

## **Syllabus for PPA 230 Public Budgeting and Finance**

**Fall 2017**

**Lecture: Thursday 6-8:50 PM, Room Tahoe Hall Room 1027**

**Office Hours: By Appointment (preferably near the State Capitol)**

**Lecturer: Christian Griffith**

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### **Goals of the Course**

This course provides a comprehensive overview of Public Finance that uses mostly primary documents and forms to allow for experiential learning so that the lessons can be applied in your career. Here are the goals of the course:

- Learn and apply the basic principles of how budgets of public sector entities are developed:
  - How are budgets built and agreed upon?
  - How do public entities use financial systems for management and control?
  - Why are special funds challenging to budget?
  - How do budgets vary in different agencies and policy areas?
- Gain insight into the perspective of various stakeholders in public finance:
  - Who are the key stakeholders in the budget process?
  - How does the budget itself guide day-to-day operations of public entities?
  - What types of approaches do decision makers use to evaluate budget requests?
  - How does the local-state relationship play such a key role in California public finance?
- Leverage this knowledge to improve your effectiveness at work:
  - Why is budgeting for staff so important, but also so difficult?
  - What are some persuasive arguments you can use to advocate for resources?
  - What are likely to be the big policy issues that fiscal staff will talk about in California in 2018?

### **Schedule and Readings**

This year I have decided to incorporate a required book into the course to expand the substance of the lecture. This book will help familiarize you with basic accounting concepts to reinforce the lessons of the course. It is also affordable (since I am a budget guy I always think about costs).

Darrell Mullis & Judith Orloff, *The Accounting Game: Basic Accounting Fresh from the Lemonade Stand* (Napier, IL: Sourcebooks, 2008)

I have also identified readings for each meeting. The more you diligently read these documents, the more our time together can be a discussion rather than a lecture. Since this course draws heavily from current events, I may add some readings over the course of our semester to add to our discussion. However, I will make sure all new readings are free, public domain documents.

## Five Functions of a Budget:

1. Forecast organization's expectation of the future environment.
2. Plan for the future course of the organization through allocation of resources.
3. Control and manage the activities of an organization with resources.
4. Enforce the vision through oversight.
5. Evaluate progress and performance.

| Date | Topic   | What you need to do <b>BEFORE</b> this class:   |
|------|---|---|
| 8-31 | <p>Introductions to budgeting</p> <ul style="list-style-type: none"> <li>• Introductions</li> <li>• The entire course on one slide.</li> <li>• Accounting Pretest!</li> <li>• Anticipating the Future</li> <li>• The Dashboard</li> <li>• Forecasting Exercise (Handout in class)</li> </ul>  | <p>First class</p> <p><b>Assignment handed out in class due 9-7:</b></p> <ul style="list-style-type: none"> <li>• <b>Budget Exercise Forecast</b></li> <li>• <b>Class Forecast and Survey</b></li> </ul>  |
| 9-7  | <p>Basic Forecasting, Special Funds, Very Basic Accounting</p> <p>General Fund versus Special Fund—and how they play together</p> <ul style="list-style-type: none"> <li>• Compare Forecast with Actuals</li> <li>• How do you react?</li> <li>• Why have Special Funds?</li> <li>• Tricks we have used.</li> <li>• Paying for overhead?</li> </ul> <p>Lemonade!</p> <ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Income Statement</li> <li>• Private Sector Versus Public</li> </ul> <p>State of California</p> <ul style="list-style-type: none"> <li>• Summary of Charts</li> </ul> | <p><b>Assignments Due:</b></p> <ul style="list-style-type: none"> <li>• <b>Fill out Class Forecast</b></li> <li>• <b>Bring your Budget Forecast</b></li> </ul> <p><b>Assignment for 9-14:</b></p> <ul style="list-style-type: none"> <li>• <b>Adopt-a-budget</b></li> </ul> <p>What you need to read/watch:</p> <ul style="list-style-type: none"> <li>• Read Lemonade Chapters 1-3—Fill Out Tables</li> <li>• Watch this video before the class: LAO State Budget 101 Video on State Spending<br/> <a href="http://lao.ca.gov/Videos/Player?playlistId=4&amp;videoId=8">http://lao.ca.gov/Videos/Player?playlistId=4&amp;videoId=8</a></li> <li>• California 2017-18 Budget Summary of Charts<br/> <a href="http://www.ebudget.ca.gov/2017-18/pdf/Enacted/BudgetSummary/SummaryCharts.pdf">http://www.ebudget.ca.gov/2017-18/pdf/Enacted/BudgetSummary/SummaryCharts.pdf</a></li> <li>• Read this before class: Government Accounting Standards Board discussion of fund types:</li> </ul> |

