

56:834:515

# Introduction to Public Budgeting & Finance

Christopher B. Goodman, Ph.D.

[christopher.goodman@rutgers.edu](mailto:christopher.goodman@rutgers.edu)

Fall 2014. Business & Science 334.

Saturdays. 10:00am–12:40pm.

Office Hours: By appointment.

## COURSE DESCRIPTION

This course introduces students to the theory and practice of budgeting at all levels of government. Particular emphasis is given to budgeting in local government because of its historical role as an incubator for budget innovations and its accessibility to citizens. This course equips students with competence in the use of budgeting terminology, innovations in budget preparation, the linkage of the budget to the accounting and financial reporting systems, and the role of technology in shaping budget preparation and administrative implementation.

## COURSE OBJECTIVES

Upon successful completion of this course, students should be able to:

1. Acquire an understanding of how the budget functions as a management and policy tool
2. Develop a competency in budget terminology and procedures
3. Become adept at the use of Excel and acquire an understanding of the use of other technology in budgeting
4. Develop an appreciation for the role of budgeting in public and nonprofit organizations.
5. Identify and understand the politics associated with public budgeting at each stage in the process, among participants, and at various levels of government.

Student progress on these learning objectives will be measured through a combination of examinations, written assignments, and class discussion.

## REQUIREMENTS

### ATTENDANCE

Attendance is not mandatory; however, it is strongly recommended. If you miss a class, it is your responsibility to obtain the information you missed from a classmate. **I do not have a policy to take roll, but your absence from class will noted. It will be difficult to achieve above a C in this course if you miss**

**more than 2 classes.** I expect everyone to be on time and ready to being class at 10:00am. There are important announcements made at the beginning of each class, and a late arrival is disruptive to the class. Do not be late.

#### EXCEL PROBLEM SETS– 20%

Complete instructions and datasets can be found on Sakai.

##### **Problem Set 1**

This Excel exercise requires analyzing the line-item budget for a city’s development department, which has responsibility for issuing building permits and inspecting residential and commercial construction. This city has a policy goal that development fees will cover operating expenditures of this department. The assignment is to develop a budget request for FY 2014–15 for this department and to determine whether this department will have sufficient revenues to meet its expenditures.

##### **Problem Set 2**

This exercise introduces several features in Excel that aid in developing revenue projections using trend analysis and a moving average. The first task involves correcting the historical data on sales tax collections for inflation. The dataset is actual sales tax collections by month from October 1992 through February 2013. The corresponding consumer price index (CPI) for each month is provided. The data can be used to evaluate current-year trends as well as to project revenue for the next budget year. The assignment is to develop a moving average trend for the inflation-adjusted sales tax collections, compute the month-to-month percentage change in collections, and graphically display those percentage changes.

##### **Problem Set 3**

Once the operating budget is approved, the focus is on budget implementation. One of the most important tasks in this third phase of the budget cycle is monitoring actual revenues and expenditures with the purpose of anticipating unfavorable trends. For this Excel exercise, the analysis returns to the line-item budget for a city’s development department. The exercise involves projecting year-end expenditures (1) for each line item, (2) for total departmental expenditures, and (3) for each revenue source, and then comparing trends in actual expenditures and revenues with the totals in the adopted budget. Using these projections, not only can comparisons be made to the adopted and revised budgets, but projected revenues can be compared to projected expenditures to evaluate the potential impact on fund balance.

##### **Problem Set 4**

This Excel exercise involves costing out the annual debt service requirements for a GO bond issue and an analysis of the effect of those annual payments on the operating budget. The dataset is actual annual payments of principal and interest for a 20-year bond issue. The data can be used to determine the annual cost of debt service the required tax rate needed to produce the revenue for the debt service fund.

#### SHORT MEMOS – 40%

You will be assigned two (2) case studies, one before the mid-term exam and one after. You will be required to read the case, make assumptions, and produce a policy memo explaining your recommended course of action. Each case will cover material similar to what we are covering in class at the time. You will have two weeks to complete each assignment and deliver your policy memo to me.

