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Summer 6-1-2008

### PSC 505.01: Budgeting and Finance

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# PSc 505 Budgeting and Finance

## MASTERS OF PUBLIC ADMINISTRATION PROGRAM

Online Version

**Semester: Summer 2008 / Professor: Jeffrey Greene / Telephone: 243-6181**

**Office: LA 356 / Office Hours: Mondays & Tuesdays, 1:30 - 2 p.m. during the Summer II Session**

**E-mail: [jeffrey.greene@umontana.edu](mailto:jeffrey.greene@umontana.edu)**

**This class is open to graduate students from any graduate program at the University of Montana. Undergraduates must have the consent of the instructor to take this course.**

**The online version of PSc 505 begins on May 19 and ends July 25**

**[Click Here](#) to login into Blackboard**

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***"A budget is a method of worrying before you spend instead of afterwards."***

***An Anonymous Quote***

**TEXTS: *Public Budgeting Systems*, 8th ed. by Lee, Johnson, and Joyce (Required)**

***Government Budgeting: Theory, Process, and Politics*, 3rd ed., edited by Hyde (Required)**

***The New Politics of the Budgetary Process*, 5th ed., by Aaron Wildavsky and Naomi Caiden (Required)**

### **COURSE DESCRIPTION**

**PSc 505** is designed to allow graduate students to develop an understanding of public budgeting and financial management. A wide variety of topics will be covered including a survey of the major literature, theories of public finance, major figures, and the politics of budgeting. The class will include a survey of the historical development of budgeting in the United States, beginning with the classical period of PA through the contemporary era. A special emphasis will be given to comparing differences between public and private sector budgeting and financial management. The political context in which budgeting occurs will also receive special attention. Although **PSc 505** is a "survey course", the course will blend theory and practice. Students will be exposed to the dynamics of the budgetary process (i.e. budget development, budget execution, etc.) and will develop skills that can be taken directly to a job. The course requirements (described below) include analyzing a government budget. *Please note that the focus of this class is NOT on writing budgets; the course focuses more on general public budgeting and the politics of budgeting.* The main textbook, ***Public Budgeting Systems***, is an extensive text and a number of chapters are omitted for this class.

**PSc 505** seeks to achieve three primary objectives. The *first objective* is to provide students with a general understanding of public budgeting by reading and discussing classic and contemporary literature. Students will be exposed to the basic theories, concepts, and terms associated with the budgetary process. Students' proficiency will be assessed via a comprehensive exam. The *second objective* is to enhance students' ability to write concise reports about budget subjects. This objective will be accomplished by having students write article critiques. The *final objective* involves analyzing a real government budget, writing a report. Students' proficiency will be assessed via the written report

Upon completion of **PSc 505**, students should be able to:

- 1). Demonstrate knowledge of the history, evolution, and development of public budgeting in the United States
- 2). Demonstrate knowledge of the fundamental terms and concepts associated with public budgeting
- 3). Demonstrate proficiency at writing concise reports that deal with complex material
- 4). Demonstrate the ability to analyze a public budget

## COURSE REQUIREMENTS

The general requirements include one exam, a research project, and participation (which includes the article summaries). The grade weights are specified below. All work is due July 28 -- the last day of class.

**Book Report** ..... 20% (Due July 23. This is a five page book report on the Wildavsky and Caiden budgeting book -- *The New Politics of the Budgetary Process*)

**Research Project**..... 40% (July 23) *This grade is a written report that analyzes a public budget*

**Participation** ..... 20% (Based on **five**, written **Article Summaries from the Hyde book** or other sources, such as *Governing Magazine*, especially the February edition. You may use other outside sources for articles so long as they relate to budgeting or public finance) *Due July 23*

**Discussion Board** .....20% (This is based on your participation in the weekly **Discussion Board**. All students must respond to three questions)

**Exam** (There is not an exam in this version of PSc 505)

## Article Critique Guidelines

Each student must complete five (5) article critiques or summaries. **They are due July 23.** [Click here](#) for a sample article summary.

1. What is the major subject and theme of the article?
2. What is the major question the author addresses?
3. What techniques, tools of analysis, or methods are employed to answer the question?
4. What major points does the author make?
5. What do the author conclude? What suggestions are made?
6. What is the relevance of the article to theory or practice? (What does it mean?)

## Budget Analysis Paper

This project involves selecting a budget and writing a 10-12-page analysis. The purpose of the project is to provide an opportunity for students to analyze a "real" government budget. *Examples of past budget analysis papers can be placed on reserve in the library for students that are near Missoula.* Students should select a government budget of personal interest and perform an analysis using some of the tools and methods covered in the class. Typically, papers contain an analysis of sources of funding (revenues) and expenditures. Additionally, papers often contain a description of the politics of the budget. **Do not pick a budget that is too large.** Often students select a single department of a city rather than the whole city budget because the budgets of cities the size of Missoula are simply too large to effectively analyze in such a short paper. The budget can be a nonprofit agency.

