Course Description:

Budgeting is an integral part of most management decisions. Whether the decision is to start or end a program, lower or raise taxes, hire, fire, or promote employees, purchase or sell items, or to improve client services, managers must weigh a decision’s budget implications. Budgeting is the cornerstone of management and government performance.

Basically, budgeting is defined as obtaining, managing, and controlling funds based on a strategy to attain organizational goals. The MACCY program provides a two-course sequence to introduce the range of issues, techniques, concepts and terms associated with the field of government finance. The first course, Public Financial Management, takes a broad approach and examines financial strategies and processes for managing revenues (assessment, collection, borrowing and investing) and spending (purchasing, insuring, controlling, auditing and reporting). The second, Government Budgeting Systems, covers the environment, context, approaches, and processes pertaining to the allocation of public resources in government. From time to time additional MPA elective courses will be offered such as revenue, capital budgeting, and infrastructure finance where those topics will be dealt with in depth.

This budgeting course is vital in order to prepare for the Certified Government Financial Manager exam and does not assume that you have taken any previous budget course. Although many of you have considerable experience working with budgets, the primary theme is the evolution and practice of an ideal budget system.

As a first assignment for Unit #1 (available Sunday, 1/24/10), I would like us all to get to know each other. This is important, not just for our coursework, but also for networking and establishing relationships with other colleagues in your profession. Please create an on-line, short autobiographical essay; who you are, what you do, what hobbies you have, and what you hope to get from this class. Since this is a class on budgeting, also include your professional and personal experience with budgeting. What has been your involvement, if any, with budgets at work? Have these been government or non-government budgets? If you are involved with budgets at work, how many employees and/or what is the dollar value of the budget? To what extent, if any, do you have a formal budget for your personal finances including monthly or quarterly monitoring of actual against planned expenditures? Please post your bio to the entire class during the first week of class i.e., no later than midnight at the end of Unit # 1 (use the threaded discussion).
This course has three group projects. We should have about four students in each group. When the course begins you will see the group projects in Unit #1 (under Projects). Please select your first, second, and third group choice and Email me your three choices as soon as possible. I will try to accommodate your preferences as much as possible. I like to mix the experiences in each group so you each team member will have maximum exposure to various backgrounds. This will help in teaching and learning from each other.

The course also has one individual paper (details will be in Unit #1 Projects) and perhaps some short ad hoc assignments depending on needs as they arise.

This course takes a building block approach where each unit establishes a foundation for the next one. At the end students will have a historical, theoretical, and practical understanding of government budgeting.

This course also includes one unit (about half-way) that we call a student forum or a mid-term break. This provides students with an opportunity to discuss any professional issue they choose, to share experiences with their future colleagues, or simply relax. Participation in this discussion is voluntary.

**COURSE MATERIALS**

**Required Texts:**


**Course Objectives:**

- To understand the challenging environment within which government budgets are developed and implemented.
- To understand how government budgeting integrates with strategic planning, employee performance, and organizational performance.
- To understand the major components of a budgeting system and the terms used in public budgeting.
- To understand the various budgeting models that have been used historically, the differences among them, and their appropriateness in various situations.
- To understand the “best practice” model of public budgeting compared to what currently exists.
- To be able to analyze critical budget components and processes of a government organization and assess how to apply different budget models to that organization.
• To carry out an individual field work assignment to observe how classroom budget concepts are implemented in a local school district.
• To demonstrate critical thinking skills when making comments or producing reports by selecting appropriate sources of research, by identifying limitations or biases in available research, and by managing personal biases and opinions.
• To be familiar with the key challenges facing professional, non-partisan budget and accounting leaders and staff as they develop, implement, and evaluate public budgets.

PROJECTS

Project descriptions along with due date’s will be listed under "Projects" in Unit 1.

GENERAL POLICIES:

Each unit begins officially on Monday but is available on Sunday and responses to the threaded discussion must be completed by the following Sunday at midnight (see schedule which follows). Threaded responses received after midnight Sunday and any work received after a set deadline without prior permission will not receive full credit. It is imperative that students complete all work on time and according to schedule.

Students are expected to check their course email and the E-college software at least every couple of days for instructor announcements, emails, and emails from their classmates. This is especially true during your group projects. If you are unable to participate in your group or class for whatever reason, let someone know. Informing others of any situation where you can’t perform your work, and even asking for help, are important professional skills.

Students are expected to read the syllabus carefully and meet all deadlines with out reminders from the instructor.

When submitting papers, please include a brief introductory paragraph to both help you to focus on the topic and orient the reader to your paper. In addition, include page numbers and the date as a reference tool for your reader. This is simply good business practice.

GRADING POLICIES:

- 30% online class participation; threaded discussion and critique
- 25% one ten-fifteen page paper
- 20% one ten-fifteen page group paper
- 25% Final Examination (online)

PARTICIPATION IN THREADED DISCUSSION

This on-line course uses what we call a threaded discussion. I will be proposing a general question to the class. This is your opportunity to share what you learned from the readings, student responses, and other
material in the course. As students respond to the question, their responses are attached to this question. Anyone logging in can see the original question and each student’s response up to that point.

These threaded discussions are, in effect, the equivalent to a classroom discussion. As such, I expect every student (no exceptions) to participate in each threaded discussion. The first person responding has the challenge to decide on an approach to the question. Others can add to it or disagree, of course. When you post your opinion or position to the threaded discussion please draw on texts, readings, lectures, the Webliography, or your personal experience to substantiate what you posted. This way others can see what references or evidence you used to form your professional judgment. Personal opinion without reference to your reasoning has limited value.

It is unnecessary and does not add to your grade to repeat what prior students have said or to make points that were also made earlier. You may state that you agree or disagree with selected points or add new points, but remember to cite your professional judgment with references or evidence.

To further clarify, you won’t have questions where the answer is given or explicit in the material (such as, “what are the three branches of government?”). Instead, you have to develop an answer based on the readings, your personal experience, prior student responses to the question, and other material and your analysis of that information. The intention of this process is to further develop and deepen your communication and critical thinking skills.

It's especially important to learn how to respond to your colleagues when you agree and disagree with them. If you agree with your colleague, acknowledge that they covered all the points that you believed were relevant.

In terms of disagreeing, I know it's challenging to disagree with a colleague (and the teacher). However, it's a skill that's critical for professional budget and accounting staff. This class is a great place to practice disagreeing in a respectful and educational way. For example, you might say I disagree with x because I believe that the author meant .... Or you might say I disagree with x because he/she did not address the following point (s).... By explaining why you disagree you are creating an opportunity for both parties (and the class) to learn and you are committing to being a professional which includes open communication and learning to feeling more comfortable engaging with different perspectives.

I suggest that you draft a response to the threaded discussion on your computer then copy it to the threaded discussion. This helps to avoid losing your work on those rare occasions when the system goes down or times you out.

WEBLIOGRAPHY
One of the unique benefits of offering this course over the Internet is the ability to discover links on the World Wide Web to enhance its contents. I would encourage each of you to browse through the web and share with others appropriate sites dealing with the topics in hand. This is accomplished through the webliography or your postings to the threaded discussion area.

CREATION OF DROP BOXES AND DOCUMENT SHARING
If any ad hoc assignments become necessary, I will create a drop box in the appropriate unit. In terms of group papers, please post the final copy (after approval from the instructor) in the document sharing section at the top of the tool bar.
**SEMESTER SCHEDULE:**

Unit #1 Introduction and Background

Starts 1/25/10 and ends midnight 1/31/10

**Learning Objectives:**

- To understand the historical use of the term budget and basic budgeting terms.
- To begin to become familiar with the key role that budgets serve in our system of government
- To become familiar with the course syllabus, assignments, and due dates.
- To become familiar with the backgrounds and experiences of your fellow students, group members, and future colleagues

**Lecture/Background**

Budgeting has been described as the nerve center of government and the place where policy is routinely made (Meyers, p.441).

Budgeting is the least standardized of the primary governmental fiscal functions (budgeting, finance and accounting). Finance and accounting are constrained by law, regulation, and professional practice although as we recently saw major temporary lapses can occur (Myers, p.442). These often result in new laws or regulations such as the Sarbanes-Oxley Act of 2002.

If we look at budgeting simply as a plan to use resources, budgets have always existed. The origins of the word date back 2000 years with the Latin word “bulga” meaning bag. It was then transformed into “bougette” meaning smaller bag. By the 15th century in middle English it was “bowgette,” then in current English to “budget.”

All aspects of government budgeting (structure, methods, strategies, tactics, etc) including efforts to reform it are driven by the nature of government and by newly elected representatives, economic and business cycles, social values, advocacy groups, world events, etc.

**Assignment Unit #1**

Create Bios noted earlier and post to threaded discussion no later than midnight on 1/31/10. The areas to cover in your bio are repeated below in the Threaded Discussion.

**Reading Assignment:** see lecture notes immediately above.

**Threaded Discussion:**

Please post your bios under this thread. The guidelines from the syllabus are repeated below.

As a first assignment, I would like us all to get to know each other. This is important, not just for our coursework, but also for networking and establishing relationships with other colleagues in your profession. Please create an on-line, short autobiographical essay; who you are, what you do, what hobbies you have, and what you hope to get from this class. Since this is a class on budgeting, also include your professional and personal experience with budgeting. What has been your involvement, if
any, with budgets at work? Have these been government or non-government budgets? If you are involved with budgets at work, how many employees and/or what is the dollar value of the budget? To what extent, if any, do you have a formal budget for your personal finances including monthly or quarterly monitoring of actual against planned expenditures?

