

PSPA 610
Public Budgeting and Financial Management
Fall 2009, Tuesday 6:30-9:10

Instructor: Larry Maholland
Phone: (h) 630.584.7049
(c) 630.901.8545
Email: lwm584@sbcglobal.net

Sean Stegall
(o) 847.931.5930
(c) 847.417.4160
Stegall_s@cityofelgin.org

COURSE OBJECTIVE

The purpose of this course is to develop your skills and knowledge about the technical and conceptual challenges of public budgeting and financial management. Through readings and exercises students will learn about broad concepts and how those concepts are practically applied. Furthermore, at the end of the semester each student shall be proficient reviewing and analyzing public budgets and related documents. Assignments completed outside of class and in-house discussions will enhance students' presentation and analytical thinking skills. Emphasis will be placed on local budgeting theory and practices with additional information on state and national systems.

REQUIREMENTS

Students must be fully prepared for each class by completing the assigned readings and exercises. Students must be able to use spreadsheet software, such as Microsoft EXCEL® (XLS) in addition to word processing. Students will also need access to, and be able to use an email program and have access to the course webpage at Blackboard (Bbd) webcourses.niu.edu/webapps/portal/frameset.jsp where we will use the Blackboard courseware system. ***Turn off your personal communication devices before class begins. Punctuality is also important.***

COURSE COMPETENCIES

This course is designed to improve your management skills and knowledge in the following ways:

Oral Communication	Class discussions, local budget & case presentations.
Written Communication	Issue analysis paper, Case analysis papers, GFOA budget analysis paper, Bbd postings
Analytical Thinking	Case analyses, Class discussion
Cultural Diversity & Ethics	Various discussions about equity and ethical issues
Budgeting and Policy Analysis	Reading, analyzing, writing, and discussing required readings, articles and completing exercises
Information Technology	Development of progressively more complicated spreadsheets for cases, PowerPoint® presentations, Bbd postings

REQUIRED BOOKS

Ammons, David . Tools for Decision Making: A Practical Guide for Local Government (Washington, DC: CQ Press, 2009).

Bland, Bob. Budgeting Guide for Local Governments, (Washington, DC: ICMA, 2007).

Fishbein, John. Preparing High Quality Budget Documents (Chicago: Government Finance Officers Association, 2006).

Recommended Practices of the National Advisory Council on State and Local Budgeting (link on Bbd)

Thurmaier, Kurt and Katherine Willoughby, Policy and Politics in State Budgeting (M.E. Sharpe, 2001).

Lee, Robert D., Ron Johnson, and Philip Joyce. Public Budgeting Systems (7th ed), (Boston: Jones and Bartlett, 2004).

GRADING

The course grade will be based on analysis of a major issue paper case assignments, evaluation of a budget and class participation.

1. Major Issue Paper – This is an opportunity to express your thoughts and ideas about a budget or financial issue about which you feel strongly.
2. Individual Analysis of Cases – You will write an .analysis paper on two cases (GELT Theater or Lone Pine Trash Collection) during the semester. The required format for the case papers is on page ??? and on the BBd webpage.
3. Group Case Analysis – Northville Daycare, will be a group project. Each group will present their Northville analyses (I & II) to the class on two separate occasions as if presenting to the mayor and city council.¹
4. GFOA Budget Analysis – Using the GFOA budget review criteria, you will evaluate a local government budget (approved by me for your review). The reviews will use the GFOA budget awards criteria as illustrated in the Fishbein book. You also will present your analysis to your classmates.
5. Financial Ratio Analysis – Each student will be provided a set of financial ratios for a community and asked to analyze those ratios against the ratio medians of all communities in the database.
6. Class Participation – Class participation is critical to everyone’s learning. The classroom is a safe environment to express your point of view, while listening and learning from the ideas expressed by others.

Course Component	Total
Major Issue paper	10%
Case Analyses—Individual (2)	15%
Northville Case I & II – Group (2)	25%
GFOA Budget Review (inc 10% for presentation)	25%
Financial Ratio Analysis	15%
Class participation	10%

¹ Individuals may receive a different grade than the group based on self-assessments conducted at the conclusion of the case. Slackers, for example, can expect to receive a lower grade than the group. Contribute your fair share!

100%

Major Issue Paper – Grading will be based on your ability to clearly articulate an argument supporting your belief and to present your report in a grammatically correct way.

Budget Case Analyses (must use required paper format) – Grade is based on ability (1) to demonstrate analysis of the case problem and propose superior alternatives, and (2) to link the issues in the case with relevant literature from the class reading list, (3) to construct a spreadsheet that uses correct data from the case, dynamically linked formulas and variables, (4) to clearly present the most important information to the reader. (No spreadsheet required for theatre case.), (5) to present your report in a grammatically correct manner (each obvious error will result in a one point deduction) and, (6) to provide references that align well in support of your arguments.

