Section Information
Spring 2006, Section 050
3 Credits
Thursday, 7 p.m. - 10 p.m.
110 Memorial Hall
http://www.ipa.udel.edu/education/courses/uapp833/

Instructor Information
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Thursday, and by appointment

Course Description

Course catalog description. Principles of public finance and public sector economics are used to examine issues of demand for and delivery of public goods by state and local governments and nonprofit organizations. Topics include revenues, expenditures, intergovernmental and cross-sectoral relationships, budgeting, debt management and asset allocation. May be cross-listed with POSC839.

What that means. For some of you, this will be only one of multiple courses in the areas of public finance, budgeting, and financial management; for others, it may be your only academic exposure to these concepts and practices. This course will help you to acquire practical skills in budget preparation, analysis, and implementation for public organizations, as well as an understanding of the political and economic context within which those skills are applied. Many of the readings and examples for the semester will be based on budgeting and finance for local governments, and a few will examine nonprofit contexts specifically. We will devote relatively little attention to state and federal governments. The basic skills of analysis treated in the course are largely generic to problems of resource allocation and management in the full range of public-serving entities. Readings and class discussions will additionally address issues of public finance to establish the context for the application of those techniques.

"The budget is the bones of the state laid bare." Broad resource allocation decisions (taxing and spending) allocate roughly a third to a half (depending on how you figure it) of total economic resources in the United States and other "mixed" economies. Public finance and budgeting determine to a very considerable degree what society will produce; "who gets what, when, how"; and the extent to which broad resource allocations achieve social equity and/or allocative efficiency. These concerns are obviously relevant to policy analysts and concerned citizens, but they also matter for public administrators faced with recommending or making decisions about how to match broad public policy and spending desires with the required resources. Accordingly, you should gain from the course a basic knowledge of some key principles of public finance and an understanding of how those principles inform (or often don't in practice) decisions about revenue raising, spending, and choices of policy tools such as direct program administration and taxation, regulation, contracting out to nonprofits and for-profit entities, tax expenditures, loans and loan guarantees, and the like. (For those interested in public finance, I highly recommend Prof. Solano's UAPP 829, Taxation and Fiscal Policies, offered every Fall.)

"Figures don't lie, but liars can figure." The practice of budgeting, financial management, and financial reporting by public managers helps to determine how resources are allocated by and within public organizations, how effectively and efficiently those resources are put to work to achieve desired goals, and the extent to which citizens and stakeholders are able to hold officials accountable for the use of resources. Administrative budgeting, accounting, and reporting activities also form the basis for public
resource allocations and serve to identify, define, and frame problems for policy analysis. You should therefore acquire from this course an ability to read and analyze basic budget and financial presentations, and to formulate managerial and policy recommendations on the basis of that analysis.

**Prerequisites**

**Course work.** Successful completion of UAPP 834, Public Economics, or the equivalent is a prerequisite.

**Math skills.** While this course does not require the use of any advanced math, basic competence in college-level algebra will help you to complete the assignments and exams in the course without undue distress, and to make use of your new knowledge and analytic skills in settings beyond the classroom. If you are uncomfortable with the level of math needed to solve the questions and problems in the textbook, take that as a sign that you should make an effort to brush up your skills early in the semester.

**Software skills.** While it is not absolutely necessary, the use of computer spreadsheet software is recommended, although I will accept neatly typed work regardless of how the calculations are performed. There are a number of educational resources available at this University and elsewhere to help you learn the software, including very helpful tutorials on disk you can use or borrow from 116 Pearson Hall: see [www.udel.edu/learn/usered/](http://www.udel.edu/learn/usered/). Online tutorials for Excel are available at [www.usd.edu/trio/tut/excel/](http://www.usd.edu/trio/tut/excel/) (U. of South Dakota) and [www.baycongroup.com/excel.htm](http://www.baycongroup.com/excel.htm) (a consulting firm).

**Required Texts and Materials**

**Textbook.** There is one required text for the semester, available at the University bookstore:


**Additional readings.** Most other required readings will be available through the course website ([www.ipa.udel.edu/education/courses/uapp833](http://www.ipa.udel.edu/education/courses/uapp833)) and various internet and University library resources. Take this opportunity to upgrade your version of the free Acrobat Reader software and set up your home computer to use the University's proxy server – see instructions at [www.udel.edu/help](http://www.udel.edu/help).

**Optional and reference materials.** Here are a few references for books complementary to our course:

Maddox, David C. *Budgeting for Not-for-Profit Organizations*. New York: John Wiley & Sons, 1999. (On reserve in Morris Library. For those of you more concerned with nonprofit than government finance, I have provided suggestions in the schedule of class meetings and assignments below for using readings from this book to supplement the required readings from the Aronson & Schwartz text.)

