

PAD 5352 – Public Budgeting and Financial Management

Master of Public Administration Program
Institute for Policy and Economic Development
University of Texas at El Paso
Spring 2007

Wednesday: 6:00-8:50 p.m.

Room 103 Kelly Hall

Instructors:	
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Course Description- This course provides an introduction to the major theories and practices of public agency budgeting, financial management, tax analysis, and the important role budgets play in the processes of public policy making, implementation, and evaluation. The course is a core requirement in the MPA program; however, it is also open to students with graduate standing in other university departments. Prerequisite: PAD5311 Economic Analysis for Public Administrators or departmental approval.

Upon successful completion of the course, the student will be able to:

- Understand the basic concepts and nomenclature of government/public finance.
- Collect, summarize and organize budgetary and financial information.
- Use MS-Excel for budget/fiscal analysis.
- Understand the technical and interdisciplinary aspects of governmental budgeting and administration.
- Understand the historical development of budgeting systems, reform movements, and the strengths and weaknesses of budgeting systems.
- Understand and apply common tools and techniques of analysis to public finance and budgeting problems.

Required Texts & Reading:

Required reading consists of two books and articles posted on WebCT (as listed under assignments).

Aronson, Richard, and Eli Schwartz, Editors (2004) **Management Policies in Local Government Finance, 5th edition.** Washington, D.C.: International City/County Management Association (ICMA).

Mikesell, John. **Fiscal Administration: Analysis and Applications for the Public Sector, 7th Edition.** Belmont, CA: Wadsworth/Thompson Learning, 2007 (Mikesell).

Course Requirements:

1. You are expected to complete all required readings and to also think about them prior to coming to our class, so that you will be able to participate fully and contribute to the exchange of information.

2. You will learn budgeting and financial management skills by practicing them! So please be prepared to work both independently and within the context of an assigned team on the development of these skills.

Assignments:

Course assignments consist of readings in the two texts, articles posted on WebCT, in-class problems/exercises, one budget exercise, four case studies and a team project. A good portion of the assigned reading is of a technical nature and requires careful study.

1. Familiarity with EXCEL is an essential tool for this course. If you are unfamiliar with Excel, a good tutorial is available at: <http://www.fgcu.edu/support/office2000/excel/> .
2. We will be doing in-class problems/exercises on the topics covered each week in order to practice skills, another reasons to have completed the reading ahead of time. Some, but not all, of these exercises will be taken from questions at the end of the chapters in the Mikesell text.
3. We will have guest speakers on some of the topics, mostly from local government. The instructors will ask you to prepare three to four questions on issues related to the topic under discussion for the guest speakers from local organizations.
4. One budget exercise and four case studies will be assigned. As you are aware from other MPA classes, case studies are a vehicle to apply concepts and skills to real-world situations.

Each student will be assigned to present either a part of the budget exercise or part of one of the case studies to the rest of the class.

5. A major team project will be assigned that consists of a *Comparative Budget Analysis*. The project will give each team of students an opportunity to analyze the transparency of budgeting in two major cities in the United States or another country, if you so desire. The team members will use the Internet to study the budgets and the major revenue and expenditure streams of two metropolitan governments. The team will select the two cities to be compared and justify the choice on the basis of some characteristics listed in an introductory profile section. You will be assigned to a team of two-three persons. You are responsible for the division of labor and task management. Please proceed in a responsible and mature fashion! **The team project will be assigned on January 31.** Each student will complete an individual evaluation of the team project.

You will receive detailed instructions for each of these assignments and we will discuss them during our working sessions (class meetings). Class presentation assignments will be made on the second class meeting date, January 24.

Budget Exercise and Case Study Analyses:

The budget exercise and four case studies are due at the beginning of class on the dates listed on the class schedule. The length of these papers should not exceed four-five pages (double-spaced) plus any tables constructed to answer the questions. Concise budget memos and case study analyses are often more difficult to write and require greater clarity and precision of language than longer papers. Each one must demonstrate a mastery of the details of the case as well as the literature on the topic, with relevant citations from assigned readings as appropriate. The selection of the "numbers" that tell the story is also critical. We will discuss the writing of budget *memos* and the communication of financial information to department heads and elected officials.

The cases will be graded according to the coverage of the material, organization and quality of analysis. Ideas that are not your own must be properly documented. Please use APSA (APA) citation style.

