

POLITICAL SCIENCE 623, FALL 2007
GOVERNMENTAL BUDGETING AND FINANCIAL MANAGEMENT

Dr. Roy T. Meyers

318 Public Policy

Class: Mondays, 4:30-7 PM

Office Hours: Tuesdays and Thursdays 1-2:20, and by appointment. You may call if that is more convenient than visiting my office. Office: 410-455-2196 Home: 410-381-4755

Email: meyers@umbc.edu I usually check email several times a day.

This syllabus is posted, with links embedded, at:
<http://userpages.umbc.edu/~meyers/623syl.htm>.

Course Topics and Expectations

This is a course on how U.S. governments--federal, state, and local--acquire and spend money. Roughly one-third of the U.S. economy is allocated directly through government budgets. It is designed to complement other courses in the graduate curriculum in management and policy analysis. If you are interested in additional training about government and nonprofit financial management beyond what this course provides, talk to me about options.

People often think about budgeting as a dry and boring subject. In fact, it's exactly the opposite--though some of the field IS technical, budgeting really involves fundamental issues of public policy, management and politics. We will address those issues throughout the semester, using real-world documents and events. For this year in particular, we are "lucky" in that the budget is the central issue in Maryland politics--that is, the state is facing a structural budget deficit "crisis." For the last part of the semester, you will roleplay Maryland's politicians in an attempt to eliminate this deficit.

We are also lucky to be the site of a special visit by the Fiscal Wake Up Tour (FWUT), featuring David Walker, the Comptroller General of the U.S. (the head of the Government Accountability Office) and other experts. In preparation for this visit, much of the first two months of the course will provide you with a sophisticated understanding of federal budget policies and institutions. That understanding will benefit you beyond the FWUT event, as the federal government faces very difficult choices over your lives as citizens.

The course also explores how budgets are prepared and then executed at the micro level. This is essential knowledge for public managers, elected officials, and those who work with or seek to influence them.

The course is highly participatory and realistic. While on occasion I will lecture, during most of the course you will be immersed in actual budget documents and controversies, or cases that abstract from the same. I expect that you will attend class regularly, having completed the readings and assignments before they are covered in class.

Class participation will be 20% of your final grade. A variety of activities count as class participation: careful listening, speaking in discussions, roleplaying, and asking questions if you are confused. Similarly, I encourage you to challenge my position if you disagree with it. I will exercise my academic freedom to express my own views at times, and when you vocally disagree, you should be absolutely confident that I will not penalize you.

The other 80% of your final grade will be comprised of weekly assignments. I have a strong preference for clear and simple writing. All assignments should be typed and use regular fonts and margins, and generally should not exceed two pages. Occasionally students in previous classes have mentioned to me that they were confused about "what I wanted" in their answers to the assignments. By this they usually meant, "what's the correct answer to the question?" But in fact, in most assignments there are no "correct answers." Rather, you face uncertain situations and need to come up with a reasonable course of action--there are usually several. Take this opportunity to get used to the typical reality of policy and politics.

There is no text for this course; readings are web links, on electronic reserve, or handouts. If you would like recommendations for budget and finance texts, I would be glad to provide some. And if you want to read beyond the required material, ask me for recommendations.

Non-handout readings that are not linked in this syllabus are on electronic reserve: <http://aok.lib.umbc.edu/reserves/index.php>. Some are from a book that I edited: Roy T. Meyers, *Handbook of Government Budgeting*, (San Francisco: Jossey-Bass, 1999); these are identified in the syllabus as *Handbook*. The username is <poli353f07> and the password is <to be supplied in class>; they are case-sensitive. If you have a technical problem accessing a reading, let me know so I can help fix it.

