

## **POL SCI 630 - Budgeting and Finance in the Public Sector Fall, 2008**

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### **Required Texts:**

Aronson, Richard, and Eli Schwartz, eds. 2004. *Management Policies in Local Government Finance*, 5<sup>th</sup> edition. International City/County Management Association. (Labeled "AS" in assigned readings)

Vogt, John A. 2004. *Capital Budgeting and Finance: A Guide for Local Governments*. International City/County Management Association.

David N. Ammons. 2002. *Tools for Decision Making: A Practical Guide for Local Government*. CQ Press. (Labeled "AM" in assigned readings)

R. Gregory Michel. 2001. *Decision Tools for Budgetary Analysis*. Government Finance Officers Association (Labeled "RGM" in assigned readings)

Additional book not found at UWM bookstore (**free PDF download from GFOA website**)

*Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting*, type the following URL: <http://www.gfoa.org/services/nacslb/>

There are no specific assigned readings from the above book, but I will likely make references to content found in the book throughout the semester.

### **Supplies**

We may be doing a few exercises that require calculations, so a basic calculator would be handy. I will tell you a week in advance when we will be doing such exercises.

If the reading load for a particular topic is light, that means we will have extensive in-class coverage of the topic.

### **Course Description:**

This course provides an overview of the processes, techniques, and politics of public budgeting. The purpose of this course is to provide a foundation for understanding the nature

of public budgeting primarily at the local (i.e., municipal) level. Special emphasis will be placed on applied budgeting techniques. This is not a course about the politics of the budgetary process at the federal level.

No prior background in budgeting is necessary to do well in this course. The student makeup of this course varies considerably and typically ranges from upper-division undergraduates with no experience in budgeting to senior level MPA students with experience working in the public sector. Based on past experience, students who've worked in the public sector often stop me before I'm finished presenting a topic to make comments along the lines of "that's not exactly how we do things in my city, agency, department, etc." While I appreciate input from students, repeated comments along these lines force me to get into long one-on-one discussions with individual students. I end up straying off topic as I try to address these comments and the students who have little prior experience in budgeting usually get bored or confused. Our focus on this course is on general principles of budgeting. Variations in budgeting methods/procedures across governments are common, so if you have nuanced questions that deal with specific procedures used where you're working, please ask these questions at break or after class. Having said this, if you are confused about a topic, you should certainly not be afraid to ask questions.

## **Course Requirements**

Your grade in the course will be based on the following:

1. Mid-term exam - 33 percent of your final grade.
2. Second exam - 33 percent of your final grade.
3. Paper - 34 percent of your final grade. (You will receive a handout on the requirements for this assignment by the second week of class).

The second exam is not a cumulative final. It will only cover material presented after the midterm exam.

## **Attendance**

Since many of you are currently working, occasional late arrivals or absences are understandable. **However, if you already know you will be missing a significant number of classes due to ongoing commitments like work, city council meetings, etc, you should take the course another term.**

## **Chronic Absenteeism Penalties**

There are penalties for chronic absenteeism.

If you have 4 unexcused absences, 10% will be deducted from your final grade (e.g., if you have an average of 90 across all coursework, your grade for the course will be dropped to an 80).

For each additional unexcused absence beyond the fourth, your final course grade will go down by 10 points. If you want me to count an absence as excused, I will need to see official documentation such as a medical excuse or court order.

**The chronic absenteeism policy is unambiguous. If you have no intention of showing up on a consistent basis, you should simply drop the course at the start of the semester.**

### **Accommodations for Disabled Students**

Students with disabilities should contact me early in the semester so that any special accommodations can be made promptly.

### **Makeup Exam Policy**

Makeup exams will differ from regular exams. Makeup exams will normally be given only in the case of excused absences.

I do not give take-home makeup exams, and I will not fax or e-mail you a copy of the exam so you can take it while you are at work. Makeup exams must be taken on campus and be completed before the department office closes. The class session following the regular exam date cannot be used as a time to take a makeup exam. The content of makeup exams will differ from the content covered on regular exams.

Office hours will not be used to repeat lectures, so if you miss a class you will need to obtain notes from another student. I do not give out my personal lecture notes. Handouts are distributed in class each week. I do not bring old handouts with me to class. I also do not give out my notes to students for any reason.