Evaluation/Grading:

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|---|-----|
| • Class Participation & Attendance | 10% |
| • In-class Exercises | 5% |
| • Team Budgeting Project | 30% |
| • Budget Exercise | 11% |
| • Day Care Case Study #1 | 11% |
| • Day Care Case Study #2 | 11% |
| • Formulating Revenue Policy Case Study | 11% |
| • User Fee Case Study | 11% |

Instructor and UTEP Policies:

1. Assignments: Assignments are due at the beginning of the class period; and no late work will be accepted.
2. Cell phones: Please place cell phone and beepers on silent during class periods – in consideration of fellow students and the instructor.
3. Incompletes: Incompletes are not given unless there are circumstances beyond the control of the student. Documentation will be required. See Academic Regulations in the Graduate Catalog on-line.
4. Academic Integrity: All work submitted must be original work or use proper academic citations. If we suspect academic dishonesty in any form (e.g., cheating, plagiarism, etc.), UTEP policies require us to immediately bring the matter to the attention of the Dean of Students. We are not allowed to negotiate alternative penalties with the student. If you have any doubts about whether your work adheres to UTEP standards, check with us or consult Graduate School Academic Regulations. Also, you must read the syllabus addendum, "Statement on Academic Integrity".
5. Important deadlines: **March 23, 2007** – Course drop deadline (last day to drop with automatic "W"); final team project presentations are scheduled for May 2.

******CLASS SCHEDULE & WORK BLOCKS******

Jan. 17: Introduction to public budgeting and public finance principles

- **Public budgeting & financial management as core MPA competencies**
- **What is exciting, or, if not exciting, engaging about the study of public budgeting and financial management?**

- Mikesell – Chap. 1 (Public finance principles)

Jan. 24: Budgeting fundamentals: analytical frameworks

- **Public finance principles**
- **Introduction to fiscal federalism**
- **The local government setting of budgeting: structures & legal setting**

- ICMA – Chap. 2 (Oates), Fiscal structure in the U.S. federal system
- Chap. 1 (Ruchelman), The finance function in local government
- Chap. 13 (Bartik), Economic development as a major local government responsibility

Jan. 31: **Budgeting fundamentals: the logic of the budget process
Budget structures & institutions (federal, state & local)**

- Mikesell – Chap. 2 & 3, Budget process, structures & institutions [The size and growth of government expenditures]
- ICMA – Chap. 4 (Bahl), Local government revenues and expenditures
- Skim ICMA Chap. 3 on public school finance and look at the tables

WebCT: (required)

- Buchanan, James M. (1977), Why Does Government Grow?
- Collender, Stanley (1999), The Federal Budget as a Second Language

*Distribution of team budgeting exercise.

*Formation of teams.

Feb. 7: **The Budget Cycle**

- Mikesell – Chap. 4, Budget methods and practice
- ICMA-Chap. 7 (Solano) – general overview of several aspects of local government budgeting (covered in more detail later in the semester)

February 7: Budget Exercise DUE

Feb. 14: **Theoretical and political contributions to budgeting & budget management**

- **Normative budget theory & practice**
 - **Other frameworks for understanding budgeting (managerial, political, legal)**
 - **Budget reforms**
- Mikesell – Chap. 5, Budget classifications & reforms: alternative budget classifications, performance, program and *new performance* budgeting

WebCT: (required)

- Hyde, Albert C. (2002), Budgeting Systems and Management: An Instrument for Securing Administrative Efficiency and Economy, Introduction to Part IV, *Government Budgeting: Theory, Process, Politics, 3rd Edition*.
- Rubin, Irene S., (1990), Budget Theory and Budget Practice: How Good the Fit?
- Schick, Allen (1966), The Road to PPB: The Stages of Budget Reform
- Straussman, Jeffrey (1987), Courts and Public Purse Strings: Have Portraits of Budgeting Missed Something
- Office of Management & Budget, Primer on Performance Management (revised February 28, 1995)

WebCT: (recommended)

- Novick, David (1970), What Program Budgeting Is and Is Not
 - Taylor, Graeme M. (1977), Introduction to Zero-Base Budgeting
 - Meyers, Roy T. (1994), Strategic Budgeting
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Feb. 21: **Capital Budgeting & infrastructure investment** (capital budgeting process and tools for project evaluation)

- Mikesell – Chap. 6, Capital Budgeting
- ICMA - Chap. 6 (Aronson and Schwartz), Cost-benefit analysis and the capital budget

February 21: Day Care Case Study #1 DUE

Feb. 28: **Revenue Generation: Criteria for evaluating revenues options**
Income Taxation
Tax Incidence

- Mikesell – Chap. 7, Criteria for evaluating revenue options
 - Mikesell – Chap. 8, Income taxation
 - ICMA: pp. 303-309 (part of Chap. 11) – local government income taxes
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March 7: **Taxes on Goods & Services (“sales” taxes); Property Taxes**

- Mikesell – Chapters 9 and 10
 - ICMA – Chap. 11 (Mikesell), Local government sales, income and other non-property taxes (look for local government applications)
 - ICMA-Chapter 10 (Raphaelson), Local government tax administration; issues of financing education; tax limitation movements
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March 12-17: Spring Break

March 21: **Property Taxation (contd.)**

- WebCT – McCaffrey, Jerry, and John H. Bowman (1978), Participatory Democracy and Budgeting: The Effects of Proposition 13

User Fees

- Mikesell Chap. 11, User fees and charges, sales by public monopolies
- ICMA – Chap. 12 (Bierhandzl and Downing), The design of user charges (pricing, administration, consumer acceptance, etc.); user charges for individual services, paying for local government growth and development.