Finkler, Steven A. *Financial Management for Public, Health, and Not-for-Profit Organizations*. Upper Saddle River, NJ: Prentice-Hall, 2001. (This excellent book focuses on financial management: the nuts and bolts of managing financial resources within specific public and nonprofit organizations, but in a way that is readily accessible to the non-accountant.)


———. *What Else You Should Know About Your Local Government’s Finances*. Norwalk, CT: Government Accounting Standards Board, 2005. (How to read note disclosures and supplemental information in governments' GAAP-compliant CAFRs [by mid-semester, you'll be able to decipher the jargon and acronyms]. Complements the preceding three volumes.)


Mikesell, John L. *Fiscal Administration: Analysis and Applications for the Public Sector*. 6th ed. Belmont, CA: Wadsworth, 2003. (This is a standard textbook, formerly used for this course, and written from a public finance perspective but with extensive information on financial management and useful bibliographies. Earlier editions are equally useful, and I will try to get a spare copy of a recent edition to put on reserve at Morris Library.)


**Course Requirements**

*General expectations.* I will assume that you have read and understood all assigned readings before class, except when you ask specific questions about those readings in class. Because we use this course to teach basic practical budget and finance skills as well as fundamental considerations of public finance, there will be a number of practical tasks for you to perform. These will include homework assignments as well as in-class exercises, and individual as well as group tasks. Grades will be based on a midterm exam, a final exam, and other written assignments, as described below.

*Communications.* (1) I will from time to time use the automatic course mailing list to distribute news, assignments, and other vital information. This list delivers mail to all students registered for the course, and to me, at our University of Delaware email addresses. If you do not regularly check your @udel.edu address, make sure you have it set to forward mail to an address that you do check regularly. If you require alternate means of notification, let me know right away. (2) You can reach me quite easily by email (justice@udel.edu) or telephone (302-831-1682) most days. For face-to-face visits, I will always be available in my office from 6 p.m. to 6:45 on Thursdays. For other days and times, please make an appointment in advance.

*Course requirements.* Grades will be based on a variety of homework and other practical assignments, a midterm exam, and a final exam, as detailed below. Classroom discussions and exercises will provide important opportunities to confirm and enhance your grasp of the theoretical and conceptual material and
to develop and practice your analytical skills. I therefore expect all of you to attend classes and to arrive at the beginning of each class period, well-prepared and ready to participate fully. A common rule of thumb for college- and graduate-level is that students should expect to spend on average three hours or more preparing for each hour of class meeting time (i.e., nine to ten hours per week of preparation outside class for a three-credit course). I am confident that you will do well in this course if you are willing to invest the requisite level of effort. Major categories and weights of assignments are:

- Midterm exam (take-home, due March 23): 30%
- Final exam (take-home or sit-down, due May 18 or 25) 30%
- Homework and task assignments (due 2/23, 3/9, 3/16, and 5/11) 25%
- Group projects/in-class assignments (due 3/2 and 4/27) 15%

Please note. Due to the format of the course and assignments, I cannot accept late exams and assignments. If you are going to have schedule conflicts, please notify me well in advance, so we can arrange for you to turn your work in early.

Academic Integrity. Exams and graded assignments should be regarded as individual work, unless I stipulate otherwise. This does not mean that you cannot or should not consult with each other and compare notes on the material, but I do expect your final products for individual work to be individually prepared. Refer to the University’s Student Guide to University Policies, [http://www.udel.edu/stuguide](http://www.udel.edu/stuguide), and its Code of Conduct for detailed definitions of the required standards of academic honesty and descriptions of the sanctions associated with plagiarism, cheating, fabrication, and other violations.

Revisions and Updates

The instructor reserves the right to modify this syllabus when and as appropriate.

Course Outline and Schedule

1. Feb. 9: Fiscal literacy: how much is a lot, how can you tell, and what difference does it make anyway?

Read before class
Carney & Schoenfeld, "How to read a budget" (to be distributed)
Berne & Schramm, excerpts from *The Financial Analysis of Governments* (TBD)

Practice
Use at least one of the techniques from the Carney & Schoenfeld and Berne & Schramm readings to analyze data in at least one of the tables in the introduction to the Edenville Case Studies

Optional reading
Maddox, Ch. 1, Ch. 11
2. Feb. 16: Local budgeting and finance in context.

