PAD 642 Public Budgeting

(Spring 2014)

Professor Gang Chen

Class time: Monday 5:45PM - 8:45PM
Class location: Husted Hall 304
Office hour: Tuesday 2:00 - 4:00 pm or by appointment
Office location: Milne Hall 319
Office number: 518-442-5284, Cellphone: 518-221-3544
Email: gchen3@albany.edu

I. Course Description:

This is an elective MPA course focusing on public budgeting. The course covers the following topics:

1) Concepts and terminology in public budgeting and financial management;
2) Major revenue sources, structure, and administration;
3) The nature and characteristics of the budgetary processes in the U.S. government;
4) Capital budgeting, debt management, and pension management;
5) Basics of budgetary and fiscal analysis.

The purpose of this course is to introduce students to public budgeting and financial management knowledge and skills, and to expose students to the current issues and challenges in this field. Students who successfully complete this course should be able to:

1. Understand the political and economic impacts of budgeting in the public sector;
2. Understand the budgetary processes and variations among different governmental jurisdictions at the federal, state and local levels;
3. Demonstrate the skills to conduct budget analysis accounting for political, economic and organizational factors.

Required Textbook

Lee, R. D. Jr., Johnson, R. W., & Joyce, P. G. Public budgeting systems (9th ed.). Sudbury, MA: Jones and Bartlett Publishers. (Available at the Mary Jane Bookstore and the University Bookstore)

In addition to the textbook, supplementary readings will be posted on blackboard at least one week prior to the class. For those who are interested in additional readings, the instructor is happy to provide a reading list. Students are also encouraged to read local and national newspapers to get familiar with current budget issues and their background.
Grading and assignments:

1. Weekly assignments (20%). Every week, students should finish reading assignments and post reading notes (300-500 words) on Blackboard discussion board before the class meeting. For each week, the instructor will post a set of questions that provide a framework for class discussion and to guide the student in the readings. Students’ reading notes should generally respond to the discussion questions and reflect the student’s perception of the assigned readings. Each reading notes is worth 2% of the grade. There are 11 weeks of reading assignments, and you can get up to 20% from all reading notes.

2. Class attendance and participation (5%). Students are expected to attend each class on a timely basis, so that they will benefit maximally from the class lecture and discussion. Unexcused absences will result in a reduced final course grade. I will occasionally take attendance in class. Students are expected to contribute to discussions and participate in the lively exchange of ideas and experiences.

   - Weekly updates discussion. Students are required to subscribe to ASPA’s newsletter [http://www.govmanagement.com/](http://www.govmanagement.com/). Topics from the newsletters that are related to class materials will be discussed in class.

3. Budget analysis Projects (75%). Three are three budget analysis projects – each is worth 25% of the grade. Students will each pick a NYS agency and analyze their budget using the knowledge they learned from this course. The first project is an analysis on the background and major budget trends--both revenues and expenditures. The second project focuses on the assessment of Governor’s executive budget, and the third project is an evaluation of the enacted budget. Detailed guidelines for the projects will be distributed separately.

4. Grade: Final grades will be based on class attendance and participation, reading notes, and semester projects. Final letter grades will be assigned as followed:

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<tr>
<th>Grade</th>
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<tr>
<td>A</td>
<td>93%</td>
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<tr>
<td>A-</td>
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III. Other policies

Any form of academic dishonesty will not be tolerated. Please refer to University at Albany’s Academic Code at: http://www.albany.edu/content_images/AcademicIntegrity.pdf for the definition of academic dishonesty. Ignorance of these policies will not excuse dishonest conduct. Violations of these standards will result in one of the following penalties or some variant: reduction in the grade for the assignment, failure of the assignment, failure of the course, or expulsion. In all cases, a Violation of Academic Integrity Report will be submitted to the Dean of Graduate Studies to be placed in your university file, with copies provided to you, the department head, and the Dean of Rockefeller College.

Students may appeal a grade on a specific assignment within two weeks of the assignment being returned. To submit an appeal, the student should return the original graded assignment and a letter/memo outlining why you think the grade should be changed. Appeals must be submitted on paper, typed-written. In the appeal, students must identify 1) the specific issue you believe should be reconsidered and 2) evidence from assignment instructions, assigned readings, lectures, or other materials that would indicate your original submission is worthy of a higher grade. Be aware that your grade may go up, down, or remain the same as a result of your appeal.

Students with needs consistent with the Americans with Disability Act should inform the instructor during the first week of class so that reasonable accommodations can be made.

Cellphones are not allowed to be used in classroom. You can use your laptop or tablets only for taking notes, reading class materials, or doing in-class exercise. No other programs are allowed in class.

IV. Class schedule:

The course generally will follow the tentative schedule listed below. The calendar is subject to change at the instructor’s discretion. Any revision will be announced on the Blackboard or through email.

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<thead>
<tr>
<th>Class</th>
<th>Date</th>
<th>Topics</th>
<th>Assignments due</th>
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<tbody>
<tr>
<td>1</td>
<td>January 27</td>
<td>Introduction &amp; review of financial management in public sector</td>
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<td>2</td>
<td>February 3</td>
<td>Basics of Government Finance</td>
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<td>3</td>
<td>February 10</td>
<td>Budgetary process</td>
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<tr>
<td>Date</td>
<td>Topic</td>
<td>Notes</td>
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<td>4</td>
<td>February 17 Revenues I</td>
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<td>5</td>
<td>February 24 Revenues II</td>
<td>Project I due</td>
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<td>6</td>
<td>March 3 Budget systems and reforms</td>
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<td>7</td>
<td>March 10 Budget documents and budget analysis</td>
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<td>8</td>
<td>March 17 No class</td>
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<td>9</td>
<td>March 24 Financial condition and cutback management</td>
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<td>10</td>
<td>March 31 Capital budget and infrastructure management</td>
<td>Project II due</td>
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<td>11</td>
<td>April 7 Municipal bonds and debt management</td>
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<td>April 14 No class</td>
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<td>13</td>
<td>April 21 Medicaid and retirement systems</td>
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<td>14</td>
<td>April 28 Intergovernmental aids and grants</td>
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<td>15</td>
<td>May 5 Presentation</td>
<td>Project III due</td>
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CLASS 1: Introduction and review

