

PUBA 608: Public Budgeting Spring 2016

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Syllabus

Public Administration Program Mission:

The mission of the Public Administration Program is to equip those with public and community responsibilities in Hawaii, the Mainland, and the Asia-Pacific region with knowledge and skills to adapt to changing public service environments and to work collaboratively to solve problems.

The Program does this in a manner informed by the traditions, cultural sensitivity, and inclusiveness special to Hawaii, enabling our graduates to provide leadership and improve communities wherever they serve. Through teaching, research and service, the Program aims to give current and future public service professionals the knowledge and skills they need to be effective leaders in a diverse and globalizing world.

Program Learning Outcomes advanced by this course:

 PLO 4: Prepare and analyze budgets in a public context in order to evaluate organizational effectiveness and assist in decision making.

 PLO 8: Consistently apply critical thinking to a public issue (e.g. policy, ethics, HRM, etc.) in order to decide what, if any, action to take.

Course purpose and scope: The purpose of this course is to give you an overview, with some in-depth analysis, of public budgeting at all levels of government (federal, state, and local) in the United States.

Student Learning Objectives: By the end of this course, you will be able to

1. Think through, and prepare, a budget for a public agency.
2. Identify and use common and technical budget terms.
3. Identify and discuss current public budgeting issues at the three levels of government in the U.S.
4. Read and extract information from public budget documents.
5. Research, analyze, and report on important public budget issues.

Readings:

Book:

(M) Mikesell, John L. 2014. *Fiscal Administration*. 9th edition. Belmont, CA: Wadsworth. This book is available as an e-textbook from CourseSmart.com. You can access the text for purchase/rental here.

Articles/Chapters:

Alesani, Daniele. 2012. "Rethinking Budgeting as a Continuous Process." *Public Administration Review*. 72(6): 885-886 (November/December).

Anessi-Pessina, Eugenio, Mariafrancesca Sicilia, and Ileana Steccolini. 2012. "Budgeting and Rebudgeting in Local Governments: Siamese Twins?" *Public Administration Review*. 72(6): 875-884 (November/December).

Austin, D. Andrew. 2015. "The Debt Limit: History and Recent Increases." Congressional Research Service. November 2.

Bae, Suho, Seong-gin Moon, and Changhoon Jung. 2012. "Economic Effects of State-Level Tax and Expenditure Limitations." *Public Administration Review*. 72(5): 649-658 (September/October).

Barro, Josh. 2015a. "Can Republicans Avoid the Romney Tax Trap?" *New York Times*. May 19.

Barro, Josh. 2015b. "The Inevitable, Indispensable Property Tax." *New York Times*. July 4.

Barro, Josh. 2015c. "Thanks, Obama: Highest Earners' Tax Rates Rose Sharply in 2013." *New York Times*. December 30.

Bastida, Francisco, Maria-Dolores Guillamon, and Bernardino Benito. 2015. "Fiscal transparency and the cost of sovereign debt." *International Review of Administrative Sciences*, 0020852315574999.

Bifulco, Robert, Beverly Bunch, William Duncombe, Mark Robbins, and William Simonsen. 2012. "Debt and Deception: How States Avoid Making Hard Fiscal Decisions." *Public Administration Review*. 72(5): 659-667 (September/October).

Fox, William. 2012. "Selected Issues with the Hawaii General Excise Tax." Prepared for 2010-2012 Tax Review Commission.

Harwood, John. 2015. "Momentum Builds to Tax Consumption More, Income Less." *New York Times*. November 20.

Hulse, Carl. 2015. "Some Revealing Moments as Congress Closes the Door on 2015." *New York Times*. December 21.

King, Gary and Samir S. Soneji. 2013. "Social Security: It's Worse Than You Think." New York Times. January 5.

Lindert, Peter H. 2004. *Growing Public: Social Spending and Economic Growth Since the Eighteenth Century. Vol I: The Story.* New York: Cambridge University Press. Chapter 12.

Lopez, Luciana. 2015. "Christie sets out teachers' pension reform." Reuters. February 24.