Projects:

There is one individual and three group projects:

The individual project is due two days prior to the start of Unit #10, Saturday, no later than 10 in the morning. Specific instructions will be given well before the deadline.

The group projects are as follows:

There will be three groups, each student participates in one. Group projects are due at the beginning, not the end of the unit so the class can learn from the group’s paper. Please review these group projects and send me an email with your first, second, and third choices. I will try to give everyone their first or second choice.

The length of the group paper is really up to what the group thinks are the key points to include and how to present them to the class. Ten pages seems to be a minimum, typically 15 is what I usually receive. If you think the material takes longer, go ahead.

As a guide, let me use an anecdote. I once read that Benjamin Franklin sent a long letter to a friend with an apology. He said that he was sorry for writing such a long letter however; he didn’t have enough time to write a short one. In other words it takes time to organize your thoughts, present them concisely, and eliminate unnecessary information.

Please give me at least two days prior to the deadline to review a draft of the paper and to enable you to make any changes prior to posting it in document sharing.

The groups are:

Group #1 due to the instructor no later than 10am on Saturday. This is two days before the start of Unit #5 on Monday. It is due to the class no later than midnight, Monday night:

HISTORICAL ANALYSIS OF THE STRUCTURE AND FUNCTION OF OUR CONSTITUTION

Government operates in a unique, challenging, and ever changing social, cultural, economic, political, moral, and geographic environment. Government Budgeting is a key function where all of these forces coalesce to meet the “public interest.” One example that demonstrates this challenge is to consider the differences between California and North Dakota in terms of their social, cultural, economic, political, moral, and geographic environments. Yet, the two senators from North Dakota have the same voting power as the two from California, and the remaining 48 states.

With this brief example one can begin to appreciate the natural and necessary conflict and the challenges that occur in defining, voting on, and implementing budgets to meet the public interest. Government budgeting therefore can be seen as a vehicle that quantifies the “public interest” in dollars and cents and reflects yearly changes in it. In fact, the paradox is that government was designed to respond to public demands yet government was also designed to change slowly.
Group #1 will examine the historical ideas that created our form of government as it relates to the issue of change. Specifically, it will identify the tensions between the democratic aspects reflecting popular opinion for rapid change versus the structural components that slow down that process of change. The group will identify the major concerns of the framers of our constitution regarding the following: 1. Public demands for change 2. The power majorities have over minorities. 3. The personal ambitions of political leaders for power and influence, and 4. Human nature as they saw it? What specific concerns did they express for structuring our government as reflected in the constitution? Suggested references are the Federalist papers including #10, #37, #51 and discussions of them, the Notes of Debates in the Federal Convention of 1787 by James Madison, etc.

Group #2 due to the instructor no later than 10am on Saturday. This is two days before the start of Unit #8 on Monday. It is due to the class no later than midnight, Monday night:

PRESENTING BUDGET REPORT TO NEW GOVERNOR

Newly elected Governor Christie of New Jersey was recently sworn in. He plans to address the state’s budget problems mostly likely by reducing expenses and less likely by raising taxes or fees. He has requested the state’s budget staff to develop an overview of the state’s budget problem and some tentative solutions for discussion.

The group will take the role of state’s Office of Management and Budget, professional non-partisan budget staff and develop a report to assist the Governor in addressing the budget deficit. The Governor first wants an overview of the budget situation. For example, he needs to know: where state government funds are spent in the various levels of New Jersey government (i.e., state, county, school district, and municipal levels); how much is spent at each level; and, what the trends are (amounts and percent changes over time—say 5 years) in the growth of expenses. He wants to see a similar listing of state revenues. In addition, please answer the following questions, revise them or add more as your analysis dictates:

- Is there a structural budget problem or is it due to current economic conditions.
- How much in expense reductions or revenue increases need to occur to put the state on a sound economic footing?
- What are the root causes of New Jersey’s budget problem?
- In order to make decisions regarding what expenses to reduce, he wants at least the five largest expenses identified. And, he wants to know the impacts of reducing these expenses as a first step in solving this budget problem. For example, if jobs will be lost, are they state, county, school district, or municipal jobs and approximately how many would be lost?
- How much of the budget is likely to contain fraud, waste, and abuse and hence can be reduced with little or no impact on jobs?
- What are your tentative alternative recommendations?
- What are the limitations of your report?

Most of the information should be available in the webliography using the 2010 budget and related documents.

This group will apply professional and critical thinking skills by determining what information to include, how to present it to decision makers, and doing so in a manner that is as objective as possible. The report should take an overview approach because the Governor is new to state government yet it needs to be
comprehensive, covering the major problem, and be clearly written and presented so it is easily understood by the Governor and the public. You will have to make professional judgments for example, of how in-depth to go in certain areas, where to identify data or time limitations, and where to develop reasonable estimates based on available data. Try to put yourself in his position in terms of the data you think you would need to get up to speed and to establish a foundation for a later more in-depth focus in selected areas identified in you’re overview.

Group #3 due to the instructor no later than 10am on Saturday. This is two days before the start of Unit #11 on Monday. It is due to the class no later than midnight, Monday night:

DEVELOPING YOUR SKILLS TO THINK INDEPENDENTLY AND OBJECTIVELY.

Working as a professional accountant or budget analyst in government begs the question of partisanship or bias. Generally, one of two political parties is in power although recent so-called populists “Tea Party” activists are also showing political muscle, witness the recent Senatorial election in Massachusetts. Over time, political decision-makers change, requiring non-partisan budget analysts to provide information to representatives of different political perspectives. As a non-partisan professional, it is important to be aware of and control how your own political biases and personal opinions may influence your perspective. The consummate accounting or budget analyst must be able to balance the fundamental values of professional skepticism and fiscal conservatism in their assumptions with their personal biases. The purpose of this exercise is to help you identify bias or unstated assumptions in conservative, liberal, and non-partisan advocacy groups. This, in turn may help you to become aware of your biases or assumptions that may influence the information you provide to decision-makers.

The assignment addresses the time-honored issue of appointing commissions to develop recommendations for difficult financial or budget issues. The most recent example is President Obama’s proposal to appoint a commission to examine the country’s deficit situation and to make recommendations.

Group #3 will identify important information about these commissions and the various advocacy groups that may analyze, support, or oppose these commissions. The group will identify the history and success of prior budget or financial Commissions. Do conservative, liberal, and nonpartisan advocacy groups all have similar or different opinions regarding the effectiveness of these commissions? The group will take at least one organization from each of the three perspectives, conservative, liberal, and non-partisan advocacy groups and answer the following questions:

1. What is each of their positions on the issue of budget commissions?

2. Can you observe any differences among these three types of advocacy groups in terms of their biases or implied assumptions? Give examples.

3. Do any of the publications of each advocacy group deal with the issues of their biases or assumptions regarding budget commissions or any issue for that matter? Did you conclude that these advocacy groups were open, unaware, or even misleading in the way they presented their conclusion? If so, please indicate the basis of your conclusion with examples.

4. You have looked at the issue of budget commissions from conservative, liberal, and non-partisan perspectives. Possibly because of their bias most citizens don’t look at all three perspectives. Nevertheless, what would the typical reader of one of these advocacy groups learn from your research and analysis of all three that they would not otherwise have known?
Learning Objective:

-To understand the unique characteristics of government budgeting; specifically, the Constitutional, social, political, and geographic context in which government budgeting occurs
-To understand the design and purpose of the government’s structure and its impact on government budgeting
-To appreciate the different roles carried out among the key players in this structure;
-To be familiar with the major historical perspectives that led to the design of government (shared power and accountability to the public).

Lecture: Government Purpose and Structure:

In order to appreciate government budgeting systems it is important to understand the nature and structure of government and the impact of these on government operations and budgeting. Understanding this purpose and structure and their impact would temper the popularly held belief that government is inherently slow and operates in a less than businesslike fashion. These complaints actually reflect the way government was intentionally structured to operate. As James Madison said,

“if men were angels, no government would be necessary…. In framing a government which is to be administered by men over men, great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself. A dependence on the people is, no doubt, the primary control on the government; but experience has taught mankind the necessity of auxiliary precautions” (as quoted in Laurence Tribe, On Reading the Constitution, p6).

One such auxiliary precaution was to divide power among three “equal” branches of government. Thus we have the four key structural components of government budgeting; the three branches and the accountability to the public. With this structure we have a framework that intentionally creates the chronic ebb and flow of a struggle among varied interests (represented through elected officials) to obtain scarce public resources to respond to the public’s abundant need.

This struggle is guided only generally by the preamble to the Constitution which states, “We the people of the United States in order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general welfare, and secure the Blessings of Liberty to ourselves and our Posterity....” This guidance says nothing about the government will operate according to the laws of science or sound business or economic practices or by logic and reason. These and a myriad of other desires are established only through the “messy” mechanisms provided by the framers and established in our Constitution. One example of the consequences these “messy” mechanisms are the current and prior financial crises.