Read before class
Text, Ch. 1, Ruchelman, "The finance function in local government"
Text, Ch. 4, Bahl, "Local government expenditures and revenues"
Key, V. O. "The Lack of a Budgetary Theory." American Political Science Review 34, no. 6 (1940): 1137-44 (available through the JSTOR database using an on-campus computer or proxy server)
Ediville Cases, Part 1, "Introduction," (TBD)

Optional reading
Boyer, Ch. 8, "Public Finance," in Governing Delaware (TBD)


Assignment due (Individual memo)
Asphalt Paradox case analysis

Read before class
Text, Ch. 10, Raphaelson, "The property tax"
Text, Ch. 11, Mikesell, "General sales, income, and other nonproperty taxes"
Text, Ch. 12, Bierhanzl, "User charges and special districts"
Shoup, Donald C. "The Ideal Source of Local Public Revenue." Regional Science and Urban Economics 34, no. 6 (2004): 753-84 (available through Morris Library's e-journal collection)


Assignment due (Group memo)
Write a memo to advise to the town manager, who has asked you what the city should do: Why and how Newark should or should not implement Shoup's idea for Main Street and/or other areas

Read before class
Text, Ch. 2, Oates, "Fiscal structure in the federal system"
"Cutting the School Budget" (TBD)

Optional reading
Boyer, Ch. 5, "Local government," in Governing Delaware (TBD)
Boyer, Ch. 6, "Nongovernments," in Governing Delaware (TBD)
5. Mar. 9: Budgeting concepts and criteria.

Assignment due (Individual memo)
Analyze the process and outcome of the school budget cutting exercise

Read before class
Text, Ch. 7, Solano, "Budgeting"
National Advisory Council on State and Local Budgeting, "Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting," Government Finance Officers Association (1998). (Read this briskly, focusing on concepts and principles; look at the examples, but I don't expect you to memorize them. There are both HTML and PDF versions available at http://www.gfoa.org/services/nacslb/. Browse gfoa.org if you have spare time.)

Optional reading
Maddox, Ch. 2, Ch. 13, Ch. 14

In class
Cost and budget analysis exercises

6. Mar. 16: Budget preparation; revenue and cost estimation; budget analysis.

Assignment due (Individual assignment)
Step one of budget process role play exercise

Read before class
Text, Ch. 5, Schroeder, "Forecasting local revenues and expenditures
Cost analysis reading (TBD)
Anthony & Young, Appendix, "Some budget ploys" (TBD)
Ediville Cases, Part 1, Introduction, and Part 2, Recurrent Budget Assignment (TBD)

Optional reading
Maddox, Ch. 3, Ch. 4, Ch. 5, Ch. 10, Ch. 14, Ch. 15

In class
Budget role play and reflection
Review Ediville's finances and context


Midterm exam due (Individual assignment)
Ediville Case Studies, Part 2, Recurrent Budget Assignment (deliverables per instructions on p. 14)

Read before class
8. Apr. 6: Budget execution.

Read before class
Text, Ch. 15, Thai, "Procurement"
Text, Ch. 16, Larson, "Cash and investment management"
Text, Ch. 20, Young, "Risk management"

Optional reading
Maddox, Ch. 7, Ch. 9, Ch. 11, Ch. 12

9. Apr. 13: Capital budgeting; debt management; pensions and OPEB.

Read before class
Text, Ch. 6, Aronson, "Cost-benefit analysis and the capital budget"
Text, Ch. 18, Petersen, "Public employee pension funds"

Additional readings (TBD)

Optional reading
Maddox, Ch. 6

10. Apr. 20: Instructor will be away.

Group project
Ediville Capital Budget Assignment

11. Apr. 27: Budget and finance reforms; financial reporting; technology.

Assignment due (Group memo)
Ediville Cases, Part 3, Capital Budget Assignment

Read before class
Grizzle, Gloria A. "Does Budget Format Really Govern the Actions of Budgetmakers?" Public Budgeting and Finance 6, no. 1 (1986): 60-70 (e-journal)
Meyers, Roy T. "Is There a Key to the Normative Budgeting Lock?" Policy Sciences 29, no. 3 (1996): 171-88 (TBD)
Jones, L. R. "Wildavsky on Budget Reform." Policy Sciences 29, no. 3 (1996): 227-34 (TBD)
Text, Ch. 9, Miranda, "Enterprise resource planning systems"
Additional reading – MFBA &c. (TBD)
Additional reading – IRS Form 990 (TBD)

Optional reading
Maddox, Ch. 16, Ch. 17
Mead, What you should know (2000) and/or Analyst's guide (2001)


Read before class
Readings TBD

In-class exercise
Wilmington's (or another organization's, TBD) financial condition indicators
Forecasting/long-range planning exercise


Assignment due (Individual memo)
Write up your financial-condition analysis and recommendations for the fiscal future of Wilmington (or Edville or another organization for which appropriate information is available, TBD)

Read before class
"E-Government as an Instrument of Fiscal Accountability and Responsiveness: Do the Best Practitioners Employ the Best Practices?" (TBD)
Additional readings (TBD)

Optional reading

In class
Group development of financial-condition consensus evaluations and recommendations

Final Exam: due either May 18 or May 25 (date to be determined).