GFOA budget analysis paper (must use required paper format) – Grade is based on ability (1) to correctly analyze the budget document, and (2) to include relevant literature from the class reading list to persuade the reader that the criteria in the evaluation are important for good budgeting. Your paper must include a list of at least 5 different references; more and higher quality citations are worthy of higher grades. Length about 5 pages: 1” margins, 10pt fonts. The formal presentation of your analysis in the last class session should take 5-7 minutes.

Blackboard (bbd) class discussion – Grade is based on consistency and quality of participation in class discussions. Students are required to provide current events information about budgeting and financial management to supplement class discussions each week. Contributions will be from a local or national newspaper (online or paper editions). For credit, the student must [1] state the most important lesson from the article and [2] its contribution to the course. Students should post an article on the appropriate PSPA610 BBd discussion forum; the posting should be made by the day before class so that members have a chance to read the article in advance of the class session.

Class participation and attendance – We share responsibility in the education of you and your classmates. The class will maximize its ability to learn when all students share their opinions, questions and concerns. While, budgeting and finance may provide more absolutes than other areas of public administration, there is ample opportunity for differing opinions. Your thoughts and ideas will be valued; however, will only be realized through your participation and attendance.

BASIS FOR CALCULATING COURSE GRADE

Letter grades will be based on a cumulative numerical score as follows (e.g., 92% = A, 86% = B, 78% = C, etc.)

WRITING

There are now some excellent writing resources available on the web to improve your writing skills, including our own MPA webpage:

http://www.mpa.niu.edu/pub_ad/audience/writing.shtml and <http://www.grammarbook.com/>. There is a link to the MPA writing webpage on the **PSPA610 BBd webpage**.

Do not rely heavily upon the automated features of Word to identify your grammatical and spelling errors. Proof your papers carefully and consider having a third party review your written work. Grammatical and spelling errors will significantly affect your grade.

ETHICS

Anyone who does not cite the work of others that is used in writing course papers is subject to an F for the course and possible dismissal from the university. If in doubt, cite the source, whether a quotation or a paraphrasing of someone else's work. Use a style manual taken from the MPA website writing page for all papers. The English Department's statement on Plagiarism is direct and to the point: www.engl.niu.edu/composition/guidelines/plag.shtml . I recommend you take the online tutorial available from the NIU website to be sure you understand the rules and principles [<writingtutorial.niu.edu/writingtutorial/style/plagiarism01.html >](http://writingtutorial.niu.edu/writingtutorial/style/plagiarism01.html) .

CLASS DISCUSSION GUIDELINES

- Seek to understand, then be understood
- Look for merit in the ideas expressed by others
- Participate
- Expand on the ideas presented
- Value risk taking
- Be courteous and respectful of others
- Have fun!

CLASS SCHEDULE

August

- 25** **Establishing Context and Building a Foundation**
Objective: What are the class expectations? How does public and private budgeting differ?
- Assignment:** Obtain a city or county budget document and a Comprehensive Annual Financial Report (CAFR). Preferably, students will obtain a budget from their own city, but I can assist if necessary. Download Distinguished Budget Award Criteria Location Guide from course webpage. Bring budget to class for approval.
- Required Reading: Bland Ch1/ Lee, Johnson, Joyce Ch1&2.

September

- 1** **Framing the Budget: Policies and Processes**
Objective: Why are policies critical to effective budgeting? What makes an effective budget process? Why is the chart of accounts critical to effective financial reporting?
- Assignment due:** Major Issue paper
- Required Reading: Ch1; Fishbein (Policy Document section)/Lee, Johnson & Joyce Ch 3/Thurmaier, Willoughby Ch 2, 6/Bland Ch 2
- 8** **Budget Formats and Budget as a Policy Document**
Objective: What are the different models of budgetary decision-making? Which applies to what kind of problem? *Assignment:* Be able to develop a chart that compares and contrasts decision-making models.
- Review a budget as a Policy Document against GFOA Budget Award criteria. Bring your budget to class.
- Required Reading: Ammons Ch1-4,12-14/Bland Ch 1— pp 17-26/Ch 7.

12	COMPUTER LAB (10-noon): Preparing for Spreadsheet Budget Cases (optional)
(Saturday)	Review and explain basic spreadsheet, then introduce complex features used in class assignments. Elements include data entry, formatting, graphing, capital budgeting tricks. MEET IN COMPUTER LAB (DuSable 170, DeKalb campus)

- 15** Class cancelled and all class assignments, activities and subject matter shifted one week ahead.