One of the readings in this unit is a brief historical document in the Webliography. This document is a concise (8 page) overview of our Constitution. Many themes that existed then continue to today. Some of these are:

-the need for revenues (taxes) to fund government and the reluctance to paying them;
-the pragmatic approach of our leaders to try new things (one could say the entrepreneurial spirit). For example, the Articles of Confederation (our first constitution) failed; the leaders learned from these mistakes to create the current constitution;

-the need to dialogue, debate, and compromise in order to obtain the best from individuals to deal with complex issues and diverse interests;

Reading assignments:

Executive (the swearing in ceremony of the President includes the oath to “preserve, protect and defend the Constitution of the United States”) Myers Chapter 1

Legislative (represents the public interest): Legislatures and Budgeting, Meyers Chapter 19

Judicial (interprets the constitution): Courts and Fiscal Decision Making, in Meyers Chapter 20

This article reflects the limited appreciation of the “messiness” of government. The author does not address the issue directly; instead he approaches it from a theory of budget reform: Political Implications of Budgetary Reform, Miller, Chapter 3

Webliography: see two articles: Historical Background of the US Constitution and the US Constitution.

Unit Assignment:

Within the next day or two the instructor will give group assignments. In the interim, here are some “tips” for completing on-line group reports from a previous class:

"This online group report was a great learning experience for all of us. It was the first online collaboration for two in the group. While we are all in agreement that none of our problems were major ones, we did run into some minor communication issues. We think future group members could avoid similar issues with the following suggestions:

1. Preparation of a brief summary page, identifying in detail source documents to use before beginning the project so that everyone is looking at the same information.

2. Lack of real time communication – we “met” once in the chat room, but then relied solely on emails back and forth. We should have conference-called each other on the phone for clarity.

3. Not being direct in email messages – if there’s a difference of ideas, don’t be hesitant to speak up!"

I would add that the group project is another opportunity to practice your professional communication skills.

Threaded discussion:

The framers of our Constitution addressed profound questions regarding the purpose of government, the structure to achieve this purpose, and the nature of human beings especially when they have power over others. What impact would you anticipate on government budgeting given the readings and the major parts of our government structure discussed thus far?
POSTED AS CLASS ANNOUNCEMENT

Biographies and Group Assignments:

Biographies

I echo what April said about the biographies, “After reading all the bios, I look forward to working with you and having you share your experiences and insights.” I hope you enjoyed reading them as much as I did.

Some of the issues with government budgets are reflected in your comments regarding your personal budgets. For example, Joan set up a personal budget and found it very useful and informative. She was surprised to see where her and husband overspent. Humor also helps to give us perspective. As with many in the class, Dennis N has an advanced degree or certification (CPA). He shared that at the end of the year he and his wife go over where the money was spent in their budget and that she hates it. Gabriella shared that she tracks her revenues but is less interested in tracking her expenses. I also learned what Zumba is.

It was especially nice that you shared so openly about the professional and personal aspects of your lives. Let’s try to continue that openness as we go through the course.

As you see we have a class of individuals with wide-ranging experiences and backgrounds. Some have less government budgeting experiences, while for others this experience is extensive. I expect each of us to draw on our experience and natural curiosity as we use the material from the course to ask and answer questions. I hope that each person, including this instructor, can teach and learn from one another.

As we begin to work together, let’s keep a relaxed, sharing and professional atmosphere. My goal for the class is a lofty one: each week you gain a richer understanding of and appreciation for our governmental system and how this system impacts on government budgeting. In addition, our experiences and backgrounds provide us with opportunities to ask and answer questions, fill in any gaps in the texts and other material, agree and disagree with each other in a professional manner, and begin establishing a wide network of professional colleagues willing to communicate with us openly and honestly and sharing their knowledge.

When we debate an issue, let’s give reasons for our opinion, which means drawing on our text material or our experience. Exchanging different perspectives on the readings helps others see various ways of interpreting information and hopefully provides a richer understanding of that material. And, sharing those interpretations provides the added bonus that everyone learns different ways of seeing and interpreting knowledge.

Group Assignments (a draft is due to the instructor two days before the start of the unit in which the paper is due):

Group #1 Due at the beginning of Unit #4

Group #2: Due at the beginning of Unit #6

Group #3: Due at the start of Unit #10

Group #4: Due at the beginning of Unit #11
Unit #3: The “Messiness” of Government: Logic, Bias, and Conflict.

Starts on 2/8/10 and ends midnight 2/14/10

Learning Objectives:

- To understand the planned “messiness” in government and its impact on budgeting.

- To understand the role of logic in government and how this relates to the budget and the professional budgeting/accounting staff.

- To gain maximum information quickly from written material by enhancing critical thinking skills.

- To appreciate the role of conflict in government budgeting

Lecture

This unit addresses the “messiness” of our government’s budgeting. In this course “messiness” has both structural and personal factors. Structural factors include the dynamic, complex, multilayered, and structural power relationships among and within the three branches; for example, in the legislative branch between the Senate and House of Representatives and in the executive branch between the executive and the different departments. The dynamic, complex, multilayered, and power issues repeat in terms of personnel. Power issues include the power of elected or appointed individuals, partisan staff and the fallibilities in all these individuals.

One often hears informed opinion describing the operation of this US democratic system as "messy." It’s the best term I can think of even though these complexities are inherent in the design of our system and are the deliberate attempt made by the framers to slow down the government process so the country’s law is not driven by the passions of the people. Uninformed opinion is much less kind. I have spent years in government budgeting at the judicial, legislative and executive branches of NJ state government and in local school districts and municipalities. My work has been in a non-partisan nature developing recommendations for top elected or appointed individuals. I agree with the informed assessment and would add that, of course, it extends to the budget process. You have begun to learn that this intentional “messiness” results partly from our democratic, constitutional structure.

In this unit you will skim the constitution and notice that it makes no mention that the three branches will be logical, scientific, wise or even informed. While professional budget/accounting staff uses logic, reason, standards, or all three, they do so in an environment where other factors such as power, party, or elections have top priority, adding to this “messiness.”

This unit addresses two additional factors that add to this messiness; author bias and conflict. With author bias, the writer will sometimes display incomplete understanding of the impact of our government structure on the budget process. Occasionally, they want the budget process to be more logical and they prescribe improvements without addressing their underlying assumptions. They don’t always demonstrate appreciation for the elected or appointed officials and the challenge they have in the decision making process, including being accountable to the public.
Becoming aware of author bias does not negate what their message is. It helps the reader think about how their own perception of the bias influences their view of the material. Do the author’s points have more or less value if you see them presented in a balanced or unbalanced way? It therefore helps the reader learn about any obvious limitations of a particular author.

This course uses four separate texts because a single text could not be found that would cover the material in the depth and breath required. Each text helps to contribute to the entire picture of government budgeting. Besides bias, using four texts in itself creates some challenges. As graduate students, it’s essential to think critically about the materials presented. It’s important to quickly become familiar with the strengths, weaknesses, and approaches of each text and article. Secondly, we will have to combine the materials into a coherent picture of the subject matter.

Quickly getting to the point of written material is a common problem. Here is where critical thinking comes into play. By critical thinking, I mean objectively and reasonably organizing and analyzing information into component parts, drawing relationships among various sources of information, and evaluating this information using specific logical standards that clarify complex or conflicting information. The critical responses of your colleagues (often called criticism) will help to develop these skills. One site in the webliography has an outline of critical thinking tips that can be useful.

Two readings address the issue of conflict. The first reading provides a comprehensive overview of conflict in government budgeting. The other, in the framers own words, provides a rationale for having a senate and a house of representatives, to further deepen our understanding of conflict.

Readings

*Political Implications of Budgetary Reform*, Miller, Chapter 3

*Integrating Evaluation and Budgeting*, Miller Chapter 19

*Understanding the Role of Conflict in Budgeting*, Myers, Chapter 2

*Federalist Paper # 62*, Madison or Jefferson, Webliography

Threaded Discussion

This unit analyzes the “messiness” of government budgeting from several perspectives. What are the top four points that you take away from these readings? The reading titled *Integrating Evaluation and Budgeting* makes many good points. It also contains some assumptions about logic and reason. Most importantly, it does not seem to address many points we have covered so far in the course. So lastly, in your view, what points does the author not address and how important are they?

Unit #4: Government Budgeting: Common Components and Comparison to Personal Budgets

Starts on 2/15/10 and ends midnight 2/21/10

Learning Objectives:
-To understand the key structural components of most budgets and some basic budget and accounting terms

-To compare the process of developing a personal budget to government budgeting

OVERVIEW

Almost all budgets have at least four common components. Simply stated, the first is resources which can be referred to as revenue, income, or some other asset that is planned to be used. The second is the plan to allocate the resources often referred to as expenditures or allocations. The third component is the difference between the amount of resources and their planned usage. If the amount of resources exceeds the amount planned for expenditure or allocation, a surplus exists. If resources are less than the amount planned for expenditure, a deficit exists.

The fourth component is the time period. A budget without a time period is of limited value because one needs to know over what time the resources are expected to be available and when they will be used.

Most major budgeting issues are variations on these themes. They are issues regarding resources, their allocation and whether a deficit or surplus exists and the time period in which they occur.

Further information can add significantly to the quality of the debate around budget issues, but it is not always available. This includes some basis of comparison. For example, it's vital to compare budgets to at least the prior year and to actual expenditures. But for new program or activities this may not be available.

This next part provides some basic background regarding fund accounting. This will help us as we begin reviewing government budgets.