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|      |  | <a href="http://gasb.org/cs/ContentServer?c=GASBContentC&amp;pagename=GASB%2FGASBContent_C%2FUsersArticlePage&amp;cid=1176156737123">http://gasb.org/cs/ContentServer?c=GASBContentC&amp;pagename=GASB%2FGASBContent_C%2FUsersArticlePage&amp;cid=1176156737123</a>   |
| 9-14 | <p>Budget Structure: Who, What, Where, Why, When?</p> <ul style="list-style-type: none"> <li>• Basic Budget Structure</li> <li>• What do governments buy?</li> <li>• Different roles, different challenges</li> </ul> <p>Lemonade</p> <ul style="list-style-type: none"> <li>• Cash Management</li> <li>• Cash Versus Accrual</li> <li>• LIFO versus FIFO</li> </ul> <p>How is Government Different?</p> <ul style="list-style-type: none"> <li>• Encumbrances</li> <li>• Command and Control</li> <li>• Why is this statement true: "Cash Rules Everything Around Me"?</li> </ul> | <p><b>Assignment Due: Adopt-a-Budget</b></p> <p><b>Reading:</b></p> <ul style="list-style-type: none"> <li>• <b>Lemonade Chapters 4-6</b></li> <li>• The California State Administrative Manual's description of encumbrances:<br/> <a href="http://www.documents.dgs.ca.gov/sam/SamPrint/new/sam_master/sam_master_file/chap8300/8340.pdf">http://www.documents.dgs.ca.gov/sam/SamPrint/new/sam_master/sam_master_file/chap8300/8340.pdf</a> </li> <li>• The State of California runs out of cash.<br/> <a href="http://www.sco.ca.gov/eo_pressrel_PR08_065.html">http://www.sco.ca.gov/eo_pressrel_PR08_065.html</a> </li> <li>• The Controller discusses the State's Cash situation in 2008<br/> <a href="http://www.sco.ca.gov/eo_pressrel_PR08_065.html">http://www.sco.ca.gov/eo_pressrel_PR08_065.html</a> </li> <li>• DOF Fund Reconciliation Guide (Skim this document)<br/> <a href="http://dof.ca.gov/Accounting/Policies_And_Procedures/Fund_Reconciliation/documents/DFB303_2016_Guide_FINAL.pdf">http://dof.ca.gov/Accounting/Policies_And_Procedures/Fund_Reconciliation/documents/DFB303_2016_Guide_FINAL.pdf</a> </li> </ul> <p>Watch this video before the class:</p> <ul style="list-style-type: none"> <li>• LAO State Budgeting 101 Video on State and Local Governments:<br/> <a href="http://lao.ca.gov/Videos/Player?playlistId=4&amp;videoId=7">http://lao.ca.gov/Videos/Player?playlistId=4&amp;videoId=7</a> </li> </ul> |
| 9-21 | <p>How budgets are built?</p> <ul style="list-style-type: none"> <li>• State budget process</li> <li>• An sample local process</li> <li>• Federal budget process</li> <li>• Players and politics</li> <li>• Types of budgeting approaches--Baseline,</li> </ul>  | <p><b>Complete the following budget challenges</b></p> <ul style="list-style-type: none"> <li>• The Next 10 Budget Challenge for the federal budget:<br/> <a href="http://www.federalbudgetchallenge.org/pages/overview">http://www.federalbudgetchallenge.org/pages/overview</a> </li> <li>• The Next 10 Budget Challenge for California:<br/> <a href="http://www.budgetchallenge.org/pages/home">http://www.budgetchallenge.org/pages/home</a> </li> </ul>   |

