

**North Carolina State University**  
**Department of Political Science and Public**  
**Administration**  
**PA 512 Public Budgeting**  
**Fall 2004**

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### **Course Objectives**

Budgeting is the art of the political and the practical. Effectiveness depends on a sound understanding of the policy making process coupled with analytical skills, effective writing, and oral persuasive abilities. Accordingly, the course emphasizes the politics of budgeting at all governmental levels and imparts the following skills:

- How to construct a budget.
- How to evaluate and forecast revenues.
- How to make effective budget requests; and as a budget analyst, how to evaluate them.
- How to prepare a capital budget.
- How to analyze the fiscal condition of a government or non-profit organization.

### **Students with Disabilities**

Reasonable accommodations will be made for students with verifiable disabilities. Student must register with Disability Services for Students at 1900 Student Health Center, Campus Box 7509, 515-7653.

[http://www.ncsu.edu/provost/offices/affirm\\_action/dss/](http://www.ncsu.edu/provost/offices/affirm_action/dss/)

### **Academic Integrity**

Students should familiarize themselves with the university policies regarding academic policy found in the Code of Student Conduct ([www.fis.ncsu.edu/ncsulegal/41.03-codeof.htm](http://www.fis.ncsu.edu/ncsulegal/41.03-codeof.htm)) that apply to this class. If you have any questions regarding this policy, please feel free to discuss with me.

## Course Requirements

Students are expected to be active classroom participants. At the beginning of each course topic, the instructor will answer any questions about the week's readings. At the end of each topic, we will discuss issues based on the readings and lectures. The examinations will be based largely on these terms and questions.

Being an effective budgeteer demands that public professionals be intimately familiar with current policy issues and their history. Accordingly, students should regularly read papers and magazines. Particularly helpful North Carolina sources include: *The Raleigh News and Observer*, *BTC Reports* by the North Carolina Budget and Tax Center, various publications by the John Locke Foundation and by the Common Sense Foundation. Published NC journals that are useful include: *NC Insight* by the NC Center for Public Policy Research and *Popular Government* by the Institute of Government, University of NC, Chapel Hill. Nationally, the *Washington Post* and the *N.Y. Times* are the best sources.

Clear and effective writing is an essential management skill; therefore take care to:

- **Run spell check and grammar programs**
- **Proof your work carefully**
- **Write simply at about the high school level**
- **Set off main points with bold and italics**

For writing assistance, refer to: <http://www2.ncsu.edu/ncsu.grammar>

## Required Readings

A course pack of readings should be purchased from Sir Speedy, 2526 Hillsborough St., 834-8128. Another course pack is on reserve at D.H. Hill Library  
<http://www.lib.ncsu.edu/rbr>

## Grading

Assignments:

<i>Revenue Problem</i>	<i>50 points</i>
<i>Budget Preparation Problems</i>	<i>50 points</i>
<i>Capital Budgeting Problems</i>	<i>50 points</i>

<i>Budget Evaluation Project</i>	<i>200 points</i>
<i>Mid-term Exam</i>	<i>300 points</i>
<i>Final Exam</i>	<i>350 points</i>
<b>Total</b>	<b><i>1000 points</i></b>

**Grade Ranges**

A+	98-100
A	93-97
A-	90-92
B+	87-89
B	83-86
B-	80-82 etc.

The problems are located in the course pack on reserve. Instructions for completing them will be given in class. The examinations are not comprehensive, but students will be accountable on the final exam for basic concepts covered in the first half of the course.

Upon request, the instructor will grant grace days for written assignments. After the grace period, three points will be deducted for each additional day, not including Saturdays and Sundays.

**Course Schedule**

Readings designated with a \* are on electronic reserve; the other readings are in the readings course packet.

<b>Date</b>	<b>Topic</b>	<b>Readings</b>	<b>Assignment</b>
<b>Aug. 23</b>	<b>Local Government</b>		
<b>Aug. 30</b>	<b>State government</b>	The Role of CMs* The General Assembly and the Budget*	
	<b>Nonprofits</b>	Nonprofit Budgeting Board Practices* Leadership Skills*	

	<b>Accounting</b>	Financial Accounting Reporting, and Auditing*	
<b>Sept. 6</b>	<b>Labor Day Vacation</b>		
<b>Sept. 13</b>	<b>Revenues</b>	Federal, State, and Local Budgeting Public Revenues* The Lottery Tax Revenue Forecasting FY 2001-2002 Municipal State-Collected Revenue Estimates	<b>Revenue problem</b>
<b>Sept. 20</b>	<b>Expenditures</b>	Budget Methods and Practices* Types of Budgets	<b>Expenditure problems</b>
<b>Sept. 27</b>	<b>Expenditures (Cont.)</b>	Performance Management in NC Cities and Towns*	
<b>Oct. 4</b>	<b>No Class</b>		
<b>Oct. 11</b>	<b>Mid-term Examination</b>		
<b>Oct. 18</b>	<b>Auditing/Financial Analysis</b>	Auditing* Maintaining Accounting Control in Small Nonprofits	<b>Debt problems</b>
<b>Oct. 25</b>	<b>Capital Budgeting</b>	Debt Management Strategic Planning	
<b>Nov. 1</b>	<b>Capital Budgeting (Cont)</b>	Fitch Ratings	
<b>Nov. 8</b>	<b>Budget Execution and Financial Management</b>	Budget Execution The Governor's Authority Over the Enacted Budget Usefully Engaging Budget Analysts*	
<b>Nov. 15</b>	<b>Federal Budgeting</b>	Introduction to the Federal Budget Process Connecting the Dots Winners and Losers in the Bush Economy*	
<b>Nov. 22</b>	<b>Intergovernmental Relations</b>	North Carolina *	<b>Term Project Due</b>
<b>Nov. 29</b>	<b>Discuss Projects</b>		
<b>Dec. 6</b>	<b>Final Examination</b>		