## FINAL EXAM – 40%

A comprehensive, take-home final exam will be distributed on Saturday, December 6, and your responses are due via Sakai by **5:00pm Saturday, December 13**. The exam will require you to evaluate a number of conceptual problems based on the information covered throughout the course.

## READINGS

The main text in this course is available at the bookstore. However, it likely can be obtained cheaper elsewhere (primarily online).

Bland, Robert L. 2013. *A Budgeting Guide for Local Government*, Third Edition. Washington, D.C.: ICMA Press.

Additional required reading will be assigned throughout the semester. To the extent that I can, these will be available on [Sakai](#).

## COURSE METHODOLOGY & POLICIES

Class presentations will be conducted through a combination of lecture and class discussion. Students are strongly encouraged to participate in class discussion and to ask questions. Everyone in class brings a unique perspective, and I believe that perspective is a valuable addition to the course. Please come to class prepared and ready to participate.

I will be teaching this course as an introductory graduate course that combines theoretical and conceptual topics with practical application. It is my assumption that students have limited or no prior coursework in public budgeting, finance, accounting, or economics. As such, there is a large amount of material to cover in this course, and we will be moving quickly. The lectures I will present in class are not directly from the assigned reading and often contain information supplemental to the readings. Do not fall behind in the reading. It will be difficult to catch up.

## COMMUNICATIONS

Course announcements will be made via email so it is imperative that you check your e-mail daily. “I didn’t get the email” is never a valid excuse. The most effect method of communicating with me is using email; however, you are also encouraged to schedule office hours or a phone call.

## LAPTOP COMPUTER USE

The use of laptop computers in my classroom is a privilege and not a right. Laptop computers may be used during class sessions for note taking and to calculate problems ONLY. Laptop computers may not be used at any time in my classroom to check email, surf the Internet, instant message with friends, update your Facebook status, post to Twitter, read the newspaper, or for any other purpose not explicitly related to course material. ANY instance of unapproved use of your laptop computer in my classroom will result in your laptop privileges being revoked for the remainder of the semester. There are NO EXCEPTIONS to this policy.

## CALCULATORS

It is recommended that you have a calculator for this class. If you are going to purchase a new calculator, it is suggested you purchase a financial calculator such as a Texas Instruments BA II Plus. Please note that a financial calculator is not required for this course; any calculator will suffice. If you plan to take further financial management courses or are in the Public Management track, it will serve you well to invest in financial calculator as they are required. We will likely not use a calculator in every class; however, it is difficult to predict when you might need to use it. As such, please plan on bringing a calculator to each class. You will be able to use a calculator on the exam(s).

## MAKEUP WORK

Late assignments **WILL NOT** be accepted without a valid Rutgers University excuse. If you have a schedule conflict on any day an assignment is due, please see me beforehand to make arrangements for turning in your assignment early.

## STUDENTS WITH DISABILITIES

If you have or believe you have a disability that may impede your learning, please contact the Disability Services Office. I will make every effort to accommodate you in accordance with Rutgers University's policy, procedures and College Coordinator recommendations. Additional information can be found at <http://studentaffairs.camden.rutgers.edu/disability.html>.

## ACADEMIC HONESTY

Principles of academic integrity require that every Rutgers University student:

- properly acknowledge and cite all use of the ideas, results, or words of others.
- properly acknowledge all contributors to a given piece of work.
- make sure that all work submitted as his or her own in a course or other academic activity is produced without the aid of unsanctioned materials or unsanctioned collaboration.
- obtain all data or results by ethical means and report them accurately without suppressing any results inconsistent with his or her interpretation or conclusions.
- treat all other students in an ethical manner, respecting their integrity and right to pursue their educational goals without interference. This requires that a student neither facilitate academic dishonesty by others nor obstruct their academic progress.
- uphold the canons of the ethical or professional code of the profession for which he or she is preparing.

Adherence to these principles is necessary in order to insure that:

- everyone is given proper credit for his or her ideas, words, results, and other scholarly accomplishments.
- all student work is fairly evaluated and no student has an inappropriate advantage over others.
- the academic and ethical development of all students is fostered.

- the reputation of the University for integrity in its teaching, research, and scholarship is maintained and enhanced.

