

SYLLABUS
Budgeting and Fiscal Administration
PSC 603

Kenneth A. Klase
235 Graham; Office Hours: Mon. 5:00 - 6:00 p.m.
Phone: 336-256-0510(W) 297-9948(H); E-mail kaklase@uncg.edu

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Monday, 7:00 - 9:50 p.m.

COURSE OBJECTIVE

Using illustrations and examples from all three levels of government (national, state, and local), this course explores the complexity of public budgeting in three general ways. First, the course provides an overview of the fundamental principles of public finance relating to the relationship of government and the economy and includes an examination of revenue sources, tax structures, and tax administration. Second, an examination of the budgetary process (in general and in-depth for the Congressional budget process) identifies the roles of each of the major actors/institutions (the agency, the executive, the legislature, and interest groups) in budget making. Important topics in accounting and financial reporting are also examined. Budgetary reform will be presented from a historical and evolutionary perspective. A third major focus of the course is the politics of the budgetary process which makes budgeting in the public sector unique. In addition, the course will also deal with skills and techniques associated with public budgeting and capital budgeting and evaluation techniques. Computer applications to public budgeting will be emphasized in accomplishing requirements related to both the course and the Budget Analysis Laboratory. While public sector budgeting is clearly the focus of this course, the concepts, process, and practices discussed in the course also are relevant for non-profit budgeting, especially since many nonprofit organizations depend on resources derived from public sector sources.

By the end of the semester, students should be able to:

- Explain the underlying fundamental principles of public finance affecting public budgeting, understand how the budgetary process works including the effects of the politics of the budgetary process on budget outcomes, and understand the importance of accounting and financial reporting for the budgetary process;
- Analyze and evaluate revenue sources on appropriate evaluative criteria;
- Construct budgets utilizing alternative budgeting systems and understand the implications of budget formats for budget decision-making;
- Utilize budget analysis techniques to evaluate budget trends, explain budget changes, assess budget justifications, and determine the correspondence of budgetary decision-making with managerial goals and objectives consistent with organizational mission and strategic planning ;
- Develop spreadsheet data, graphs, and data presentations to help understand data and communicate information about budgets

COURSE REQUIREMENTS

The course grade will be determined based on the following requirements: a paper on a budget topic or issue, midterm examination, final examination, participation, and budget analysis and presentation.

TOPIC ISSUE PAPER (20% of course grade)

Students must prepare and discuss in class a paper focusing on a budgeting topic, issue, concept, or theme. Students will be assigned to prepare and discuss a topic issue paper with respect to a specific class session, and the topic issue of their papers must relate to the topic of the class session for that date. No more than two topic issue papers will be discussed during any class session. Students will sign up for specific class sessions during the first class meeting. Topic issue papers will be based on a detailed analysis of a minimum of three main substantive references dealing with a common public budgeting topic, issue, concept, or theme. The references should be primarily journal articles from public administration journals, but other references may include books, book chapters, and government documents. In addition to the five references, other current periodicals and web references may be used sparingly. The purpose of the assignment is to allow students the opportunity to become familiar with budgeting issues and with journals which contain budgeting-related articles as well as to inter-relate the material on a common subject relating to budgeting. The paper will deal with the main theses and supporting rationales of the articles or other references as well as providing an in-depth commentary on, or analysis of, the reference materials and how they inter-relate. The primary emphasis should be on how the references relate to each other, what they say about their common topic, and what common or opposing concepts or themes they develop. You should also relate the content, concepts, and themes to the assigned readings from the syllabus for that topic.

The paper should be approximately 5 pages in length. Journals relevant to public budgeting and finance which may be used include *Public Budgeting & Finance*, *Public Budgeting, Accounting and Financial Management*, *Public Administration Review*, *State and Local Government Review*, *Government Finance Review*, *American Political Science Review*, *Government Finance*, *Public Productivity & Management Review*, *Public Finance*, *National Tax Journal*, *The Bureaucrat*, *American Review of Public Administration*, and *Public Administration Quarterly*. Articles from other journals may be used if approved by the instructor.

