin, D. Piscataway, eds. "Cities under Stress". New Jersey: Center for Urban Policy Research.

Discussion Question:

Should capital budgets and operating budgets be separate?

Moody's Investor Service

<http://www.moodys.com/fis/source/proddesc/online.htm>

Standard & Poors

<http://www.standardpoors.com/ratings>

Fitch

<http://www.fitchratings.com>

April 6, 2004

Topic: Performance Measurement

Required Readings

Hatry, Chapters 1-3

Further Readings

Allen, J. (1996). "The Uses of Performance Measurement in Government". *Government Finance Review*

Ammons, D.N. (2000). *Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards*. Thousand Oaks, CA: Sage Publications

Behn, R.D. (1992) "Bottom-Line Government". The Governors Center at Duke University. Terry Sanford Institute of Public Policy

Behn, R.D. (1992). "Broken Windows and Production Targets." *Government Finance Review*

Bowsher, C. (1993). "Improving Government: Measuring Performance and Acting on Proposals for Change." Testimony before the U.S. House of Representatives Subcommittee on Legislation and National Security, Committee on Government from California." *The Fiscal Letter*

Discussion Question:

Can performance measurement lead to a more effective budget?

Assignment #: 6 Due Date: April 10, 2004

Answer the following questions in a five-page paper:

1. How could performance measurement be improved?
2. Which actually are performance measures?
3. Of those that are performance measures, what kind are they?
4. Based on the library's work program, draft a goal and corresponding objective.
5. Draft a performance measure and target corresponding to the objective in question 4.

In this session, we will explore the shift in emphasis to performance/results oriented government and with it an emphasis on budgets which link resource allocations to goals, objectives, activities, inputs, outputs and outcomes. The new performance/results oriented approach to public management, and by extension to budgeting. Performance budgeting looks toward the result or outcome, in addition to the output, of public organizations and accordingly measures the success of a public organization by the results achieved, not just on HOW the results were attained. The performance, result, or outcome orientation turns the input control focus of traditional budgets on its head. The ideal, results oriented, performance budget does not emphasize input, that is, what the public organization purchased. Thus we see the shift away from the line item as the focus for control. Instead the control is placed on what the organization achieved, its results.

April 13, 2004

Topic: Fund Accounting/GASB#34

Required Reading

Wilson, Kattelus, Hay, Chapter 2

www.gasb.org

Discussion Question

What is the significance of GASB 34 for accountability?

Assignment #7 Due Date: April 17, 2004

Answer the following questions in a five-page paper:

Obtain a copy of a Comprehensive Annual Financial Report (you can use the same CAFR you used in the Public Financial Management Course). Examine the financial statements included in the financial section and answer the following questions:

- a. General Fund. What title is given to the fund that functions as the General Fund of the reporting entity? Does the report specify that the General Fund of the reporting entity is the

General Fund of the primary government? Does the report state the basis of accounting used for the General Fund? If so, is the financial statement presentation consistent with the stated basis (i.e., some reports claim the modified accrual basis was used but show no receivables in the balance sheet or any other evidence that measurable and available revenues are accrued)? If the basis of accounting is not stated, analyze the statements to determine what basis is used. Is the same basis used for both revenues and expenditures? Is the basis used consistent with GASB standards?

b. Special Revenue Funds. What special revenue funds are included in the report? Are they described as special revenue funds, or only by a title search such as "Library Fund", "School Fund" or "Street Fund"? Does the report specify why each special revenue fund was created (is there a reference to a state statute, local government ordinance, or other legislative or administrative action)? Is the basis of accounting for these funds stated, or must it be determined by analysis of the statements? Is the same basis used for all special revenue funds? Is it the same basis as used for the General Fund? If not, does the report explain why each basis is used? Is the basis of accounting for special revenue funds in conformity with GASB standards?

c. Other Governmental Fund Types. List the names of governmental fund types, in addition to the General Fund and special revenue funds, that are included in the combined balance sheet of the reporting entity or the balance sheet for the governmental funds if the government has implemented GASB Statement No. 34. Are any governmental fund types included in other statements but not included in the balance sheet? If so, determine why.