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|      | Zero-Based, Performance-Based  | <ul style="list-style-type: none"> <li>The City of Los Angeles 2013 Budget Challenge: <a href="http://la.budgetchallenge.org/pages/overview">http://la.budgetchallenge.org/pages/overview</a></li> </ul> <p><b>Read these:</b></p> <ul style="list-style-type: none"> <li>A useful California Budget flowchart <a href="http://calbudgetcenter.org/wp-content/uploads/Navigating-the-State-Budget-Process-12.2015.pdf">http://calbudgetcenter.org/wp-content/uploads/Navigating-the-State-Budget-Process-12.2015.pdf</a></li> <li>The Department of Finance budget timeline (scroll through each month, but start notice that it starts in April) <a href="http://dof.ca.gov/budget/general_budget_timetable/index.html">http://dof.ca.gov/budget/general_budget_timetable/index.html</a></li> <li>A high-level walkthrough of the State budget process <a href="https://www.nationalpriorities.org/budget-basics/federal-budget-101/federal-budget-process/">https://www.nationalpriorities.org/budget-basics/federal-budget-101/federal-budget-process/</a></li> <li>A report on Performance Based Budgeting: <a href="http://pmc.cdt.ca.gov/pdf/Performance-Based-Budgeting-Report-Berkeley.pdf">http://pmc.cdt.ca.gov/pdf/Performance-Based-Budgeting-Report-Berkeley.pdf</a></li> <li>A report from the Governor's Financial Officers Association <a href="http://www.gfoa.org/sites/default/files/GFOAZeroBasedBudgeting.pdf">http://www.gfoa.org/sites/default/files/GFOAZeroBasedBudgeting.pdf</a></li> </ul> |
| 9-28 | <p>How to ask for things in the budget</p> <ul style="list-style-type: none"> <li>Budget Change Proposal critique</li> <li>Writing effective proposals</li> <li>Subvention</li> </ul> <p>Accounting</p> <ul style="list-style-type: none"> <li>Cash versus earnings</li> <li>Depreciation of Assets</li> <li>Chapter 10 discussion</li> <li>Final Review</li> <li>Post-Test</li> </ul> | <p><b>Readings:</b></p> <ul style="list-style-type: none"> <li>Lemonade: Chapters 7-10</li> </ul> <p>Read the following:</p> <ul style="list-style-type: none"> <li>Department of Motor Vehicles asked for money for a fence: <a href="http://web1a.esd.dof.ca.gov/Documents/bcp/1718/FY1718_ORG2740_BCP1140.pdf">http://web1a.esd.dof.ca.gov/Documents/bcp/1718/FY1718_ORG2740_BCP1140.pdf</a></li> <li>Department of Industrial Relations asked for money for labor enforcement:</li> </ul>   |