FUND ACCOUNTING

When we talk about government budgeting and related accounting requirements in this unit we will exclude the federal government because the Government Accountability Office (GAO) by law has jurisdiction over accounting standards for this level of government.

However, our focus here will be on state and local government, which operates under the standards set by the Government Accounting Standards Board (GASB). The most recent revisions are contained in what is referred to as GASB 34. Fund accounting is one of the requirements of General Purpose Financial Reporting. This includes “general purpose financial statements” (GPFS) “popular reports,” and “comprehensive annual financial reports” (CAFRS). In this course you will be analyzing these types of statements.

As we have noted, the policies and related financial cost produced by the interaction of the three branches result in the need for the government to take action and to be accountable to the public for this action. Financial reporting should enable government to be accountable to the public as well as provide decision makers and citizens access to that accountability. In summary, the objectives of financial reporting should:

- Provide information to determine whether current-year revenues were sufficient to pay for current-year services (Balanced Budget).
Demonstrate whether resources were obtained and used in accordance with the entities legally adopted budget among other things (Accountability to the law).

Provide information to assist decision makers and citizens in assessing the service effort, costs, and accomplishments of government (Accountability to the public).

The principles of fund accounting are codified and are part of the generally accepted accounting principles (GAAP). There are three basic types of funds, Governmental, Propriety, and Fiduciary. A governmental fund is created in accordance with legal requirements. This fund only accounts for those revenues and expenditures allowed by law. The various kinds of government funds are:

- **General Fund**: accounts for all financial resources except those required to be accounted for in another fund as listed below. The General Fund is obviously usually the largest fund.

- **Special Revenue Fund**: accounts for the proceeds of specific revenue sources excluding special assessments, trusts, and major capital projects, which are accounted for in other funds.

- **Capital Projects fund**: used for the acquisition or construction of major capital facilities other than those financed by propriety or trust funds.

- **Permanent Fund**: accounts for the accumulation of resources for, and payment of, general long-term debt principal and interest.

Propriety funds charge user fees. The fund possesses similar characteristics found in a private sector business that operates for profit. There are two types:

- **Enterprise Fund**: the intent of the governing body here is to show that the fees charged to users cover the cost (including depreciation) of the operation.

- **Internal Service Fund**: used to account for the financing of goods and services provided by one department to another on a cost-reimbursement basis.

Fiduciary funds are used to account for assets held by a government unit when it acts as trustee or agent for another government organization. The different kinds are:

- **Trust and Agency Funds**: used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations other governmental units, and/or other funds.

- **Pension and Investments Trust Funds**: used to account for government pension and investment funds.

GAAP also has a principle that addresses the number of funds. It states that only the minimum number of funds consistent with legal and operating requirements should be established. This is based on the fact that unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

Unit Reading:

*The Politics of Public Budgets*, Rubin, Preface and Chapter 1
**A budget for all Seasons: Why the Traditional Budget Lasts, Miller Chapter 5**

*Interaction between CAFR and the Budget*, this is a small section from Myers Chapter 5, read pages 146 through 150.

**Unit Assignment:**

This assignment provides the basis for you to respond to the threaded discussion. The assignment asks you develop a personal line item budget. The threaded discussion asks you to share your comments and conclusions about developing this budget and to identify any parallels you see between your budget and government budgeting. We want you to share only general information. If you choose to include some quantification, you may include percentages but we do not want you to share dollar amounts from your budget.

Obviously, government budgeting is much more complicated than your personal budget; however, there are parallels such long and short term goals, power, conflict, priority setting, value issues, capital expenditures, surpluses or deficits and if a couple, consensus issues. Use the readings to help you draw these parallels.

The budget you develop for this exercise should be a cash, line-item budget reflecting income and expenses for a one-year period. Your budget should identify major sources of revenue, and organized expenses in major categories. Don’t forget any long-term capital expenses such as car payments. Determine whether a deficit or surplus exists and how the deficit is funded or the surplus is used. All income and expenses should be averaged over a one-year period. You need to spread periodic costs (e.g., vacations) and revenues (e.g., summer or part-time work) over a one-year period.

In the threaded discussion we will identify any issues you grappled with such as limited resources and unlimited desires. What conclusions did you draw from the process of developing your budget? How were priorities established? What communication, power, or value issues were raised? What are the pros and cons of living according to a budget? What are the parallels to government budgeting?

**Threaded Discussion:**

In this unit you developed a personal budget. Please identify any issues you grappled with such as limited resources and unlimited desires. What conclusions did you draw from the process of developing your budget? How were priorities established? What communication, power, conflict, or value issues were raised? What are the pros and cons of living according to a budget? What are the parallels to government budgeting?

**Unit # 5 Common Budget Components: Revenues/Taxes**

Starts 2/22/10 and ends midnight 2/28/10

**Learning Objectives:**

-To use the budget framework developed earlier to have a more in-depth understanding of the revenue side of the budget. This includes taxes, tax expenditures, fees, and how the different levels of government rely on different revenues.
- To be able to distinguish between the budget related activities of elected officials and professional budgeting staff in providing factual information to these officials.

- To be familiar with practical issues involved in projecting government revenues.

- To understand the key role of change in our government structure and its impact on budgeting (Group #1’s paper).

Lecture:

This unit begins a more detailed look at government budgeting from one side of the coin, revenues. The unit is a comprehensive examination of the issues involving in raising, lowering, and projecting revenues. We also begin to further clarify distinctions between political activities and professional budget staff activities. The next unit continues this perspective but examines expenditures and surpluses/deficits.

Revenues (mostly taxes) are critical to federal, state, and local municipal governments. They have limited application to school district budgets where you will be completing your field work. School districts, in New Jersey at least, receive the vast majority of their revenue from their municipal governments that levy and collect taxes. Nevertheless, the revenue/tax information in this unit will enrich your understanding of school district revenues.

The readings in this unit provide important information about revenues, tax costs and the political context surrounding these issues. I want to emphasize a few points regarding these readings.

Rubin’s Chapter 2 provides a comprehensive view of many aspects of revenue including the political aspects. We can look at politics as a container within which professional budget staff work. It’s important to distinguish between political and professional activities. For example, professional staff provides factual information that elected officials may use, ignore, or even distort. Rubin provides many opportunities for you distinguish between political and professional budget activities. As you read the text try to picture yourself completing professional budget activities within this political context, for that is the environment that all professional government budget personnel work. This point can be illustrated by the earlier case study on page 10 in Rubin. The study is about a mayor who lost the election and attacked the new mayor as being fiscally irresponsible. You can read the article and distinguish those activities that professional staff would complete. One would be to identify if taxes and fees far exceeded expenses and were being used to build a large fund balance. This factual information may be used politically but would be outside the role of professional budget staff.

I want to make another point about this text. The author sometimes exhibits two limitations that you should be aware of. One is an occasional negative view of government you have to look beyond. I have certainly seen elected officials make disappointing budget decisions but in my view it’s uncommon given the nature of government. Another limitation of the author in the occasional statements that provide limited knowledge. However, you can use your prior knowledge of government budgeting to identify such instances. For example, the first sentence in Chapter 2 states, “In public budgeting the tax payers and the decision makers who determine tax and spending levels are separated. This separation sets up the possibility of some radical disagreements.” First, our government officials of both branches are elected. Therefore, by definition they are separate from their constituencies. Second, conflict is natural in government budgeting; for one reason elected officials only need to receive 51% of the vote and therefore “radical” disagreements normally exist. As we saw in the prior unit, this author appears to occasionally apply the normative or utopian view of government rather than describing the way government actually works from the perspective of elected officials.
Another reading in this unit is by Myers titled, “Practical Methods for Projecting Revenues. This article provides very practical information to help in revenue projections. Some supplementary points will add to this article.

When projecting revenues try to find historical data such as budgets, municipal audits, or when estimating revenue for a school district, the Comprehensive Financial Reports (CAFRs). Most government organizations are required to maintain records for considerable periods of time. You may be able to create a historical record of revenues (and expenses for that matter) from these records.

Realize however, that you often may not have needed data. In these cases it’s important to make explicit any limitations with the data or with your basis for estimating. This enables decision makers to understand the data and the limitations with it, and then they can make decisions for their constituents accordingly. This is similar to the private sector you want to let people know where you are leading them and any cautions that apply.

You should always look for at least two methods to estimate revenues when issues exist that complicate the process such as new or major revisions to a law. Applying two methods gives some comfort when they both identify similar conclusions although this does not necessarily mean it’s a good estimate. And, if they don’t give the same answer, it forces you to explain the differences and in doing so you may identify other factors that influence these projections than you were unaware of previously.

As noted by Meyers (p.318), decision makers can change a number of factors that you will need to consider in making projections. It’s important to clearly understand your assumptions about each one including how they interact with each other. The purpose in doing so is not only to understand the components but also to explain your assumptions to decision makers and others and to obtain their input. This way your projection can become a consensus document that should improve the quality as well as create support for the projection.

Another reading in this unit is Group #1’s paper. This group examines the important notion of change and the role that budgets play in slowing, stopping, initiating, responding to, or documenting change. The earlier material we covered provides a nice background to appreciate the information in this paper.

Reading Assignment:

Revenue Politics, Rubin Chapter 2, p.37 (Rubin has a tax expenditure chart on page 53 (Table 2.2). See a more detailed and updated tax expenditure chart in the webliography.

