

PA 504: #18017
BUDGETING FOR PUBLIC MANAGEMENT
SPRING, 2006

Class Meeting: Monday, 6-9pm
Rm. 208 Burnham Hall

Instructor: Rebecca Hendrick, Ph.D.
Public Administration
Email: hendrick@uic.edu
Home Phone: 312/243-3970

Office: Rm. 135 CUPPA Hall
412 S. Peoria St (and Van Buren)
1st building north, west of Blue Line station
Office Phone: 355-0305
Office Hours: by appointment

Course Objectives:

At a broad level, the budget is the tool governments use to transform policies and goals into outcomes and it determines the extent to which these goals are achieved. At a more basic level, the budget specifies the allocation of government resources among competing services and operations. Politically and financially, the budget manifests democratic governance more than any other activity governments engage in.

The purpose of this course is to introduce students to the intricacies of budgeting processes at all levels of government, including budget development and implementation. The course will also give students a basic understanding of the concepts and skills needed to perform these tasks and evaluate both budget processes and documents.

Specific objectives for the course include the following:

- to learn the basic concepts and nomenclature of government finance and budgeting and apply them to real situations
- to understand the nature of the budget process and the sources and uses of public revenues
- to perform simple fiscal analyses and assessments that are necessary to develop and implement a budget
- to develop an awareness of the relationship between management, planning, policy making and budgeting and an understanding of how these should be linked
- to develop a working knowledge of different budgeting formats and a familiarity with different budgeting approaches and techniques.
- to develop skills in critiquing budget documents and processes

Students should also realize that this is only one course in the financial management area of government and does not cover other critical subjects necessary to develop and implement budgets in government, such as accounting or debt and cash management. These topics are covered in other MPA courses.

Course Policies

Class attendance is *expected* and is critical for understanding the material. Students must also do the assigned readings and cases before class in order to understand the lectures and discussions.

Incompletes, late homework, and extra work

I do not allow individual students do extra work (i.e. an additional paper) to improve their grade in the course. This is not fair to other students who are not given the same opportunity. Late homework will be penalized unless the student has a legitimate excuse or crisis causing the delay in completing work (i.e. illness, family death). Also, I will only grant incompletes to students who have legitimate excuses or crises and who make requests prior to the end of the course.

Original Work and Plagiarism

The policy of this course is that papers and other submitted work must be original for each student. Because some activities related to the course are conducive to working in groups, it is important to consider where individual work is required rather than group activity. Working together where it is clearly indicated is entirely appropriate, but if you are preparing a written product that will be submitted for evaluation, that product is expected to be the result of your work **alone**. Where questionable situations arise, always ask the instructor for clarification. Also, students must cite their sources where relevant, and plagiarism will be not tolerated. The following website defines plagiarism and shows students how to avoid it: http://tigger.uic.edu/~edelberg/crediting_others/index.htm.

The Learning Environment

I am committed to and **expect** to maintain a positive learning environment based on open communication, mutual respect, and non-discrimination. Our University does not discriminate on the basis of race, gender, age, disability, veteran status, religion, sexual orientation, color, or national origin. Any suggestions as to how to further such an environment will be appreciated and given serious consideration.

Blackboard

All supplemental readings and other class material will be available via the Blackboard website. All students will need to acquire a UIC computer account from ACCC (<http://www.uic.edu/depts/accc/index.html/>) to access material in Blackboard and to use the computer labs. Thus, it is imperative that **all new students get a UIC computer account the first week of class!** Please check the Blackboard website often for course announcements.

Course Requirements and Grading

The format for the course is a combination of lecture and discussion, with particular emphasis on discussion of the cases.

There are three requirements for this course:

- 1) Fiscal Review and Assessment: An analysis and critique of the budgeting process and documents of a local government in the region. This is a group project. Each group will prepare a written report that reviews the budget (including the capital improvement program) and budgeting process of the government, evaluate the budget documents and process, and present recommendations for changes. This report will be presented to the class and distributed to the government. Both the presentation and report will be graded.

A separate handout explaining this project will be distributed to the class. The project represents 40% of the final grade for the course.