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|       |   | <p><a href="http://web1a.esd.dof.ca.gov/Documents/bcp/1718/FY1718_ORG7350_BCP1197.pdf">http://web1a.esd.dof.ca.gov/Documents/bcp/1718/FY1718_ORG7350_BCP1197.pdf</a></p> <ul style="list-style-type: none"> <li>• How to write an effective Budget Change Proposal<br/><a href="http://dof.ca.gov/budget/resources_for_departments/budget_analyst_guide/effective_BCPs.html">http://dof.ca.gov/budget/resources_for_departments/budget_analyst_guide/effective_BCPs.html</a></li> <li>• The Department of Social Services Subvention Binder (Check out the “detail tables, caseloads, and estimate methodologies”<br/><a href="http://www.cdss.ca.gov/inforesources/Local-Assistance-Estimates/2017-May-Revision-of-the-2017-18-Governors-Budget">http://www.cdss.ca.gov/inforesources/Local-Assistance-Estimates/2017-May-Revision-of-the-2017-18-Governors-Budget</a></li> </ul> <p><b>Assignment handed out in class: Write a GOOD Budget Proposal using the official State form.</b></p> |
| 10-5  | <p>Budget request exercise</p> <ul style="list-style-type: none"> <li>• Writing versus reviewing a request</li> <li>• Advocacy</li> <li>• Criteria for evaluating requests</li> </ul>   | <p><b>Assignment Due: Complete your DF-46 Narrative</b></p> <ul style="list-style-type: none"> <li>• Here where to find instructions and the form you need to use DF-46 (Cover Page and Narrative Template): <ul style="list-style-type: none"> <li>• <a href="http://dof.ca.gov/budget/resources_for_departments/budget_forms/index.html">http://dof.ca.gov/budget/resources_for_departments/budget_forms/index.html</a></li> </ul> </li> </ul>   |
| 10-12 | <p>Budgeting within Constraints</p> <ul style="list-style-type: none"> <li>• Discuss ballot-box budgeting</li> <li>• Prop 13 Legacy on State and Locals</li> <li>• School District/Special District Budget</li> <li>• Public Sector Bargaining</li> <li>• Significant State Propositions</li> <li>• Examples of Local Measures</li> </ul> | <p>LAO's Common Claims about Proposition 13<br/><a href="http://www.lao.ca.gov/Publications/Report/3497">http://www.lao.ca.gov/Publications/Report/3497</a></p> <p>State Local Relationship<br/><a href="http://www.lao.ca.gov/Publications/Detail/1801">http://www.lao.ca.gov/Publications/Detail/1801</a></p> <p>Voyage into California City Finance<br/><a href="http://www.californiacityfinance.com/Prop13ERAF218primer.ppt">www.californiacityfinance.com/Prop13ERAF218primer.ppt</a></p> <p>Governor's Gann Limit Constraint<br/><a href="http://lao.ca.gov/Publications/Report/3596">http://lao.ca.gov/Publications/Report/3596</a></p>  |
| 10-19 | <p>Budgeting for Capital Projects and Long Term Liabilities</p> <ul style="list-style-type: none"> <li>• How do you pay for these?</li> <li>• Long-Term Liabilities</li> </ul>  | <p>Read the following:</p> <ul style="list-style-type: none"> <li>• Addressing California's Key Liabilities<br/><a href="http://www.lao.ca.gov/Publications/Detail/3011">http://www.lao.ca.gov/Publications/Detail/3011</a></li> </ul>   |

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|       | <ul style="list-style-type: none"> <li>• Net present value—time equals money</li> <li>• Funding big projects</li> <li>• Project approval</li> <li>• Information technology</li> </ul>  | <ul style="list-style-type: none"> <li>• California 5-Year Infrastructure Plan, 2017 (Pages 1-7)<br/><a href="http://www.ebudget.ca.gov/2017-Infrastructure-Plan.pdf">http://www.ebudget.ca.gov/2017-Infrastructure-Plan.pdf</a></li> <li>• Transportation Funding Package<br/><a href="http://lao.ca.gov/Publications/Report/3572">http://lao.ca.gov/Publications/Report/3572</a></li> <li>• 2016 High Speed Rail Business Plan (Executive Summary and Sections 5 and 6)<br/><a href="http://www.hsr.ca.gov/docs/about/business_plans/2016_BusinessPlan.pdf">http://www.hsr.ca.gov/docs/about/business_plans/2016_BusinessPlan.pdf</a></li> <li>• CalSTRS Funding: An Update<br/><a href="http://lao.ca.gov/Publications/Report/3662">http://lao.ca.gov/Publications/Report/3662</a></li> <li>• <i>Hidden Debt, Hidden Deficits: 2017 Edition</i><br/><a href="http://www.hoover.org/research/hidden-debt-hidden-deficits-2017-edition">http://www.hoover.org/research/hidden-debt-hidden-deficits-2017-edition</a></li> </ul> |
| 10-26 | <p>Revisiting the State budget, special funds, audits</p> <ul style="list-style-type: none"> <li>• Audits</li> <li>• The silver lining of audits</li> <li>• FCMAT</li> <li>• The Role of Control Agencies</li> <li>• Overhead</li> </ul> | <p>Read this:</p> <ul style="list-style-type: none"> <li>• California State Auditor: University of California Office of the President, If Failed to Disclose Tens of Millions in Surplus Funds and its Budget Practices are Misleading<br/><a href="https://www.auditor.ca.gov/reports/2016-130/index.html">https://www.auditor.ca.gov/reports/2016-130/index.html</a></li> <li>• Fiscal Crisis &amp; Management Assistance Team Function<br/><a href="http://fcmat.org/fcmats-function/">http://fcmat.org/fcmats-function/</a></li> <li>• Manual of Special Funds homepage<br/><a href="http://dof.ca.gov/budget/manual_state_funds/index.html">http://dof.ca.gov/budget/manual_state_funds/index.html</a></li> <li>• A description of the “Single Audit”</li> <li>• <a href="http://dof.ca.gov/Programs/OSAE/Audit_Reports/Single_Audit_Reports/">http://dof.ca.gov/Programs/OSAE/Audit_Reports/Single_Audit_Reports/</a></li> </ul>  |
| 11-2  | <p>How to cut your budget</p> <ul style="list-style-type: none"> <li>• Politics, stakeholders, process, and priorities</li> </ul>  | <p>Review this website</p> <ul style="list-style-type: none"> <li>• Options for Reducing the Deficit: 2015 to 2024<br/><a href="https://www.cbo.gov/budget-options/2014">https://www.cbo.gov/budget-options/2014</a></li> </ul> <p><b>Assignment: Budget Reduction Exercise</b></p>   |