## Budget Evaluation Project

The purpose of the project is to apply classroom information to the real world, systematically evaluating the budget process of a governmental or nonprofit agency. Properly cite all sources including interviews (person, title, and date), newspaper articles (author, paper, date, pages), and governmental documents. By October 21, indicate whom you will interview.

Areas to cover that are suggestive but not inclusive include:

## **LOCAL UNITS (Sample project p. 355)**

### *The Political Setting*

- What have been the population trends over the last five years?
- What key policy issues face the organization?
- What are the educational and experiential backgrounds of the CEO? Characterize the relationship between the board and the CEO?
- How much water and sewer capacity is available on paper; how much is available adding capacity currently permitted; and how much will be needed in the future?

### *Resources*

- News Directory of NC Papers [www.newsdirectory.com/news/press/](http://www.newsdirectory.com/news/press/)
- The CEO's letter in the budget(s) and the capital improvement program (CIP)
- Interviews with CEOs, budget analysts, governing board members, members of the press.

## **Fiscal Condition**

What is the organization's fiscal condition? Using the organization's financial report, analyze the fiscal condition discussing at least five indicators including fund balance and the tax collection rate. Using the website: <http://ncdst-web2.treasurer.state.nc.us/lgc/units/unitlistjs.htm>

- Compare the agency to like-sized units.
- What is the organization doing well? What should be improved?

## **Budget Evaluation**

### *Budgeting Process*

- What type of budgeting system is used?
- If measures are used, what type of measures predominate and why?

- What budgetary request forms are used? Attach a copy of each?
- What revenue forecasting method(s) is used?
- Is the budget recognized by GFOA? Is the audit a CAFR? If not in either case, why not?

### *Revenue Analysis*

- What is the property tax mix (residential v. commercial/industrial)?
- Examining the history of revenues in constant dollars over at least three years, explain significant changes in major revenue sources, e.g., property tax, sales tax, intergovernmental, etc.?
- How high relatively are the property tax, property tax collection, garbage collection, water, and sewer rates? What types (e.g., descending, ascending block) of utility rates are used?
- How are user fees set? Is there a user fee policy?

### *Expenditure Analysis*

- Analysis of expenditures. Putting expenditures over at least three years in constant dollars, explain significant changes in expenditures at the departmental level.
- How much general obligation debt is outstanding relative to other local units or states?

### *Capital Analysis*

- Does the unit have a CIP? If so, what is the dollar limit for a capital project?
- What major infrastructure issues face the organization?
- How successful has the agency been in getting bond issues approved?
- How much of outstanding debt is in COPs and IPs and how does it compare to like-sized units?
- What is the agency's bond rating? If too small to have a bond rating, what is its rating from the NC Municipal Council?

## **NON-PROFIT AGENCY (Sample project p. 380)**

### *The Political Setting*

- What are the political persuasions/views/ideologies of the nonprofit board members? How many members are on the board? How are they selected? What is their term of office? Which board members have the most influence over the budget process? Why?
- What are the educational and experiential backgrounds of the CEO? Characterize the relationship between the board and the CEO?
- What key policy issues face the organization? How do key stakeholders view these issues?
- Evaluate the CEO's leadership skills with respect to the best practices found by Herman in "An Investigation of Leadership Skill Differences in Chief Executives of Nonprofit Organizations."
- Evaluate the effectiveness of the Board with respect to the best practices found by Herman in "Board Practices of Especially Effective and Less Effective Local Nonprofit Organizations."

### *Resources*

- News Directory of NC Papers [www.newsdirectory.com/news/press/](http://www.newsdirectory.com/news/press/)
- Interviews with CEO, budget analysts, board members, and staff members.
- The CEO's letter in the budget(s)

### **Fiscal Condition**

- What is the organization's fiscal condition? Using the organization's financial reports or 990, analyze the fiscal condition, computing ratios and trends. Compute at least five ratios. Refer to *Financial Analysis: A Few Diagnostic Tools*, which is on reserve
- What is the organization doing well? What should be improved?

### **Budget Evaluation**

#### *Budgeting Process*

- What type of budgeting system is used?
- If measures are used, what type predominates and why?
- What budgetary request forms are used? Attach a copy of each?
- What revenue forecasting method(s) is used?

#### *Revenue Analysis*

- What are the most important revenues?