- 2) **Examinations:** There will be two take-home examinations. The first exam will cover basic finance and budgeting topics. The second exam will cover all the advanced budgeting topics listed in the detailed class schedule. The second exam is not comprehensive. Questions on the exams will be a combination of essay and problem solving/calculation. Each exam represents 25% of the final grade.
- 3) **Homework Exercises:** Exercises are assigned for most class periods early in the semester to ensure that students comprehend the analytical material and acquire the skills necessary to develop and evaluate a budget. Students will not be graded on their answers, but it will be noted whether you have completed the exercises. Students are expected to turn their homework on the day it is due. Answers to questions will be posted on Blackboard prior to class and discussed in class. Completing these exercises will also help students with the calculation problems on the exams. Many of these exercises can be completed using spreadsheet programs. The exercises represent 10% of the final grade.

Students will be graded according to the following point system.

Group Project:	80 points
Examinations:	50 points each
Homework:	20 points
TOTAL	200 POINTS

In addition, I will ask each group member to anonymously grade all other members of their group. These grades will be used to weight the full grade that each student receives for the group project. Thus, some students may receive lower project grades than other members of their group if they received unsatisfactory grades from their partners.

Final grades are based on total points received in the course and are not an average of the set of points. I also reserve the right to base final grades on a “curve” rather than using a strict scale. Although class participation is not a formal part of your grade, I will evaluate students’ participation to adjust grades in marginal cases. In other words, if you are on the margin between an A and B, my evaluation of your participation will influence your grade.

Texts and Readings

The following required texts have been ordered and are available through the bookstore. Prices are quoted from Amazon.

Mikesell, John L. 2003. *Fiscal Administration*, 6th edition, (Belmont, CA: Wadsworth). \$122. Used: \$75.

Rubin, Irene S. 2006. *The Politics of Public Budgeting: Getting and Spending, Borrowing and Balancing*, 5th edition, (New York: Chatham House). \$38. used: \$20.

Bland, Robert L. and Irene S. Rubin. 1997. *Budgeting: A Guide for Local Governments*, (Washington, DC: International City/County Management Association). \$36 (special order, order from ICMA directly: <http://www.icma.org/main/sc.asp>)

Michel, R. Gregory. 2004. *Cost Analysis and Activity-Based Costing for Government*, (Chicago, IL: Government Finance Officers Association). \$45 non-member; \$35 member; available from GFOA only: <http://www.gfoa.org/>

SUPPLEMENTAL READING

Required readings from the following sources will be available via blackboard

Kelly, Janet M. and William C. Rivenbark. 2003. *Performance Budgeting for State and Local Government*, (Armonk: NY: ME Sharpe).

Tigue, Patricia. 1996. *Capital Improvement Programming: A Guide for Smaller Governments*, (Chicago, IL: Government Finance Officers Association).

Hendrick, Rebecca “Assessing Fiscal Conditions of Local Governments, Part I: Ratios, Comparisons and Evaluating Fiscal Performance.” Forthcoming in Rabin/Hildreth/Miller (eds.), *Budgeting*.

Class Schedule: Overview

- 1: 1/9/06 Introduction to course
- 2: 1/16/06 **MLK HOLIDAY- no class**
- 3: 1/23/06 Principles of finance and taxation
- 4: 1/30/06 More taxation and other revenues
- 5: 2/6/06 Budget process and environment
- 6: 2/13/06 Budget design and methods: preparation & approval
- 7: 2/20/06 Budgeting for policy and management
- 8: 2/27/06 Budget document and financial control: implementation & audit
- 9: 3/6/06 Budgeting for performance: **EXAM #1 DUE**
- 10: 3/13/06 Capital budgeting and improvement program
- 3/20/06 **SPRING BREAK: no class**
- 11: 3/27/06 Cost analysis
- 12: 4/3/06 Using cost analysis to improve the budget
- 13: 4/10/06 Budgetary politics #1
- 14: 4/17/06 Budgetary politics #2
- 15: 4/24/06 Presentations
- 16: 5/1/06 **EXAM #2 DUE**

CLASS SCHEDULE: DETAIL

Unless indicated otherwise, all exercises and cases are from the Mikesell text.

1) Jan 9: Introduction to course

2) Jan 16: MLK Holiday- NO CLASS

Readings: Hendrick, "Assessing Fiscal Conditions of Local Governments, Part I: Ratios, Comparisons and Evaluating Fiscal Performance,"

FINANCE AND REVENUES

3) Jan 23: Principles of Finance and Taxation

Underlying economic and political concepts of budgeting and taxation; focus on income taxes.

