

Public Budgeting and Finance

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Department: Government, Law, and International Affairs
Course Number: POL 573

Credit Hours: 3

- I. Title: Public Budgeting and Finance
- II. Catalogue Description: This course examines budgeting as a tool of governmental economic and political policy. Specifically, the course considers the evolution and purposes of budgeting with special attention given to recent efforts to improve government resource allocation.
- III. Purpose: The course is intended to help students understand how governmental and non-profit organizations raise revenue, manage public monies, and allocate scarce financial resources among competing purposes, functions, organizational units, and programs.
- IV. Course Objectives: By the end of the semester, students should be able to:
 - (a) Understand how governments and non-profits gain revenue through taxation, user fees, borrowing, intergovernmental aid, etc.
 - (b) Analyze the economic and political impact of spending and revenue-raising decisions
 - (c) Explain the administrative and legal responsibilities involved in managing public monies.
 - (d) Know basic concepts of fund accounting and something about principles of GAAP and GASB.
 - (e) Calculate cost estimates for government and non-profit agencies, projects, and programs.
 - (f) Appreciate the differences between different budgeting formats.
and
 - (g) Understand the political, legal, and economic aspects of the budgetary process.
- V. Content Outline: Content will include some discussion of tax incidence, revenue estimation, debt financing, cash management, cost calculations, budget formats, executive examination of budget requests, the appropriations process, budget execution, auditing and evaluation.

- VI. Instructional Activities: Lecture, in-class and on-line discussion, exercises, student participation on Blackboard, oral presentation, written budget proposal.
- VII. Field, Clinical, and /or Laboratory Experiences: None required, although student research may include field research.
- VIII. Resources: Access to the internet and a decent library.
- IX. Grading Procedures: Three exams (essay in format) will be administered in-class. Each exam is worth 20% of the semester grade. *Graduate students will be given examinations that cover a greater number of readings than the examinations assigned to undergraduates.* One budget request project will be required. The project will be worth 25% of the semester grade. Completion of periodically-assigned homework, participation in class, and activity on Blackboard's Discussion Board will count for the remaining 15% of the semester grade. Undergraduates will be expected to complete a minimum of five of the ten assigned exercises, and graduate students must complete at least seven of the ten exercises. The exercises will be due the Monday after the date for which they are assigned. Exercises may be sent by e-mail or fax to the instructor.
- X. Attendance Policy: Attendance is expected. Students should notify the instructor if they have excused absences. Please see the current MSU bulletin for more information regarding the criteria for excused absences. Students do need to check in on the Blackboard page regularly, at least twice per week.
- XI. Academic Honesty Policy: Cheating, plagiarism, or doing work for another person which will receive academic credit are all impermissible. Students should not use the words or ideas of another person without attribution. Direct quotations must be placed within quotation marks, along with a citation of the source. The instructor will invalidate any exam, paper or other work if there is substantial evidence that the integrity of the assignment has been compromised. See the current graduate bulletin for more information.
- XII. Text and References: Students will be expected to read material posted on the class Blackboard page from week to week. This material will consist of brief articles and essays taken from various web pages and on-line publications. Students are invited to post material that they believe is relevant to the course. A required text for all students is *Fiscal Administration: Analysis and Applications for the Public Sector*, by John Mikesell. One LRC research report, *Uncollected Revenues and Improper Payments Cost Kentucky Millions of Dollars a Year*, by Cindy Upton, *et al.*, is also required. This publication can be obtained without charge by ordering

a copy from the Kentucky Legislative Research Commission (LRC). Please contact Ann Ellis of the LRC at www.lrc.state.ky.us/lrcpubs/lrcpubs.htm and request Research Report No. 322. A number of other required readings have been posted on the Murray State library e-reserve system. These readings can also be found in full text format in the MSU library databases. *Graduate students are required to complete a greater number of e-reserve readings than are undergraduates.* There will also be some short, on-line stories posted under External Links on the Blackboard page.

XIII. Prerequisites: Only upper division undergraduates and graduate students may register for this course.

XIV. Affirmative Action/Equal Opportunity Statement: Murray State University does not discriminate on the basis of race, color, national origin, sex, religion, marital status, age, or disability in employment, admission, or the provision of services, educational programs and activities, and provides, upon request, reasonable accommodation including auxiliary aids and services necessary to afford individuals with disabilities an equal opportunity to participate in all programs and activities. For information regarding nondiscrimination policies contact the Office of Equal Opportunity, 270-762-3155 (V) or (270) 762-3311 (TDD).

XV. Tentative Schedule

August 22

Introduction to the course
Student and instructor introductions

August 29

Principles of Public Finance
Logic of the Budget Process
Mikesell, Chs. 1-2
Rubin, Irene. 2007. "The Great Unraveling: Federal Budgeting, 1998-2006." *Public Administration Review* 67:4 (July/August): 608-617.
Hoagland, G. William. 2007. "A Comment on 'The Great Unraveling: Federal Budgeting, 1998-2006.'" *Public Administration Review* 67:4 (July/August): 618-623.
Exercise 1, page 25
Exercise 2, page 70

September 5

Budget Structures and Institutions

Mikesell, Ch. 3

Lauth, Thomas P., and Catherine C. Reese. 2006. "The Line Item Veto in Georgia: Fiscal Restraint or Inter-Branch Politics?" *Public Budgeting & Finance* 26:2 (Summer): 1-19.