Ma, Jun and Yilin Hou. 2009. "Budgeting for Accountability: A Comparative Study of Budget Reforms in the United States during the Progressive Era and in Contemporary China." *Special Issue: S53-S59 (Dec).*

Mankiw, N. Gregory. 2012. "A Better Tax System (Assembly Instructions Included)." New York Times. January 21.

Melitski, James and Aroon Manoharan. 2014. "Performance Measurement, Accountability, and Transparency of Budgets and Financial Reports." *Public Administration Quarterly* 38(1): 38-70.

Meyers, Roy T. and Irene S. Rubin. 2011. "The Executive Budget in the Federal Government: The First Century and Beyond." *Public Administration Review*. 71(3): 334-344 (May/June).

Mikesell, John L. 2011. "Investing Public Employee Retirement Funds." In *Fiscal Administration*, 8th Edition, Belmont, CA: Wadsworth.

Mikesell, John L. and Justin M. Ross. 2014. "State Revenue Forecasts and Political Acceptance: The Value of Consensus Forecasting in the Budget Process." *Public Administration Review*. 74(2): 188-203.

Pattison, Scott. 2012. "A Time to Reevaluate the Rules for Rainy Day Funds." *Public Administration Review*. 72(3): 386-387 (May/June).

Rodriguez-Tejedo, Isabel. 2012. "The Determinants of the Structure of Rainy Day Funds." *Public Administration Review*. 72(3): 376-386 (May/June).

Wehner, Joachim. 2011. "The Case for Congressional Budgeting." *Public Administration Review*. 71(3): 349-351 (May/June).

White House, U.S. Government. FY2016. *Budget Concepts Analytical Perspectives.*

Relevant online documents:

City and County of Honolulu, FY 2016 Budget.

State of Hawaii, Executive Supplemental Budget, Fiscal Year 2017.

State of Hawaii, Executive Biennium Budget, Fiscal Budget 2015-2017.
State of Hawaii Constitution, Article VII.
Hawaii Revised Statutes, Chapter 37.
State of Hawaii Council on Revenues

U.S. Federal Budget, FY 2016.

Required work:

Each week, participants will be expected to attend class AND to make a posting on the discussion section of our course in Laulima. The weekly contribution must be posted BEFORE class each week, and may comment on such things as the readings for the week, an issue raised in a previous class, related issues found in newspapers or other periodicals, or the comments/postings of other class members. Commenting on each others' postings is especially encouraged, as this promotes dialogue and mutual understanding. The purpose of these postings is to encourage you to actively think about, and apply, the ideas and concepts that we discuss; it will also encourage others to engage your observations and ideas. The postings need not be long, but they should be substantive in terms of content.

On occasion, I may post something, but I will typically not participate in these postings. I will, of course, monitor them.

Because unexpected events happen to all of us, up to three missed classes may be made up by a substantial posting in the week of the absence. A fourth missed class will negatively affect the final grade in the course. A fifth missed class will result in an Incomplete or failing grade.

Please bring to each class a device to do calculations--a calculator, computer with spreadsheet program, etc. We will sometimes have exercises that require you to do computations.

Projects: You will have two major projects in this class. As described below, the first project is an exercise in putting a budget together. The second project is a paper on a current issue in public sector budgeting.

First Project (due February 11):

Compose an operational budget for the unit of the organization in which you work, in which you have worked, or of which you have knowledge. Organizations have several levels. To keep things manageable, you should choose the smallest level feasible for which to compose the budget. To give you a sense of scale, ideally the unit of the organization for which you are doing the budget will have about 8-15 people, providing services that require some operational expenditures.

This is an exercise in crafting a budget, and an associated budget framework, that you believe is sensible for the unit. Do NOT submit an existing budget for your unit, nor material that substantially reflects an existing budget. In general, your task is to think through what your unit does (or should be doing), identify the resources (people, equipment, etc.) necessary to accomplish this, make (rough) estimates of the costs of those resources, and construct a mechanism for being able to determine how successfully the unit has accomplished what it set out to do. This is a creative exercise--there may be several ways of constructing a reasonable budget for the unit.