22 Budget Approval Process

Objective: What are the types of approval processes used in the public sector at the local, state and national levels? What are the advantages and disadvantages of each? Who leads the budget approval process? What role does the public play in the process; elected officials; department managers, and non-supervisory personnel? What is the approval process for the US Budget?

Guest Speaker: Lyndy Januszewski, Sikich LLP – Technology Division, ERP Systems

Required readings: Lee, Johnson, Joyce Ch 7,8,9/Bland Ch 3/Thurmaier, Willoughby Ch 5.

28 E-mail GELT Theater case to Maholland and Stegall in order to preview before class. Review section of the syllabus for how to participate and write a case analysis.

29 Performance Measurement and Strategic Planning/GELT Case Discussion

Objective: What is the relationship among strategic planning, performance measurement and the budget? While widely discussed as rational approaches to effective management, are performance measurement and strategic planning effectively implemented? What role does leadership play the implementation of these approaches to assessing organizational efficiency and effectiveness?

Required Reading: Bland Ch 6; Fishbein Ch 3—OG # 2/Ammons Ch 10.

Budget Exercise: Review a budget as a Financial Plan against the GFOA criteria. Bring your budget to class.

October

COMPUTER LAB (10-noon): Preparing for Daycare Budget Case

3
(Saturday) Review and explain complex XLS features used in daycare case assignments.
MEET IN COMPUTER LAB (DuSable 170, DeKalb campus)

6 Revenue Types and Forecasting

Objective: What are the typical revenue sources of governments? What are the characteristics of each? What are the typical investment types available for local government use? How is investment return calculated? What is an appropriate mix of revenue sources?

Guest speaker: Mayor Ed Schock, City of Elgin.

Required Reading: Lee, Johnson, Joyce Ch 4-5/Fishbein Ch2—FP#4/
Ammons Ch 12.

13 Expenditure Types and Forecasting

How do estimating employee, services, supplies, and capital expenditures differ? What are effective methods to justify expenditures? Which expenditures are most vulnerable to changes in the economy? What is the distinction among fixed, variable and step costs?

Required Reading: Lee, Johnson, Joyce Ch 6, 12/Ammons Ch 12-21.

Budget Exercise: Review budget as an Operational Guide. Bring local budget to class.

20 Capital Planning

Objective: What are the links between operating and capital budgets? How is a Capital Improvement Plan developed? How does a CIP integrate with the operating budget? What are the forms and procedures used to develop a CIP? What are the financing alternatives used to develop a CIP?

Required reading: Lee, Johnson, Joyce Ch 12/Fishbein FP # 6-8/Bland Ch 7.

Classroom exercise: Evaluate capital purchase decisions.

27 Accounting Fundamentals and Fund Accounting

Objective: What is the basic accounting formula? What is meant by double entry bookkeeping? How does fund accounting differ from accounting in private businesses? What are the different types of funds used in governmental accounting? Why was GASB 34 a major change to the way governments accounted for their finances and fixed assets?

Bring your local Comprehensive Annual Financial Report (CAFR) and your local budget, with your questions and comments.

Required reading: Bland Ch 5; and Fishbein (Financial Plan section), Lee, Johnson, Joyce Ch 11.

Guest Speaker: Christopher Bethel, Director of Public Works, Village of Woodridge

November

2 E-mail Lone Pine Trash Collection case to Maholland and Stegall in order to preview before class.

3 Financial Ratios and Lone Pine Trash Collection Case

Objective: How do financial ratios serve to interpret financial information? Which ratios should a community be watching most closely? What are the most effective sources of information for financial ratios? How is financial ratio information presented?

Guest speaker: Sue Klinkhamer, former mayor of St. Charles and currently Chief of Staff for Congressman Bill Foster.

Classroom exercise: Evaluate economic development incentive agreements.

10 Ethics/Discuss Ratio Analysis Paper

What role do ethics play in budgeting? What types of ethical dilemmas do public administrators confront? Who has responsibility to ensure departments approach the budget in an ethical manner? Who decides what is ethical and how is it determined?

Assignment due: Ratio Analysis Paper

Required reading: Ethics and Public Policy Analysis, Heineman, See Blkbd/ Other Required Readings/Required Readings Not in Texts/Heineman et.al, Chapter 4-Ethics.