Exercise 3, page 132

September 12

Budget Methods and Practices, Budgeting Classifications and Reform

Mikesell, Chs. 4-5

Exercise 3, page 171

September 19

Capital Budgeting

Mikesell, Ch. 6

Eger, Robert J., III, and Amanda L. Wilsker. 2007. "Cost Effectiveness Analysis and Transportation: Practices, Problems, and Proposals." *Public Budgeting & Finance* 27:1 (Spring): 104-116. *Required of graduate students only.*

Exercise 7, parts (a) and (b), page 283

Budget request project proposals due

September 26

First Exam

October 3

Taxation Evaluative Criteria

Income Taxes

Mikesell, Chs. 7-8

Exercise 2, page 367

Class presentations

October 10

Consumption Taxes

Property Taxes

Mikesell, Chs. 9-10

Martell, Christine, and Paul Teske. 2007. "Fiscal Management Implications of the TABOR Bind." *Public Administration Review* 67:4 (July/August): 673-687.

Exercise 4, page 449

Class presentations

October 17

User Fees and Charges,
Government Monopolies, Asset Sales, Lotteries

Mikesell, Ch. 11

Stanton, Thomas H., 2003. "Lessons Learned: Obtaining Value from Federal
Asset Sales," *Public Budgeting & Finance* 23:1 (Spring): 22-44.

Exercise 1, pages 483-484

Class presentations

October 24

Collection of Taxes

Mikesell, Ch. 12

Upton, Cindy, *et al.*, 2004. *Uncollected Revenues and Improper Payments Cost
Kentucky Millions of Dollars a Year*. Legislative Research Commission
Research Report #322. Frankfort, KY: Legislative Research
Commission.

Class presentations

October 31

Second Exam

Drop deadline

November 7

Revenue Forecasting, Tax Expenditures

Mikesell, Ch. 13

Penner, Rudolph G. 2002. "Dealing with Uncertain Budget Forecasts," *Public
Budgeting & Finance* 22:1 (Spring): 1-18. *Required of graduate students
only*,

Howard, Christopher. 1995. "Testing the Tools Approach: Tax Expenditures
Versus Direct Expenditures," *Public Administration Review* 55:5
(September/October): 439-447.

Class presentations

November 14

Intergovernmental Fiscal Relations

Mikesell, Ch. 14

Class presentations

Thanksgiving

November 28

Debt Administration

Mikesell, Ch. 15

Hildreth, W. Bartley, and C. Kurt Zorn. 2005. "The Evolution of the State and Local Government Municipal Debt Market over the Past Quarter Century," *Public Budgeting & Finance* (Special Issue): 127-153.

Exercise 3, page 607

Class presentations

December 5

Managing Funds

Mikesell, Ch. 16

Peng, Jun. 2004. "Public Pension Funds and Operating Budgets: A Tale of Three States," *Public Budgeting & Finance* 24:2 (Summer): 59-73.

Voorhees, William R. 2005. "Counting Retirement Expenditures Before They Hatch: GASB and the New Reporting Requirements for Other Postemployment Benefits," *Public Budgeting & Finance* 25:4 (Winter): 59-71. *Required of graduate students only.*

Exercise 7, page 638

Budget Requests Due

December 12-- **Final Exam**

Guidelines for the Budget Request Project

For this project, students should select a particular agency, organization, program, or project, for which a budget is currently enacted or which could be proposed in the future. Each student should put together a budget request for that agency, organization, program, or project, using either the budget format that is currently in place or a format that the student proposes as an improvement over the current format. Students may need to refer to the Mikesell text before beginning the research in order to get a basic understanding of budget terminology and processes. The request should include some summary of the mission and objectives of the entity for which the budget is proposed, some narrative and justification of the dollars requested, identification of the relevant revenue sources, and some numbers of dollars requested for a future fiscal year (or biennium, if biennial budgeting is practiced or proposed). At least three years of data for spending and revenues (e.g. for fiscal years 2004-05, 2005-06 and 2006-07) should be included in accompanying tables. Each student should prepare a brief proposal describing their proposed project, which should contain some information about the background of the budgeting entity that is proposed, the revenue sources and major expenditures of that entity, and the format in which the budget request will be made. Those proposals are due **September 19**. The instructor will offer some written comments on that proposal and return the proposal to the student. Students will also make a brief oral presentation to the class, describing and justifying their budget requests. Failure to make a class presentation will adversely affect a student's class participation grade. Finally, a written final draft of the budget request should be presented to the instructor on **December 5**. Late projects will be penalized. This is an exercise in applied research, but normal academic standards will apply. Sources should be cited. Coherent and complete sentences should be written. Acronyms should be used only after they have been fully identified. Anyone wishing to have a rough draft of the project submitted for comments before the deadline may do so.