You may exercise some flexibility in the content and method of presentation of your budget document. However, the document must provide information about expected expenditures for the coming fiscal year (for example, July 1, 2016 through June 30, 2017) as well as projections for the ensuing five years. Moreover, the following information should appear in the document in some form:

Description of your unit (including a mission statement, a list of the major activities that the unit engages in, and a brief description of the relationship between the unit and the larger organization of which it is a part). Perhaps with the exception of the mission statement, you should draft this material--try not to use the organization's existing materials.

A short statement describing the source of revenues (for example, if a government agency this might be tax revenue and/or user fees. If a non-profit, it might include donations and/or fees for service or a government contract. If more than one source of revenue, give an indication of the percentage of revenues from each source; it's OK to make an educated guess).

A statement of expected trends or events that will affect the activities of the unit and its budget over the six-year horizon.

A list of expenditure categories describing the resources expected to be utilized and associated dollar amounts. Include a discussion of the table, or provide notes to the table, that explain the significant assumptions or patterns in the figures--enough so that the reader can understand why the figures change over time as you indicate.

An evaluation component intended to provide information about the extent to which the unit is successful in achieving its goals. For example, if your unit provides housing and meals to the homeless, you might include a measure of nights and meals provided and an estimate of the unmet need for these services. It is acceptable to identify "ideal" outcome measures. For each major activity that is being evaluated, provide a short narrative on the challenges/issues raised in implementing the measure. The idea of this component is to identify and discuss issues related to outcome measurement.

Notes/Suggestions:

To some degree the expenditure categories will depend upon the activities of your unit. You may use the list below as a general guide, but think carefully about whether the categories are appropriate to your unit and its activities or whether additional/different categories should be used.

With respect to providing numerical estimates of expenditures, the purpose of the exercise is NOT to produce the most accurate numbers possible; instead the purpose is to produce "reasonable" numbers that give a sense of the relative magnitude of different expenditures compared to each other and over time. Thus, avoid the trap of spending a lot of time on the precision of your numerical estimates. Instead, focus on choosing appropriate categories of expenditure and reasonable general estimates of the magnitudes.

Potential Budget Categories:

- Personnel (salaries and wages)
- Fringe Benefits (usually a percentage of salaries/wages for each employee)
- Travel (air, hotel, ground)
- Equipment (computers, automobiles, etc.)
- Supplies
- Consultants/Contracts
- Other (rent, utilities, telephone, janitorial, security, etc.)

An example of the first project assignment can be found [here](#).

Second Project

Your second project will stretch over the remainder of the semester. This will be a research paper in which you explore an issue related to public budgets. You may choose one of the topic suggestions listed below, or you may formulate your own topic, subject to my approval.

You should formulate a relatively well-defined approach for your project. The key to success lies in identifying a portion of your topic that you can reasonably research and think about in the time available. My goal for you is to learn about your topic throughout the semester, bringing to it your growing knowledge from our class sessions, and completing research that substantially deepens your understanding and produces a high-quality work product.

Possible topics:

1. Explore the path of the U.S. federal deficit since 2000, with special emphasis on the Obama years and the contentious relationship between the White House and Congress.
2. Explore the U.S. federal debt limit. What is it? Why does it keep reappearing? Is there a better way to manage the federal public debt level?
3. Explore the U.S. federal deficit/debt issues as they relate to Social Security and/or Medicare.
4. Explore the budget-related controversies of recent years in the European Union. What are the issues?
5. Puerto Rico is in a fiscal crisis related to the size of its debt. How did it get where it is, and what are the proposals for addressing the crisis?

6. Many states (including Hawaii) are struggling to fund their pension obligations to state workers. What are the issues? How serious are the problems?
7. Rail remains a contentious issue in Hawaii, largely for budget reasons. What are the issues? What are some of the possible resolutions?

In the following project reports, please be sure to cite sources for the specific information that you provide and give a list of references. All of the written reports should be submitted electronically.