16 Email Northfield Daycare1.xls” to Maholland and Stegall to preview before class.

17 Debt Management/Discuss Northfield Daycare Case

Objective: What are the various forms of debt typically used by public agencies? What are the steps to issue debt? Who are the “players” in a debt issue? What are the potential pitfalls to avoid when issuing debt? Why is debt considered an appropriate tactic even when cash balances are adequate enough to avoid debt?

Assignment due: Groups present Northfield Day Care case part I (dress is business casual).

Required Reading: Lee, Johnson, Joyce Ch 13/Fishbein Ch 2 FP #8

24 Communicating the Budget

Objective: How should a budget be organized to expand the use by people from different technical backgrounds and levels of interest? What is a PAFR? How should charts and graphs be used to more effectively present financial information?

Required reading: Fishbein Ch 4.

Evaluate your budget as a Communication Device (Bring your budget to class).

30 E-mail Northfield Day Care Case Part II to Maholland and Stegall for preview before class.

December

- 1** **Operational Analysis/Present and Discuss Northfield Case Part II**
Objective: What are the steps necessary to effectively analyze an organization? How is an analysis conducted to ensure that the “right” things are being done “right?”

Assignment due: Groups present Northfield Day Care case part II (dress is business casual).

- 8** **Presentation of Budgets Based on GFOA Distinguished Budget Presentation Award Criteria**

Objective: How closely aligned is the budget you reviewed to the GFOA criteria? What is the significance of variations from the criteria? Can a resource be referenced that supports your analysis?

Assignment due: Present your budget review to the class (dress is business casual).

**Supplemental Required Reading List for PSPSA 610, Public Budgeting and
Policy Analysis
(available on Blackboard course website).**

- Bourdeaux, Carolyn and Grace Chikoto, "Legislative Influences on Performance Management," *Public Administration Review* 68(2): 253-265.
- Brown, Trevor L and Matthew Potoski, "Managing Contract Performance: A Transaction Costs Approach," *Journal of Policy Analysis & Management* 22(2)2003: 275-297.
- Brown, Trevor L and Matthew Potoski, "Contract-Management Capacity in Municipal and County Governments," *Public Administration Review* 63(2)2003: 153-164.
- Haas, Peter J. and J. Fred Springer. "Policy Analysis in the Classroom and the Real World," PA TIMES, 1998.
- Heineman, Robert, William Bluhn, Steven Peterson, and Edward Kearny, (Chapter 4) "Ethics and Policy Analysis," and (Chapter 7) "Policy Devolution and Policy Analysis," in The World of the Policy Analyst: Rationality, Values, and Politics (NY: Chatham House, 2002).
- Nachmias, David. "The Ideal and the Actual in Evaluation," *Policy Studies Journal* 8:7(1980): 1163-69.
- Tanaka, Susan, J. O'Neill and Arlene Holen. "Above the Fray: the Role of the US Office of Management and Budget," in Wanna, John, et al.(eds.) Controlling Public Expenditures (Northampton, MA: Elgar, 2003).
- Whitley, Douglas. 1990. "Local Government Finance." In James F. Keane & Gary Koch (eds.), *Illinois Local Government: A Handbook*. Carbondale, Illinois: Southern Illinois University Press, pp. 295-318.
- Young, Peter C. and Claire Lee Reiss. 2004. "Risk Management" in J. Richard Aronson and Eli Schwartz (eds.). *Management Policies in Local Government Finance*, 5th Ed. ICMA.
- Zietlow, John T. (1989) "Capital and Operating Budgeting Practices in Pure Nonprofit Organizations," *Financial Accountability & Management* 5 (4), 219–232.

STUDENTS WITH DISABILITIES: NIU abides by Section 504 of the Rehabilitation Act of 1973 which mandates reasonable accommodations be provided for qualified students with disabilities. Any student in this course who has a disability that may prevent him or her from fully demonstrating his or her abilities should contact me personally within the first three weeks of the semester so we can discuss accommodations necessary to ensure full participation and facilitate the educational opportunity. It is the responsibility of the student to make this information available to me at the beginning of the course. If you have not already done so, you will need to register with the Center for Access-Ability Resources (CAAR), the designated office on campus to provide services and administer exams with accommodations for students with disabilities. The CAAR office is located on the 4th floor of the University Health Services building (815-753-1303). I look forward to talking with you soon to learn how I may be helpful in enhancing your academic success in this course.

Case Algorithms for PSPA 610: Problem Solving Routines, or Methodologies

From Gerald Garvey, Public Administration
“Gather the Facts; Find the Issues; State the Case”

Cue 1. Cases are stories; they teach what stories teach—which just happens to be what administrators most need to learn

Cue 2. Public administration is politics—not the "obvious politics" of high stakes electioneering and policymaking, but the "other politics" of small-scale, behind the scenes problem solving; the nature of administrative casework follows accordingly.