Failure to uphold these principles of academic integrity threatens both the reputation of the University and the value of the degrees awarded to its students. Every member of the University community therefore bears a responsibility for ensuring that the highest standards of academic integrity are upheld.

More information on the Rutgers University Academic Integrity Policy can be found at <http://academicintegrity.rutgers.edu/>.

**Please note that I will seek the most severe of possible sanctions in all cases when the policy on academic integrity is violated. It is your sole responsibility to understand the policy.**

### Course Outline

<b>Date</b>	<b>Topic</b>	<b>Reading</b>	<b>Assignment Due?</b>
September 6	Introduction to Budgeting	Bland, Ch. 1*	
September 13	Revenue Systems	Bland, Ch. 2*	
September 20	Property Taxes	Bland, Ch. 3	
September 27	Consumption Taxes & Fees for Services	Bland, Ch. 4 & 5	
October 4		<i>No Class</i>	
October 11	Debt & Debt Management	*	Memo 1
October 18	Budget Cycle	Bland, Ch. 7	P.S. 1
October 25	Budget Preparation	Bland, Ch. 8	
November 1	Budget Execution	Bland, Ch. 9	P.S. 2 & 3
November 8	Auditing	Bland, Ch. 10	P.S. 4
November 15		<i>No Class</i>	
November 22	Federal & State Budgeting	*	Memo 2
November 29		<i>Thanksgiving - No Class</i>	
December 6	Capital Budgeting	Bland, Ch. 11	
December 13		<i>Final due</i>	

\* See details on the following pages for additional readings for these weeks.

## 1 INTRODUCTION TO BUDGETING

### *Required Readings*

Bland, Chapter 1.

Kioko, Sharon N., Justin Marlowe, David S. T. Matkin, Michael Moody, Daniel L. Smith, and Zhirong J. Zhao. 2011. Why Public Financial Management Matters. *Journal of Public Administration Research & Theory* 21 (suppl 1): i113-i124.

### *Assignment due*

None.

## 2 REVENUE SYSTEMS

### *Required Readings*

Bland, Chapter 2.

Tannenwald, Robert. 2001. Are State and Local Revenue Systems Becoming Obsolete? *New England Economic Review*. 4: 27-43.

### *Assignment due*

None.

## 3 PROPERTY TAXES

### *Required Readings*

Bland, Chapter 3.

### *Assignment due*

None.

## 4 CONSUMPTION TAXES & FEES FOR SERVICES

### *Required Readings*

Bland, Chapter 4 & 5

### *Assignment due*

None.

## 5 DEBT & DEBT MANAGEMENT

### *Required Readings*

Denison, Dwight V. 2012. Debt Management. In *Management Policies in Local Government Finance*. Eds. John R. Bartle, W. Bartley Hildreth, Justin Marlowe. Washington D.C.: ICMA Press.

### *Assignment due*

Memo 1. See instructions on Sakai for instructions.

## 6 BUDGET CYCLE

### *Required Readings*

Bland, Chapter 7.

Key, V.O. 1940. The Lack of Budgetary Theory. *American Political Science Review* 34(6): 1137-1144.

### *Assignment due*

Excel Problem Set 1.

## 7 BUDGET PREPARATION

### *Required Readings*

Bland, Chapter 8.

### *Assignment due*

None.

## 8 BUDGET EXECUTION

### *Required Readings*

Bland, Chapter 9.

### *Assignment due*

Excel Problem Sets 2 & 3.

## 9 AUDITING

### *Required Readings*

Bland, Chapter 10.

### *Assignment due*

Excel Problem Set 4.

## 10 FEDERAL & STATE BUDGETING

### *Required Readings*

Keith, Robert. 2008. *Introduction to the Federal Budgeting Process*. Washington, D.C.: Congressional Research Service.

Gosling, James J. 2009. Budgeting in the States. In *Budgetary Politics in American Governments*. Fifth edition. New York, NY: Routledge.

### *Assignment due*

Memo 2.

## 11 CAPITAL BUDGETING

### *Required Readings*

Bland, Chapter 11.

### *Assignment due*

None.