- Examining the history of revenues in constant dollars over at least three years, explain significant changes?
- Explain *each* major revenue source—its legal basis, amount, and its reliability in the future.
- How are user fees set?

#### *Expenditure Analysis*

- Analysis of expenditures. Putting expenditures over at least three years in constant dollars, explain significant changes in expenditures at the departmental level.
- What major policy issues face the organization?
- What major infrastructure issues face the organization?

#### *Budget Execution*

- Who administers the budget and how?

## **STATE AGENCIES (Sample project p. 402)**

#### *The Political Setting*

- What state legislators have the most influence over the budget process? Why?
- What key policy issues face the agency that you are analyzing? How do key stakeholders view these issues?

#### *Resources*

- Interviews with state budget analyst, fiscal research budget analysts, and the agency budget analyst.
- John Locke Foundation [www.johnlocke.org/index.html](http://www.johnlocke.org/index.html)
- North Carolina Budget and Tax Center [www.ncjustice.org/btc1](http://www.ncjustice.org/btc1)
- The Common Sense Foundation [www.common-sense.org](http://www.common-sense.org)
- News Directory of NC Papers [www.newsdirectory.com/new/press](http://www.newsdirectory.com/new/press)
- The Governor's letter in the budget(s)

#### **Fiscal Condition**

- Using the state's financial report, analyze the fiscal condition, computing ratios and trends.

- Based on your analysis, what is NC doing well? What should be improved?

### *Resources*

- *Fiscal Facts*. NC General Assembly Fiscal Research Division
- *NC Comprehensive Annual Financial Report, June 30, 2000*  
[www.osc.state.nc/financial](http://www.osc.state.nc/financial)
- *State of NC: Summary of Financial Condition, June 30, 2001*
- *NC State Budget* [http: www.osbpm.state.nc.us/index.html/](http://www.osbpm.state.nc.us/index.html/)

## **Budget Evaluation**

### *Budgeting Process in a Particular State Agency*

- What type of budgeting system is used?
- What types of measures are predominately used and why? How could the use of measures be improved?
- What budgetary request forms are used? List them.
- What is the process within the agency? What role does the agency budget analyst play in preparing the budget?

### *Revenue Analysis*

- Examining the history of revenues by source explain significant changes? Alternatively, analyze significant changes in the agency's most important revenues.

### *Expenditure Analysis*

- Analysis of Expenditures. Putting agency expenditures by program in constant dollars, which programs have been budgetary winners and losers? Based on interviews, explain the variation in success.
- Based on interviews with agency, state budget, and fiscal research budget analysts, how successful has the agency been in getting expansion requests funded over the last four years? If successful, how and why? If not successful, why not?
- What major infrastructure issues face the agency? How successful has the agency been getting capital funding?

# **SCHOOL SYSTEMS**

### *The Political Setting*

- What are the political persuasions/views/ideologies of the school governing board members?
- Characterize the relationship between the board and the Superintendent generally and regarding budget development and approval?
- What key policy issues face the school system? How do key stakeholders view these issues?
- What role does the principal play in budgeting versus central administration?

### *Resources*

- News Directory of NC Papers [www.newsdirectory.com/news/press/](http://www.newsdirectory.com/news/press/)
- Interviews with the Superintendent, budget analysts, governing board members, members of the press.
- The CEO's letter in the budget(s)

### **Fiscal Condition**

- What is the organization's fiscal condition? Using the organization's financial reports, analyze the fiscal condition, computing ratios and trends.
- What is the organization doing well? What should be improved?

### *Resources*

- For financial reports, see: [www.treasurer.state.nc.us/lgc](http://www.treasurer.state.nc.us/lgc)

### **Budget Evaluation**

#### *Budgeting Process*

- What type of budgeting system is used?
- If measures are used, what type predominates and why?
- What budgetary request forms are used? Attach a copy of each?
- What revenue forecasting method(s) is used?
- If a CIP is prepared, how is a project defined?
- What roles (e.g., watchdog, advocates, etc.) do analysts play in reviewing budgets?
- Is the budget recognized by GFOA? Is the audit a CAFR? If not in either case, why not?

#### *Revenue Analysis*

- What are federal funding sources? State? Local?

- Examining the history of revenues in constant dollars over at least three years, explain significant changes?
- How high relatively is the county's property tax rate?
- What is the amount of the local supplement? How does it compare to similarly sized school systems?

### *Expenditure Analysis*

- Putting expenditures over at least three years in constant dollars, explain significant changes. Based on interviews, explain the variation in success.
- How much general obligation debt is outstanding relative to other counties?
- How successful has the school system been in getting bond issues approved?
- What is the county's bond rating?
- What major infrastructure issues face the school system?

### *Budget Execution*

- What do analysts do after the budget has been adopted? How active are they in preparing policy and management studies?

## **SPECIAL PROJECT**

Some public professionals work in agencies in which they have, and will have, virtually no relationship with the budgetary process. In which, case propose to the instructor a project either on some financial aspect in your agency or on a general policy issue with fiscal implications. The paper should carefully document and reference the sources used including interviews, the Internet, public documents and **studies**.