The Major Tax Bases, Myers Chapter 10, p255


Read Group # 1's paper, it is or shortly will be posted in the document sharing section.

Unit Assignments:

Read Group # 1's paper, it is or shortly will be posted in the document sharing section.
Threaded Discussion:

Professional budget staff completes their work within a political context yet they are obligated to complete accurate, objective, and clear information to elected officials. The readings in this unit provide a multitude of examples where politics and objective information overlap and interrelate.

This threaded discussion asks you to identify examples from the readings where politics and objective information overlap and interrelate and the author does not clarify this distinction. An addition, develop specific questions that could be answered by professional budget staff. To explain what I’m looking for it may help to use an example from the mini-case from Rubin on pages 10-11. Reading this case there are at least three questions where objective budget information created by professional budget staff would provide answers. One question is whether taxes and fees have been growing over the past five years, and if so, does this growth seem unusual (you don’t need to think of the standards to draw this conclusion only that that is a question where objective information would be helpful. Another question is has the fund balance been growing over the past five years. And, another question is, is the municipality in good financial condition (again you don’t have to answer the question, only identify the question that could be resolved with objective information.

Unit # 6: Common Budget Components continued: Expenditures, Balancing Budgets (surplus/deficit) and Applying Budget Concepts

Starts 3/1/10 and ends midnight 3/7/10

Learning Objectives:

- To understand the expenditure side of government budgets including balancing budgets (deficits/surpluses)

- To be familiar with the personnel and organizational factors of budget implementation

- To be able to apply the course material completed to this point to a theoretical government budgeting challenge.

Introduction

When we complete the readings for this unit we will have established a firm foundation for our field work. At this juncture it’s useful to see what we have accomplished. So far you have read broadly about the constitutional structure of our government. You saw that the framers designed this structure to enable the concurrence of human factors to produce public policies that would provide for the general welfare and the common defense. Among the structure’s characteristics is shared power that fosters conflict yet requires its positive resolution for the system to function and change. Overall, this structure gives us a governmental political system that is complex, inefficient, slow changing, and “messy.” This is humorously and accurately (in my opinion) referred to as “the worst form of government except when compared to all the other forms.”

You also examined details of government budgeting. You saw that government budgeting is interwoven with the political system and that nonpartisan budget staff needs to be clear on their role when providing information to elected officials. You’re familiar with the major components in government budgets such
as revenues, expenditures, balancing budgets, time periods, and the basic elements of fund accounting. And you know the various types of revenues (taxes) that different levels of government rely on along with the diversity of expenditure categories.

Most importantly, for purposes of this class, you saw that those working in government budget positions face challenges and opportunities. One challenge is the irony of working to improve the budgeting system while avoiding the common mistake of wanting the overall system to be logical, efficient, and clear. This is a common mistake because it ignores the framers purpose in designing this structure including the roles played by each of the three branches. You were helped to avoid this mistake by occasionally seeing this error committed by some of our authors and in your own work by identifying nonpartisan budget staff questions within this political context. You also captured some of the flavor of this government structure by seeing the many parallels between government budgeting and the practical application of your own budgets.

In this new unit you will focus on expenses, balancing budgets, and implementation issues and continue to draw distinctions between accounting and budgeting. This unit also continues your preparation for field work. As we move inside government organizations you will see how agency directors and budget directors carry out their roles and how organizations address various budget issues.

The threaded discussion in this unit provides an opportunity for you to demonstrate your knowledge by applying it to a government budgeting case study.

Reading Assignment:

*Expenditures: The Politics of Choice*, Rubin, Chapter 5 p145. In order to reduce the reading requirements for this unit you may skim this chapter for overall points. Outlining the chapter is one way to identify important points.

*Preparing Agency Budgets*, Meyers, Chapter 17, p. 441

*Budget Implementation*, Meyers, Chapter 23, p. 568

*The Rhetoric and Reality of Balancing Budgets*, Myers, Chapter 9; only pages 227 to 239. This reading provides a basic overview of balancing budgets (surpluses/deficits).

Assignment:

No additional assignment in this unit.

Threaded Discussion:

You work as nonpartisan budget staff in the New Jersey Department of Environmental Protection’s Budget Office. The new Commissioner (Agency Director, AD) has requested this office to help her prepare a plan to obtain a $1 billion increase in appropriations for hazardous waste cleanup. This plan will have to pass through the State Treasury Department, Office of Management and Budget (Budget Director, BD). The Commissioner will do the advocating you need to offer guidance and complete the necessary budget work. The Commissioner needs this report in three weeks.

What information do you need to create this plan?
What are the most important points that you would include in this plan, what’s important for the Commissioner to know?

What questions do you need to ask before you begin?

What questions should the Department of Environmental Protection’s budget office address and what questions should the Commissioner address?

Who would be the key players that you need to consider in this effort to change government?

Unit # 7: Using Government Financial Reports to Analyze Organizational Finances and Operations

Starts on 3/8/10 and ends midnight 3/14/10

Learning Objectives:

-To understand the principles of financial reporting and performance monitoring using the budget information contained in the comprehensive annual financial report (CAFR). Specifically, to be familiar with the contents and use of the following statements: Statement of Net Assets, Statement of Activities, Fund Level Statements, and Combined Statement of Revenues, Expenditures, and Changes in Fund Balance.

-To understand the key role of budgets as they relate to the comprehensive annual financial report (CAFR) and financial monitoring.

-To begin preparing for field interviews by developing generic questions that flow from financial reports and other class material

Lecture:

This unit focuses on financial statements and develops information to help prepare for your field work interviews.

This unit uses budget information contained in financial reports to analyze the finances of government organizations. In New Jersey, CAFR applies to the state and local schools districts. Local municipal governments do not follow GAAP reporting requirements. As such, there is limited textbook material to use as examples; hence, our focus in this unit is on school districts. The webliography contains information on NJ municipal budgets and budget requirements if anyone is interested.

The readings discuss financial statements and analysis of government entities. One of the readings in this unit is from the Myers text and it requires updating. This is the GASB material in Chapter 5 (p.119). Irfan Bora has updated it for us and the update is located in the "Unit Assignment" section of this unit. I should have mentioned earlier that I search each year for a better and newer text (Myers was published in 1999) but have not found one. With rare exceptions, the information in the Myers text applies to current issues.

The major purposes of financial monitoring are to ensure that the government entity operates from a sound financial foundation and to provide accountability to citizens, bond holders, and others who may
have financial interests in the entity. Some of the major tools to accomplish this are the various statements from the Comprehensive Annual Financial Report (CAFR). These statements enable analysis of three critical areas: (1) the entity’s major revenues, expenses, and the surplus or deficit between them (Statement of Activities); (2) net worth (Statement of Net Assets); and, (3) accuracy of the entity’s budget estimating process (Combined Statement of Revenues, Expenses, and Changes in Fund Balances).

The quality of the entity’s budget process is critical for sound financial functioning for three reasons. First, as noted earlier, the budget translates the decisions made by elected officials representing the taxpayers into specific dollar amounts to be raised and spent. Second, the budget sets the stage for the overall planning and accounting process in terms of establishing or eliminating programs and funds, determining revenue sources and amounts, and establishing program needs including staffing, operating, and capital. Third, a quality budget process enables effective financial monitoring and accurate reporting.

The combination of the Myers and Wang texts offer a thorough overview of financial analysis, CAFR Statements, and the role of budgeting in this process.

The other purpose of this unit is to begin preparing you for your fieldwork that will occur in about two weeks. You should have decided about which school district you want to use for your individual paper and checked the Department of Education’s website to review their CAFR. I believe that a 45 minute interview with someone familiar with the budget should provide adequate time to gather basic information. You can interview the Business Administrator or their assistant. Please do not set up an interview until we have gone over the requirements for the paper and covered some basic information.

Reading Assignment:

*Preface and Acknowledgments* in Wang p.xvii

*Financial Performance Monitoring* in Wang, Chapter 7, p. 85 (including case study)

*Financial Reporting and Analysis: the Statement of Net Assets* in Wang, Chapter 9, p.115 (including case study)

*Financial Reporting and Analysis: the Statement of Activities* in Wang Chapter 10, p.128 (including case study)

*Understanding and Using Government Financial Statements* in Meyers p. 119 (Prior to reading this chapter see note in "Unit Assignment" where this material is updated).

Unit Assignment:

If you are not familiar with updates from 1999 to GASB#34, here is the updated information regarding Meyers, Chapter 5:

The Meyers text obviously does not include the impact of GASB # 34 on budgeting and financial reporting. Irfan has detailed the impacts for us as outlined below. Thanks Irfan!

The Governmental Accounting Standards Board issued Statement # 34 in 1999 (Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments). GASB #34 addressed past deficiencies in governmental financial reporting. One of the principal requirements is that
a governmental entity present as part of its external financial reporting both fund financial statements as well as the new government-wide financial statements.

As you review the material in Meyer's please be aware of the following updated information:

1. Government-wide financial reporting- Users have a clearer picture of the organization as a single, unified entity. Keep in mind that the new government-wide financial statements complement rather than replace the traditional fund statements.

2. Entities are required to provide a long-term perspective on their activities in the government-wide financial statements.

3. The Management Discussion and Analysis Section provides an analysis of the basic financial statements through a succinct narrative.

