

California State University Sacramento
Public Policy and Administration
PPA 230
Public Budgeting and Finance
Fall 2013
Tuesdays 6 pm – 9 pm
ARC 1007

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Introduction

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 act of developing budgets draws heavily on both technical and political expertise. After they are adopted, budgets require implementation and monitoring, and can be tools for organizational management, development, and change. Public administrators have a central responsibility to understand where resources are allocated and how they are being used. Budgeting and finance are in part the art of balancing this mix of technical, policy, and political considerations. Becoming comfortable with the budget development process, and the many technical components thereof, is an overriding goal for this course.

Course Objectives

After taking this course, a student should be able to:

- Identify reasonable alternatives to address state and local budget and fiscal problems.
- Analyze and evaluate alternatives for addressing state and local budget and fiscal problems, and offer solutions to these problems based upon this analysis.
- Use different analytical skills and tools strategically in the examination of budget and fiscal issues.
- Understand your obligation to advance public value when considering how to raise and expend public funds.
 - Consider the ethical dimensions of choices in the realm of state and local finance.

Format of Course and Expectations of Students

This is a participatory seminar, and not a traditional lecture class. Effective class discussions require that you have completed the assigned readings and come prepared to share your questions and ideas with your fellow students and our guest speakers.

In addition to the required readings, you should stay current on fiscal issues by reading *The Sacramento Bee* and other news sources from around the state. Rough and Tumble (rtumble.com) collects stories from all major state news sources each day, and is a popular site with almost all state policy folks.

Assignments and Grading

Assignments are designed to give you hands-on experience and encourage the reading of materials.

- 10%: Budget Memo
- 5%: Next 10 report
- 5%: Opinion piece on Proposition 13
- 20%: Governor's Mansion budget exercise
- 25%: In-class exam
- 25%: Final exam
- 10%: Participation

Budget Memo – due 5 pm on Monday, September 2 (deliver via email to steve.boilard@csus.edu)

After you have read the assigned materials for the first week, please write a 3-4 page memo detailing the primary budget challenges facing California. In doing this, think carefully about the extent to which the state's budget challenges arise from particular policies, environmental factors, political factors, structural constraints, etc.

For some of you, this will involve a steep learning curve and be somewhat painful. Others may have considerable background with budgeting and will find this to be an easy exercise. To help me understand the range of experience and background, please include at the end of your memo a paragraph that explains how comfortable you feel about this course and what you think you learned during this first exercise.

Next 10 Report (due Sept. 10)

Please take the "California Budget Challenge" on the Next 10 [website](#). Print out your results, and write a 3-4 page memo describing (1) anything that surprised you about the exercise, and (2) specific ways in

which you think the budget challenge could be improved to better reflect the real-world issues and tradeoffs of the state budget.

Proposition 13 opinion essay (due Oct. 29)

Several weeks before this assignment is due, I will give you a real or imagined piece of legislation to modify the state's property tax law known as Proposition 13. Please write an opinion essay suitable for publication in a major state newspaper, taking a position on the legislation. The opinion essay should be between 500 and 750 words.

Governor's Mansion Budget (due Nov. 26)

The California Department of Parks and Recreation manages 280 separate park units in the state. These park units include not just traditional parks, but other historic sites such as Sutter's Fort and Hearst Castle. For this assignment, you will be asked to develop a draft budget for one of the State Historic Parks sites in the Sacramento area: the California Governor's Mansion. The Governor's Mansion (located at the corner of 16th and G Street) was originally built in 1877 as a private residence, and was purchased by the state in 1903 to serve as the residence for 12 California governors. After Ronald Reagan's governorship, the mansion became a state historic park unit and is open to the public for tours. Your assignment is to develop a balanced budget for running and maintaining the mansion. The budget should be in a spreadsheet format and include account codes. It must include revenues and expenditures for the current year, as well as project the next two years. I will provide you with some basic background documents, and we'll make a group visit for a private tour at 6 pm on Tuesday, October 15. (I also ask that you make a separate visit to go on a public tour, to get a feel for the operation, prior to October 15. The Mansion is open Wednesday through Sunday.)

Your draft budget should be accompanied by a briefing memo of no more than 6 pages, explaining the major categories of revenues and expenditures. In addition, your memo should include guidance for the park site manager that explains what are likely to be the key variables in the budget. This project is of course artificial, in that budgets are almost never developed from scratch. Normally, annual budgets are built by making incremental changes to the prior year's budget. However, that approach significantly constrains the way one thinks about what goes into a budget – it tends to reinforce the status quo. 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 park site's actual budget as a starting point. Your grade will be based on your ability to think through what ought to go into a budget, rather than demonstrating your proficiency with cutting a pasting.

In-Class Exam (Dec. 10)

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. You will be allowed to use one page of notes.