March 21: Day Care Case Study #2 DUE

March 28: **Administration and Management of Taxes**
Government Financial Reporting
Information Technology Needed for Financial Management Functions

- Mikesell – Chap. 12, Collecting taxes (collection functions and cost; reform of tax collection systems)
- ICMA Chap. 8 (Holder), Financial accounting, reporting and auditing
- ICMA – Chap. 9 (Rowan), Use of information technology (recommended)

April 4: **Revenue Forecasting
Tax Expenditure Budgets**

- Mikesell Chap. 13, Revenue forecasts and estimates
- ICMA – Chap. 5 (Schroeder), Forecasting local revenues & expenditures
- **Discussion of techniques used by El Paso local governments**

April 11: **Intergovernmental Fiscal Relations (fiscal disparity, grant systems)
Debt Management (begin discussion)**

- Mikesell Chap. 14, Intergovernmental fiscal relations
- State grant systems and school aid

April 11: Formulating Revenue Policy Case Study DUE

April 18: **Debt Management, Cash Flow Management**

- Mikesell – Chap. 15 (Debt Administration) & 16 (Cash Management and Employee Retirement Funds)
- ICMA - Chapters 14 (Leonard), Debt management; and 16 (Larson), Cash & investment management
- Recommended: ICMA Chapter 15, Procurement

April 25: **Employee Pension Funds, Risk Management
Cut-Back Management**

- ICMA - Chapter 18 (Petersen), Public employee pension funds
- ICMA - Chapter 17 (Young & Reiss), Risk management

WebCT: (required)

- Levine, Charles H. (1978), Organizational Decline and Cutback Management
- Walker, David M. (2000), Budget Issues: Effective Oversight and Budget Discipline Are Essential – Even in a Time of Surplus

April 25: User Fee Case Study DUE

May 2: Team Project Presentations (may adjust this final date for team project presentations)

May 5-11: Final exam week

ADDENDUM TO SYLLABUS

“Statement on Academic Integrity”

At this point in your education, we assume that you know how to avoid committing plagiarism. However, in order to assist your understanding, we have added an article on plagiarism to the required reading list. *This means that you **must** read this article.*

In this course, it is considered a violation of scholastic integrity to use within any out-of-class, for-credit assignment the exact words, phrases, or a similar writing structure (where you use the sentence structure and/or paragraph structure, but change a few words or phrases) of a source or sources. Please consult with us if you believe it is *absolutely necessary* for your paper to include an exact quote from a source.

In order to maintain program standards, if we suspect an instance of plagiarism, we are required to follow the procedures as outlined by UTEP’s *Handbook of Operating Procedures*. We cannot make any exceptions, even if an individual plagiarizes out of ignorance.¹ This ensures that we provide equal treatment to all students.

We thoroughly encourage verbal discussion among students in your studying of the course material. However, unless we give you written consent, all individual assignments that you submit for credit must be your own original work. (For the “Team Budgeting Project”, the assignment must be the team’s original work.) While you may verbally discuss your case studies and the budget exercise, you may not provide direct assistance to or seek direct assistance from any other individual. Direct assistance includes, but is not limited to, downloading data, analyzing data, presenting data and/or findings, or writing any portion of the research report. Any violation of this policy constitutes academic dishonesty. (Again, for the “Team Budgeting Project”, a team may not seek (provide) direct assistance from (to) other teams.)

For more information, please refer to the section on Scholastic Integrity (page 43) in the University of Texas at El Paso Graduate Catalog 2006-2008. This document contains a detailed definition of academic dishonesty, along with the University procedure for handling cases of alleged scholastic dishonesty. A more detailed guide to academic integrity is available in the Student Conduct and Discipline Section of the [Handbook of Operating Procedures](#). Please contact me if you have any questions or need clarifications regarding this topic.

¹ According to Section 4.14.1 of UTEP’s Handbook of Operating Procedures, “All alleged acts of scholastic dishonesty must be reported to the Dean of Students for disposition.”

According to Section 4.14.2 of UTEP’s Handbook of Operating Procedures, “It is a violation of the Regents’ Rules and Regulations for a faculty member to withdraw a student or to assign a grade such as an ‘F’ or ‘zero’ to an assignment, test, examination, or other course work as a sanction for admitted or suspected dishonesty in lieu of reporting the alleged violation to the Dean of Students.”