4. Expanded budgetary reporting- The entity is required to present not only the last amended budget but also information on the original budget. There are also other changes that pertain to elimination of aggregate budget presentation in favor of comparison for both general fund and special revenue fund.

5. Infrastructure reporting- This is one of the most controversial parts of the new reporting model. There are detailed guidelines on the various alternatives that governments can now follow.

The Basic Financial Statements now require:

1. Management Discussion & Analysis
2. Government-Wide F/S.
3. Government Fund Financial Statements
4. Proprietary Fund Financial Statements (include govt's business-type activities)
5. Fiduciary Fund Financial Statements (funds in trust for others)
7. Required Supplementary Information (RSI) other than MD&A.

One of these RSI requirements is a budgetary comparison schedule for the general fund and major special revenue funds as required. The entity must show original (this is the new requirement), and final budget as well as the actual revenue/expenditures. This information provides a key indicator of the accuracy of the entity’s budget process, and supplements other key information in the Statement of Net Assets and the Statement of Activities.

A CAFR would additionally include:

1. An introductory section
2. Information on individual nonmajor funds and supplementary information that is NOT required.
3. Statistical section.

Threaded Discussion:

At this point you are becoming familiar with government financial reports and how they can be used to raise and address budget and financial questions of a government entity. In this threaded discussion we will be using this information to create a class “interview question bank.” You will be required to complete interviews for your individual project. This question bank will provide sample questions for
these interviews. These questions will represent the best thinking of the class concerning important questions for most of the important areas that we covered. Of course, you don’t have to use them in your interviews.

From the list below select one area (that has not been taken) and develop no more than three routine and then three in-depth questions that can be used to provide critical information in identifying and understanding important budget information regarding a local school district. When you respond, note the area the questions are for (e.g., expenditures), then give the routine questions followed by the in-depth questions, labeling each group accordingly. So we can ensure that we have captured the best thinking of the class, please add comments to any area that you think could be enhanced. I left one blank area so someone can add an area that they believe is important but is not addressed. For that area, please note the area and then develop your questions.

Some of the key areas that we have covered can generally be broken into the following:

1. Working in government budgeting; activities that inspire interviewee and those that challenge interviewee
2. Overall financial condition
3. Expenditures
4. Revenues from Municipality and Fees/Charges/Grants/etc. generated by the school district
5. Surplus
6. Change
7. Accountability
8. Advocacy Groups
9. Citizens
10. Decision-makers, Elected Representatives
11. Staff – Business Administrator, Assistant, that is, budget developers/analyzers/implementers
12. Establishing new and/or eliminating old school programs/activities
13. An important question that is not covered above (created by student)

Unit #8 Analyzing State and Local Government Budgets

Starts 3/15/10 and ends at midnight on 3/21/10

Learning Objectives:
- To be able to review your selected school district’s CAFR and identify important budget points or issues.

- To be aware of on-line information that is available concerning state, school district, and municipal budgets in New Jersey.

- To be aware of some of the budget and financial challenges impacting the United States (Group #2’s paper). This national financial challenge impacts all levels of government and provides important context for reviewing state and local budgets.

Lecture

In this unit we apply the CAFR material and analyze and observe budget information from the state and local government levels. This will further help in preparing for class field work interviews. Each student will navigate through some of the on-line budget information for state, school district, and municipal governments in New Jersey.

Each student will analyze the CAFR from their selected school district using the Wang case examples and the other readings as a guide. After becoming familiar with your district, you should contact them to set up an interview.

The threaded discussion in this unit provides an opportunity to share your preliminary results of this review. One reason for sharing this information is so you can see the variety of preliminary conclusions and insights developed by your colleagues. Every district is unique; some of these results may simply be descriptions such as major revenue and expenditure sources and amounts. Others may find some preliminary insights or questions that will be addressed in the interview. Seeing a variety of responses from your colleagues may generate questions or issues that might also apply to your district. This will not only help to inform your interview but also, as with all our threaded discussions, enhance the quality of everyone’s work.

The other work in this unit is to navigate the on-line budget information concerning the state and its municipalities. The steps to complete this including the school district data are outlined in the assignment section of this unit.

Group #2’s paper will help to provide the national budget and financial context that influences each level of government.

Reading Assignment:

*Changes in Budget Process at Local Level*, located in Chapter 4 in Rubin, pp. 131-143

See Webliography, *Overview of Public School Budgeting, Accounting, and Auditing*, 9 pages

*Strategy, Values, and Productivity*, Miller, Chapter 14, p. 245. This article provides some of the administrative, legal, analytical, and financial responsibilities facing budget personnel similar to those you will be interviewing. This article talks about organization strategy that we will discuss later. The purpose of reading this article now is to introduce some of the value issues that budget personnel face as they balance finance with other issues. One of those issues is identifying where one’s expertise as a budget analyst stops before it crosses into deciding on policy issues.

Read Group #2 Paper, The Financial Condition of the United States
Assignment

This section will help you to navigate some of the on-line budget and financial information that is available concerning New Jersey state government and its municipalities. All the information below is available on the webliography. Other states probably have similar information available on-line.

The local school district information is at *Department of Education: CAFR Reports*. Use this site for your analysis of your school district because it is the CAFR report we have been analyzing. Another site is also provides budget information, *Department of Education: User Friendly Budgets*.

The state budget information (CAFR) is at *New Jersey State Budget for 2009*. Go to the Citizen’s Guide and read the summary of the appropriations act (1 page), the signing statement (4 pages), and Chapter 1 “Snapshot” (6 pages). Also, see details of the expenditures side, “Where the Money Goes,” then go to the chart on page 26 (Details of Appropriations Act), and see the details of the revenue side (much of the data is in millions of dollars). Notice there is no property tax revenue at the state level. And, as you saw above, the major portion of state expenditures goes to local governments to help them keep property taxes as low as possible.

The municipal information has two postings in the webliography. One is *Local Municipal and Financial Budget Information*. The other listing provides information on the revenue and expenditure sides of the municipal budget and it is on an excel spreadsheet that we will use to develop statewide comparisons. The posting is *Municipal Financial and Tax Information: Excel Spreadsheet*.

To familiarize you with some of the comparisons that can be accomplished with municipal budgets we will complete a short demonstration using this spreadsheet. We will ask and answer several questions about your municipality (I used Lawrenceville to show how to navigate and answer the questions; you can use your municipality).

New Jersey residents pay the highest amount of property taxes of all 50 states (the Wall Street Journal article is on the webliography). These taxes provide the bulk of revenues for county, school district, and municipal government in New Jersey. The taxes are based on the value of property owned by residential, commercial, industrial, and apartment owners. Citizens often don’t realize (1) what proportion of their property taxes go to their local school district compared to their local municipal government (2) how their tax rate compares to that of surrounding municipalities, and, (3) what portion of the property tax burden is borne by the commercial sector in their municipality compared to the residential sector. Generally, the more value owned by commercial property owners, the more taxes they pay. This reduces the tax burden on the residential sector. It’s also one reason why citizens are encouraged to, and have a self interest in, supporting their local businesses to keep them strong. We will demonstrate below how to answer each question:

1. What proportion of your total property tax is due to the school district compared to the county or the municipal proportions?

Before proceeding it’s important to distinguish between the General Tax Rate and the Equalized Tax Rate. The General Tax Rate is the rate shown on your tax bill and in the Abstract of Ratables (the abstract shows the value of all property in the municipality). The General Tax Rate is what the municipality applies to each $100 dollars of value in a particular property. For instance, if the General Tax Rate is 2.00 and your property is valued at $200,000, your tax bill is $4,000 (200,000/100 = 2000 x 2.00). This rate however, is not useful for comparing tax rates among municipalities. This is due to the differences in
municipalities between assessed value and true market value. Some of the reasons for these differences are municipalities may not have completed reassessments recently, true market values can change quickly, and these changes can differ even within the same municipality. To address this variation between assessed and true market value (and create a fair distribution of the tax burden), the state analyzes true market values and then creates an “Equalized Tax Rate” which uniformly reflects actual market conditions across the state. This rate can then be compared to other municipalities to see whose rate is higher or lower.

Go to the webliography and see entry titled “Municipal Financial & Tax Information: Excel Spreadsheet.”

Click open
Click Expand
Click on tab titled 2005 Tax Rate and Levy Information

Page Down to Your County (Lawrenceville is in Mercer County)

Find all the components of your municipality’s equalized tax rate:

For Lawrenceville it was:

- Equalized County Rate .501
- Equalized County Open Space .029
- Equalized County Library .044
- Equalized Local School 1.190
- Equalized Municipal Rate .376
- Equalized Municipal Open Space .018

Total Equalized Rate (all of the above) 2.158

You can see that the school rate is 55.1% of the total rate (1.190/2.158) and the municipal rate is only 17.4% of the total rate (.376/2.158). This is generally the case in New Jersey, where school districts receive the bulk of taxes and municipalities receive significantly less.

2. Is your equalized tax rate higher or lower that other municipalities in your county or across the state?

Look at your total equalized tax rate compared to others municipalities in your county or across the state. Lawrenceville comes in the middle of all municipalities in Mercer County (you can cut and paste the data, then array it).

3. What proportion of your ratable base is Residential compared to Commercial property? Less commercial property generally means higher taxes for homeowners.