Final Exam (Due Dec. 17 at 5 pm)

The final exam is a take-home writing assignment. You will be given specific instructions on the last day of class. The assignment will ask you write 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. Take care note to avoid any form of plagiarism. Tables and figures must be included in the body of the essay. Please choose your figures or tables carefully; they should add value and create meaning, not simply take up space. Do not exceed 10 double-spaced pages. (Your cover page and reference list do not count toward this 10-page limit.) Other than these constraints, the remaining form of the paper is up to you. The audience for the paper should be a bright but not knowledgeable decisionmaker. The final exam must be submitted electronically to me by December 17 at 5 pm.

Required Texts

Fiscal Administration, 2010. 8th Edition. John L. Mikesell, Thompson Wadsworth Publishing. This is available through Amazon and other sellers. I encourage you to buy a used copy, so long as it is the 2010 edition. The book is expensive, but a foundational text and a great reference volume that should serve you well for years.

Guide to Local Government Finance in California, 2012. Michael Multari, et al, Solano Press Books. This too is available through Amazon and others, but used copies are hard to find.

All other readings will be available online, or I will provide them to you in class. In preparation for this class please actively read state budget coverage in *The Sacramento Bee*, *Los Angeles Times*, and other publications. Because PPA 230 is being taught in the Fall this year, the Governor’s budget proposal (released each year on January 10) will not be a major focus in news stories. However, you should pay attention to issues with the state budget, including implementation of reforms (such as realignment), revenue forecasts, evidence of waste or mismanagement, etc.

A number of class sessions will involve guest speakers, but they will not be nailed down until we get closer to the actual sessions. Please always come to class on time and prepared.

Date	Readings and Activities (additional readings for later classes will be announced and provided during the term)	Assignments Due
September 3 Overview	NOTE: All PPA students will first convene at Department picnic at Alumni Grove at 5:30 pm; we will move to the classroom as a group around 6:30 pm. Mikesell, Chapter 1 Multari, Chapters 1-2 LAO, Overview of the Governor’s Budget LAO, 2013-14 State Spending Plan	Budget Memo (to be sent electronically to me by 5 pm on September 2)

September 10 Budget Process	Mikesell, Chapter 2 Multari, Chapter 7	Next 10 budget exercise and memo (bring to class)
September 17 Budget Methods and Practices	Mikesell, Chapter 4 Multari, Chapter 8 Cal Channel videos on 2012 state budget: Governor Brown Releases His 2012-13 State Budget_ (Jan 5, 2012) Legislative Analyst Mac Taylor Releases The LAO's Overview of the Governor's 2012-13 Budget_ (January 11, 2012) Senate Budget & Fiscal Review Committee (1 of 2) (Jan 19, 2012) Assembly Budget Committee (1 of 2)_ (Jan 31, 2012)	
September 24 Budget reform	Mikesell, Chapter 5 Multari, Chapters 12 and 17 <i>California Crackup</i> , Chapter 5 (to be provided)	
October 1 Capital and Infrastructure	Mikesell, Chapter 6 Multari, Chapter 10 LAO, California Infrastructure Spending	
October 8 Taxation overview	Mikesell, Chapter 7 Multari, Chapters 3 and 4	
October 15 Income taxes	Tour of Governor's Mansion Mikesell, Chapter 8 LAO, Strategies to Maintain California's Park System CA State Parks Department, The Historic Governor's Mansion of California	
October 22 Taxes on goods and services	Mikesell, Chapter 9 LAO, Why Have Sales Taxes Grown Slower than the Economy?	
October 29 Property taxes and Proposition 13	Mikesell, Chapter 10 Multari, Chapter 16 Bruce Bartlett, Proposition 13 at Age 35	Opinion essay on Proposition 13 (due electronically before start of class)
November 5 Other local taxes and fees	Multari, Chapters 5 and 6	

<p>November 12 User fees and tax collection</p>	<p>Mikesell, Chapters 11 and 12 Katherine Barrett and Richard Greene, The Risk of Relying on User Fees Forbes, User Fees Confuse and Abuse</p>	
<p>November 19 Revenue forecasting</p>	<p>Mikesell, Chapter 13 LAO, California's 2013-14 Fiscal Outlook, through page 28. DOF, 2013-14 Governor's Budget Summary, "Revenue Estimates" LAO, Overview of Governor's 2013-14 Budget, through page 18.</p>	
<p>November 26 Debt and unfunded liabilities</p>	<p>Mikesell, pp. 579-607 LAO, Public Penion and Retiree Health Benefits.</p>	<p>Parks budget due electronically before start of class.</p>
<p>December 3 Development and Municipal Finance</p>	<p>Multari, Chapters 13-15</p>	
<p>December 10</p>	<p>In-class exam</p>	
	<p>FINAL EXAMINATION (Take-home)</p>	<p>DUE: Tuesday, December 17 at 5 pm</p>