Introduction
Fall 2012 promises to provide robust discourse about State and local finance in California with the tax measures on the November ballot and the recent bankruptcy declaration by three California cities. While the course does not focus exclusively on those items, they will be part of the backdrop as we learn about public budgeting and finance more broadly.

This course is designed to give you a basic understanding of the role of budgeting in the public sector. Budgets are one of the most significant policy documents in the public domain. Adopted budgets reflect priorities, values, and power relationships; the creation of budgets involves equal parts technical and political expertise. Once adopted budgets require implementation and monitoring and can be tools for organizational management, development and change or, if not well attended to, disaster.

Managing the public’s money is one of the most important tasks you will be given in your career. Becoming “financially literate” is the goal of this course.

Course Objectives
Students learning objectives for the course are to:

- Develop an appreciation for the intergovernmental dynamics of budgeting and their impact on budgeting behavior.
- Develop a working knowledge of the California state and local budget process, concepts, and terminology.
- Learn some basic skills in budget development, analysis, and implementation.
- Understand the role of cash and debt management in public agencies.
- Gain an understanding of budgets as tools for accountability and performance management and measurement.
- Understand the critical role budgeting and finance play in the ethical administration of government.
- Understand your obligations as a steward of public funds; in particular transparency and accountability.
• Understand the importance of transparency and the portrayal of complete information in the presentation of public financial documents.

• Format of Course and Expectations of Students

This is a participatory seminar--not a lecture class. Especially in the compressed Saturday structure, effective class discussions require that you do the reading and come prepared to share your questions and ideas with your classmates and our many guest speakers. We will be using the readings as a springboard for exercises and activities in class. Please bring the required readings with you to class as we will often rely on them.

In addition to the required readings, you are expected to stay current on fiscal issues by reading the Sacramento Bee (www.sacbee.com) and other news sources from around the state.

Assignments and Grading

The compressed nature of this class presents special challenges in creating assignments that are both meaningful and not overly burdensome. I am also mindful of the fact that several of you will be simultaneously working on your thesis. These assignments are designed to give you hands on experience and encourage reading of the materials.

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<th>Assignment</th>
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<td>Paper 1</td>
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<td>Next 10 report</td>
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<td>WELL Budget (in class)</td>
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<td>In class exam</td>
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<td>Final CA Budget Memo</td>
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Paper #1
After you have read the assigned materials, please write a 3-4 page memo detailing the issues that seem to be contributing to the State’s current budget situation. If done well, this paper will provide a useful starting point for your final memo. Due to me electronically by Friday September 7th at 10pm. For some of you this will be a huge learning curve, for others, you are steeped in this day to day.

Next 10 Report
Please take the Budget Challenge at the Next 10 site (link on the syllabus) and bring in two copies of your findings, one for me and one for your use in class. After you have taken the Challenge, write a 3-4 page memo explaining which choices you made, what the implications of those choices are, and why you think they made sense. Attach a copy of your Challenge results to your memo. Due Saturday September 15th 8am. We will have a guest to guide a discussion of Next 10.

WELL Budget
This project asks that you take a tour of the WELL building on campus (the new Rec and Wellness Center) and develop a draft budget based on what you observe. The budget itself must be done in a spreadsheet format and include account codes. The budget must include the current year and project the next two years. I will provide a basic background sheet of WELL information in class.

You will provide a budget analysis memo of no more than 5 pages to accompany the budget, explaining the major categories of revenues and expenditures. In addition, the memo should include guidance for the
leader explaining what are likely to be the key variables in the budget, in other words, what items are fixed and what are going to fluctuate (and why).

This project is artificial in that people almost never start a budget from scratch. But starting with an existing budget significantly constrains the way you think about what goes into a budget – you look to make incremental changes to what is there rather than thinking about whether you are spending money on the right things. This exercise is designed to get you to really think about what an organization has to pay for, it's a continuation of the idea that much of the really competent work in organizations comes from simply paying attention. Please do not go searching for the WELL budget as a starting point. I am interested in your ability to think through what the challenges will be rather than demonstrating your proficiency with cutting and pasting.

I will provide most of the necessary information and you will have most of an afternoon in class to do this project. We will also take a tour of the WELL as part of this project. It will be completed by small teams and each team will receive a common grade.

In class exam
On the last day of class we will have an in class exam (approximately 3 hours) where you will be asked to evaluate a budget you have not seen before. Since life is basically open book, you can use whatever materials you like.

Final - Memo
For the final exam you will write a paper that offers evidence that a fiscal crisis currently exists in the State of California’s budget (including the local government implications), describes what the roots of this crisis are, describes the different solutions proposed for this crisis, and concludes with your own recommendation(s) on what to do to solve it. This paper should be easier to write and better written if you make a concerted effort on the first paper.

You should structure your paper as an essay with an appropriate cover page, introductory section that describes what is in the essay, section headings that cover the requested material, and a concluding section. You will need a reference list at the end and citations must be in APA style (http://library.osu.edu/sites/guides/apagd.php). Take careful note to avoid any forms of plagiarism as described in the syllabus. Tables and figures must be included in the body of the essay, as Tufte would expect. Please chose your figures or tables carefully, they should add value and create meaning, not simply take up space. I will not read beyond ten, double-spaced, and typed pages. (Your cover page and reference list is not part of this ten-page limit.) Other than these constraints, the remaining form of the write up is up to you. The audience for the paper should be the bright but not knowledgeable decision maker who is exploring both state and local fiscal issues. Due November 3.

