

SYLLABUS

DESCRIPTION OF THE COURSE: The budget influences most management decisions. Whether the decision is to hire, fire, or promote an employee, to purchase or sell an item, to start or end a program, or to improve client services, managers must weigh a decision's financial implications. Failures in budgeting lead directly to potent threats to organization effectiveness, management success, and even institutional survival.

This course covers the processes, outputs, and outcomes, in both management and politics that form budgeting -- the allocation of public resources -- at the federal, state, and local levels of government.

The budgeting course does not assume that you have taken the public financial management course. However, together, the two courses cover the complete cycle of formulating and executing the budget.

OBJECTIVE OF THIS COURSE: Since this course deals with formulation, we will concentrate on the question: How do people in a public organization use the budgeting system? How does budgeting help managers achieve program objectives? At the end of the course, you should understand and be able to apply the systems of budgeting to your organization.

The specific objectives of the course include:

1. To understand and be able to distinguish the major reforms in budgeting that appeared in this century.
2. To be able to apply each of the major budget reforms to a dataset, manipulating the data, and concluding whether the reform is worth its time and effort.
3. To be able to apply the different budgets to your own organization.
4. To understand and critically analyze the political processes surrounding spending, revenue, and budget balancing decisions.
5. To be able to design a process that would enable you to get valid and reliable information from your subordinates about their spending needs, from your analysts about what resources you have, and from your own management, political, and philosophical beliefs about how to balance spending and revenue – how to allocate resources.
6. To be able to read a budget.

TEXTS FOR THE COURSE: You should purchase the following from the Rutgers University Bookstore:

The Public Administration Workbook [4th ed.]. (Huddleston), Addison Wesley Longman.

http://occawlonline.pearsoned.com/bookbind/pubbooks/huddleston2_awl/chapter1/deluxe.html

This book is expensive (~\$60 through amazon.com), so buy it as a group.

The Politics of Public Budgeting [5th ed.]. (Rubin), CQ Press.

This books is not as expensive (~\$40), but buy it as a group as well.

In addition, you will find **Municipal Budget Process (in New Jersey)** (Benecke, Rutgers Bureau of Government Research) useful if you're in local government and should think seriously about purchasing it from the Bureau in New Brunswick (Rutgers, Department of Government Services, PO Box 5079, New Brunswick 08903-5079). If you're in a nonprofit, David Maddox, **Budgeting for Not-for-Profit Organizations** (Wiley, 1999) is excellent. If you're in healthcare, one of the best I've seen and the one we'll use parts of is Zelman, McCue and Millikan, **Financial Management of Health Care Organizations** (Blackwell, 1999).

I will provide additional material, case studies, and exercises for which the University may assess a small fee for copying. I will collect this fee for the University at the beginning of the semester.

OFFICE HOURS: I will be available on almost every afternoon from 4-5:30pm in 720 Hill or by arrangement with you. Please telephone at 973-353-5093 x21 at Rutgers to talk. My e-mail address is gjmiller@andromeda.rutgers.edu. Fax is 973-353-5907.

GRADES: The homework, exercises, and a major project will all be graded with the weights as follows:

Case Study Briefs and Homework	10%
Exercises	
Line item budgets (2 assignments, one at 3%, the other at 7%)	10%
Performance and Program budgets (Performance = 20%, Program = 5%)	25%
Zero base budgets, target base budgets and solving a deficit problem	20%
Politics of balancing budgets	10%
Final Project	<u>25%</u>
Total	100%

Some of the exercises are group exercises. At the end of the course, we will review these grade weights. If a different weighting seems more appropriate, we'll negotiate it.

HOMEWORK AND CLASS PROJECTS: Homework, specifically work done outside but for class, is helpful in getting you to focus on a particular issue. I ask you to do homework projects as a way to spur your development and understanding of financial management processes in government, nonprofit and healthcare institutions. In return, I will reward you for your effort. The ground rules are:

1. Make sure you know what you are doing; I assume you do.
2. Make the work legible and understandable if you want the benefit of the doubt (especially when it comes to spreadsheets).
3. Hand it in on time.