This year there is a sample budget paper from the last class to use as a sample. [Click here](#) to view the document, which is in **Word**. This is a **sample paper** from the last time PSc 505 was taught online and is not intended to be template that everyone has to follow. In the traditional version of this class, there is also a budget presentation where students typically

use PowerPoint or similar software for a 30-minute presentation. The purpose of this project is to produce a document that you would present to a city council, city manager, etc. With the online version, we do not have a presentation; just the written document.

There is also one of my own papers that I do each year on the Montana state budget for a roundtable at the Annual Meeting of the Western Political Science Association. You will note that it is short and covers a whole state. For those of you looking for a "model" or "format" to follow, click the link below. Please note that this is NOT the only format and it may not be applicable to the budget that you select.

<http://www.cas.umt.edu/polsci/faculty/greene/2007budgetpaper.pdf> (*Budget paper in Adobe Acrobat*)

If you have questions about this project, feel free to contact me. For some additional basic guidelines that might help you with the paper [click here](#).

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## READING ASSIGNMENTS and CLASS OUTLINE

*Please note that the day of the week selected for PSc 505 is Wednesday. That is, work is assigned on Wednesday, May 21 and is not due until the following Wednesday, May 28. Thus, the first work is not due until May 31. The **Discussion Board** will always be due on Wednesdays. Typically, I read the **Discussion Board** on Thursdays or Fridays and make comments. Please note that the **Discussion Board** should be a "discussion" and students are encouraged to carry on a dialogue.*

### **Session 1 Introduction: The Context of Public Budgeting and Theoretical Issues** (May 21; work is due May 28)

Lee, Johnson, and Joyce: Chapters 1, 2

Hyde: (Read the Introduction for Part I)

"Evolution of the Budget Idea" by Cleveland (#1)

"The Lack of a Budgetary Theory" by Key (#3)

"Political Implications of Budgetary Reform" by Wildavsky (#5)

"Budget Theory and Budget Practice" by Rubin (#8)

"Processes, Policies, and Power: Budget Reform," by Naomi Caiden (#9)

### **Session 2 Budget Cycles and Budget Issues** (May 28; work is due June 4)

Lee, Johnson, and Joyce: Chapter 3

Hyde:

"Strategic Budgeting," by Meyers (#10)

"What Program Budgeting Is and Is Not" by Novick (#35)

"Planning and Budgeting: Who's on First?" by Howard (#36)

"Introduction to Zero-Based Budgeting" by Taylor (#37)

"Organizational Decline and Cutback Management," by Levine (#38)

"The Executive Budget -- An Idea..." by Pitsvada (#17)

"Implementing PBB: Conflicting Views of Success," by Willoughby and Melkers (#41)

**Session 3 Budget Preparation: The Revenue Side** (June 4; work is due June 11)

Lee, Johnson, and Joyce: Chapter 4

No articles assigned.

Two scholarly articles about budgets and revenues are provided below.

Article 1: "The Interregional Incidence of Central Budgets in Federations: Some Evidence from Canada," by FRANCOIS VAILLANCOURT and RICHARD M. BIRD [http://www.cas.umt.edu/polsci/faculty/greene/PSC505/Extra Articles/article1.pdf](http://www.cas.umt.edu/polsci/faculty/greene/PSC505/Extra%20Articles/article1.pdf)

Article 2: "Developing Options for the Administration of Local Taxes: An International Review," by JOHN L. MIKESELL [http://www.cas.umt.edu/polsci/faculty/greene/PSC505/Extra Articles/article2.pdf](http://www.cas.umt.edu/polsci/faculty/greene/PSC505/Extra%20Articles/article2.pdf)

**Session 4 Budget Preparation: The Expenditure Side** (June 11; work is due June 18)

Lee, Johnson, and Joyce: Chapter 5

Hyde:

"Why the Government Budget is Too Small in a Democracy" by Downs (#22)

"Why Does Government Grow" by Buchanan (#23)

"Participatory Democracy and Budgeting: The Effects of Proposition 13" by McCaffery and Bowman (#25)

"The Growing Fiscal and Economic Importance of State and Local Governments" by Bahl (#27)

"Lesson for the Future," by Gold (#28)

**Session 5 Budget Preparation: The Decision Process and Policy and Program Analysis** (June 18; work is due June 25)

Lee, Johnson, and Joyce: Chapters 6 and 7

No articles assigned.