- a. On February 18, you will report to me by email your intended project topic/approach for my approval. Your short description should be sufficient to convey the most important issues as you see them. That is, why is this project topic interesting/important? I will respond either approving your topic or making suggestions for changes.
- b. On March 3, you will submit your First Written Project Report. This is a short, written report that describes your intended approach to the project, including a statement of the major issues as you see them, a description of your intended approach for analyzing them, a mention of the sources you expect to use, and some speculation about what you expect to find/conclude. The report should not exceed 6 pages (double-spaced, Times-Roman 12-point font, 1" margins all around).
- c. On March 31, you will provide to the class a brief oral report on the status of your project. The report should include a statement of the main issues, what you have found so far, and where you expect/hope the project to go. Your report should be about 5 minutes. Please do NOT use PowerPoint or another presentation software for this presentation.
- d. On April 28, you will submit the Second Written Project Report. This will provide a detailed discussion of the topic seen through the lens(es) that you have chosen. The second project report is not likely to exceed 12 pages (same formatting as in the first report).
- e. Also on April 28, you will make a final class presentation on your project. To the extent appropriate, you should incorporate, or link to, the budgetary concepts/issues that we discussed in class. The purpose of this presentation is to display your ability to identify and apply the concepts and ideas discussed in class to the project as you have framed it. You will have 10 minutes for this presentation and you MAY use PowerPoint or another presentation method.

Course Grade: Your grade in this course will be assigned as follows:

Class discussion (including weekly Laulima discussion postings)	10%
First Project (Prepare budget) (due February 11)	20%
Email report of topic choice (due February 18)	5%

First Written Report for 2nd Project (due March 3)	15%
Brief Oral Report of Status (in class on March 31)	10%
Second Written Report for 2nd Project (due April 28)	25%
Final Project Presentation (April 28)	15%

Outline/Calendar:

Session/Date	Topic	Readings marked with * are optional (but recommended)
Session 1 Jan. 14	Introduction and Overview Government Size, Budget Process, Players	M: Chs. 1 & 2 Ma and Hou
Session 2 Jan. 21	Constructing a Budget	DBEDT READ Biennium Budget FB15-17 PUBA Example
Session 3 Jan. 28	Federal Budget I General	M: 3 (pp. 90-131, except Sidebar 3-3) White House FY2016* (useful for definitions) Meyers and Rubin , Wehner
Session 4 Feb. 4	Federal Budget II Deficits and Debt	M: 3 (Sidebar 3-3 and pp. 131-143). Hulse Austin
Session 5 Feb. 11	State Budget I States Generally First Project Due	M: 4 Bae et al.
Session 6 Feb. 18	State Budget II Hawaii Email on Topic Choice for 2nd Project due	Hawaii Constitution, Article VII Hawaii Revised Statutes, Ch. 37 (light skim) Rodriguez-Tejedo Pattison
Session 7 Feb. 25	Local Budget	C&C Operating Budget FY2016 (16.6 Mb) C&C Capital Budget FY2016 (15.8 Mb) Anessi-Pessina et al. Alesani

Session 8 Mar. 3	International Perspective & Intergovernmental Relations First Written Report for 2nd Project due	M: 13 Bastida, Guillamon, and Benito Guest Speaker: Kathryn Matayoshi, Superintendent of Education, State of Hawaii.
Session 9 Mar. 10	Capital Budgeting & Debt	M: 7 & 15 Bifulco et al. Guest Speaker: Diane Arakaki, Chief Financial Officer, Honolulu Authority for Rapid Transit (HART)
Session 10 Mar. 17	Government Revenue	M: 8 & 12 Lindert Mankiw
Mar. 24	SPRING BREAK	
Session 11 Mar. 31	Taxation: Income Tax Brief Oral Report on 2nd Project	M: 9 Barro 2015a Barro 2015c
Session 12 Apr. 7	Taxation: Sales/Consumption Taxes Taxation: Property Taxes	M: 10 Fox Harwood M: 11 Barro 2015b
Session 13 Apr. 14	Revenue Forecasting	M: 13 Mikesell and Ross
Session 14 Apr. 21	Budget Reforms; Performance Measurement	M: 6 Melitski and Manoharan
Session 15 Apr. 28	Public Employee Retirement Systems Second Written Report for 2nd Project due Student presentations	Mikesell 2011 Lopez

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