d. Proprietary Funds. List the names of the proprietary fund types included in the financial statements. Do the balance sheet accounts provide evidence that all proprietary funds are accounted for on the full accrual basis?

e. Fiduciary Funds. List the names of fiduciary fund types included in the financial statements. (You may have to refer to a combining balance sheet for fiduciary funds to determine the types of fiduciary funds used by this reporting entity.) For each fiduciary fund type identify the basis of accounting used.

f. General Capital Assets. If the government has not yet implemented GASB Statement No. 34, does the combined balance sheet include a column for financial data of the General Fixed Assets Account Group? For the General Long-Term Debt Account Group? If the government has implemented GASB Statement No. 34, where are capital assets reported?

g. Notes to the Financial Statements. Read through the notes to the financial statements in order to become generally familiar with their content so that you can refer to the notes as needed in subsequent weeks. At this time determine whether the notes include a summary of significant accounting policies. Do the notes describe the criteria used in determining the scope of the entity for financial reporting purposes? Do the notes disclose which component units were included in the reporting entity and the key decision criteria considered? If there is a component unit disclosed in a separate column as a discrete presentation of the combined financial statements of the reporting entity, do the notes clearly disclose the accounting policies of the component unit and the relationship of the component unit to the primary government?

Learn More About It:

Governmental Accounting Standards Board. Codification of Governmental Accounting and Financial Reporting Standards as of June, 1999. Norwalk, CT. 1999.

Governmental Accounting Standards Board, Statement No. 34, Norwalk, CT. 1999

Web Sites

www.gasb.org

Continuing throughout each week, and especially in this session, we have seen that much has changed and continues to change in the way government conducts its “business”, including the recognition of the importance of the public budget to the long-run viability of the community. Thus, we see more inclusion of citizens in the development and control of the budget.

The year 2002 was important in implementing new requirements for state and local government financial statements. The goal of the change is to produce an objective and easily readable analysis of a government’s annual financial performance for users of financial information, including citizens. The new Governmental Accounting Standards Board (GASB) requirements will be implemented in three phases based on a government’s total annual revenues in 1999. Governments with total annual revenues of \$100 million or more apply the new reporting standards for 2002. Those governments with at least \$10 million in revenues must adopt the new reporting standards in 2004. These periods allow governments enough time to assess changes to systems required to comply with the standard, and to gather the data necessary for preparing the financial reports.

April 20, 2004

Topic: Understanding Financial Statements

Required Readings

Wilson, Hay, Kattelus, Chapter 9

Further Readings

Berne, R. and Schramm, R. (1986). The financial analysis of governments. Englewood Cliffs, NJ: Prentice Hall

Coopers & Lybrand and the University of Michigan (1976). Financial Reporting Practices of the American Cities, A Public Report. New York: Coopers & Lybrand

Khan, A. (1994). “Classification Models and Municipal Bond Ratings”. Public Budgeting and Financial Management.

Discussion Question

Compare and contrast financial statement (position) analysis with financial condition analysis.

Last week we looked at the governmental reporting components. This week, we will continue the theme that financial reports the means to communicate the results of operations and financial position of the government entity. Financial managers also have other information available to them but the governmental reporting components are the primary direct source of information for

most people outside of the public organization. So this week we turn to other sources of financial information for use in public budgeting.

April 27, 2004

Topic: Criteria for Evaluating a Budget

Required Readings

<http://www.gfoa.org>

Now that we are at the end of the discussion on public budgeting, how do we know if a public budget is effective? Well, one way is to ask citizens what they think. Another way is to search for criterion to use in evaluating whether a public budget was successful. The Government Finance Officers Association (GFOA) has an Awards Program that seeks to evaluate the effectiveness of public budgets. So we have at least two formal ways to evaluate public budgets. Audits are another use tool for evaluating the effectiveness of public budgets. But let's concentrate on ways that people outside the system can evaluate the performance of a public budget.

May 4, 2004

Final Exam