A note about work you hand in: Keep copies of everything you give me; I will hand back graded work, but I want to keep a copy (or the original) in my files. **MAKE COPIES.** At the end of the course, I will count in your grade only the work for which I have copies.

THE SEMESTER SCHEDULE**Session Subject****1 Introduction**

Organization, Philosophy, Discussion of Ground Rules and Assignments

Syllabus, Books, Handouts:

Case Study: This Organization Has Two Managers (Who's responsible for the budget? Who should be?) Please answer the questions following the case as a way of briefing the case. Hand in the answers/brief on the date on which we agree.

Case Study: Who Pays? Who Decides? (What is fairness in budgeting?)
Read this case unless we decide differently in the first class. Again, give your reaction to the case with answers to the questions, including the parallels in the notes. Write up your answer. Hand it in after discussion on the deadline on which we agree.

Case Study: Asphalt Paradox (What should a budget encourage or discourage?)
Read the case. Again, give your reaction to the case with answers to the questions at the end of the case. Write up your answer. Hand it in after discussion on the deadline on which we agree.

Assignment for Week 2: Write up your answers to the questions in the cases. Also, read the material at the end of the syllabus at "Budget Requests and Arguments."

Log in to Blackboard through the Rutgers University website.

<http://pubadmin.newark.rutgers.edu/home/student-resources.htm>

OR

<https://blackboard.newark.rutgers.edu/webapps/portal/frameset.jsp>

Make sure you are familiar with the way Blackboard works.

Session Subject**2 Reports on case studies not covered in 1st session.**

We will go into the general background of budgeting, including where budgeting came from and how we got to where we are today.

Most important, we will talk about the components of a budget request covered in the material at the end of the syllabus starting at “Budget Requests and Arguments.”

For general background, see Huddleston, 209-210; Rubin: Chapters 1 and 4.

Assignment for Week 3: For the following week’s discussion, we get a sense of a budget process and to some extent the general process followed by local governments and nonprofits. Read Riley and Colby Chapter 2 (BLACKBOARD WEBSITE). Then, after reading Chapter 2, go to page 29 and the exercise Mastering the Budget Process.

Complete Step One by preparing a budget request, as Riley and Colby guide, a request that does not exceed \$100,000.

While Riley and Colby provide some general guidelines for preparing a request, the material in the syllabus will give more basic detail and guides. Read these pieces from the syllabus.

3 The budget process

In class, we will have the Mastering the Budget Process role-play from Riley and Colby, Chapter 2 and your homework, the budget request.

Homework for Week 4: Test your budget request against the Making Comprehensible Arguments criteria. Do you have all the components? Mark them on your budget request for the Riley and Colby assignment (be explicit). Hand in the Riley and Colby assignment’s budget request, complete with the argument components marked.

Complete the feedback sheet (An Assessment of the Budget Process Exercise) on page 32 in Riley and Colby’s Chapter 2.

Session Subject

- 4-7** The types of budgets, the decisions they enable, the appropriate uses of different budgets, and, more generally, the thinking that lies behind budget reforms

This section uses Huddleston's budget exercises and some related ones. Many of the articles (as well as books) you will consult are on-line through the Rutgers University library. Make sure you know how to download these articles!

Also, we will be using Blackboard along with the Addison-Wesley Longman website (hopefully with AWL's cooperation). Make sure you understand how to log in and get access to the data.

- 4** This session looks back to what we've done in the last two meetings and looks ahead to the sessions that follow.

Task 1: Discuss in class what you found present and missing in your budget request, according to the Making Comprehensible Arguments reading.

Task 2: In class, find arguments that would aid in getting you the budget you requested.

Task 3: Go over organization and data sources for the next few exercises used in Huddleston with me. Make sure you understand what we will do, where you can go for information, and what you will need to complete as homework each week.

Homework: Look at Week 5, and finish both assignments (the work Huddleston calls for and the newspaper article).

Session Subject**5** Line-item budgets and budget control, the basis for all budgets

Huddleston, Exercise 12. Notice that you will need the data the book website offers for downloading.

Exercise completed by Session 4: Follow the directions for the IT option on page 212. Complete the assigned work including the questions on Form 59.

