

**ARKANSAS STATE UNIVERSITY
DEPARTMENT OF POLITICAL SCIENCE**

**POSC 6553
PUBLIC BUDGETING & FINANCE**

Course Information

Spring 2008
Monday Nights 6:00-8:50
404 Wilson Hall

Professor Information

Dr. Catherine C. Reese
402 Wilson Hall: 972-3428 (mine) or -3048 (main)
Email: ccrease@astate.edu
Office Hours: TTR 9:30-11:00, 3:15-4:15 & by appt.

Purpose:

The purpose of this course is to examine the history, institutions and techniques of public financial administration. The practices and fundamental concepts of governmental budgeting, public finance and financial management will be introduced. My goals for the course include that you learn about the following: U.S. budget history, the standard budget cycle, public budgeting decision theories, different budget formats, basic public/non-profit accounting and reporting practices, basic methods of financial management, and different types of revenue systems. Ethical issues raised by the premises underlying different choices made by public entities will be discussed, as will the professional ethical principles underpinning modern public administration. In addition, through experience in manipulating dollars among different budget formats as well as an in-depth analysis of the federal budget process and another public or non-profit agency of your choice, the politics, precepts and foundations underlying real-life budgeting will be thoroughly examined.

Required Texts:

Mikesell, John A. *Fiscal Administration: Analysis and Applications for the Public Sector*. 7th ed. Belmont, CA: Wadsworth Publishers, 2007. Main text for class. Most basic public financial management information as well as most exercises will come from this book.

[MIKE]

Wildavsky, Aaron and Caiden, Naomi. *The New Politics of the Budgetary Process*. 5th ed. New York: Longman, 2004. Secondary text for class. Extensive in-depth analysis of the federal budgetary process, a classic in the field of public budgeting and finance. **[WILD]**

Kelly, Janet M. and Rivenbark, William C. *Performance Budgeting for State and Local Government*. Armonk, New York: M.E. Sharpe, 2003. Secondary text with a focus on performance budgeting, by two of the leading scholars in the field. Should be read throughout the term. A major essay on the final exam will be totally based on this book.

[KELLY]

PBF COURSE OBLIGATIONS

Course Examinations: The mid-term will be distributed on March 3 and due on March 10, and the final will be distributed on April 28 and due May 5; each will constitute 25 percent of the semester grade. Penalties for lateness will be **severe**. Students will be responsible at the time of the examinations for all required readings and information discussed in class.

Class Participation/Wildavsky Discussions/In-Class Exercises/Homework Exercises: Class participation is expected and encouraged, and will constitute 20 percent of the semester grade. Please come to class having read the assignments and with comments and questions in mind. Class participation grades will be determined through an analysis of contributions to in-class discussions and exercises, as well as effort and quality of work effort on homework assignments. Exercises from the MIKE book must be typed and are due AND will be discussed on the dates given on the syllabus. Please just bring them to class; I do not need early or late e-mailed copies. Exercises from the HUD book will be provided to you the week before we will complete them in class, and your responses to the questions at the ends of these will be due the following week. Please put the due date on the exercises and also the date you are turning them in if you are submitting them late, realizing that you will not be given full credit if turning in any assignments late (and this includes those emailed after class is over).

Learning Contract Project: You must develop and implement a public budgeting- or financial management-related project for any organization that receives at least 50% of its funding from public sources. More information about the project is provided at the end of the syllabus. The project will be due on the last day of class, April 28, and will constitute 30% of your final grade. Presentations of same will be divided between April 21 and April 28.

General Policies: The grading/point scheme is as follows: 92-100% = A, 83-91% = B, 74-82% = C, 65-73% = D, and Below 65% = F. Late penalties for papers, presentations, and exercises will be **severe**. It is **your** responsibility to obtain class notes from a classmate if you miss class. Students who require academic adjustments in the classroom due to a disability must first register with the ASU Disability Services office (972-3964). Following registration and within the first two weeks of class, please talk with me regarding appropriate academic accommodations. Plagiarism (copying from published works and/or the Internet without giving full credit) and cheating will result in the application of the strongest possible penalties and referral to the Associate Dean for Student Affairs for a judicial hearing. Please refer to the Academic Integrity Policy in your ASU Student Handbook for further details. Please also see the Department of Political Science webpage's statement on plagiarism at <http://polsci.astate.edu/plagiarism.htm>

PBF COURSE OUTLINE

Week 1: Introduction to Public Financial Management **JAN 14**
Introductions
Review of Course Requirements
Read: MIKE, Chapter 1 “Public Finance”;
WILD Forward, Prefaces, Biographical Notes

Dr. Martin Luther King, Jr. Holiday **JAN 21**

PART I. BUDGETING

Week 2: Establishment of U.S. Budgeting Systems//The Budget Cycle **JAN 28**
Read: MIKE, Chapter 2 “Logic of Budget Process”;
WILD, Chapter 1 “Conflicting Promises”

Week 3: Decision-Making Theories // State & Local Budgeting **FEB 4**
Read: MIKE, Chapter 3 “Structures/Institutions”;
WILD, Chapter 2 “Struggles for Power”
Homework 1 Due: Exercise 3, MIKE, p. 132
Discuss: Evolution of Classical Budgeting
In-Class Exercise 1: Line-Item Budgeting
Distribute: In-Class Exercise for Next Week: Performance Budgeting

Week 4: Budget Process Variability & Reforms **FEB 11**
Read: MIKE, Chapter 4 “Methods” & Chapter 13 “Revenue Forecasts”;
WILD, Chapter 3 “Dance of the Dollars”
Homework 2 Due: Exercises 4, 6, 8, MIKE, pp. 171-173
Homework 3 Due: Exercises 2 & 5, MIKE, pp. 535-537
Discuss: Classical Budgeting; Appendix, MIKE, Chapter 13 “Tax Expenditure Budget”
In-Class Exercise 2: Performance Budgeting
Distribute: Homework Exercise Due Next Week: Program Budgeting