Click on tab titled “Ratable Base 05”

See total value of land and note what percent is Residential property (for Lawrenceville it’s 58.5%) compared to Commercial property (for Lawrenceville it’s 32.4%). As noted, the more commercial and industrial tax payers in a municipality, the less the tax burden falls on homeowners.

Threaded Discussion
Your readings provided many examples and case studies where financial statements are used to analyze the financial performance of a government entity (this type of analysis is distinguished from a Financial Condition Analysis as discussed in Wang in Chapter 12 which is not included in this unit).

In this threaded I would like you to take the role of an independent government budget consultant hired by a non-partisan citizen’s group from your selected school district. They want you to complete a preliminary review of the district’s CAFR and report to them on two or three important points regarding the city’s budget and financial performance. Use the case studies as a guide. The citizens understand that you only have a short time to complete the analysis. Remember, these are citizens who want to understand some basic points regarding the financial performance of their school district.

What key points would you make and what Statements (Net Assets, Activities, etc) would you use to make them. Since we’ll all be reviewing different CAFR’s, please be specific about your points so others can see how you used the statements to identify these points. Would the generic questions the class developed have captured these points, and if so, how and if not, how would they be revised?

Unit #9 Break and Complete Field Work Assignments

Starts on 3/22/10 and ends midnight 3/28/10

Lecture:

This unit is your "mid-term" break. There are no assignments. You can complete your fieldwork assignment. If however, anyone wants to use this unit for a voluntary student forum, please let me know so I can post your threaded discussion question. Otherwise, enjoy your break and/or your forum.

Reading Assignment: none

Written Assignment: none

I changed this a little in the course.

Threaded discussion: students will select their own topic and have a threaded discussion. The topic is open. Participation is voluntary.

Unit #10 Combining Budget Components: Flexibility in Execution, the Dynamics of Real-Time Budgeting, and Acknowledging What We Don’t Know

Starts 3/29/10 ends 4/4/10

Learning Objectives:

-to learn the key methods used to provide budget flexibility and how some of these methods are abused.

-to use real-time budgeting to identify how various actors and issues interact to influence each budget component.

-to identify some of the critical government budgeting issues that remain unresolved
-to further enhance analytical and independence skills by reviewing Group #3’s effort to objectively present liberal, conservative, and independent research views on tax cuts.

Lecture:

Welcome back from your break!

In this unit we set the stage for focusing on government budgeting from an organizational perspective. The last three units (before the final) will examine how the budgets of government organizations are impacted by changing environments, ongoing personnel issues, and continuing efforts to improve government budgeting through methods such as performance budgeting.

Unit #10 sets the stage for this work in two ways. First, it examines the budgeting methods used by organizations to respond to these environmental changes. Second, earlier we examined individual budget components more or less in isolation from one another (revenues, process, expenditures, balance, and implementation). In this unit we combine them into a dynamic view by showing how they interact with one another and how different actors and issues impact this dynamic interaction. Rubin uses the term real-time budgeting to describe this “real” operating perspective on government budgeting. This operating perspective, combined with your observations from the field, helps us anticipate environmental changes, identify key personnel involved, and contribute to realistic budget reform efforts.

In this unit we will also read the last chapter in Rubin (this is not our good bye to the author; we will refer to her later). One section in this chapter lists some of the key issues in government budgeting that remain unresolved. Combining this information with your previous knowledge should further enrich your understanding of the complexities facing individuals working in government budgeting. In addition, by listing these unresolved issues, the author, an expert, also demonstrates one of the critical qualities of a budget professional. She identifies what she doesn’t know and what areas need further work.

Reading Assignment:

*Budget Execution: The Politics of Adaptation*, Rubin, Chapter 7, p.230

*Budgetary Decision Making and Politics*, Rubin, Chapter 9, p281

Read Group #3’s paper.

Assignment:

No additional assignment for this unit.

Threaded Discussion:

As you anticipate working, or if you currently work in a government budgeting organization, what information in this unit helps prepare you to contribute to your organization’s budget function? Please be specific and draw on the readings, your field work experience, and group #3’s paper that shows three perspectives that try to influence government budgeting and the challenge they present to independence and objectivity. This response also challenges you to weigh critical points objectively, organize information, and present it clearly.

Unit #11 Organizational Context of Budgeting: Integrating Budgets with Strategic Plans for Effective Responses to Environmental Demands.
Learning Objectives:

-to understand the basic principles of strategic planning

-to be aware of the benefits, costs, and challenges involved in implementing strategic planning in government organizations

-to see the critical relationships among management and management processes, strategic planning, performance measurement, and budgeting

Lecture:

This unit places government budgeting within the context of organization management specifically, the traditional functions of planning, organizing, controlling, and revising. We demonstrate that there are three prerequisites to effective budgeting. They are management must establish a systematic planning process, an organization structure to implement the plan, and tools to control plan implementation; namely, mission, goals, and objectives. Once these are established management uses the budget to make the plan “come alive” by quantifying expected revenues, expenditures, and outcomes. Management is then able to document and monitor the progress in plan implementation. Based on the amount of progress, management can revise the plan. These revisions can take many forms such as lowering or raising expected goals or objectives or eliminating old goals or adding new ones. Management may even revise the mission of the organization.

In this unit we focus on a planning method that enables all types of organizations (government, profit, and non-profit) to position themselves to effectively respond to the demands of their environments. This method is called strategic planning. It is especially useful for government organizations due to the need to respond to multiple environmental demands.

These demands can be divided into at least two categories. One is the demands involved in trying to deal with the particular issue or problem itself. Examples include immigration, homeland security, airline regulation (FAA), consumer product regulation, financial market regulation (SEC) and food and drug supply regulation (FDA). One can easily imagine the multitude of factors involved in trying to respond to one of these issues or even one aspect of one issue. The other category of demands that government organizations must respond to is the various entities that work to influence the government’s response to an issue. Examples include citizens, the legislature, the courts, lobbyists who represent various stakeholders such as corporations or industries, professional organizations, states, universities, and citizen groups, among others. In addition, the demand from this second category occurs in an ongoing basis, that is, before, during, and after the law is enacted and funding is provided.

With all that said it’s important to note that one finds various levels of quality in strategic planning in government organizations (as with all organizations). As you complete the readings think about what indicators you would look for to assess the quality of a government organization’s strategic planning process.

Reading Assignment:

*Strategic Management in Public Sector: Concepts, Models, and Processes,* in Miller Chapter 16, p.283
If it is posted, read Group #4’s paper.

Assignment:

Place your individual paper in the drop box (Unit Individual).

No other assignments in this unit.

Threaded Discussion:

Apply both your experience and what you’ve learned concerning the important linkages among strategic planning, management, and government budgeting to advise a new government decision maker who wants to implement strategic planning. Develop a list of basic principles to enable the organization to position itself to respond effectively to external demands, to link planning with performance, and to use tax dollars efficiently and effectively. We want to help this new decision maker avoid the mistakes of prior decision makers who were not versed in these linkages. Examples of what you might include in your basic principles would be (1) a proposed budget enhancement must be linked to an objective of your strategic plan, and (2) all budget items must be linked to the strategic plan, otherwise, they should not be funded.

Unit #12 Organizational Context of Budgeting: Integrating Budgets with Employee Performance

Starts on 4/12/10 and ends midnight 4/18/10

Learning Objectives:

-To expand knowledge of the management systems required for effective budgeting by linking management control systems to both the budget and to employee performance.

-To become familiar with the critical value in managing employee performance and the challenges in implementing such systems in the government sector.

-To practice critical thinking skills by identifying key principles to help in addressing employee performance issues.

Lecture:

In the prior unit we talked about the three prerequisites to effective budgeting: management establishing a systematic planning function, designing an organization structure that supports plan implementation, and using tools (mission, goals, objectives) to control implementation and measure progress.

In this unit we demonstrate how the control mechanisms of mission, goals, and objectives link to one another and to budgets and employee performance. The budget is a key link in this chain because it enables plans to come alive by quantifying and controlling revenues, expenditures, and organizational and employee outcomes.
We begin talking about the tools to control implementation; mission, goal, and objectives. The mission of an organization results from a strategic planning process. The results of this process are captured in a mission statement. In practice, the planning process takes considerable time and effort and usually involves obtaining outside consultants to add objectivity. Consultants accurately identify the beliefs of all key external and internal stakeholders concerning the effectiveness and efficiency of the various functional units in the organization. The results of this effort enable the organization’s internal strengths and weaknesses to be identified. Consultants are used for two basic reasons. First, it’s difficult to ask a manager or supervisor to objectively evaluate what key external stakeholders believe about his or her function. Second, key internal stakeholders (employees) are often reluctant to share negative views openly due to concerns about being labeled “not a team player,” or a “naysayer.”

The mission statement reflects important organization decisions about the organization. The identified external threats and opportunities facing the organization are matched with the organization’s strengths and weaknesses. Specifically, the organization’s strengths are used to take advantage of external opportunities and address threats. The purpose of the mission statement is to focus the efforts of the entire organization. Think about it as the best way to get a large number of people to work together to achieve a common purpose. The organization’s mission statement is also used to develop mission statements for major divisions, programs, or units. This helps to keep all units focused on their mission and enables them to see how their mission helps to achieve the organization’s mission.