While for most assignments it is unnecessary to read beyond the assigned readings, you may go beyond them to learn more. You will find many useful links on my budgeting and policy web pages:

American budgeting: <http://userpages.umbc.edu/~meyers/linkambud.htm>

Maryland budgeting: <http://userpages.umbc.edu/~meyers/linkmdstatebud.htm>

International budgeting: <http://userpages.umbc.edu/~meyers/linkintlbud.htm>

American politics, policy, and management:

<http://userpages.umbc.edu/~meyers/linkampol.htm>

[Class Schedule and Assignments](#)

9/10 Budget concepts; the basic argument of the Fiscal Wake-Up Tour

FY 2008 Budget Mid-Session Review:

<http://www.whitehouse.gov/omb/budget/fy2008/pdf/08msr.pdf>

Read summary (pp.1-7), and scan the rest

Congressional Budget Office, The Budget and Economic Outlook: An Update:

<http://www.cbo.gov/ftpdocs/85xx/doc8565/08-23-Update07.pdf>

Look at the Summary Figure 1 (PDF p. 11, and then read Chapter 1, “Budget Outlook” (PDF pp. 15-37).

Definitions of concepts can be found in the following glossaries:

<http://www.cbo.gov/budget/glossary.htm>

<http://www.whitehouse.gov/omb/budget/fy2008/pdf/concepts.pdf>

[60 Minutes video](#)

Read Comptroller General Walker’s presentation from

<http://www.concordcoalition.org/events/fiscal-wake-up/presentations.html>

No assignment, but bring your questions about the concepts included in the readings.

9/17 Projecting entitlement (and other) costs; accrual vs. cash accounting

Social Security and Medicare Boards of Trustees, “Status of the Social Security and Medicare Programs: a Summary of the 2007 Annual Reports”:

<http://www.ssa.gov/OACT/TRSUM/trsummary.html>

James L. Chan, *Handbook* 14, “The Bases of Accounting for Budgeting and Financial Reporting”

Daniel N. Shaviro, 2007. “Benign Fictions? Describing Social Security and Medicare,” from Taxes, Spending, and the U.S. Government’s March Toward Bankruptcy, N.Y.: Cambridge University Press, pp. 151-173.

Joseph White, “Protecting Medicare: The Best Defense Is a Good Offense,” Journal of Health Politics, Policy and Law 32: April, pp. 221-246.

William D. Savedoff, 2007. “What Should A Country Spend On Health Care?,” Health Affairs, July/August, pp. 962-970.

Assignment (6%): Are (retirement, and especially health) entitlements really “the problem?”

9/24 Budgets and macroeconomics: do deficits and debt “matter?”

Van Doorn Ooms, Ronald S. Boster, and Robert L. Fleegler, *Handbook 8*, “The Federal Budget and Economic Management”

Michael Wolkoff, *Handbook 7*, “State and Local Government Budgeting: Coping with the Business Cycle”

George Kopits and Steven Symansky, 1998, “Fiscal Policy Rules,” International Monetary Fund, Occasional Paper 162, Washington, D.C.

Ron Suskind, 2004, *The Price of Loyalty*, N.Y.: Simon and Schuster, pp. 53-69; 295-306. On electronic reserve

C. Fred Bergsten and Edwin M. Truman, 2007. “Why Deficits Matter: The International Dimension,” testimony before the House Budget Committee, January 23, <http://budget.house.gov/hearings/2007/Truman070123.pdf>

Assignment (6%): Should the federal government establish formal aggregate budget targets? If so, for how many years, and what should the targets be? If not, explain why.

10/1 Taxes

President’s Advisory Panel on Tax Reform, Final Report, 11/1/2005, read chapters 1-3: <http://www.taxreformpanel.gov/final-report/>

Jacob S. Hacker and Paul Pierson, 2005. “Abandoning the Middle: The Bush Tax Cuts and the Limits of Democratic Control,” *Perspectives on Politics*, 3: March, pp. 33-53.

Jonathan Rauch, 2006. “A Bad Tax with Good Timing,” *National Journal*, March 18, pp. 16-17.

Peter Cohn, 2007. “The ‘Paygo’ Blues,” *National Journal*, July 7, pp. 41-42.