Academic Honesty
When you do any writing for this class, or any class at Sacramento State, it is important that you are aware of what plagiarism is, and how its practice can become grounds for dismissal from the university. Details are available at the University Policy Manual found at http://www.csus.edu/umanual/student/UMA00150.htm. The following is directly from this manual:

Plagiarism: Plagiarism is a form of cheating. At CSUS plagiarism is the use of distinctive ideas or works belonging to another person without providing adequate acknowledgement of that person’s contribution. Regardless of the means of appropriation, incorporation of another’s work into one’s own requires adequate identification and acknowledgement. Plagiarism is doubly unethical because it deprives the author of rightful credit and gives credit to someone who has not earned it. Acknowledgement is not necessary when the material used is common knowledge. Plagiarism at CSUS includes but is not limited to:
1. The act of incorporating into one's own work the ideas, words, sentences, paragraphs, or parts thereof, or the specific substance of another's work without giving appropriate credit thereby representing the product as entirely one's own. Examples include not only word-for-word copying, but also the "mosaic" (i.e., interspersing a few of one's own words while, in essence, copying another's work), the paraphrase (i.e., rewriting another's work while still using the other's fundamental idea or theory); fabrication (i.e., inventing or counterfeiting sources), ghost-writing (i.e., submitting another's work as one's own) and failure to include quotation marks on material that is otherwise acknowledged; and

2. Representing as one's own another's artistic or scholarly works such as musical compositions, computer programs, photographs, paintings, drawing, sculptures, or similar works.

Required Texts

Lewis, Michael. *The Big Short* (I asked you to read this book over the summer).

Mikesell, John L.. 2007. *Fiscal Administration*. 7th Edition. Thompson Wadsworth Publishing: Belmont, CA. This is available for purchase on the web from Amazon or other sellers. I have NOT selected the 2010 version of this book because it is very expensive and the core information you need has not changed significantly. You may certainly by the more recent edition if you find it at a price you can tolerate. If you cannot find the 7th edition please contact me and we can consider using the 6th edition. It should serve as a reference for fiscal issues in your career.


This is a brand new text on California State and Local Finance. Like the Mikesell text, if should serve as an excellent reference for the future. Michael Coleman will be a guest lecturer in our class.
In preparation for this class please ACTIVELY read newspapers etc for financial budget news. Please post items you find particularly useful or intriguing. I am still working to nail down some key guest speakers so the sessions may change a bit. However, the reading to be done won’t change so please get a start.

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<th>Date</th>
<th>Schedule and Readings</th>
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| Saturday Sept 8| Introduction, budgeting basics, context in CA  
The Big Short – all (as requested in June)  
Mikesell Chapters 1-3  
Bandy, Chapter 1,2  
**Calfacts 2011** LAO (or if updated, Calfacts 2012)  
**Facing Facts: Public Attitudes and Fiscal Realities in Five Stressed States**, PPIC 2010. Please read the introductory chapters and the California Chapter. You may skim the other states.  
**“The Ungovernable State”** Economist Magazine, May 14, 2009  
**“Why CA is Still America’s Future”** Time Magazine, October 23, 2009  
**“California Fiscal Outlook”** Taylor, Mac. LAO, November, 2011  
Review the first 50 pages and flag questions. Be prepared to talk to guest on 1-28  
**“California’s State and Local Revenue...”** Wassmer, May 2008  
Coleman, Chapter 16  
Mikesell, Chapters 14 (or 13 in newer edition) | Paper 1- Draft budget memo  
Please bring a list of perplexing vocabulary terms. These can be words you encounter in reading or items that have come up in other contexts. |
| Saturday Sept 15| Rethinking the State-Local Relationship: An Overview  
Dean Misczynski PPIC. April 2011  
Coleman Chapters 1-7, 12, 15  
Guests: Tim Gage, Former Director, Department of Finance; Former Principle Consultant to the Assembly Ways and Means Committee; Former Chief Fiscal Advisor to the Senate President Pro Tem  
Michael Coleman – Consultant to cities and counties in CA. | Take the Next 10 Budget Challenge and bring in your results. |
| Saturday Sept 29| Generating and forecasting revenues and expenditures  
Mikesell, Chapters 7, 13 Skim Chapters 8-12 to get a sense of the  
We will complete the WELL budget assignment in class |
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| Saturday Oct 6 | Governor's budget, higher education 2012-13  
LAO review of the budget, higher education portion 2012-13  
Who pays the cost of Higher Ed? LAO  
Guest Steve Boillard, Executive Director, Center for CA Studies, formerly Lead Higher Education analyst for LAO.  
Accounting and Auditing  
Bandy, Chapters 7 and 8  
Coleman Chapter 12  
Guest: Dennis Kaufmann, City Auditor for Sacramento |
| Saturday Oct 20 | Performance Budgeting  
Mikesell, Chapter 5  
Bandy, Chapter 9                                                      |
| Sunday Nov 3 | Final Budget memo due                                                                     |