Review topics:
- Fund structure
- Elements of a budget
- Revenues and expenditures for federal, state and local governments
- Budget variance, budget solvency

Reading assignments:
- Syllabus
- PAD 501 notes

CLASS 2: Basics of Government Finance

- Why should government be involved in certain activities? Why should the government fund or regulate certain activities?
- What are the functions of a budget?
- What are differences between a governmental budget and a private budget?

Reading assignments:
- Lecture notes
- *Public budgeting systems* Chapter 1, Chapter 2
- *User’s guide to executive budget documents* (Blackboard)

Optional:
- V.O.Key “The Lack of A Budgetary Theory” (Blackboard)
- Irene Rubin “Budget Theory and Budget Practice: How Good the Fit?” (Blackboard)

CLASS 3: Budgetary process

- Who are the key participants in the budget process?
- What are the key activities in the budget process?
- What are the current challenges of the budget process in the state governments?

Reading assignments:
- Lecture notes
- *Public budgeting systems* Chapter 4
- NASBO “Budget processes in the states” (pp. 1-26) (Blackboard)
- *Memos to the Governors* (Memo 3 Preparing the executive budget; Memo 5 Budget Tactics: Laying the groundwork for adoption) (Blackboard)

Optional:
- Skim FY 2014 New York State Enacted Budget
- Skim FY 2014 New York State Executive Budget “Agency Presentations”
  http://publications.budget.ny.gov/eBudget1314/agencyPresentations/agencyPresentations.html

CLASS 4: Revenues I:
Discussion Questions:
- What are the principles of taxation?
- What are the tax base, tax rate, and tax structure for property and income taxes
- What are the ideas for tax reforms?

Reading assignments:
- Lecture notes
- *Public budgeting systems* Chapter 5
- James Alm “What is an optimal tax system?”

CLASS 5: Revenues II:

Discussion Questions:
- What are the benefits of using user charges and other revenue sources to fund governmental activities
- What are the techniques for revenue forecasting?
- What are the common reasons for errors in revenue forecasting?

Reading assignments:
- Lecture notes
- *Public budgeting systems* Chapter 6
- RIG “States’ Revenue Estimating: Cracks in the Crystal ball” (1-35) (Blackboard)
- Kavanagh & Iglehart “Structuring the Revenue Forecasting Process” (Blackboard)

CLASS 6: Budget systems and reforms

Discussion Questions:
- Discuss the definition of current service budget, fixed-ceiling budget, open-ended budget, performance budget, zero-based budget, as well as their advantages and disadvantages
- Prepare to discuss case study (what are the incentives and obstacles to budget reforms?)

Reading assignments:
- Lecture notes
- *Public budgeting systems* Chapter 7 (pp. 194-208; pp. 217-225)
- Allen Schick “The Road to PPB: The Stages of Budget Reforms”
- Case study: McKinney “Implementing and Managing Zero-base Budgeting” (Blackboard)

CLASS 7: Budget documents and budget analysis

Discussion Questions:
- What is the balanced budget requirement and its influence?
- How to conduct budget analysis based on budget documents?
- Prepare to discuss case study

Reading assignments:
- Lecture notes
- *Public budgeting systems* Chapter 8 (pp. 241-248; 253-268)
- *Lewis & Hildreth* “How to read a local budget” (Blackboard)
• Case study: Campenni and Khan “Budget Analysis: A study in the budgetary practices of a small community” (Blackboard)

CLASS 8: Financial condition and cutback management

• How to measure the financial condition of a government?
• What cutback strategies can a government adopt to deal with fiscal stress?

Reading assignments:
• Lecture notes
• Governor’s memo (Memo 4) (Blackboard)
• Plerhoples & Scorsone (2013), “Fiscal Stress and Cutback Management Among State and Local Governments” (Blackboard)
• Report of the State Budget Crisis Task Force (Blackboard)

CLASS 9: Capital budget and infrastructure management

• What are the features of a capital project?
• Why do we need a separate capital budget?
• What are the possible ways to fund a capital project?
• Prepare for case study

Reading assignments:
• Lecture notes
• Public budgeting systems Chapter 13 (pp. 451-468)
• Office of the State Comptroller, “Controlling Risk Without Gimmicks: New York’s Infrastructure Crisis and Public-Private Partnerships” (Blackboard)
• Case study: Wigfall and Lynch “Capital Budgeting Practices in Local Governments: A Comparative Study of Two States” (Blackboard)

CLASS 10: Municipal bond and debt management

• What are the important features of a governmental bond?
• What factors affect a government’s debt capacity?
• What influence the credit rating of a government?
• Prepare for case study

Reading assignments:
• Lecture notes
• Public budgeting systems Chapter 14
• Case study: Johnson and Mikesell “The Orange County Debacle: Where Irresponsible Cash and Debt Management Practices Collide” (Blackboard)

CLASS 11: Medicaid and retirement systems

• What are the current challenges in the government’s retirement programs?
• What are the ideas for future reforms?

Reading assignments:
• Lecture notes

CLASS 12: Intergovernmental aids and grants
- What are the types of intergovernmental aids/grants?
- What are the influences of fiscal centralization and decentralization?

Reading assignments:
- Lecture notes
- *Public budgeting systems* Chapter 15