

**BUDGETING FOR PUBLIC AGENCIES  
PUBLIC ADMINISTRATION 6342, Section 16331**

Instructor: Carl Carlucci Ph.D.  
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Introduction

This is a graduate course in public budgeting. The course will provide an overview of public budgeting concepts, techniques and tools. The purpose is to provide an understanding of public budgeting and a foundation for submitting and reviewing public budget proposals. We will examine public budgeting at the federal, state and local level.

Learning Outcomes

- 1) Students will understand the theoretical, political, historical and managerial context in which public budgeting has developed in the United States and the ways that the budgeting process has been adapted and modified over time and in different organizations to meet changing needs of public administration.
- 2) Students will learn the language of budgeting, and be prepared to work in government or the nonprofit sector at the federal, state or local level. This means preparing for and participating in meetings, making public presentations and working as part of a team. Most executive budget and legislative shops are organized around teams and the format of the course provides socialization into this format.
- 3) Students will be introduced to and will practice the major processes, terminology, techniques, and decision-making process and tools used in budgeting, thereby further providing a foundation for professional success and entry into the public administration profession.
- 4) Students will understand the role that political and economic constraints play in determining the success of a public budget, and to be able to analyze and defend or criticize these in budget memos.

Why is this important? In the latest survey (2016), 51% of our graduates report that their responsibilities include "budget preparation and/or administration". This course includes a semester long exercise in the practice of public budgeting, which culminates in the development of a city budget.

Requirements for the Course

Budgeting is a group activity. The format of this class is based on the process of budget making. Students will take on the role of a budget maker and a budget analyst. Class meetings will include a discussion of assigned readings and/or lecture materials, followed by student

presentations of articles and current events and/or participation in hands-on in-class budget exercises. Your preparation for and participation in these discussions is critical to your success in this class.

Modern budget agencies use online tools to manage and communicate activities. This course is taught using a **hybrid model**. Much of the course communication is by email and some of the instruction is conducted on-line. We will use the course BLACKBOARD site to provide reading materials, to present class lectures, to distribute and submit assignments, and to conduct group discussions and exercises.

Your success in this course requires that you can access and use these tools. Please make sure that your email address is current and correct in PeopleSoft and BLACKBOARD (BB). You must routinely check your email for communications. Course emails “push” information to you using BB and are clearly labelled as such. Missing these emails is not an acceptable excuse. You will “pull” course materials from BB. You will post information for class discussions and group case study assignments. Spreadsheets are an important tool in budgeting. You must be able to produce and manipulate spreadsheets in Excel.

The classes in weeks five and eight are completely online. There are no face-to-face meetings. This is an opportunity for you to work on your own, to catch-up or get ahead, set your own schedule, have group meetings and complete project assignments. During these weeks you should schedule other activities you need to accommodate or a planned absence.

The required readings are found in the reference text by Mikesell, with supplemental readings in Rubin. The additional journal articles and readings can be found in the PUBL 6342 Blackboard course content folders. If you have difficulty in finding this material please email or see the instructor.

Mikesell, John L. (2014) *Fiscal Administration: Analysis and Applications for the Public Sector*. Thomson-Wadsworth, Boston. ISBN: 978-1-133-59480-2. This is the primary reference text for the class. We use the 9<sup>th</sup> edition for citations and page numbers. There are 7<sup>th</sup> and 8<sup>th</sup> editions available, the page numbering is different although they are very similar in content.

Rubin, Irene S. (2010) *The Politics of Public Budgeting: Getting and Spending, Borrowing and Balancing* 6<sup>th</sup> edition, Washington, D.C.:CQ Press ISBN: 978-1-60426-461-6. There are now 7<sup>th</sup> and 8<sup>th</sup> editions although they don't appear to be much different, but the page numbering may differ. This is a compilation of readings that provide additional background and discussion of major topics.

Beginning in Unit Two, class #6, budget teams will be given copies of the **Data Sourcebook** for the local budget exercise. You will return these at the end of the class. Rabin, Jack, Hildreth, W. Bartley and Miller, Gerald J. *Public Budgeting Laboratory: Data Sourcebook*, 2nd ed., Revised. Athens, Georgia: Carl Vinson Institute of Government, University of Georgia, 1996. ISBN: 0-89854-182-4

Grading

Evaluation Procedures: The written assignments require you to write budget memos. Budget memos are analytical in nature, not based simply on opinions or theories. You must do more than explain your positions; you must defend your recommendations, citing theories and examples from the class readings and discussions. Content without organization and clarity does not achieve the purpose of a budget memo. Grading rubrics for assignments are posted in the Blackboard Information folder.