Readings: Mikesell, chapters 1, 7, 8

Cases: 1-1, 7-1

Exercises: 8-2, 8-6

4) Jan 30: More Taxation and Other Revenues

Focus on excise and property taxes and other sources of revenue (e.g. user fees and charges)

Readings: Mikesell, chapters 9,10, 11

Cases: 9-2, 10-2, 11-1

Exercises: 9-4, 9-8, 10-4, 11-2, 11-4; *look at 11-6 for your personal benefit.*

THE BUDGET BASICS

5) Feb 6: Budget Process and Environment

Stages of the budget process at different levels of government, budgeting participants and their goals

Readings: Mikesell, chapters 2 & 3

Bland & Rubin, chapter 1

Rubin, chapter 1

Cases: 2-2

Exercises: 2-3, 2-4

Deadline for declaring local government for group project

6) Feb 13: Budget Design and Methods: Preparation and Approval

Budget components and format, more on budget process, issues and steps in preparation and adoption

Readings: Mikesell, chapters 4 & 13; appendices 4-1 & 13-1
Bland & Rubin, chapters 2 & 3

Cases: 4-1, 4-2

Exercises: 4-1, 4-3, 4-5, 4-12

7 Feb 20: Budgeting for Policy and Management

Comprehensive budgeting processes that improve policy and management

Readings: Mikesell, chapter 5
Bland & Rubin, chapters 4 & 5

Cases: See my presentation on linking planning with performance measures—includes examples

Exercises: 5-1: plus state goals and objectives

8) Feb 27: Budget Document and Financial Control: Implementation & Audit

Content and structure of the budget document, budget implementation, and the accounting structure

Readings: Bland & Rubin, chapters 6 & 8
Kelly & Rivenbark, chapter 3

Cases: Examine budget documents (Hoffman Estates, Downers Grove, Oak Park)

ADVANCED BUDGETING TOPICS

Unless indicated otherwise, exercises and cases for these classes will involve an in-depth reassessment of relevant cases and exercises from prior classes.

9) March 6: Budgeting for Performance (EXAM #1 DUE)

Strategic planning, performance measurement, and benchmarking

Readings: Kelly & Rivenbark, chapters, 4, 5, & 6

Cases: See performance budgeting documents from North Carolina and Ottawa, CA
Universal Program Review (website)

Exercises: Develop a set of objectives and performance measures for a government or non-profit program you are familiar with

10) March 13: Capital Budgeting and Improvement Program

Budgeting and planning for infrastructure development and replacement (sometimes includes large equipment)

Readings: Mikesell, chapter 6

Bland & Rubin, chapter 7

Tigue, chapters 1-3, 11, 12

Cases: 6-1, See appendices in Tigue

Exercises: 6-1, 6-7, 6-13

11) March 27: Fundamentals of Cost Analysis

Cost concepts, cost allocation, cost behavior, activity-based costing, time and cost

Readings: Michel, chapters 1-5

Cases: Snow plow exercise

12) April 3: Using Cost Analysis to Improve the Budget

Measuring and improving efficiency, setting fees and charges, make vs buy, changing the level of services

Readings: Michel, chapters 6-9

Exercises: Ambulance exercise

13) April 10: Budgetary Politics #1

The politics of revenues, process, and expenditures

Readings: Rubin, chapters 2, 3, & 5

Exercises: Seven Letters

14) April 17: Budgetary Politics #2

The politics of balance, implementation and control

Readings: Rubin, chapters 6, 7, & 8

Cases: Evergreen's Audit

15) April 24: Presentations

16) May 1: EXAM #2 DUE

WEBSITES AND DOCUMENTS WE WILL BE USING

Government Finance Officers Association: recommended practices on budgeting and fiscal policy. <http://www.gfoa.org/services/rp/budget.shtml>

National Advisory Council on State and Local Budgeting Practices:
http://www.co.larimer.co.us/budget/budget_practices.pdf

Ottawa, Canada, Universal Program Review: the templates for the Resource Mapping Data provide examples of objectives, programs, and accompanying fiscal data.
http://ottawa.ca/inside_govt/program_review/resource_mapping_data_en.shtml

North Carolina Benchmarking Project
<http://iog.unc.edu/programs/perfmeas/index.html>

Mid-America Regional Council Performance Measurement Project:
<http://www.marc.org/performance/home.htm>

ICMA Center for Performance Measurement:
<http://www.icma.org/main/bc.asp?bcid=107&hsid=1&ssid1=50&ssid2=220&ssid3=297>

Government Finance Officers Association: distinguished budget award criteria
http://www.gfoa.org/forms/documents/BudgetCriteriaLocation_001.pdf

Government Finance Officers Association: distinguished budget award criteria explanations:
<http://www.gfoa.org/forms/documents/BudgetCriteriaExplanations.pdf>