From the mission statement, the organization develops organizational goals. Goals serve a similar purpose as the mission statement. They focus effort but they begin to narrow this focus to one or more components of the organization. For example, the goal of an organization’s accounting department might be to provide timely service to operating departments while maintaining proper accounting controls. Goals are longer term accomplishments and usually are not quantified.

Objectives serve a similar purpose as the mission statement and goals. They focus effort, but even more narrowly than goals. They are shorter term and are quantified. For example, the objective of the accounting department noted above could be, “In 2009 we will process authorized travel reimbursements within three business days.” Another objective could be, “The annual audit for 2009 will have no material findings in terms of proper accounting controls.” It’s important to again note that the objectives are linked to goals and goals are linked to the mission statements.

Now, all of the above is how it works in effective organizations. In most organizations however, the mission statement is often developed internally by a select group of employees who have neither the time, nor the training nor the objectivity to complete a comprehensive planning process. As one can imagine, the resulting mission statement(s), goals, and objectives flowing from this process is of less quality than one resulting from a much higher commitment of staff effort and costs. In practice, one indicator to distinguish the two types of organizations is to ask for a copy of the organization’s mission statement. All organizations have one; however, if the individual is not familiar with it or takes a while to find it, it’s unlikely that it is used to keep them and the organization focused. On the other hand, asking someone from an effective organization about their mission statement one would not be surprised to see it hanging on the wall and used often to focus effort. Another practice indicator is to inquire about the organization’s goals and objectives and how they tie into the mission statement. In one case you’ll probably get uncertainty in another clear examples and how they again are used to focus effort.

With this awareness of the range of quality one might find in an organization’s mission, goals, and objectives we can begin to talk about budgets and personnel. Generally speaking, personnel costs are the largest expenditure item in government budgets (including contracting out for personnel). It’s critical to manage this major budget expenditure yet it’s a challenge to accomplish.
Managing employee performance goes hand in glove with managing organization performance. As noted, the focus of effort keeps getting smaller as we move from organization mission, to goals, to objectives and even smaller as we move down the organization to divisions, units, or programs. The smallest point of focus is on employees. Focusing employees on expected accomplishments begins with management developing job descriptions; these in turn are used to develop individual goals and objectives for the position. Again, the quality of prior management efforts will be reflected in organization’s ability to properly manage employee effort and in turn measure organizational progress. At this point it’s obvious that increased employee performance translates into improved organizational performance and hence a more efficient use of the government’s budget dollars.

With this background, we can begin our readings on employee assessment systems and various efforts to increase employee performance. Different methods are presented to increase employee performance such as merit pay (financial rewards) and performance targeting (focusing on individual employee needs for achievement, power, and affiliation), quality circles, etc. Regardless of the method used, the goal is to increase employee performance and maximize the use of government dollars.

Please consider two additional points regarding employee performance systems. One, these systems often receive lots of bad press and much of it is probably deserved. However, it’s generally established that the most successful private sector companies tend to have effective employee performance systems. Think about it, if you don’t measure employee performance, how do you know if and how much they are contributing? Therefore, it’s useful to distinguish between the control method (employee assessment) and the quality of management’s control system generally. If the quality of management is limited, its employee assessment system will probably also be limited. The second point is that all organizations (private and government) need to have some system to focus employees on their contribution to a common mission and performance goals and objectives.

The readings in this unit also provide an opportunity for you to demonstrate your critical thinking skills as much as they inform you about methods to measure employee performance. You are, or will be government leaders who will address budget and therefore personnel performance issues. As you read about the various approaches and issues involved in measuring government employee performance, try to identify principles that might serve as a guide to help you provide important input regarding these issues. You might think about where you currently work (or have worked) in terms of how they measure your performance. Is the system fair and reasonable or is it simply completing paperwork with no obvious impact on performance and therefore the budget? Also, examine if those suggesting that it’s nearly impossible for government organizations to have meaningful performance assessment systems, offer any alternatives.

Reading Assignment:

Designing Appropriate Control Mechanisms for Managing Performance in the Federal Sector, in Miller, et al p.327

Merit Pay, Performance Targeting, and Productivity, in Miller, et al p.451

The Paradox of Merit Pay in the Public Sector: Persistence of a Problematic Procedure, in Miller, et al, p.465

Of Pigs in Pokes and Policy Diffusion: Another Look At Pay-For-Performance, in Miller, et al p.485

Written Assignment:
Threaded Discussion:

The newly appointed director of your government organization indicates that she believes in employee assessment systems and wants to have an effective one in this organization. She believes this will reduce costs through improved performance and increased employee morale. As the budget director, what critical conditions would you tell her must be met in order to have an effective government employee performance assessment system and achieve her goals? What information would you use to support your recommendations?

Unit #13 Organizational Context of Budgeting: Integrating Budgets with Organizational Performance.

Starts 4/19/10 and ends 4/25/10

Learning Objectives:

-To know the benefits of performance budgeting

-To be familiar with the complexities of measuring government performance and using budgets to accomplish this

-To know historical and current efforts to improve government performance by using various budgeting methods

-To be able to apply all prior class material to analyze a government organization and identify important points to consider in implementing performance budgeting and in developing reasonable recommendations

Lecture:

This is the third consecutive unit to examine government budgeting from an organizational perspective. The first of these examined how strategic planning enables government organizations to respond effectively to the large number of environmental demands they face. The second one examined how strategic planning enables organizations to establish effective missions and goals and how they are linked to help measure employee and unit performance. This last unit focuses on performance budgeting and also places it within the context of the organization. However, to appreciate the benefits and avoid the pitfalls of implementing performance budgeting we will also draw on information from the entire course. This is why performance budgeting is our last topic.

Professional budget personnel should be aware of several points regarding implementing performance budgeting. First, the quality of key organization functions (planning and employee assessment among others) set the stage for and determine the effectiveness of performance budgeting. This is similar to our system of government. If one part of our three-part government structure is ineffective or operates at a poor quality level, it impacts on the others. For example, if the legislative branch does not perform well, the effectiveness and quality of public policies and the organizational elements that flow from it (laws,
plans, missions, goals, budgets, and performance indicators) suffer. The current financial crisis is the most recent example.

But, recall that our criticism of government functions is tempered by the fact that our constitution can only provide a framework; it cannot mandate public servants to enact effective laws. The framers knew the folly of expecting individuals to be above human limitations. They were too versed in human nature to try to require government leaders to be noble, truthful, or work for the common good and defense. Instead, they designed our constitutional structure to enable the concurrence of human factors (shared power and ambition set against ambition for instance) to produce laws for the general welfare and common defense. These laws are not always enlightened or even fair. But, again, the key question is what standard do we use to make comparisons? The history of governments suggests our system works well compared to alternative forms of government.

Well, individual government organizations are essentially microcosms of this same structure. These organizations are managed by individuals with shared human limitations who have been elected or appointed by the public. The professional staffs working in these organizations need to be able to evaluate the knowledge of leaders, the challenges that they face, the quality of key organization functions and their interrelationships, and the work involved to improve government while being aware of the challenges involved. One example of the challenges faced in implementing performance budgeting in government that is discussed in the readings is having elected or appointed individuals encourage the development and use of performance information. This is key to implementing performance budgeting but can be especially challenging to these individuals because the results may not fit their preconceived notions of the quantity and quality of performance or what they may have told their superiors or the public regarding performance.

Another important point to be aware of when considering implementing performance budgeting is that other key functions that impact government performance were examined only briefly in this course. These two key functions were human resources and leadership.

The third factor to be aware of regarding implementing performance budgeting is the limitations of the literature on government budgeting. There are two parts to this point. One that we talked about earlier is the need that to read information critically. To do this requires using the knowledge that I hope that you have gained from this course to see issues that are not addressed in the information. This knowledge includes the structure of government, the external and organizational influences impacting government, and how the key functions in organizations interact with one another. The second limitation in the literature is when writers tend to focus on one function (budgeting, strategic planning, employee assessment, human resources, or program evaluation) and often do not show how one function is dependent or interrelated to others. Some of the reasons for this could be the academic author’s limited experience working in government organizations and when individuals develop expertise in one aspect and tend to focus on that alone.

Reading Assignment:

*Performance-Based Budgeting*, in Meyers, Chapter 24, p. 597

*Introduction*, in Miller, p. 1

Assignment:

No additional assignments in this unit.

Threaded Discussion:

This last threaded discussion offers you an opportunity to draw on what you think are important points from the course to create a framework and apply it to a brief minicase in Rubin, on page 267. Read the minicase and assume that the focus for the Inspector General’s function within the CIA is to promote economy, efficiency, and effectiveness in the operation of the CIA.

Your challenge is address how a performance budgeting system could be implemented for the Inspector General’s budget function. This function is separate from the CIA’s budget function. In other words you are the budget director for the CIA’s Inspector General (IG). Provide a framework for the IG to implement his or her performance budgeting system. Include the benefits, pitfalls, and the challenges of such a system, and describe how the budgeting system would be developed and operated.

Use bullets to help make your points quickly but clearly. Please avoid using bullets to gloss over issues that are unclear or confusing. Instead, respond as a budget professional and say, “I’m not clear on this point” and then explain what’s unclear.

Let’s try to build one response as a class and again don’t repeat what others have said. Simply add to it, refine it, or suggest eliminating something.

For each component in your proposal please indicate what principle from the course it draws on.

Unit #14: Final Examination
Starts on 4/26/10 and ends midnight 4/28/10