

**EASTERN MICHIGAN UNIVERSITY
DEPARTMENT OF POLITICAL SCIENCE**

**PUBLIC BUDGET APPLICATIONS
PLSC 615, SPRING 2004**

Dr. Joe Ohren
734-487-2522; 487-0243; 734-487-3340 Fax
Joseph.Ohren@Emich.Edu

Office Hours:
M-W 4:30 - 5:30p.m. Livonia
Class 5:30 – 7:15 Livonia

OBJECTIVES

This is the second of a two-course sequence required in the graduate program. It builds on the first course, a prerequisite, and presumes a familiarity with the governmental institutions, actors and processes involved in preparing and approving budgets at national, state and local levels, macroeconomics and public finance, and the politics of budgeting. Our focus will be on two primary themes: budget execution and financial management, and budget analysis and decision-making.

Specific course objectives include:

1. To understand the role and impact of analysis in budget decisions;
2. To be able to use selected "analytic techniques" appropriate for budget planning and evaluation;
3. To examine the process of budget implementation from the manager's perspective;
4. To understand the nature and role of the accounting system in providing information for management decisions during budget execution;
5. To be able to read and interpret financial reports and audits.

FORMAT

The class will follow the outline below, recognizing the need for flexibility. Assigned readings should be completed prior to class since a lecture/discussion format will be used, including liberal use of discussion questions (see Study Questions in Outline) and in-class exercises designed to stimulate thinking about and understanding of the budget process. Handouts following the course outline have been prepared for distribution to help you organize your reading and thinking.

GRADING

Grading will be based on two take-home examinations (Midterm = 40% and Final = 60% of final grade). Exams are intended to measure mastery of terminology and concepts as well as ability to analyze, integrate, develop and apply ideas drawn from course materials (lectures and readings). Class attendance is expected since we will be doing a number of exercises throughout the term. Exams are due as noted in the outline; late papers will be accepted only for "cause" and must be cleared with me in advance.

REQUIRED READING

The text was used in the 540 class and there may be used copies available at one of the local bookstores if you do not have one.

Lee and Johnson, Public Budgeting Systems, 7th Edition

In addition, I have prepared a Coursepack (author's last name used in outline below) of selected readings that focus on budget implementation, accounting, audit and performance measurement. I will also be providing a number of handouts to take advantage of current specialized literature. For those interested in additional readings, I will be happy to suggest some.

To help you organize your readings and our discussions, I have also inserted in the outline below some tentative "exam" questions associated with each week's readings. We will discuss this more in class.

OUTLINE

Date	Topic and Assignment
5/3	Instructor and student introductions; course requirements; an overview of the budget process, linking the first course to the second; case study discussion; return 540 finals.
5/5-19	Budget execution; purposes, processes, discretion; cash management; financial reporting. Who is involved? What are the problems and issues? Exercises in financial management. Handout 1. Lee and Johnson, 10. Office of Technology Assistance, <u>Trade Adjustment Assistance, Special Report</u> , Hale/Douglass, The Politics of Budget Execution.

Study Questions

1. What are the **purposes** of budget execution? How are they in conflict?
2. How does the legislative body insure that agencies are "doing what was intended" during the course of the fiscal year? How can the legislature **enforce** its will?
3. Describe the nature of the conflict that arises between efforts by the legislature to impose its will and the need for administrators to have some flexibility in program implementation.
4. Describe the role of **central staff agencies** in budget execution. How this contributes to "tension" between these staff units and line agencies/personnel. How do line officials perceive such units?
5. Are there **strategies** operating during budget execution as there were during preparation and appropriation? Explain.
6. What is the "**fraud/red tape**" **dilemma** in budget implementation and how do we address it?
7. What is in a **financial report**? What does it tell us? How do we use them?

MEMORIAL DAY—5/31, No Class

MIDTERM EXAM -- Due 5/26

5/24-6/9 Accounting and management information systems; fund accounting concepts; audits and evaluation. What is accounting, why do we do it, what is involved, who does it serve? What are funds? What does the audit tell us? Handout 2. Lee and Johnson, 11. Hayes, et. al., Linkages: Improving Financial Management in Local Government; Kelley, Cost Center Budgeting; Walters, A Dollar's Worth of Government.

Study Questions

1. How is **accounting information** used to support budget execution? To support the audit process?
2. What does the term "**basis of accounting**" mean? What difference does it make which "basis" of accounting is used? What "basis" of accounting does a local unit typically use and why?
3. Distinguish between **financial and cost accounting** and indicate why the latter has become more important to local government operations.
4. Distinguish between **financial, managerial/program and compliance audits**. What kinds of questions are asked and what kind of information is utilized in each?
5. What kinds of local government situations are appropriate for **cost analysis/activity based costing**? Describe briefly the process of cost analysis, indicating the typical costs included in such an analysis and some of the difficulties confronted in "doing" cost analysis.
6. **Service efforts and accomplishments reports (SEA)** have been recommended as an extension of the accounting information provided to decision-makers. What is meant by the term? What is involved? What are some of the complications and barriers that you see as local governments begin the process of developing such information systems.

6/14-21 Rational analysis and reforms; performance measurement and budgeting systems; the politics of analysis. Handout 3. Lee and Johnson. 7. DiIulio, Measuring Performance When There Is No Bottom Line; NCPP Brief Guide; Lehan, Budget Appraisal--The Next Step in the Quest for Better Budgeting.

Study Questions

1. What is the motivation for introducing **performance measurement** in resource allocation decisions and what is involved in the process? What do you see as the biggest barriers to successful efforts?
2. How is this initiative in the last decade different than the heyday of PPBS/program budgeting in the 1960' and 1970's?
3. Distinguish between measures of "**input**", "**activity/workload**" and "**output/outcome**" for use as criteria in analyzing and reporting on the operation of governmental programs.
4. What are some of the complications and barriers that you see as local governments begin the process of developing such information systems.
5. From the perspective of one who has just completed the budget sequence in the MPA program, describe and discuss what you consider to constitute an "**ideal**" **budget process**. Be sure to think about what you would expect such a process to achieve, what information would be desirable, and who would be involved.

FINAL EXAM – Due 6/23