**Session 6 Budget Approval: The Role of the Legislature / Budget Approval at the Federal Level** (June 25 work is due July 2)

Lee, Johnson, and Joyce: Chapters 8, 9

Hyde:

Hyde: "Using Performance Measures for Federal Budgeting: Proposals and Prospects" by Joyce (#40)

"The Power of the Purse" by Ippolito (#13)

"The First Decade of the Congressional Budget Act: Legislative Imitation and...." by Kamlet and Mowery (#14)

"Deficit Politics and Constitutional Government: The Impact of Gramm-Rudman-Hollings" by LeLoup, Graham, and Barwick (#15)

"Courts and Public Purse Strings: Have the Portraits of Public Budgeting Missed Something?" by Straussman (#16)

"Mission-Driven, Results-Oriented Budgeting: Fiscal Administration and New Public Management," by Thompson (#18)

"Biennial Budgeting in the Federal Government," by Fisher (#19)

"The Federal Budget as a Second Language," by Collender (Appendix A)

"The Evolution of Federal Budgeting: From Surplus to Deficit...." by Schick and LoStracco (#12)

"Political Implications of Budget Reform: A Retrospective," by Wildavsky (#11)

"The Long Term Budget Outlook for the United States," by the Congressional Budget Office (Appendix B)

**Session 7 Budget Execution and An Overview of Financial Management, Capital Budgets, and Debt** (July 2; work is due July 9)

Lee, Johnson, and Joyce: Chapter 10

Lee, Johnson, and Joyce: Chapter 12 (*Read Chapter 11 if you are interested in government accounting. In this section, we will leave debits, credits, and t-accounts for accounting classes*)

Hyde:

"Government Financial Management at the Crossroads" by Bowsheer (#39)

**Session 8 The Budget, Fiscal Policy, and the Economy** (July 9; work is due July 16)

Lee, Johnson, and Joyce, Chapter 15

Hyde:

"The Growing Fiscal and Economic Importance of State and Local Governments," by Bahl (#27)

"Debunking the Conventional Wisdom in Economic Policy," by Eisner (#32)

**Session 9 Discussion of *The New Politics of the Budgetary Process*** (July 16; due July 23) **Note that ALL work is due on July 23. This is the LAST session for PSc 505.**

Wildavsky and Caiden, *The New Politics of the Budgetary Process*

**Session 10 There is not a Session 10 in this version of PSc 505. The Summer Sessions officially end on July 25.**

*Papers and other materials will be returned within one week. You can turn your paper and article summaries in at any time during the term.*

**Grades:** Grades will not be posted on Blackboard after the class is complete. You can access your grade a few days after July 25 on **CyberBear** at <http://cyberbear.umt.edu>

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[Study Guide](#) (*This was intended for the exam, but you might find it useful. The online version does not have an exam*).  
[Budget Terms](#)  
[Additional Budget Terms](#)

[Link to the Office of Management and Budget](#)

[Link to Montana State Legislative Fiscal Division](#) (*Budget Reports and Analysis*)

[Pocket Guide for the Montana State Budget](#)

[Tax Foundation](#) (*This site contains information about taxes and revenues*)

[Tax Sites](#) (*This site contains links to numerous sites about taxation and budgeting*)

[Link to the Legislative Manual about Montana's Budget Process](#) (*This file is in Adobe Acrobat format. This is the same manual that is provided to Montana legislators. If the file does not open, or the link has been changed, go to the [Legislative Fiscal Division's website](#) and click Montana's Budgeting Process*)

**Inflation Converter** (*This link contains an [inflation conversion](#) tool that allows one to convert dollars from any year into constant dollars*). The actual link is <http://www.westegg.com/inflation/>

## **The National Debt and some important statistics**

One of the most widely discussed topics in government budgeting and finance is the size of the national debt, which was **\$9 trillion** (September 2007). For a comparison, the debt of the nation -- public and private -- is show below. Please note that the size of the private sector's debt is much larger than the national public debt. There is a national public debt clock that shows updated figures at [http://www.brillig.com/debt\\_clock](http://www.brillig.com/debt_clock)

### **Public Sector Debt (2006)**

Federal Government Sector debt - \$9 Trillion

State & Local Government Sector debt - \$2 Trillion

### **Private Sector Debt (2006)**

Household Sector debt \$12 Trillion

Business Sector debt - \$9 Trillion

Financial Sector debt (domestic) - \$14 Trillion

\* The figures shown above exclude some types of debt; the figures have been rounded

Source: Various government reports summarized and cited at <http://mwhodges.home.att.net/debt-summary-table.htm>

The United States' **Gross National Product** ranks first among the nations of the world at slightly more than \$14 trillion in 2006; the United States also ranks first using Gross Domestic Product (\$13 trillion). Japan ranks second with a GDP of \$4.5 trillion.

PSc 505 Summer Online Version of Budgeting and Finance / This is a slightly abbreviated version of PSc 505. This syllabus was posted in the Fall 2007 Semester.

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