

PA 504: #26811
BUDGETING FOR PUBLIC MANAGEMENT
SPRING, 2011

Class Meeting: Tuesday, 6-9pm
Rm. B10 Burnham Hall

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Course Objectives:

At a broad level, the budget is the tool governments use to transform policies and goals into outcomes, and it determines the extent to which these goals are achieved. At a more basic level, the budget specifies the allocation of government resources among competing services and operations. Politically and financially the budget also manifests democratic governance more than any other activity governments engage in.

The purpose of this course is to introduce students to the intricacies of budgeting and related areas of fiscal administration at all levels of government, including performance budgeting, budget development, budget implementation, internal controls, and cost analysis. The course will give students a basic understanding of the concepts and skills needed to perform these tasks and to evaluate both budget processes and documents. Budgeting is, in large part, a technical task that requires determining factors such as the costs of items, proper charges for services, and programmatic net effects.

Specific objectives for the course include the following:

- to learn the basic concepts and nomenclature of government finance and budgeting and apply them to real situations
- to understand the nature of the budget process and the sources and uses of public revenues
- to perform simple fiscal analyses and assessments that are necessary to develop and implement a budget
- to develop an awareness of the relationship between management, planning, policy making and budgeting and an understanding of how these should be linked
- to develop a working knowledge of different budgeting formats and a familiarity with different budgeting approaches and techniques.
- to develop skills in critiquing budget documents and processes

Students should also realize that this is only one course in the financial management area of government and does not cover other critical subjects necessary to develop and implement budgets in government, such as accounting or debt and cash management. These topics are covered in other MPA courses.

Course Policies

Class attendance is *expected* and is critical for understanding the material. Students must also do the assigned readings and cases before class in order to understand the lectures and discussions.

Incompletes, late homework, and extra work

I do not allow students do extra work (i.e. an additional paper) to improve their grade in the course. This is not fair to other students who are not given the same opportunity. Late homework will be penalized unless the student has a legitimate excuse or crisis causing the delay in completing work (i.e. illness, family death). Also, I will only grant incompletes to students who have legitimate excuses or crises and who make requests prior to the end of the course.

Original Work and Plagiarism

The policy of this course is that papers and other submitted work must be original for each student. Because some activities related to the course are conducive to working in groups, it is important to consider where individual work is required rather than group activity. Working together where it is clearly indicated is entirely appropriate, but if you are preparing a written product that will be submitted for evaluation, that product is expected to be the result of your work **alone**. Where questionable situations arise, always ask the instructor for clarification. Also, students must cite their sources where relevant, and plagiarism will be not tolerated. The following website defines plagiarism and shows students how to avoid it: http://tiger.uic.edu/~edelberg/crediting_others/index.htm.

The Learning Environment

I am committed to and **expect** to maintain a positive learning environment based on open communication, mutual respect, and non-discrimination. Our University does not discriminate on the basis of race, gender, age, disability, veteran status, religion, sexual orientation, color, or national origin. Any suggestions as to how to further such an environment will be appreciated and given serious consideration.

Blackboard

All supplemental readings and other class material will be available via the Blackboard website. All students will need to acquire a UIC computer account from ACCC (<http://www.uic.edu/depts/accc/index.html/>) to access material in Blackboard and to use the computer labs. Thus, it is imperative that **all new students get a UIC computer account the first week of class!** Please check the Blackboard website often for course announcements.

Course Requirements and Grading

The format for the course is a combination of lecture and discussion, with particular emphasis on discussion of the cases.

There are three requirements for this course:

- 1) Fiscal Review and Assessment: An analysis and critique of the budgeting process and documents of a local government in the region. This is a group project. Each group will prepare a written report that reviews the budget (including the capital improvement program) and budgeting process of the government, evaluate the budget documents and process, and present recommendations for changes. This report will be presented to the class and distributed to the government. Both the presentation and report will be graded. A separate handout explaining this project will be distributed to the class. The project represents 40% of the final grade for the course.
- 2) Examinations: There will be one in-class exam at the midterm and a take-home final exam. The first exam will cover basic finance and budgeting topics. The second exam will cover all the advanced budgeting topics listed in the detailed class schedule. The second exam is somewhat comprehensive in that it will require a basic understanding of the material covered in the first part of the course. Questions on both exams will be a combination of essay and problem solving/calculation. Each exam represents 25% of the final grade.
- 3) Homework Exercises: Exercises are assigned for most class periods early in the semester to ensure that students comprehend the analytical material and acquire the skills necessary to develop and evaluate a budget. Students will not be graded on their answers, but it will be noted whether you have completed the exercises. Students are expected to turn their homework on the day it is due. Answers to questions will be posted on Blackboard prior to class and discussed in class. Completing these exercises will also help students with the calculation problems on the exams. Many of these exercises can be completed using spreadsheet programs. The exercises represent 10% of the final grade.

Students will be graded according to the following point system.

