

**NEW YORK UNIVERSITY**  
**ROBERT F. WAGNER GRADUATE SCHOOL OF PUBLIC SERVICE**

***P11.2143 State and Local Government Budgeting***  
***Tuesdays, 6:20-8:00 pm***  
***Fall 2007***

***Professor Shanna Rose***  
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***Office hours: Tuesdays 5:00-6:00 pm or by appointment***

### **Course Description**

This course provides an introduction to financial management in U.S. state and local governments. Because budgeting is by nature a political process, the course will address the political aspects as well as the financial aspects of state and local budgeting. The course is designed for students who plan to work in state and local governments, bond-rating agencies, or not-for-profit organizations in areas in which state and local governments play a major role (e.g. education and health). The course relies heavily on the case method, allowing students to apply the tools of financial management to real-world problem-solving.

### **Prerequisites**

The prerequisite for this course is P11.1021, Financial Management for Public, Health, and Not-for-Profit Organizations.

### **Course Materials**

- Textbook: Aronson & Schwartz, *Management Policies in Local Government Finance*, 2004.
- Forsythe, *Memos to the Governor: An Introduction to State Budgeting*, 2004.
- A course pack containing Kennedy School of Government case studies and a few additional readings is available for purchase.

### **Course Requirements**

- Memo assignments: 50% of course grade
- Class participation: 30% of course grade
- Discussion leadership: 20% of course grade

## **Memo Assignments**

Each student must write five memos. Two of the memo assignments (#2 and #4) are required for all students. For each of the other three memos, students may choose option A or option B. Each memo must be no more than 3 pages long, single-spaced, with 1-inch margins and 12-point fonts, and must include a professional memo heading with to, from, subject, and date lines. Memos that do not meet these requirements will not receive full credit. Please use complete sentences and paragraphs rather than bullet points. If an assignment requires you to do numerical calculations, please solve the problems in Excel and attach your spreadsheets to the end of your memo (spreadsheets do not count toward the page limit).

Memos must be submitted in hard copy in class. Memos will not be accepted over e-mail, and late assignments will not receive any credit except in extreme circumstances such as serious medical emergencies. If you need to miss class, you may either leave your assignment in my mailbox (on the 3<sup>rd</sup> floor of Puck) *before* the class begins or arrange for a classmate to submit it for you in class. I encourage you to discuss the assignments in study groups, but each student must write his or her own memo. Any student who attempts to compromise or devalue the academic process will be reported to the administration and subject to disciplinary action.

## **Participation**

Because this course is based on the case method, class participation is very important. I understand that you might need to miss a class sometime during the semester; however, missing several classes will result in a lower course grade except in extreme cases such as serious medical emergencies. If you need to miss a class, you do not need to notify me. However, you are responsible for finding out what you missed—including any announcements made in class—from one of your classmates.

## **Discussion Leadership**

A few students will be responsible for leading the case-study discussion each week. The discussion leaders will guide the class through an analysis of the most important aspects of the case: the stakeholders, the central dilemma, the relative merits of various strategies, and recommendations for action. I am available to meet with the discussion leaders beforehand to talk about how to approach the case.

## **Course Outline**

The reading assignments (including case studies) listed below are to be completed before each week's class. Note that this means there are readings to complete before the first class!

#### **September 4: Introduction**

Readings: Textbook chapters 1 and 4  
“Learning by the Case Method”

#### **September 11: Budget Preparation**

Readings: Textbook chapter 7  
Forsythe, *Memos to the Governor*, pages 1-64

Case: “Implementing Budget Reform in the Boston School Department”

#### **September 18: The Appropriations Process**

Readings: Forsythe, *Memos to the Governor*, pages 65-end  
Rosenthal, *Governors and Legislatures: Contending Powers*, Chapter 6

Case: “Subject to Appropriations: Funding for Tobacco Control in Massachusetts”

#### **September 25: Fiscal Federalism, Part 1: Health**

Readings: Textbook chapter 2  
Bovbjerg, Wiener, and Housman, “State and Federal Roles in Health Care”

Case: “Financing the Expansion of Missouri’s Medicaid Program”

#### **October 2: Fiscal Federalism, Part 2: Education**

Readings: Textbook chapter 3

Case: “Funding Schools in Washington State”

#### **October 9: Taxes**

Readings: Textbook chapters 10 and 11

Case: “Public Conversations and Legislative Deliberations: Oregon’s Governor Barbara Roberts Takes on Fiscal Reform”

Due Today: Memo #1A: Advise Governor Roberts on why her tax plan failed. What lessons can be learned going forward?

### **October 16: User Charges**

Readings: Textbook chapter 12

Case: “Financing Public Transportation in Philadelphia”

Due Today: Memo #1B: Advise General Manager David Gunn on the relative merits of the various options for financing SEPTA, and recommend a course of action.

### **October 23: Privatization**

Readings: Donahue, *The Privatization Decision*, chapters 1-3

Case: “Trash Collection in Lone Pine: To Privatize or Not?”

Due Today: Memo #2 (required): Advise Joany Lewis on whether she should accept TMCT's bid. Make sure to address these two questions somewhere in your memo: (1) TMCT's bid is \$6.75 per household per month. What is the comparable cost under the town's current arrangement? Use Excel, show your work, and attach your spreadsheet to the end of the memo. (2) Once she has compared the two costs, what other issues should Joany consider as she decides whether or not to accept the bid?

### **October 30: Cost Management**

Readings: (*Note: I recommend that you begin by reviewing the Finkler text, pp. 144–158.*) Kaplan, “Introduction to Activity-Based Costing”

Case: “Indianapolis: Activity-Based Costing of City Services”

Due Today: Memo #3A: Write a memo to Mayor Michael Bloomberg advising him on the potential advantages and disadvantages of using activity-based costing for city services in New York, drawing on Indianapolis's experience.

### **November 6: Economic Development**

Readings: Textbook chapter 13

Case: “North Carolina and the Battle for Business” (available for free online at: <http://www.ksg.harvard.edu/case/ncbattle/#anchor1504827>)

Due Today: Memo #3B: Advise Governor Hunt on a strategy for presenting the legislature with his position on industrial recruitment.

### **November 13: Capital Budgeting**

Readings: Textbook chapter 6

Case: “Grand Central Terminal: Restoring the Grandeur”

Due Today: Memo #4 (required): Advise Peter Stangl on the relative merits of the four options for funding the restoration of Grand Central Terminal, and recommend a course of action. Be sure to address questions 1 and 2 that appear at the end of the case. Use Excel, show your work, and attach your spreadsheet(s) to the end of the memo.

### **November 20: Debt Management**

Readings: Textbook chapter 14

Case: “The City of New York”

Due Today: Memo #5A: Brief Mayor Michael Bloomberg on any important changes in the city’s debt policies and creditworthiness over the past ten years, drawing on the case study and the New York City Comptroller’s most recent debt report: [http://www.comptroller.nyc.gov/bureaus/bud/07reports/dec06\\_capdebtFY2007.pdf](http://www.comptroller.nyc.gov/bureaus/bud/07reports/dec06_capdebtFY2007.pdf).

### **November 27: Cash and Fund Management**

Readings: Textbook chapters 16 and 18

Case: “Pension Reform in California”

Due Today: Memo #5B: Advise Governor Schwarzenegger on how to move forward with pension reform. Be sure to address the questions that appear at the end of the case.

### **December 4: Fiscal Crises**

Readings: Johnson and Mikesell, “The Orange County Debacle: Where Irresponsible Cash and Debt Management Practices Collide”

Case: “The New York City Crisis”