You must submit for approval the topic, issue, concept, or theme that will be the focus of your paper and a bibliography of articles and other references that you intend to utilize at least two class sessions in advance of the session where your paper is due. One or two of the journal articles you select will become assigned reading for the course. Students in the course will be expected to have read the article(s) before class and be prepared for related class discussion associated with the topic issue paper presentation. In addition, the article(s) assigned and your topic issue presentation will be testable material for the course.

Grading will be based on the following: selection of appropriate journal articles or other references related to the topic; the paper's clarity, organization, grammar, punctuation, spelling, coverage, objectivity; a detailed outline and bibliography of the paper and discussion questions that should be provided as a handout to the class; and the in-class presentation and discussion leadership using your discussion questions (approximately 20 minutes) relating to the topic, issue, concept, or theme of the paper and its importance for the topic under discussion for that class session.

EXAMINATIONS (40% of course grade)

There will be a **Midterm examination** (20%) **due date TBD** and a **Final examination** (20%) **due on MAY 7**. The examinations will consist of essay and problem/application type questions.

PARTICIPATION (15% of course grade)

This portion of the course grade is based on general participation in class discussion of articles and readings assigned for a specific class session. For general participation, you must be present; therefore,

attendance will be considered in assignment of this portion of the grade. General participation will be evaluated based on involvement in weekly discussions of assigned course readings.

BUDGET ANALYSIS (25% of course grade)

This assignment requires students to perform an analysis of the budget of a public or nonprofit organization or one of its major organizational units. This organization will be one of the several public and nonprofit organizations for which data will be provided. Due to size and complexity, the budget analysis will likely cover only one unit or department of the larger organization. You will base your analysis on past budget data for five years for the organization. Students will use the five years of budgetary data from the public or nonprofit organization for assignments in the Budget Analysis Laboratory. Thus the written analysis paper will be based on the results from budget analysis spreadsheet exercises performed using that budget data during the semester in the Budget Analysis Laboratory. A separate sheet provided in the Budget Analysis Laboratory indicates guidelines for the Budget Analysis assignment and the relationship of laboratory exercises to this assignment.

In addition to budget analysis spreadsheet exercises, you are required to utilize other appropriate spreadsheets and graphing to perform an analysis including review of budget changes and justifications, and how they compare to organizational mission, goals, and managerial objectives; trend analysis of revenues and expenditures; external and internal factors affecting the budget; performance and program measures (or potential for their use); and other supporting documents as necessary. You should also utilize appropriate guidelines for budget analysts and various budget analysis approaches. A detailed budget analysis with references to spreadsheet data should be at least 10-15 pages in length, typed double-spaced. It should be clearly organized and carefully written and should present well-developed arguments for issues raised. Students will be required to present and support their budget analysis as a brief class presentation on April 30. The presentation will be evaluated as part of the grade for this assignment. **Analysis Paper due April 30, 2007.**

POLICY ON ORIGINAL WORK

Papers, presentations and other submitted work must be original for the specific course and for each student. Because some activities related to the course may involve 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 an assignment that will be submitted for evaluation, that assignment is expected to be the result of your work alone. Where questionable situations arise, always ask for clarification from the instructor.

REQUIRED TEXT

Mikesell, John L. Fiscal Administration: Analysis and Applications for the Public Sector. Seventh Edition, Belmont, CA: Wadsworth Publishers, 2007.

In addition, all other required readings will be available in full-text version through Library databases or Blackboard E-Reserve.

OTHER REFERENCES

Anthony, Robert N. and David W. Young. Management Control in Nonprofit Organizations. Sixth Edition, Boston, MA: Irvin/McGraw-Hill, 1999.

