

Core Cluster Three: Budgeting

Government Budgeting Systems

26:834:542

DESCRIPTION OF THE COURSE: Finance is an integral part of most management decisions. Whether the decision is to hire, fire, or promote an employee, to purchase or sell an item, to start or end a program, or to improve client services, managers must weigh a decision's financial implications. Inadequate attention to the financial system can affect the attainment of organizational goals.

Basically, finance is defined as obtaining and managing funds to attain organizational goals. The MPA program provides a two-course sequence to introduce the range of issues, techniques, concepts and terms associated with the field of governmental, nonprofit and healthcare finance. The public financial management course takes a broad view and examines financial strategies and processes for managing revenues (assessment, collection, borrowing and investing) and spending (purchasing, insuring, controlling, auditing and reporting). This budgeting course covers the politics, processes, outputs and outcomes of decisions made in the allocation of public resources at the federal, state and local levels of government.

The budgeting course does not assume that class members have taken any previous course. However, together, the two courses cover the complete cycle of formulating and executing the budget.

OBJECTIVE OF THIS COURSE: Since this course deals with formulation, we will concentrate on the question: How does an organization ensure that its objectives outlined in its programs are funded? You should understand and be able to apply the systems of budgeting to your organization as a result of your study in this course.

The specific objectives of the course include:

- 1. To understand and be able to distinguish the major reforms in budgeting that appeared in this century.**
- 2. To be able to apply each of the major budget reforms to a dataset, manipulating the data, and concluding the reform's utility.**
- 3. To. be able to apply the different budgets to one's own organization.**
- 4. To understand and critically analyze the political processes surrounding spending and revenue decision.**
- 5. To be able to design a process and the technical forms that would enable you to request information from your subordinates about their spending needs.**

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TEXTS FOR THE COURSE: You should purchase the following from the Rutgers University Bookstore:

Performance-Based Budgeting, Miller, Hildreth and Rabin.

The Politics of Public Budgeting latest ed. (Rabin), Chatham House Publishers.

(Optional) Government Financial Management Theory (Miller), Dekker.

In addition, you will find **Municipal Budget Process (in New Jersey) (Benecke, Rutgers Bureau of Government Research)** useful if you're in local government and should think seriously about purchasing it from the Bureau in New Brunswick (Rutgers, Department of Government Services, PO Box 5079, New Brunswick 08903-5079). If you're in a nonprofit, **David Maddox, Budgeting for Not-for-Profit Organizations (Wiley, 1999)** is excellent. If you're in healthcare, one of the best I've seen and the one we'll use parts of is **Zelman, McCue and Millikan, Financial Management of Health Care Organizations (Blackwell, 1999).**

I will provide additional material, case studies, and exercises for which the University will assess a small fee for copying. I will collect this fee for the University at the beginning of the semester.

OFFICE HOURS: I will be available on almost every afternoon from 4-5:30pm in 720 Hill or by arrangement with you. Please telephone at 973-353-5093 x21 at Rutgers to talk. My e-mail address is gjmiller@andromeda.rutgers.edu Fax is 973-353-5907. Home e-mail is geraldmiller@home.com and fax is 201-451-0728.

GRADES: The homework, exercises, and a major project will all be graded with the weights as follows:

Case Study Briefs and Homework Exercises	5%
Line item budgets	15%
Performance and Program budgets	20%
Activity base budgets	15%
Zero base and Target base budgets	10%
Balancing the budget	10%
Final Project	25%
Total	100%

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Some of the exercises are group exercises. At the end of the course we will review these grade weights. If a different weighting seems more appropriate, we'll negotiate it.

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HOMEWORK AND CLASS PROJECTS: Homework, specifically work done outside but for class, is helpful in getting you to focus on a particular issue. I ask you to do homework projects as a way to spur your development and understanding of financial management processes in government, nonprofit and healthcare institutions. In return, I will reward you for your effort. The ground rules are:

- 1. Make sure you know what you're doing; I assume you do.**
- 2. Make the work legible and understandable if you want the benefit of the doubt (especially when it comes to spreadsheets).**
- 3. Hand it in on time.**

A note about work you hand in: Keep copies of everything you give me; I will hand back graded work but may ask to keep it in my files. MAKE COPIES. At the end of the course, I will count in your grade only the work for which I have copies.

THE SEMESTER SCHEDULE

Session Subject

1 Introduction

**Organization, Philosophy, Discussion of Ground Rules and Assignments
Case Study: "This Organization Has Two Managers" And "The Asphalt Paradox"**

Homework exercise: Write a brief synopsis of the cases and answer the questions at the end of the case.

2 General Background: Where budgeting came from and how we got to where we are today.

Homework exercise: For the following week's discussion, get into your agency, find out where budgeting begins (who and when) and trace the process up to the very top and end. Use a flow chart method of picturing it, along a time line, and give a running text commentary.

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Session Subject

- 3 Federal, state, and local government and schools budgeting processes - and some observations on the nonprofit budgeting process: What's supposed to happen when and who does what

In class we will discuss your findings about your agency.

- 4-7 The types of budgets, the decisions they enable, the appropriate uses of different budgets, and, more generally, the thinking that lies behind budget reforms

Miller, Hildreth, and Rabin (all).

A. Line-item budgets and budget control, the basis for all budgets

Exercise: Determine the financial status of an agency

B. Performance budgets and program budgets, today's reform of choice

Exercise: Find the efficiency of an agency and then relate that efficiency to its goals

C. Zero base budgets and Target base budgets, reforms that force changes

Exercise: Reallocate funds from old budget programs to new budget programs (or resist reallocation?)

D. Activity base budgets: reforms that cost out the delivery of services, sometimes for privatization purposes and sometimes for pricing or fee calculation

Exercise: Determine the cost of your own agency's products, services, or activities and evaluate what would happen if faced with feast and famine conditions.

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Session Subject

8 The meaning of politics in public budgeting

Rubin, Chapter 1, 3

Exercise: Simulating the politics of budgeting within the executive branch

Director's Review, a simulation.

Assignment 3: Analyze what went on in the simulation and what to generalize as the best strategy under the circumstances.

9 A. The history of budget reforms and the implication of these changes
Dynamics of budgeting: Rubin Chapter 4

10 Does the spending side of budgeting operate independently of the revenue side?
How?

The Politics of Expenditures, Rubin Chapter 5

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Session Subject

- 11 What creates a tax revolt? Is there ever a successful way to increase revenue?**

Revenue Politics, Rubin Chapter 2

- 12 Balancing the budget: Is there a third set of decisions distinct from spending and revenue decisions -- what is the tradeoff in budget balance?
Rubin, Chapter 6**

Exercise: Balancing a budget (Now try your hand at it)

- 13 Final project reports**

The description of the final project follows here in the syllabus. We want to hear from each of you about what you did; therefore we will have oral presentations (including overhead transparencies and/or handouts) of your forms. Then you should revise if necessary and hand in the final project.