Occasionally, I may post announcements and other information on the D2L website for this course. However, I will not be posting lecture outlines or my notes on this site.

I have supplied my e-mail address above. Please use e-mail to notify me of absences or to ask simple questions. If you have detailed questions about materials covered in the readings or lectures you should ask these questions in person.

### **Topics:**

#### **Introduction to Budgeting**

<b>Readings:</b>	AS, Chapter 7	“Budgeting”
	AM, chapter 8	“Performance Measurement and Monitoring”
	AM, chapter 25	“Analysis of Operations Via Benchmarking”

## **The Budget Cycle**

Readings: AS, Chapter 7 review pgs. 186-205

## **Public Revenues and Expenditures**

**Readings:** Revenues

AS, Chapter 4 pgs. 90-93  
AS, Chapter 10 "The Property Tax"  
AS, Chapter 11 "General Sales, Income, and Other Nonproperty Taxes"  
AS, Chapter 12 "User Charges and Special Districts"

Cash Management

AS, Chapter 16 "Cash and Investment Management"

Suggested Reading: Miller, Girard. 1998. *Investing Public Funds*, 2<sup>nd</sup> ed. Government Finance Officers Association.

Expenditures

AS, Chapter 4 pgs. 86-89  
AM, Chapter 14 "Identifying Full Costs of a Program"  
AM, Chapter 3 "Demand Analysis"  
AM, Chapter 12 "Adjusting for Inflation When Comparing Revenues or Expenditures"

RGM, pgs. 20-23 "Tool 5: Break-even Analysis"  
RGM, pgs 66-77 "Tool 10: Fiscal Impact Analysis"  
RGM, pgs 26-31 "Tool 6: Activity-Based Costing"

## **Economic Development Techniques and Monitoring Financial Conditions**

**Readings:** AS, Chapter 13 "Economic Development"

## **Fund Accounting**

**Readings:** AS, Chapter 8 "Financial Accounting, Reporting, and Auditing"

**Midterm Exam (TBA, about mid-October)**

## **Auditing and Internal Controls**

**Readings:** (mostly in-class handouts)

## **Capital Budgeting**

### **Readings:**

Vogt, Chapter 1	“Capital Budgeting: Rationale, Scope, and Policy Framework”
Vogt, Chapter 2	“Capital Budgeting Process: Model and Practice
Vogt, Chapter 3	“Capital Improvement Programming”
Vogt, Chapter 4	“Prioritizing Capital Projects”
AM, chapter 22	“Making Choices Systematically – From Audit Targets to Capital Projects”
AM, chapter 13	“The Time Value of Money: Opportunity Costs, Discounting, Compounding, Future Value, and Present Value”
AM, chapter 11	“Simple Options for Annualizing Costs of Capital Items: Usage-Rate and Straight-Line Depreciation”
RGM, pgs. 13-16	“Tools 2 and 3: Expected Value and Weighted Score Tables”
RGM, pgs. 55-66	“Tool 9: Cost-Benefit Analysis”

## **Debt Management**

### **Readings:**

Vogt, Chapter 5	“Capital Financing Strategy”
Vogt, Chapter 6	“Pay-As-Go Capital Financing”
Vogt, Chapter 7	“Types of Debt”
Vogt, Chapter 8	“Bond Ratings”
Vogt, Chapter 9	“Planning and Structuring Debt”
AM, chapter 10	“Basic Investment Calculations: Figuring Interest Rates and Yields”

### **Suggested Readings:**

Vogt, Chapter 10 “Interest Rates, Yields, and Pricing for Local Government Debt”

AS, Chapter 14 “Debt Management”

## **Purchasing and Risk Management**

**Readings:** AS, Chapter 15      “Procurement”  
AS, Chapter 17      “Risk Management”

## **Revenue and Expenditure Forecasting Techniques**

**Readings:** AS, Chapter 5      “Forecasting Local Revenues and Expenditures”

If we have time, the remaining topic will be covered in class.

## **Long-Term Financial Planning**

**Readings:** In class handouts

**Second Exam (Monday, December 15<sup>th</sup> 6-8:40)**