- Axelrod, Donald. Budgeting for Modern Government. Second Edition, New York: St. Martin's Press, Inc., 1995.
- Finkler, Steven A. Financial Management for Public, Health, and Not-for-Profit Organizations Second Edition, Upper Saddle River, NJ: Pearson/Prentice Hall, 2005.
- Lee, Robert D. Jr, Ronald W. Johnson, and Phillip G. Joyce. Public Budgeting Systems Seventh Edition, Sudbury, MA: Jones and Bartlett Publishers, 2004.
- Rubin, Irene S. The Politics of Public Budgeting: Getting and Spending, Borrowing and Balancing. Fifth Edition, Washington, D. C.: CQ Press, 2006.
- Steiss, Alan W. Financial Management in Public Organizations. Pacific Grove, CA: Brooks/Cole Publishing Company, 1989.

ASSIGNED READINGS

The following are the topics to be discussed at each class meeting. The reading assignments indicated should be completed prior to each class meeting. Much of the benefit of the course is based on attendance and participation. Attendance and general participation in classroom discussion (active involvement in weekly discussions of course readings and articles and participation in and completion of class or assigned exercises) will be taken into consideration in assignment of the course grade.

- JAN 8 **Overview of public budgeting and introduction to course; Budgeting as a Component of Public Financial Management; Management Control Concepts**
Anthony & Young, Chapter 1; Steiss, Ch.1
- JAN 15 **MLK Holiday - NO CLASS**
- JAN 22 **Budgeting and the Economy: Fundamental Principles of Public Finance Economics**
Mikesell, pp. 1-27, 116-118; 318-320.
Lee, Johnson, & Joyce, Ch. 15, pp. 557-604.
- JAN 29 **The Budget Process; Budget Methods, Practices, and Analysis**
Mikesell, pp. 31-56, 141-170; 181-191.
- FEB 5 **Governmental Accounting and Financial Reporting** (Financial Accounting, Accounting Concepts; Balance Sheet, Activity and Cashflow Statements; Unique Aspects of Governmental Accounting)
Finkler, Ch.8, pp.313-347; Ch. 9, pp.352- 388; Ch. 10, pp.399-426; Mikesell, pp.56-60
- FEB 12 **Revenue Forecasting, and Intergovernmental Revenues**
Mikesell, Ch. 13, pp. 514-535; Ch. 14, pp. 541-567
- FEB 19 **Tax Evaluation Criteria and Revenue Sources and Tax Structures I** (Income and Consumption Taxes)
Mikesell, Ch. 7, pp. 291-324; Ch.8 331-366; Ch. 9 372-408;
- FEB 26 **Revenue Sources and Tax Structures II** (Property Taxes, Tax Administration, and Other Revenue Sources)
Mikesell, pp. Ch. 10 415-448; Ch. 11, pp. 461-483; Ch. 12, pp. 492-508

MAR 5 SPRING BREAK -- NO CLASS

MAR 12 State and Local Budgeting

Mikesell, pp. 118-130

Our State, Our Money: A Citizens' Guide to the North Carolina Budget

MAR 19 Budgetary Reform and Budgeting Systems

Mikesell, pp. 192-243

Axelrod, Ch.11, pp.274-320

Huddleston Budgeting Exercises for class discussion.

MAR 26 Additional Budgeting Concepts: Long Term Financing Concepts (Time Value of Money, Cost-Benefit Analysis, Net Present Value/Cost Benefit Ratio)

Mikesell, Ch.12, pp. 458-280

APR 2 Capital Budgeting

Mikesell, pp. 244-280

In-Class Capital Budgeting Exercise

APR 9 Budget Approval: The Legislative Role (Congressional Budget Process and Reform)

Mikesell, pp. 79-118

Rubin, Ch. 4, pp. 102-144

APR 16 The Politics of the Budgetary Process I (Budgets and Political Strategies)

Mikesell, pp. 61-78

Rubin, Ch. 5, pp. 145-186

APR 23 The Politics of the Budgetary Process II (The Politics of Balancing the Budgeting)