Class grades will be awarded based on the following criteria:

20% There are four on-line quizzes associated with the readings and class discussions. They will focus on terminology and concepts. These are designed as a way for you to monitor your understanding of the readings and the class discussions. The readings in Mikesell and Rubin are required of all students for each class meeting.

20% Class preparation and participation. Preparation and participation grades will be based on attendance, your individual JOURNAL postings, your contributions to any discussions on Blackboard and the class meetings. In addition to the readings in Mikesell and Rubin, during each class we will discuss the assigned journal articles and current events. Students will read assigned articles (provided in Blackboard) summarized what they learn from the articles and answer the related questions, by posting in their JOURNAL. These should be a thoughtful analysis and critique, not simple summaries. See the grading rubrics for presentations posted in the Blackboard Information folder.

20% The Local Budget Exercise. The class will divide into teams to conduct an exercise in local government budget making. The budget exercise will include written, spreadsheet and oral presentations. Note that individual contribution to the Local Budget Exercise presentation will also be evaluated and count towards the class participation grade.

40% Two Written Memo Assignments (10% each) and the Final exam (20%). The memo assignments and the final exam should be clearly and concisely written, and include references, displays and quantitative material as appropriate. The two budget memos are to be clear, concise answers to questions, not exposition of theory or opinions.

Late assignments will be accepted only under unavoidable circumstances as determined by the instructor.

**COURSE OUTLINE: PUBL 6342**

Outline and Assignments (Subject to change as necessary)

**UNIT ONE: THE BASICS OF PUBLIC BUDGETING**

We will discuss some of the fundamental principles in economics: microeconomics- the allocation of scarce resources, and macroeconomics-policy making and the economy. If you need to brush up on these topics go to the Web Links and see the Khan Academy video on macroeconomics and GDP, and the Federal Reserve Bank of San Francisco discussion of monetary policy.

<https://www.khanacademy.org/science/macroconomics>

<http://www.frbsf.org/what-is-the-fed/>

**Class 1. Introduction to the Course.** We will review the syllabus and course requirements. Check the INFORMATION folder in Blackboard for the syllabus and information on the course assignments. **(8/22/2018)**

In the first class presentation will set the stage for our discussion of public budgeting ideas, concepts and techniques. You will develop an understanding of public budgeting and a foundation for submitting and reviewing public budget proposals. We will examine public budgeting at the federal, state and local level. Required article readings are in Blackboard.

**Class 1. Overview of Public Budgeting, The Role of Government, Sources and Uses**

Part 1: Readings: No readings from the textbooks this week

Articles: Rubin, I. S. (1993) Who Invented Budgeting in the United States. *PAR*, 53(5), 438-444.

Levine, H. (2017) Review of the book *The Fiscal Viability of State Governments*, eds. Rubin, M.M. & Willoughby, K.G. CRC Press, 2015, in *Public Budgeting and Finance*, 73(2), 125-129. Retrieved from <https://doi.org/10.1111/pbaf.12158>

Read the articles and then post to your JOURNAL a summary of what you learned from the articles and your critique. Post your answers to the questions. **For the first week the instructor will post a sample analysis of the Rubin article.**

Part 2: Introduction to *Managing Our City* simulation.

Budget making is about choices. It is easy to criticize decisions when you are not held responsible. In this exercise students will take on the decision making roles in city government.

**Class 2. Budgeting Government Choices (8/29/2018)**

Part 1: Readings: Mikesell, Fundamental Principles  
Rubin, The Politics of Public Budgets C.1  
Articles: Meyers, R.T. & Joyce, P.G (2005) Congressional Budgeting at Age 30.  
*Public Budgeting and Finance*, Silver Anniversary Edition, pp. 68-82

Watch this series of short videos that explain the functioning of the market and the government's role in providing goods when the market fails. These are public goods and their characteristics are described.