Group Project:	80 points
Examinations:	50 points each
Homework:	20 points
TOTAL	200 POINTS

In addition, I will ask each group member to anonymously grade all other members of their group. These project grades will be used to adjust the final grades of students in marginal cases. In other words, if you are on the margin between an A and B, and your fellow students give you low grades for the project, I will adjust your final grade downward.

Final grades are based on total points received in the course and are not an average of the set of points. I also reserve the right to base final grades on a “curve” rather than using a strict scale.

Texts and Readings

Texts: The following required texts have been ordered and are available through the bookstore. Prices quoted are used from Amazon. You might also check www.textbooks.com.

Mikesell, John L. 2011. *Fiscal Administration*, 8th edition, (Belmont, CA: Wadsworth). ISBN 10: 0-495-78582-8. Amazon used: \$139.

Rubin, Irene S. 2010 *The Politics of Public Budgeting: Getting and Spending, Borrowing and Balancing*, 6th edition, (Washington, DC: CQ Press). ISBN 978-1-60426-461-6
Amazon used: \$32

Bland, Robert L. 2007. *Budgeting: A Guide for Local Government*, 2nd. (Washington, DC: International City/County Management Association). ISBN: 978-0-87326-713-7
Amazon used \$60, or special order from ICMA directly:
http://bookstore.icma.org/A_Budgeting_Guide_for_Local_Go_P1745C10.cfm

Michel, R. Gregory. 2004. *Cost Analysis and Activity-Based Costing for Government*, (Chicago, IL: Government Finance Officers Association). Amazon used: \$41 or order directly from GFOA: <http://www.gfoa.org/>

Supplemental Readings: Required readings from the following sources will be available via blackboard.

Kelly, Janet M. and William C. Rivenbark. 2003. *Performance Budgeting for State and Local Government*, (Armonk: NY: ME Sharpe).

Tigue, Patricia. 1996. *Capital Improvement Programming: A Guide for Smaller Governments*, (Chicago, IL: Government Finance Officers Association).

Bland, Robert L. and Irene Rubin. 1997. *Budgeting: A Guide for Local Government*, 1st (Washington, DC: International City/County Management Association), chapter 8 & glossary.

Recommended Readings: Readings that supplement material covered in class or enhance knowledge for the group project. Most are available through Blackboard

Blom, Barry and Salomon A. Guajardo. 2001. *Revenue Analysis and Forecasting*, (Chicago, IL: Government Finance Officers Association). *Not available on Blackboard*

Ervin, Osbin 1988. "Appropriating vs Budgeting: A Comparison of Municipal Fiscal Processes," *Public Budgeting & Finance*, winter: 45-53.

Gauthier, Stephen. 1996. *Evaluating Internal Controls: A Local Govt Manager's Guide*, (Chicago, IL: Government Finance Officers Association)

Hendrick, Rebecca "Assessing Fiscal Conditions of Local Governments: Ratios, Comparisons and Evaluating Fiscal Performance." Working paper for classes.

Michel, R. Gregory. 2001. *Decision Tools for Budgetary Analysis*, (Chicago, IL: Government Finance Officers Association). *Not available on Blackboard*

Class Schedule: Overview

1:	1/11	Introduction to course
2:	1/18	Principles of finance and taxation
3:	1/25	More taxation and other revenues
4:	2/1	Budget process and environment
5:	2/8	Budget design and methods: preparation & approval
6:	2/15	Budgeting for policy, management, and performance
7:	2/22	Budget document and financial control: implementation & audit
8:	3/1	IN-CLASS EXAM
9:	3/8	Capital budgeting and improvement program
10:	3/15	Guest lecture or work on project in groups
	3/22	SPRING BREAK
11:	3/29	Cost analysis
12:	4/5	Using cost analysis to improve the budget
13:	4/12	Budgetary politics #1
14:	4/19	Budgetary politics #2
15:	4/26	Presentations
16:	5/3	TAKE HOME EXAM DUE

Important Content Areas on Blackboard

Cases: All case material not in Mikesell

Class materials: Class outlines and overheads

Exams: take home exam materials

Exercises and Answers: Exercises not in Mikesell and answers to all exercises

Government Downloads: Other materials from governments that could be used in class and are of interest

Group Project: group project assignment, criteria, government information, and other relevant material

Miscellaneous: Other materials to be used in class and are of interest, e.g. documentation of State of IL fiscal crisis

Presentations- Archive: archive of prior power point presentations

Syllabus: syllabus for class

Readings: All supplemental and recommended readings

Study Guides: study guides for in class exams

CLASS SCHEDULE: DETAIL

Unless indicated otherwise, all exercises and cases are from the Mikesell text.

1) Jan 11: Introduction to course & reference

Supplemental: Hendrick, Assessing Fiscal Conditions of Local Governments: Ratios, Comparisons and Evaluating Fiscal Performance
Bland & Rubin, glossary
Mikesell, Appendix with glossary from prior edition (see Readings Content Area)

FINANCE AND REVENUES

2) Jan 18: Principles of Finance and Taxation

Underlying economic and political concepts of budgeting and taxation; focus on income taxes.