Leonard Burman, 2007. Testimony before the Senate Committee on Finance, June 27. http://www.taxpolicycenter.org/UploadedPDF/901092_Burman_AMT.pdf

Assignment (6%): Write a memo for a House Ways and Means or Senate Finance Committee member on what to do about the AMT, and on tax reform more generally.

10/8 Budget advocacy, earmarks, and interest group politics

Roy T. Meyers, *Handbook 22*, “Strategies for Spending Advocates”

Washington Post series “Harvesting Cash” <http://www.washingtonpost.com/wp-srv/nation/interactives/farmaid>

Robert Kaiser, 2007, Washington Post Citizen K Street Series:
<http://blog.washingtonpost.com/citizen-k-street/chapters/introduction/>
Read intro and “chapters” 6, 8-11

Find some FY2008 earmarks in Maryland using these sites.

OMB earmarks: <http://earmarks.omb.gov/>

Status of appropriations bills--go to either bills or committee reports:
<http://thomas.loc.gov/home/approp/app08.html>

Assignment (6%): “Pork” projects--here literally as well as figuratively--are largely inconsistent with the perspective and techniques taught by graduate schools of public policy. How would seek to convince elected officials that they should significantly reduce their servings of “pork?”

10/15 Congressional budget process; executive vs. legislative budget institutions

Roy T. Meyers and Philip G. Joyce, 2005, “Congressional Budgeting at Age 30: Is It Worth Saving?,” Public Budgeting and Finance, 2005, Silver Anniversary Issue, pp. 68-82: <http://userpages.umbc.edu/%7Emeyers/cbpat30.pdf>

Jurgen von Hagen, Andrew Hughes Hallett and Rolf Strauch, 2002, “Budgetary Institutions for Sustainable Public Finances,” from Marco Buti, Von Hagen and Carlos Martinez-Mongay, The Behavior of Fiscal Authorities, N.Y.: Palgrave, pp. 94-112.

Roy T. Meyers and Thomas S. Pilkerton, 2003. “[How Can Maryland’s Budget Process Be Improved?](#),” Maryland Institute for Policy Analysis and Research, September; read pp. 1-29 (11-39 using PDF pagination).

John Cochran, 2007. “Penetrating the Fog of War Costs,” CQ Weekly, January 1, pp. 14-23. While on a UMBC computer or while signed onto UMBC’s VPN, go to <http://library.cqpress.com/cqweekly/> and search for this article.

CBO testimony on war costs: http://www.cbo.gov/ftpdocs/84xx/doc8497/07-30-WarCosts_Testimony.pdf

Assignment (6%): Would any institutional changes have improved how the U.S. budgeted for war costs?

10/22 Systematic priority setting

General Accounting Office, 2005, “Key National Indicators: Assessing the Nation’s Position and Progress,” read “Forum” and Appendix 2:
<http://www.gao.gov/review/d03672sp.pdf>

Jeffrey Tryens, “Using Indicators To Engage Citizens: The Oregon Progress Board Experience,” OECD World Forum on Key Indicators, November 2004.

Roy T. Meyers, 2007. “Addressing Maryland’s Structural Deficit through Better Performance Budgeting and Priority-Setting,” UMBC Policy Brief,
http://userpages.umbc.edu/%7Emeyers/policy_brief_5.pdf

PARTs: <http://www.whitehouse.gov/omb/expectmore/>

CBO’s “Budget Options” report:
<http://www.cbo.gov/ftpdocs/78xx/doc7821/02-23-BudgetOptions.pdf>

Assignment (6%): From the CBO budget options report, identify one option that you especially support, and one that you especially reject. Explain why, incorporating information from relevant PARTs. Would your evaluations be different if the U.S. used an indicator reporting system?