What is Market Failure? April 2016 (4:48) <https://www.youtube.com/watch?v=4AbnNNYJSP8>

Public Goods in Economics. Nov. 2016 (4:16)  
<https://www.youtube.com/watch?v=oqm4mE8sLfs>

Public Goods and Market Failure. April 2016 (10:34)  
<https://www.youtube.com/watch?v=nePjDvZAM64&t=198s>

Part 2: Budget Tools. In-class exercise: public goods, public production, making intelligent choices Mikesell, C. 1, Fig. 1-1.

**Class 3. Budget Structures and Budget Systems (9/5/2018)**

**Complete Quiz #1.**

Part 1: Readings: Mikesell, Chapter: The Logic of The Budget Process  
Mikesell, Chapter: Budget Methods and Practices chapter, Preparation of the Agency Budget Requests, Review of Budgets, The Executive Budget, and Managing Budget Execution  
Mikesell, Chapter: Budget Systems, Classifications and Reform Considering the Flow chapter; The Logic of Service Systems, Traditional Performance Budgets, and Program Budgets

Articles: Cothran, D.A. (1993) Entrepreneurial Budgeting. *PAR*.

Part 2: Budget Tools. In-class exercise on real and price change, see Mikesell Sidebar 2-1. We will begin using the data from the Local Budget Exercise, Data Sourcebook to study the impact of inflation on budgets. This exercise is an opportunity to build a spreadsheet.

Do you understand the difference between real or constant dollars and nominal or current dollars? If you are unsure use the Web Link to go to the video on Real Money vs. Nominal Value.

Need an inflation calculator? <http://cpiinflationcalculator.com/>

## **Guest Lecture**

### **Class 4. Budget Process, Strategies, and Practices (9/12/2018)**

Part 1: Guest Lecture: Katina Hampton, Director of Admin. Services, City of Friendswood  
Ms. Hampton is responsible for the management of finances, HR, risk and IT. Friendswood has a population of over 40,000 and an FY 2018 budget of \$56m.

City website <https://www.ci.friendswood.tx.us/>

FY 2018 Budget <https://evogov.s3.amazonaws.com/124/media/67900.pdf>

Readings: Mikesell, State and Local Budgets chapter  
Also read Appendix 3-2 or 4-1, An Illustrative Budget Process: Texas.  
Rubin, The Politics of Process.

Articles: Kelley, J.T. (1996) GFOA Budget Awards Criteria and Lehan's Appraisal. *Public Budgeting and Finance*. Read the associated material, review and include in your questions and comments.

References: GFOA, Distinguished Budget Presentation Awards

<http://gfoa.org/budgetaward>

Texas Comptroller, Transparency Stars

<https://comptroller.texas.gov/transparency/local/stars/general-criteria.php>

### **Part 2: How to be a budget analyst.**

Review Mikesell, chapter Budget Methods and Practices. It is critically important that you read the Appendix *How to be a Budget Analyst*. You must follow this advice in all of your written assignments. These instructions are important for analyzing and making budget recommendations. In-class exercise: The budget analyst as outside evaluator.

In-class exercises: Managing Our City

Building a budget for Littleton: <http://littleton-co.v1.abalancingact.com/>

## **Guest video lecture, online**

### **Class 5. Managing the Budget Process (9/19/2018)**

View the video lecture, complete the reading assignments, and then post your JOURNAL entries to the class Blackboard site.

Background readings, in class 5 folder: Carlucci (2018) *Property Tax Competition*

Reschovsky (n.d.) *The Future of Public Schools Revenue From the Property Tax*

Links and materials on the Sugar Land budget and background on property taxes

Guest Lecturer: Jennifer Brown, Director of Finance, City of Sugar Land (1:28:58)

<https://uh.mediasite.com/mediasite/Play/1c6e6cb1d0d84fdb85480dc92b0956101d>

Readings: Rubin chapters - The Dynamics of Changing Budget Processes

Expenditures: The Politics of Choice

Budget Implementation and Control

Articles: Horton, R. (1987) Expenditures, Services and Public Management, *PAR*.

### **Complete Quiz #2**

### **First memo due for Unit One (see written assignments).**

## **UNIT TWO: STATE AND LOCAL BUDGETING**

### **Class 6. State Budgeting (9/26/2018)**

Part 1:

Readings: NASBO Fiscal Survey of the States

<https://www.nasbo.org/reports-data/fiscal-survey-of-states>

NASBO State Expenditure Report

<https://www.nasbo.org/reports-data/state-expenditure-report>

Articles: Goodman, D. & Clynch, E. J. (2004) Budgetary Decision Making by Executive and Legislative Budget Analysts, *Public Budgeting and Finance*.