Rubin, Ch. 6, pp. 187-229

Budget Simulation Exercise for Class Discussion

APR 30 Budget Execution (Budget Implementation and Control) and Financial Management Information Systems

Rubin, Ch. 7, pp. 230-248

Axelrod, Ch. 9-10, pp. 222-273

Budget Analysis Presentations

MAY 7 FINAL EXAMINATION DUE

Budget Analysis Laboratory PSC 603L

This class is a companion to PSC 603. You must be enrolled in PSC 603. There is no specifically assigned text for the Budget Analysis Laboratory. The laboratory component has the following basic objectives:

1. To provide an opportunity to apply budgeting concepts and techniques to actual budget data.
2. To offer experiential learning and skill development by actually performing budget analysis tasks.
3. To familiarize students with ways in which graphs, charts, and data presentations may affect users of the budgeting information.
4. To familiarize students with the ways in which specific presentations of budget data may assist in communicating and understanding budget issues.
5. To provide students with practical analytical budget exercises centered on development of supporting spreadsheet data, graphs, and charts for the budget analysis of a public or nonprofit organization assigned as a PSC603 course requirement.
6. To provide students with practice in using the Excel spreadsheet and presentation graphics software programs.

EVALUATION

Students will be evaluated on the results of completing **ten** Budget Analysis Exercises, a General Budget Worksheet, and the introductory Excel tutorial. Six of the exercises will require group activity (indicated with an ** in the schedule) to develop at least part of the results. There will normally be some individual product (such as answers to discussion questions at the end of exercises) which will be based on the group activity. So an individual grade will be assigned, but it is partly based on group activity in these instances. Two of the exercises (Exercises 6 and 10) will actually be performed in the regular PSC603 class session but counted toward the grade in the Budget Analysis Laboratory since part of the work related to the exercise will likely flow over into the subsequent lab session. Many of the exercises will be directly related to the topic being discussed in the PSC603 class session for that week. In other instances, the exercises contribute directly to the development of supporting materials for the Budget Analysis requirement in PSC603.

ASSIGNMENTS/TOPICS

- JAN 8 Overview of Budget Analysis Laboratory Requirements and Elementary Spreadsheet Functions Required - Review Excel Using Tutorial
- JAN 15 **MLK Holiday - NO CLASS**
- JAN 22 Review Excel Using Tutorial Continued
- JAN 29 Budget Exercise 1 Due -- Preparation of General Budget Worksheet
Budget Analysis Exercise 2 - Expenditure Analysis
- FEB 5 Budget Analysis Exercise 2 - Expenditure Analysis Continued
- FEB 12 Budget Analysis Exercise 2 Due
- FEB 19 Budget Analysis Exercise 3 -- Analysis of Revenue Sources
- FEB 26 Budget Analysis Exercise 3 Due
- MAR 5 **SPRING BREAK - NO CLASS**
- MAR 12 Budget Analysis Exercise 4 ** -- Huddleston Line Item Budgeting Exercise
Budget Analysis Exercise 5 **-- Huddleston Performance Budgeting Exercise
- MAR 19 Budget Analysis Exercise 4 and 5 Due **
Budget Analysis Exercise 6 **-- Huddleston Zero Base Budgeting Exercise
- MAR 26 Budget Analysis Exercise 6 Due **
Budget Analysis Exercise 7 **-- Huddleston Program Budgeting Exercise
- APR 2 Budget Analysis Exercise 7 Due **
Budget Analysis Exercise 8 **-- Capital Budgeting Exercise will be performed in PSC603 class.
- APR 9 Budget Analysis Exercise 9 -- Budget Change Analysis and Analysis of Budget Justifications
- APR 16 Budget Analysis Exercise 9 Due; Budget Analysis Narrative Development
- APR 23 Budget Analysis Exercise 10 ** - Budget Simulation for Discussion in PSC603 class.
- APR 30 Budget Analysis Presentations.