Cue 3. Stories don't come readymade but must be formed through selection and shaping from the flow of events: "Case synthesis precedes case analysis."

Cue 4. Keep your eye on the entire set of interacting decision makers and interlocking policies.

Cue 5. It's usually helpful to break out the goals being pursued, the variables that must be modified to move toward the goals, and the criteria to be borne in mind when pursuing the goals.

Inconsistent criteria may require compromise of some goals, may require sacrifice of other goals.

Cue 6. Remember Miles' Law: "Where you stand depends on where you sit."

Is the Pattern Familiar? How So—and How Not?

Cue 7. Search for the paradigm of the case, but expect departures from the underlying pattern; explore the progression of circumstances.

Discuss and Defend: Why THIS action instead of another?

Cue 8. Cases involve choices; in a democracy, choice demands justification, which further implies a process of dialogue and an effort at persuasion.

Complex case analysis requires selectivity.

You are not required "to finish the work," since many of these cases can be analyzed to death and then some!

Cue 9. An effective administrative analyst must be ready to "speak in tongues;" expect to work in a variety of idioms and vocabularies.

Cue 10. Most important of all: Trust your own experience and instincts!

PSPA 610: Case Study Format and Questions

The case study paper is due at the beginning of the class at which the case will be discussed. Your paper must address the assigned issues for that case. These are thought papers, not research papers, so the grading will be based on your analytical skills as presented in the paper. Do not write to fill pages, but write for effect. Your grade is inversely proportional to how long it takes me to read and understand your paper!

Note: This kind of writing is hard work. Don't wait until the last minute, and plan on several drafts *before* you submit the paper for a grade.

The papers will be a maximum of 5 (five) double-spaced pages, plus a cover page. Use 1” margins all around, 10 point fonts.

The cover page should be a cover memo

DATE:

TO: City Manager

FROM: [You]

SUBJECT: Case Study on _____.

You are required to use the format below for the case analysis paper.

CASE TITLE

BACKGROUND

State the key background points that are relevant to your analysis. Keep this brief (one paragraph). Weave the story into the analysis as much as possible.

ANALYSIS

This is the heart of your paper. State an answer to a problem in the case, then support your statement with a cogent, concise argument. Be sure to support your argument with relevant literature from the course reading list.

CONCLUSION/RECOMMENDATION(S) FOR ACTION

This is a summation of your argument. In some cases, you will be asked to make a recommendation or recommendations. This will be no longer than one paragraph.

PSPA 610: GFOA Budget Analysis Paper Format

Your paper must address the assigned issues for this paper. It must use the format below.

The grading for this paper is based on your ability (1) to correctly analyze the budget document, and (2) to include relevant literature from the class reading list to persuade the reader that the criteria in the evaluation are important for good budgeting. Do not write to fill pages, but write for effect. Your grade is inversely proportional to how long it takes me to read and understand your paper! While there is no minimum number of reference citations, I would expect to see references in your paper to each of the assigned books and several of the assigned articles. You must include a list of references used in the paper.

Use the completed GFOA grading template (downloaded from Blackboard) as Appendix A.

Note: This kind of writing is hard work. Don't wait until the last minute, and plan on several drafts *before* you submit the paper for a grade. There are several points in the syllabus to prompt you to draft major sections of the paper as we proceed through the course. Use these opportunities wisely and you will be in good shape at the end of the semester.

The papers will be a maximum of 10 (ten) double-spaced pages, plus a cover page. Use 1” margins all around, 10 point fonts.

The cover page should be a cover memo from you, the budget analyst, to me, the budget director.

DATE: _____

TO: Budget Director

FROM: [You], budget analyst

SUBJECT: Analysis of the _____ budget for [fiscal year].

Use one paragraph to summarize your rating of this budget on each of the four GFOA categories and your overall rating of the budget. Use the GFOA awards scale from excellent to not present.

You are required to use the format below for the budget analysis paper.

INTRODUCTION

Keep this brief. Describe the assignment and some background on the city whose budget you are analyzing.

ANALYSIS

This is the heart of your paper. Summarize your rating in each area with a cogent, concise argument. You need not discuss each criterion separately; only highlight the most important influences on your overall rating for the category. Be sure to provide linkages to the assigned readings in each section of evaluation.

- Policy Document**
- Financial Plan**
- Operations Guide**
- Communications Device**

CONCLUSION/RECOMMENDATION(S)

This is a summation of your argument. In some cases, you may wish to make recommendations to the city about how to improve the budget you have analyzed. This will be no longer than 1-2 paragraphs.