Smith, A. & Jensen, J. L. (2017) An Assessment of Factors Important to Legislators in Budget Decisions, *Public Budgeting and Finance*.

Wright, D.S. (1967) Executive Leadership in State Administration, *Midwest Journal of Political Science*.

Are you interested in learning more about budgeting at the state level? If so, here are four state budget basics videos on the National Association of State Budget Officers (NASBO) web site.

<http://www.nasbo.org/state-budget-basics-videos>

### **NASBO Budget Lectures also on Youtube**

NASBO: The State Budget Process, Part 1 (6:02). This video describes the state budget calendar and process.

[https://www.youtube.com/watch?v=dt\\_yubkp4HI](https://www.youtube.com/watch?v=dt_yubkp4HI)

NASBO: State Budgets and Spending, Part 2 (7:02). This video describes state General Fund spending patterns.

<https://www.youtube.com/watch?v=CYZNrGnVLo>

NASBO: State Taxes and Revenue, Part 3 (6:20). This video describe the sources and proportions of state revenues.

<https://www.youtube.com/watch?v=6LSNTIEYMe8>

NASBO: State Budgets & the Federal Government, Part 4 (6:58). This video describes the Federal contribution to state budgets. <https://www.youtube.com/watch?v=jHktilU3vHc>

Part 2. The California Budget Challenge, <https://www.budgetchallenge.org/pages/home>

**Class 7. Revenue Politics and Financial Accountability(10/3/2018)**

Part 1: Readings: Rubin, Chapter 2: Revenue Politics

Mikesell, Read **Chapters in Part 2. Revenue Sources, Structures and**

**Administration**, Criteria for Evaluating Revenue Options and Revenue Forecasts, Revenue Estimates and Tax Expenditure Budgets

Articles: Rubin (1996) Budgeting for Accountability

Watch the video lecture Government Budgeting and Fund Accounting (7:21)

<https://www.youtube.com/watch?v=CCmQgg4W6Sg>

Part 2. In-class exercise: Planning for The Local Budget Exercise, a simulation of city budgeting and decision making. In the MANAGING OUR CITY folder, read the description of the simulation. In the LOCAL BUDGET EXERCISE folder read the Instructions. Come to class ready to participate in the exercise.

**Guest lecture video and online**

**Class 8. Local Government Budgeting and Budgetary Forecasting (10/10/2018)**

Guest lecture video: Professor Loftin on budgeting and forecasting. Posted in the Blackboard site, watch on you own. (1:46:19)

<https://uh.mediasite.com/mediasite/Play/62caa6696bb445f092b04709bccffebe1d>

Reference materials: posted online and at <http://galvestontx.gov/819/Financial-Transparency>

Readings: Mikesell, Chapter 12/13: Revenue Forecasts

Articles: Clifford (2005)Fiscal Sustainability; Johnson and Fabian (2008)Fiscal Health; Bahl and Duncombe (1992)Economic Change and Fiscal Planning;

Part 2: In-class exercise: *Managing Our City*, a simulation of city budgeting and decision making

### Guest Lecture

**Class 9. Capital Budgeting and Debt Administration (10/17/2018)**

#### Part 1:

Guest Lecture: Katherine Summerlin, Harris Co. Toll Road Authority

Readings: Mikesell, Capital Budgeting and Debt Administration chapters  
Articles: Wendorf (2005) Capital Budgeting from a Local Government Perspective

Part 2: Capital Budget Calculator exercise

<http://www.zenwealth.com/BusinessFinanceOnline/index.htm>

Optional - Capital Budgeting Lecture, Professor Andrew Lo, MIT Sloan School  
<http://ocw.mit.edu/courses/sloan-school-of-management/15-401-finance-theory-i-fall-2008/video-lectures-and-slides/capital-budgeting/>

Part 2: In-class exercise: *Managing Our City*, a simulation of city budgeting and decision making.

