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PSC 505.01: Budgeting and Finance

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PSc 505 Budgeting and Finance

MASTERS OF PUBLIC ADMINISTRATION PROGRAM

Campus Version

Semester: Spring 2009 / Professor: Jeffrey Greene / Telephone: 243-6181

Location: Wednesdays in LA 337 / Office: LA 356 / Office Hours:

Tuesdays/Wednesdays 3:30-4 p.m.

*(Please note that I am available anytime that I am in the office and not in class;
usually from 11 a.m. until 5 p.m. Monday - Friday)*

E-mail: 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 Spring 2009 Semester begins on January 26 through May 15.

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

An Anonymous Quote

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

***Government Budgeting: Theory, Process, and Politics*, 3/e, edited by Hyde (Required)**

***The New Politics of the Budgetary Process*, 5/e, by Aaron Wildavsky and Naomi Caiden (Required)**

Note: Many of the articles found in the Hyde book are available on [JSTOR](#) -- a database of scholarly articles from social science journals. This database is available free through the Mansfield Library. You can connect to the Mansfield Library from your home computer.

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 and financial subjects. This objective will be accomplished by having students write and orally present article summaries. The *final objective* involves analyzing a real government budget, writing a report. Students' proficiency will be assessed via the written report and the formal presentation to the class.

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
- 5). Demonstrate the ability to make a formal presentation of a budget

COURSE REQUIREMENTS

The general requirements include a research project (budget analysis), a formal presentation, and participation (which include the article summaries). The grade weights are specified below. All work is due May 5 -- the last day of class prior to exam week.

Research Project..... 80% (Paper due May 5; presentations are scheduled for April 15 - May 5) *This grade consists of a written report that analyzes a public budget and the formal presentation of the report.*

Participation 20% (Based on written and presented Article Summaries from the Hyde book; due when presented in class. These articles will be assigned on the first night of class).

Exam There is not an exam used in this section of PSc 505.

Attendance and Participation: Students are encouraged to attend and participate in class discussions. Poor attendance and poor quality or lack of participating in class in class discussions may affect one's final grade. **Students are expected to miss no more than two classes during the semester.**

Article Summary Guidelines

Each student must complete written and oral article summaries. **They are due when presented in class.** [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 does 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 and Presentation

This project involves selecting a budget and writing a 10 to 15 page analysis. The purpose of the project is to provide an opportunity for students to analyze a "real" government budget. 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** and is not intended to be template that everyone has to follow. In the campus version of this class, there is also a **budget presentation** where students 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.

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 Word*)

For some additional basic guidelines that might help you with the paper [click here](#).

READING ASSIGNMENTS and CLASS OUTLINE

Session 1 Introduction; no work assigned (January 28)

Session 2 Introduction: The Context of Public Budgeting and Theoretical Issues (February 4)

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 3 Budget Cycles and Budget Issues (February 11)

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 4 Budget Preparation: The Revenue Side (February 18)

Lee, Johnson, and Joyce: Chapter 4

No articles assigned.

Session 5 Budget Preparation: The Expenditure Side (February 25)

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 6 Budget Preparation: The Decision Process and Policy and Program Analysis (March 4)

Lee, Johnson, and Joyce: Chapters 6 and 7

No articles assigned.

Session 7 Budget Approval: The Role of the Legislature / Budget Approval at the Federal Level (March 11)

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) _____

Public Agenda has a study that examines attitudes about the federal budget. This link below takes you to this study

http://www.publicagenda.org/files/pdf/americans_deliberate_our_nations_finances.pdf _____

<http://www.publicagenda.org/citizen/issueguides/federal-budget> (More information about the federal budget)

Session 8 Budget Execution and An Overview of Financial Management, Capital Budgets, and Debt (March 18)

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 Bowsher (#39) _____

Session 9 The Budget, Fiscal Policy, and the Economy (March 25)

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 10 Spring Break -- March 30 - April 3 NO CLASS

Session 11 Discussion of *The New Politics of the Budgetary Process* (April 8)

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

Session 12 Presentations (April 15)

Session 13 Presentations (April 22)

Session 14 Presentations (April 29)

Session 15 Presentations (May 5) ALL WRITTEN WORK IS DUE MAY 5

Session 16 Presentations if needed (May 12 -- Exam Week) All work will be returned

[Study Guide](#)

[Budget Terms](#)

[Additional Budget Terms](#)

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

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

[Link to History of Federal Budgeting](#) (*This is on the U. S. Senate's website*)

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

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

Inflation Converter (This link contains an [inflation conversion](#) tool that allows one to convert dollars from any year into constant dollars. This link was working as of 10/28/2008). 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 **\$10.5 trillion** (November 2008). For a comparison, the debt of the nation -- public and private -- is shown 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

Public Sector Debt

Federal Government Sector debt - \$10.5 Trillion (November 2008)

State & Local Government Sector debt - \$2 Trillion

Private Sector Debt

Household Sector debt \$13.8 Trillion

Business Sector debt - \$10.5 Trillion

Financial Sector debt (domestic) - \$15.5 Trillion

* The figures shown above exclude some types of debt. Japan is the largest holder of U.S. debt.

Sources: Various government reports summarized and cited at <http://mwhodges.home.att.net/debt-summary-table.htm> or <http://www.publicdebt.treas.gov/opd/opdpdodt.htm>

The United States' **Gross National Product** ranks first among the nations of the world at roughly \$15 trillion in 2007; the United States also ranks first using Gross Domestic Product (around \$14 trillion). Japan ranks second with a GDP of \$6 trillion.

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