Week 5: Capital Budgeting & Long-Term Financing **FEB 18**
Read: MIKE, Chapter 5 “Classification”; WILD, Chapter 4 “Collapse of Consensus”
Discuss: Program Budgeting Exercise; Collapse of Consensus (1970s)

PART 2. FINANCIAL MANAGEMENT

Week 6: Cash Management **FEB 25**
Read: MIKE, Chapter 6 “Capital Budgeting”; WILD, Chapter 5 “Dissensus”
Homework 5 Due: Exercises 12, 14, MIKE, pp. 284-286
Discuss: Politics of Dissensus (1980s), Zero-Based Budgeting

PBF COURSE OUTLINE, cont.

Week 7: Accountability & Control **MAR 3**

Due: Learning Contract
Read: WILD, Chapter 6 “Balancing Budgets”
Homework 6: Bring Your Organization’s Code of Ethics
Discuss: ASPA’s Code of Ethics; Wildavsky’s Politics of Balance
Distribute: Mid-Term Examination

Week 8: Purchasing **MAR 10**
Read: WILD, Chapter 7 “Entitlements”
Discuss: Politics of Entitlements
Due: Mid-Term Examination

✿ **SPRING BREAK!** ✿ **MAR 17**

Week 9: Elements of Public Accounting **MAR 24**
Read: WILD, Chapter 8 “Defense”
Discuss: Politics of Defense

PART 3. PUBLIC FINANCE

Week 10: Tax Evaluation Criteria **MAR 31**
Read: MIKE, Chapter 7 “Taxation Criteria”; WILD, Chapter 9 “Reform”
Discuss: Federal Budgetary Reform, MIKE Case 7-1, “Tax Advantages”
Homework 7 Due: Exercise 2, MIKE, p. 325

Week 11: Income & Sales Taxes **APR 7**
Read: MIKE, Chapters 8 “Income Taxes” & 9 “Sales Taxes”;
WILD, Chapter 10 “From Surplus to Deficit”
Discuss: Federal Budget Deficits & Surpluses
Homework 8 Due: Exercises 1, 3 & 7, MIKE, pp. 408-409

Week 12: Property Taxes & User Fees & Lotteries **APR 14**
Read: MIKE, Chapters 10 “Property Taxes” & 11 “User Fees and Public Monopolies”
Homework 9 Due: Exercises 1 & 9, MIKE, pp. 448-453
Homework 10 Due: Exercises 2 & 5, pp. 483-486
Discuss: Case 10-1 “Use-Value Assessment for Farmland” and
Case 11-1, “Entrepreneurial Revenues in State Parks”

Week 13: Budgeting Project Reports/Presentations **APR 21**

Week 14: Budgeting Project Reports/Presentations **APR 28**
Distribute: Final Examination
Due: Written Component of Your Project

FINAL EXAMINATION DUE (& Potluck at Reese’s House) **MAY 5**
Additional Information about PBF Learning Contract Project

Each student will complete an applied project related to public budgeting and finance using a learning contract to define the scope of the project and the evaluation criteria. The idea behind a learning contract is that each student defines what s/he wants to learn or

accomplish and how they intend to learn/accomplish it; it opens up the possibility of doing something for your major project other than a research paper. The contract is similar to a syllabus, except it is developed by the student and tailored to each student's interests. Possible projects include: analyzing an agency's budget process (using the four phases of the process as a guide), analyzing the financial condition of a city or other public organization (see International City Management Association book for an example of a format for this), writing a comprehensive purchasing or risk management policy for an organization, preparing a research report on an aspect of financial management or public budgeting, making a documentary on state- or local-level budget-makers, developing a training guide or instructional video on a public budgeting and finance topic, organizing a workshop, reviewing legislation / regulations / court rulings on a complex issue and developing a lay-person's guide to the legal status of that issue, or any other topic of interest to the student and public administrators. In selecting a topic, students are encouraged to consult with officials in a public or non-profit organization and to tailor the project to meet a public budgeting or financial management need of that organization. In summary, you determine the subject matter and the nature of the project. This should be a major project, in keeping with its point value for the project as a component of the overall course grade (30 points or 30%).

There are four components to this project:

1. Identify a general topic for your project in one paragraph or so. This will not be graded but you will receive feedback on whether this is an appropriate topic. Note that the project must be budgeting- or financial management-related and involve a public or non-profit entity.
2. Submit a learning contract proposal for instructor approval, by March 3 at the latest. This proposal should contain:
 - a) a description of your learning objectives – that is, the knowledge or skills you hope to acquire or enhance through this project;
 - b) an explanation of the intended audience and the need for the project;
 - c) the methods you will use to gather necessary information or skills (beyond the research required in step 3 below);
 - d) a description of the product you intend to produce (a research paper, a report, a section of a manual, a fiscal analysis, an analysis of a budgetary process, a video, etc....);
 - e) You are strongly encouraged to submit the contract early for feedback (worth 5 points).
3. Conduct a review of the current academic and professional literature on their topic and prepare an annotated bibliography of the 15-20 most useful and relevant sources. Students should use resources from the library, the Internet, professional and trade publications, interviews, and in some cases statutes, regulations and/or court rulings (worth 5 points).
4. Finally, you must submit the project itself. Each student will make a presentation on their project on the last day of class or second-to-last day of class (worth 10 points). Please turn in a copy of your (previously approved) learning contract along with your project.