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|       |  | <ul style="list-style-type: none"> <li>City and County of San Francisco Budget Challenge:<br/><a href="https://sf.budgetchallenge.org/pages/overview">https://sf.budgetchallenge.org/pages/overview</a></li> </ul> |
| 11-9  | Budget cut exercise <ul style="list-style-type: none"> <li>Budget Reduction Presentations</li> <li>Adopting the final budget vote</li> </ul>                                   | <b>Assignment Due: Prepare your budget reduction exercise</b><br><br>Reading: <ul style="list-style-type: none"> <li>Budget Cut Exercise Packet</li> </ul>   |
| 11-16 | Accountants, Analysts, and Executives <ul style="list-style-type: none"> <li>Fiscal Staff</li> <li>Accountants</li> <li>Organizational charts and culture</li> <li></li> </ul> | Links forthcoming<br><br><b>Assignment: 2018 Governor Platform Memo</b>  |
| 11-23 | Thanksgiving Day, No Class   | Eat  |
| 11-30 | A look forward to 2018 <ul style="list-style-type: none"> <li>US and California economic outlook</li> <li>What will the hot budget topics in 2018</li> </ul>                   | Read: <ul style="list-style-type: none"> <li>LAO 2017 November Outlook (Link forthcoming)</li> <li>International Monetary Fund World Economic Outlook (Link forthcoming)</li> </ul>                                |
| 12-7  | Final Review, Final Paper <ul style="list-style-type: none"> <li>Final Presentations</li> <li>Revisiting Forecasts</li> </ul>  | <b>Final Assignment Presentation</b>   |

**CLASS ATTENDANCE** I expect students to attend all class sessions unless they have a compelling reason not to do so. Please notify me in advance if you need to miss a class. Except under unusual circumstances, a student who misses three classes will be penalized one entire grade (e.g. an A- for the course will become a B-), and a student who misses more than three classes will receive a failing grade.

**SPECIAL NEEDS RELATED TO DISABILITIES** Should you need assistance with portions of class due to disabilities, please let me know as soon as possible. The University offers services to student with disabilities and I would be glad to refer you to the appropriate campus unit.

**ACADEMIC HONESTY** I take issues of academic honesty (including avoiding plagiarism) seriously and you should as well. If you are unfamiliar with the specifics of University policy in this area I recommend you review the appropriate section of the on-line University Policy Manual:

<http://www.csus.edu/umannual/AcademicHonestyPolicyandProcedures.htm>.

**LATE ASSIGNMENTS** I will accept late assignments (or allow for a make-up assignment) only in unusual circumstances. Whether or not a penalty will be assessed depends on the reason (e.g., a family emergency) constitutes a good reason for missing a deadline; a competing requirement for another course does not.

### **Grading**

| Percent | Assignment                             |
|---------|--|
| 5       | #1 Budget Forecasts                    |
| 5       | #2 Adopt-a-Budget                      |
| 5       | #3 Budget Challenges                   |
| 30      | #4 Budget Change Proposal/Presentation |
| 25      | #5 Budget Reduction Exercise           |
| 30      | #6 2018 Platform/Presentation          |