Readings: Mikesell, chapters 1, 7, & 8

Cases: 1-1, 1-2, 7-2

Exercises: 8-2, 8-6

3) Jan 25: More Taxation and Other Revenues

Focus on excise and property taxes and other sources of revenue (e.g. user fees and charges)

Readings: Mikesell, chapters 9,10, & 11

Cases: 9-1, 10-2, 11-2

Exercises: 9-3, 9-7, 10-4, 11-2, 11-3; *look at 11-5 for your personal benefit.*

THE BUDGET BASICS

4) Feb 1: Budget Process and Environment

Stages of the budget process at different levels of government, budgeting participants and their goals

Readings: Mikesell, chapters 2 & 3

Bland, chapter 1

Rubin, chapter 1

Kelly & Rivenbark, chapters 1-3

Cases: 2-2;

Exercises: 2-3, 2-5

5) Feb 8: Budget Design and Methods: Preparation and Approval

Budget components and format, more on budget process, issues and steps in preparation and adoption

Readings: Mikesell, chapters 4 & 12; appendices 4-1 & 13-1
Bland, chapters 2 & 3

Recommended: Michel, *Decision Tools for Budgetary Analysis*
Blom & Guajardo, *Revenue Analysis and Forecasting*

Cases: 4-1

Exercises: 4-1, 4-3, 4-5, 4-12

6) Feb 15: Budgeting for Policy, Management, and Performance

Comprehensive budgeting processes that improve policy and management: Strategic planning, performance measurement, and benchmarking

Readings: Mikesell, chapter 5
Kelly & Rivenbark, chapter 4, 5 & 6

Recommended: Ervin, “Appropriating vs Budgeting” (explains approaches to budgeting that are common in IL).

Cases: See performance budgeting documents from North Carolina, Ontario, CA
Performance Benchmarking

Exercises: 1) 5-1: plus state the goals and objectives of the classification system you develop; 2) Develop a set of objectives and performance measures for a government or non-profit program you are familiar with

7) Feb 22: Budget Document and Financial Control: Implementation & Audit

Content and structure of the budget document, budget implementation, and the accounting structure

Readings: Bland, chapters 4 & 5

Recommended: Bland & Rubin, chapter 8 (relevant to group project)
Gauthier, *Evaluating Internal Controls*

Cases: Examine budget and CAFR documents from suburban municipal governments

8) March 1: IN-CLASS EXAM

ADVANCED BUDGETING TOPICS

Unless indicated otherwise, exercises and cases for these classes will involve an in-depth reassessment of relevant cases and exercises from prior classes.

9) March 8: Capital Budgeting and Improvement Program

Budgeting and planning for infrastructure development and replacement (sometimes includes large equipment)

Readings: Mikesell, chapter 6

Bland, chapter 7

Tigue, chapters 1-3, 11, 12

Cases: 6-1, See appendices in Tigue

Exercises: 6-1, 6-6, 6-11

10) March 15: Guest lecture / work on projects in groups

March 22: SPRING BREAK, NO CLASS

11) March 29: Fundamentals of Cost Analysis

Cost concepts, cost allocation, cost behavior, activity-based costing, time and cost

Readings: Michel, chapters 1-5

Exercises: Snow plow & remote meter reading exercises

12) April 5: Using Cost Analysis to Improve the Budget

Measuring and improving efficiency, setting fees and charges, make vs buy, changing the level of services

Readings: Michel, chapters 6-9

Exercises: Ambulance exercise

13) April 12: Budgetary Politics #1

The politics of revenues, process, and expenditures

Readings: Rubin, chapters 2, 3, & 5

Cases: Seven Letters

14) April 19: Budgetary Politics #2

The politics of balance, implementation and control

Readings: Rubin, chapters 6, 7, & 8

Cases: Evergreen's Audit
San Diego

15) April 26: Presentations & written group project due

16) May 3: TAKE HOME EXAM DUE

WEBSITES AND DOCUMENTS WE WILL BE USING

Government Finance Officers Association: recommended practices on budgeting and fiscal policy. <http://www.gfoa.org/services/rp/budget.shtml>

National Advisory Council on State and Local Budgeting Practices:
http://www.co.larimer.co.us/budget/budget_practices.pdf

Ottawa, Canada, Universal Program Review: the templates for the Resource Mapping Data provide examples of objectives, programs, and accompanying fiscal data.
http://www.ottawa.ca/city_hall/financial/upr/index_en.html

North Carolina Benchmarking Project
<http://iog.unc.edu/programs/perfmeas/index.html>

Mid-America Regional Council Performance Measurement Project:
<http://www.marc.org/gif/performanceproject.htm>

ICMA Center for Performance Measurement:
<http://www.icma.org/main/bc.asp?bcid=107&hsid=1&ssid1=50&ssid2=220&ssid3=297>

Government Finance Officers Association: distinguished budget award criteria and explanations
http://www.gfoa.org/index.php?option=com_content&task=view&id=33&Itemid=57