Write a deep-background, investigative piece for the local newspaper that provides the patterns you discovered and then tells what really happened to account for the patterns you discovered. This investigative piece should be no longer than three double-spaced pages (and no more than 1,000 words). You should attach the work you did to back you what you wrote (spreadsheet calculations of what went into each category and how you calculated the change patterns).

Session Subject**6** Performance budgets, today's reform of choice**Huddleston, Exercise 13**

Homework: Follow the steps on Exercise 13, prepare the spreadsheet, and answer the questions.

Based on every answers you give above, write a deep background magazine investigative report on this story and critically analyze the District's performance and this form of budgeting. The story should run no longer than 1,000 words.

Session Subject**7-8 Program budgets, the old and the new.**

Huddleston Exercises 14 and 16. Notice the amount of work needed to complete Exercise 16! Plan your schedule to be able to finish this.

1st Assignment (Week 7): Complete the work required for the project outlined in Exercise 14.

2d Assignment (Week 8): Complete the work required for the analysis outlined in Exercise 16.

Class discussion in Week 8: What is the difference between what you did in Exercise 14 and Exercise 16?

Session Subject

- 9 Zero base budgets and Target base budgets, reforms that force changes

Huddleston, Exercise 15

ZBB New Jersey (I will provide)

TBB Wenz and Nolan (I will provide)

TBB New Jersey (by Bob Goertz an MPA graduate of this program; I will provide)

Assignment: Complete the work required for Exercise 15. Think about how the ZBB system works and how the TBB system works. Which do you prefer?

Complete the survey questionnaire I provide.

In the latter part of this session, we will look at the management style issue to determine whether budget systems and management styles relate. For background reading on this, consult Huddleston's Exercise 4. I don't know whether we will have time to complete the exercise, but I will provide some tests for you to use to determine your management style. The real question is not whether you can change your management style to fit a budget system, but it's whether your present style fits any budget system better than any other. So, what management style fits what budget system?

Session Subject

- 10** The meaning of *politics* in public budgeting

The Politics of Public Budgeting [5th ed]. (Rubin), Chapter 1 but primarily 3 and 5. Also, read the Background Reading in the syllabus below (“Aaron Wildavsky”).

Exercise: Simulating the politics of budgeting within the executive branch

Director’s Review, a simulation.

Feedback in class: Analyze what went on in the simulation and what to generalize as the best strategy under the circumstances.

Then, look at Rubin’s Chapter 5 on Expenditures. Does the spending side of budgeting operate independently of the revenue side? How?

- 11** What creates a tax revolt? Is there ever a successful way to increase revenue?

The Politics of Public Budgeting [5^h ed.] (Rubin), Revenue Politics, Chapter 2

“What does the ‘Price of Government’ predict?” (Miller, Lin, Xu)

- 12** Balancing the budget: Is there a third set of decisions distinct from spending and revenue decisions -- what is the tradeoff in budget balance?

The Politics of Public Budgeting [5th ed.] (Rubin), Chapter 6

Exercise: Balancing a budget (Now try your hand at it)

Session Subject**13 Final project reports**

The description of the final project follows here in the syllabus. We want to hear from each of you about what you did; therefore we will have oral presentations (including overhead transparencies and/or handouts) of your forms. Then you should revise if necessary and hand in the final project.

FINAL PROJECT

Assume for this assignment that you are a middle manager in a large organization with several subordinate department heads answering to you in the budget process. In a class presentation and a written essay:

1. Explain your management style – top-down or bottom-up. Since few people are extreme, one style exclusively, explain what you are from several examples you have that explain exactly what you tend to do under what circumstances. (25% of presentation time and essay space)
2. Construct a budget system that fits your management style. Choose from or combine the various systems we discussed in the first part of the course; remember that we talked about top-down and bottom-up budget systems and then investigated in depth six of these systems through the Park and Recreation District problems. Besides an overall design show how your subordinates can tell you their financial needs, and justify them, for the next fiscal year, perhaps, by constructing a very short, explanatory budget manual appended to the essay. (50% of time and space)
3. Connect your management style to your budget system. Explain and justify the logic that connects the two. Illustrate why the connection could exist in no other way. (25% of time and space)

Present your analysis formally to the class. Write the 1,000 word essay based on your presentation and the reactions you got.