10/29 Fiscal Wake-Up Tour

Special time: 3:30-4:30 discussion with Comptroller General Walker
5-6:30 public session
No assignment

11/5 Budget preparation and managerial accounting basics

Jacqueline H. Rogers and Marita B. Brown, *Handbook 17*, “Preparing Agency Budgets”

Steven A. Finkler, Financial Management for Public, Health, and Not-For-Profit Organizations, Upper Saddle River, N.J.: Prentice-Hall, 2001, “Understanding Costs,” pp. 95-123; 67-8, and pp. 226-236.

Handout with assignment

If you have a laptop, bring it to class.

Assignment (10%): Spreadsheet exercise on budget preparation.

11/12 Responsibility budgeting; budget examination

Barry White, *Handbook* 18, "Examining Budgets for Chief Executives"

Eugene Bardach and others, 2005. "Report from the Trenches: The Life of the Apprentice Budget Analyst," and following articles, Journal of Policy Analysis and Management, 24: 2, pp. 419-433.

Michael Barzelay and Fred Thompson, "Efficiency Counts: Developing the Capacity to Manage Costs at the Air Force Material Command," IBM Center for the Business of Government, August 2003:

http://www.businessofgovernment.org/pdfs/barzelay_report_fms.pdf

Assignment (6%) at: <http://userpages.umbc.edu/~meyers/edcosts.htm>

11/19 Performance budgeting

Alfred Ho, 2007. "The Governance Challenges of the Government Performance and Results Act: A Case Study of the Substance Abuse and Mental Health Administration," Public Performance and Management Review, 30: March, 369-397.

Robert D. Behn, 2003. "Why Measure Performance? Different Purposes Require Different Measures," Public Administration Review, 63: September, 586-606.

OMB, 2003, "Performance Measurement Challenges and Strategies":

http://www.whitehouse.gov/omb/part/challenges_strategies.pdf

Scan "MFRs" for MD Department of Public Safety and Correctional Services, at:

http://dbm.maryland.gov/dbm_publishing/public_content/dbm_search/budget/fy2008operbuddetail/pubsafcor.pdf

Assignment (6%): at <http://userpages.umbc.edu/~meyers/prisperf.htm>

11/26 Fraud waste and abuse; audits; contracting

William Stanbury and Fred Thompson, "Toward a Political Economy of Government Waste: First Step, Definitions," Public Administration Review, 55: September 1995, pp. 418-427.

Scan the reports and bulletins of the Maryland [Office of Legislative Audits](#).

Arthur A. Hayes, Jr., "Fraud Happens: A Primer on Lying, Cheating, and Stealing," Government Finance Review, December 1995, pp. 7-11.

Yolanda Woodlee, "Audit Faults Finances for D.C. Foster Care," Washington Post, November 15, 1999 and following articles–handout

Assignment (6%): Imagine that you are the advisor to the new head of Maryland's foster care agency. Your boss has asked you to read the D.C. case, and give her advice on how to avoid similar problems. The urgency of this assignment became clear when she mentioned that after just a month on the job, she had concluded that the agency faced many of the same problems experienced by D.C. Write a memo giving your advice.

12/3 Financial reporting, capital budgeting, and credit markets

Dean Michael Mead, "Information About the Whole Government," from What You Should Know About Your Local Government's Finances, Stamford, CT: Governmental Accounting Standards Board, 2000, pp. 7-30.

Department of Legislative Services, Legislative Handbook, Volume 4, http://mlis.state.md.us/other/Legislative_Handbooks_2007/Volume_IV.pdf
Scan chapters 6-8 for basic concepts.

Bridge safety press release: <http://www.e-mdot.com/News/2007/August%202007/Bridge%20safety.htm>
and follow links in this release

Baltimore CAFR:
<http://www.ci.baltimore.md.us/government/finance/reports/CAFR2006.pdf>

Assignment (6%): Since the release of this Baltimore CAFR, dated 12/2006, the city's elected leadership has changed and the real estate boom has stopped. Assuming you are a bond rater for assigned to determine the risks Baltimore's bonds present to investors, what questions would you want to ask the city's new financial leadership?

12/10 or 12/17 Capstone: Maryland's structural deficit

Assignment (10%): Assignment to be posted