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PSCI 505.50: Budgeting and Finance

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PSCI 505 Public Budgeting and Finance

MASTERS OF PUBLIC ADMINISTRATION PROGRAM
Online Version

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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.

UM now uses Moodle for online classes
[Logon to Moodle](#)

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

An Anonymous Quote

TEXTS: *Public Budgeting Systems*, 9/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)**

COURSE DESCRIPTION

PSCI 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 **PSCI 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 main textbook, ***Public Budgeting Systems***, is an extensive text and a number of chapters are omitted for this class.

PSCI 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.

Within the MPA program, this course is designed for students to make significant progress in the following NASPAA learning outcome:

- *To Participate in and Contribute to the Public Policy Process and To Analyze, Synthesize, Think Critically, Solve Problems & Make Decisions*

Upon completion of **PSCI 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 include the article summaries). The grade weights are specified below. All work is due December 4. The fall semester officially ends December 11.

Research Project..... 60% (May 4) *This grade is a written report that analyzes a public budget*

Participation..... 20% (Based on **five**, written **Article Summaries**) *Due May 4*

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

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

Article Critique Guidelines

Each student must complete five (5) article critiques or summaries. *Sample article summary are included on the menu in Moodle.*

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

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.

Sample budget papers are included on the main menu in Moodle along with guidelines.

READING ASSIGNMENTS and CLASS OUTLINE

Please note that the day of the week selected for PSCI 505 is Friday. That is, work is assigned on previous week and is not due until the following Friday. The Discussion Board will always be due on Fridays.

Session 1 Introduction: The Context of Public Budgeting and Theoretical Issues (January 26; work is due Friday, February 2) **NOTE: No work is due until February 2, the only work is the reading and discussion board until May 4 when all written work is due.**

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 (February 2; work is due February 9)

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 (February 9; work is due February 16)

Lee, Johnson, and Joyce: Chapters 6, 7

No articles assigned.

Session 4 Budget Preparation: The Expenditure Side (February 16; work is due February 23)

Lee, Johnson, and Joyce: Chapters 7

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 (#24)

"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 (February 23; work is due March 2)

Lee, Johnson, and Joyce: Chapter 8

No articles assigned.

Session 6 Budget Approval: The Role of the Legislature / Budget Approval at the Federal Level
(March 2; work is due March 9)

Lee, Johnson, and Joyce: Chapters 9, 10

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 (#11)

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

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)

For a good overview of the federal budget, visit this website by the National Council for Community and Educational Partnerships.

http://www.edpartnerships.org/Content/NavigationMenu/Policy_and_Advocacy/Educate_to_Legislate/Understanding_the_Process/Federal_Appropriations/Federal_Apps.htm

The U.S. Senate also provides an excellent website about the federal budget.

http://www.senate.gov/reference/reference_index_subjects/Budget_vrd.htm Details about government spending, including the federal budget for various years, is provided at the following website.

<http://www.usgovernmentspending.com/>

Session 7 Budget Execution and An Overview of Financial Management, Capital Budgets, and Debt (March 9; work is due March 16)

Lee, Johnson, and Joyce: Chapters 11, 13, 14, 15

Lee, Johnson, and Joyce: Chapters 12 (*Read Chapter 12 if you are interested in government accounting. In this section, we will leave debits, credits, and t-accounts for accounting classes*). Chapter 15 is assigned and is about the role of intergovernmental relations.

Hyde:

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

Article about the federal government and capital budgeting (the federal government does not use capital budgeting)

<http://www.brookings.edu/research/testimony/1998/04/24federalbudget-schultze>

Session 8 The Budget, Fiscal Policy, and the Economy (March 16; work is due April 6)

Lee, Johnson, and Joyce, Chapter 3

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 Spring Break March 26-30, No Class

Session 10 Discussion of *The New Politics of the Budgetary Process* (April 6; due April 13)

This is the last discussion board for PSCI 505.

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

Sessions 11 – 12 Time provided to work on budget papers (April 20 and April 27)

Session 13 Budget Papers are due (May 4)

Session 14 All work is returned (May 11)

Please note that many items are posted on Moodle, including 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*)

Fiscal Times. <http://www.thefiscaltimes.com/>

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 federal debt, which was **\$20.7 trillion** (December 2017). 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 [This is a nice website that contains lots of information about the national debt.](http://www.usdebtclock.org/)

<http://www.usdebtclock.org/>

The TOTAL debt of the nation (public and private) is roughly \$70 trillion (December 2016); 80 percent of the debt has been created since 1990. Recall that the 1990s were "boom years" but much of the boom was built on increased debt.

Public Sector Debt

Federal Government Sector debt - \$20.7 Trillion (December 2017)

State & Local Government Sector debt - \$4.0 Trillion

Private Sector Debt

Household Sector debt \$18.7 Trillion

Business Sector debt - \$17.5 Trillion

Financial Sector debt (domestic) - \$16.5 Trillion

Total U.S. Debt = \$70 trillion

* The figures shown above exclude some types of debt. For many years China was the largest holder of U.S. debt and then China became the largest holder of U.S. debt at \$800 billion. But in December 2009, China reduced its holdings and Japan became the largest holder of U.S. debt again at nearly \$769

billion in U.S. Treasury bonds. As of October 2017, China was again the largest holder of U.S. debt at \$1.1 trillion while Japan holds \$1 trillion.

Sources: Various government reports; some are cited at:

<http://grandfather-economic-report.com/debt-nat.htm>

The United States' **Gross Domestic Product** ranks first among the nations of the world at roughly \$19+ trillion in 2016. China ranks second with a GDP of about \$11 trillion; The European Union's GDP is about \$19+ trillion, but the EU is technically a block of countries rather than a single nation.

Spring 2018 Semester