

Fall 2005
PAF 506
PUBLIC BUDGETING AND FINANCE

Instructor: Barbara McCabe
(office)

Telephone: 480/965-1349

Office: 215A Wilson

e-mail: barbara.mccabe@asu.edu

Office hours: Tuesdays 2-4 and by appointment

COURSE OBJECTIVE: The objective of this class is to develop a good, working understanding of fundamental issues and principles of public finance and budgeting, focusing on why these issues and principles are important to public managers.

READINGS:

Mikesell, John L. 2003. *Fiscal Administration: Analysis and Applications for the Public Sector*. 6th ed. Belmont, CA: Wadsworth Publishing Company.

The budget of an Arizona city. Your choice.

Additional readings as assigned. (Handouts.)

Other Requirements:

A simple calculator.

Explanation of the Assignments

Taken together, the assignments are designed to give you a heightened understanding of general principles in budgeting and finance, specific knowledge of budgeting and finance in Arizona, skills in drafting line item and performance budgets and some hands-on experience with a completed budget document.

Papers

Survey data reveal that people tend to have strong opinions about taxes and expenditures. Unfortunately, these data also show that people know little about these subjects. The papers are intended to give students more in-depth understanding about current topics in public budgeting and finance. In addition, the papers are assigned to hone students' analytic and communication skills.

The first paper is an evaluation of Arizona's Transaction Privilege Tax (TPT, often called the sales tax), using some of the public finance evaluation principles. The papers should consider first how a typical sales tax is intended to operate, and its usual strengths and weaknesses. The paper should then compare the "typical" sales tax with Arizona's TPT and evaluate the how the tax operates in Arizona.

The paper should be a scholarly assessment, based in research. Statements of all but generally known facts must be cited. Each paper should demonstrate an understanding of the topic, drawing from texts, academic journals and government documents. Papers must be well developed, logically consistent and brief. No paper should exceed 5 pages of text (not counting the reference list). Both grammar and presentation matter, and will be reflected in grades.

All written work will be graded based on:

1. **Thoroughness and depth** of the effort: Does the product provide a well-grounded basis of research? Are matters of all-but-commonly-known-fact documented?
2. **Logic:** Do conclusions follow from the factual evidence presented?
3. **Organization:** Is the product ordered so that it is easy to follow?
4. **Clarity of expression:** Is the purpose of the analysis readily apparent? Is the meaning of the written product easy to fathom, or lost in clauses?
5. **Accuracy:** Are statements factual? Is the literature summarized correctly?
6. **Presentation:** Substance matters more than form, but form is still important. Is the product presented in a readable format? Are citations documented consistently?
7. **Brevity:** To capture the attention of busy decision-makers, documents must be concise.

Budget Exercises

Reading about distinctions between budgets promotes one kind of understanding, but actual experience with various formats develops a pragmatic appreciation of what those differences mean. These assignments provide hands-on experience with two of the most common approaches to budgeting, line item budgeting and performance budgeting.

The ability to use spreadsheet software will facilitate this assignment. Students wanting to improve their spreadsheet skills can take advantage of the tutorials available at the Computer Commons.

Students will prepare a line item budget as a graded assignment, and an in-class performance measurement assignment.

Municipal Budget Review

This project is intended to increase your familiarity with the many purposes budget documents are expected to serve. You will need a copy of the current fiscal year's

budget from the municipality of your choice. If your city has other budget documents (e.g., intended for citizen information), they will be useful to you as well.

Budgets are intended to address a number of different purposes including communication, management and control. Assess how well the current year's budget document addresses each of these functions. This assessment should include a short evaluation of how well the budget communicates city policy to its citizens, and the extent to which the budget provides useful information to elected and appointed decision makers. Your assessments need to be substantiated with examples and information from the budget document. In addition, answer the following questions:

1. What service area (or program) accounts for the greatest percentage of the city's total operating budget? Substantiate this. Does the budget provide any information suggesting why this service area is the largest?
2. Within that service area, what category of expenditure (e.g., personnel, supplies) accounts for the greatest percentage of that area's budget?
3. How many different funds does the city operate, and how do these funds differ in terms of the sources of their revenue?
4. Is there a separate capital budget, and Capital Improvement Plan? If so, what does this budget tell you about the city's plans for development?
5. What revenue sources does the city depend on, and to what extent?

COURSE REQUIREMENTS AND GRADING:

Assignment	Points
Paper (sales tax/TPT)	20
Line Item Budget	15
Exam	25
Municipal Budget Review	20
Final Exam (cumulative)	15
Class Participation	05

Calendar

8/22	Introduction to the class and to each other
8/29	Introduction to taxation: What makes a good tax? Mikesell, chs. 1 and 7 Prepare to discuss Question 1, ch. 1
9/5	Labor Day
9/12	Income taxes

Mikesell ch. 8
Prepare to discuss Questions 1a and 1d, ch. 7

- 9/19 Property taxes
Mikesell, ch.10
Handouts: Property taxes in Arizona
- 9/26 Sales and excise taxes
Mikesell, ch. 9
Handouts: Sales taxes and Arizona's Transaction Privilege Tax
Paper due
- 10/3 Fees, charges and forecasting
Mikesell, chs. 11 and 13
- 10/10 Debt, capital budgeting and fund management
Mikesell, chs. 15 and 6; pages 584-603
- 10/17 Introduction to the Budget
Mikesell, pp. 29-55 and 79-128
(Bring a calculator to class)
- 10/24 Budget Methods and Practices
Mikesell, ch. 4
Line item budget due
- 10/31 Budget Formats and Reform
Mikesell, ch. 5
- 11/7 **Exam**
- 11/14 Performance Measures and Budget Justification
Review Mikesell pp. 130-141; 190-194; 206-217
(Bring a calculator to class)
- 11/21 Fiscal Federalism and Budget Document Review
Mikesell, ch. 14
**Bring the budget of your chosen city.
Bring a calculator to class**
- 11/27 Budget Presentations
Budget review due.
- 12/6 **Final Exam**