**Complete Quiz #3.**

**Class Budget Exercise handout distributed (see Written Assignments). Exercise team assignments finalized.**

## UNIT THREE: FEDERAL BUDGETING

**Class 10. Federal Budget Issues (10/24/2018)**

Readings: Mikesell, Read Chapters in **Part Two: Revenue Sources, Structures and Administration**, Chapters on Major Tax Structures, and User Fees

Articles: Rubin (2007) The Great Unraveling;  
Hoagland (2007) A Comment on "The Great Unraveling"

In-class, on-line examination of the Federal Budget

What is the form and format of the Federal budget? Do you understand how the US government raises revenue? Learn more about the US income tax system by watching the Kahn Academy lectures on taxes. Check the WEB LINKS. Watch Khan Academy video on taxes

<https://www.khanacademy.org/science/core-finance/taxes-topic>

Part 2: The Fiscal Ship, building a federal budget, <https://fiscalship.org/>  
Using the online debt stabilization tool, cut spending or raise taxes to stabilize the federal debt by 2024. Emphasize the selection of policy choices and program choices.

Committee for a Responsible Federal Budget, Stabilize the Debt Budget Simulator. Start by reviewing the list of ALL possible choices from which you can make your selections. Remember that these are both policy and political choices. <http://crfb.org/stabilizethedebt/>

Do you know whether the Federal budget deficit is getting smaller or larger? What is the long-term outlook for major federal programs? Read the President's Budget Message in the FY 2018 Budget <https://www.whitehouse.gov/omb> and the CBO analysis <https://www.cbo.gov/>

**Class 11. Federal Budget Analysis (10/31/2018)**

Readings: Mikesell, Chapter 3. Federal Budget  
The FY 2019 Federal Budget OMB/CBO

Articles: Cashell (2005) Economics of the Federal Deficit

Part 2: In-class, on-line examination of the Federal Budget  
<http://www.federalbudgetchallenge.org/pages/overview>

**Complete Quiz #4.**

**Second memo due for Units Two and Three (see Written Assignments).**

**UNIT FOUR: THE LOCAL BUDGET EXERCISE**

**Class 12. Local Budget Exercise (11/7/2018)**

Readings: Public Budgeting Laboratory Data Sourcebook  
Setting up the revenue and expenditure forecasts

**Class 13. Local Budget Exercise (11/14/2018)**

Readings: Public Budgeting Laboratory Data Sourcebook  
Comparison of revenue forecast and preliminary expenditure proposals  
Gap analysis

**Class 14. Presentation of the Final City Budget (11/28/2018)**

Final budget presentation, response to gap analysis

**Final Exam Due 12/5/2018**

**Blackboard submission of final exam to instructor by midnight, December 5, 2018**

**GENERAL INFORMATION**

**Grading Final Grades:** A = 4, A- = 3.67, B+ = 3.33, B = 3.0, B- =2.67, C+ = 2.33, C = 2.00, C- 1.67, D+ = 1.33, D = 1.00, D- = .37, F = 0.0.

**Statement on Academic Dishonesty.**

Presenting the words or works of others as your own is plagiarism, is dishonest, and is a violation of the University Policy on Academic Honesty. If you are not certain of what is permissible, you should contact the professor prior to submitting the assignment and/or check the UH webpage <http://www.uh.edu/provost/academic-affairs/policyguidelines/honesty-policy/index.php>. A student found in violation of academic honesty may be subject to a failing grade, suspension, or dismissal from the university

**AMERICANS WITH DISABILITY ACT (ADA)**

The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you believe you need special accommodations and assistance due to a disability, please contact the Center for Students with DisABILITIES (CSD Building 568, Room 110) and the Learning Support Services (LSS, 321 Social Work Building), or call 713-743-5411 to make appropriate arrangements.

**Counseling and Psychological Services for Students**

Counseling and Psychological Services (CAPS) can help students who are having difficulties managing stress, adjusting to the demands of a professional program, or feeling sad and hopeless. You can reach CAPS ([www.uh.edu/caps](http://www.uh.edu/caps)) by calling 713-743-5454 during and after business hours for routine appointments or if you or someone you know is in crisis. No appointment is necessary for the "Let's Talk" program, a drop-in consultation service at convenient locations and hours around campus.

[http://www.uh.edu/caps/outreach/lets\\_talk.html](http://www.uh.edu/caps/outreach/lets_talk.html)