1 Course Description

Funding for public programs is inseparable from the operation of those programs. All public managers, therefore, find themselves needing knowledge and skills in the principles of public finance and budgeting. Whether you are an official who is immersed in public budgeting on a day-to-day basis, or you are one who must make policy based on the relationship between dollars and program goals and objectives, an understanding of these concepts is vital to both your personal success and the success of your organization.

This course starts by giving students an understanding behind the budget and tax policy – why do we tax and spend on the programs and in the ways that we do? We examine these questions both theoretically, considering the process in ideal terms, and realistically, explaining why choices get made in the way they do, generally deviating from rational. We will also examine the government institutions of budgeting and taxation. Finally, we will look at how program funding intersects with program operations, looking at performance measurement and program evaluation. We will incorporate practical exercises along the way to develop the skills so students can implement these concepts.

2 Required Text (available at Bookstore)


In addition, a substantial number of readings will be posted on Blackboard.

3 Student Learning Objectives

This course will survey the three broad areas of budgeting, public expenditure and management, and revenue analysis in the public sector. At the conclusion of the course, students should:

- Gain a familiarity with each of key areas of governmental and non-profit budgeting and finance;
- Become familiar with a wide variety of analytical techniques appropriate for the analysis of
spending, management, and spending;

- Develop a greater capacity to conduct analyses using spreadsheet packages;
- Enhance their capacity to read and analyze issues carefully and critically, and communicate effectively.

4 Grading

Grades will be based on the following components:

- Reading/Participation (5%) Readings are assigned for most class meetings. Even though you will not be formally graded on participation, you should do the readings before each class and participate actively during the lecture in order to get the most of the class. We will also try to be attentive to on-going budget debate questions in the news. Includes submitting the budget simulation exercises (assignments are not graded, but one must complete the assignments for the grade). Also reflects group presentations which occur during the semester.

- Midterms (45%). Two in-class midterm exams (first worth 25%, second worth 20%).

- Final Exam (30%). A take-home final will be handed out in the last class. The exam will cover the concepts presented in the class readings, lecture, practicum/lab in-class exercises, and take-home assignment concepts. It will be cumulative.

- Day Care Budget assignment (10%)

- Capital budgeting assignment (10%)

5 Class and University Policies and Resources

CLASS POLICIES: Attendance is required
Late work will it be accepted, but it will be penalized
University Policy on Religious Holidays: Students should notify faculty during the first week of the semester of their intention to be absent from class on their day(s) of religious observance. Please note that this syllabus is intended as a guide to the course for the student. Sound educational practice requires flexibility and the instructor may, with appropriate notice, change content and requirements at any time during the course.

ACADEMIC INTEGRITY: “Academic dishonesty is defined as cheating of any kind, including misrepresenting one's own work, taking credit for the work of others without crediting them and without appropriate authorization, and the fabrication of information.”

SUPPORT FOR STUDENTS OUTSIDE THE CLASSROOM
DISABILITY SUPPORT SERVICES (DSS)
Any student who may need an accommodation based on the potential impact of a disability should contact the Disability Support Services office at 202-994-8250 in the Marvin Center,
Suite 242, to establish eligibility and to coordinate reasonable accommodations. For additional information please refer to: [http://gwired.gwu.edu/dss/](http://gwired.gwu.edu/dss/)

**UNIVERSITY COUNSELING CENTER (UCC) 202-994-5300**
The University Counseling Center (UCC) offers 24/7 assistance and referral to address students' personal, social, career, and study skills problems. Services for students include:
- crisis and emergency mental health consultations
- confidential assessment, counseling services (individual and small group), and referrals
  [http://gwired.gwu.edu/counsel/CounselingServices/AcademicSupportServices](http://gwired.gwu.edu/counsel/CounselingServices/AcademicSupportServices)

If you are having trouble with the class don't do anything desperate or dishonest -- come see me.

Please note that this syllabus is intended as a guide to the course for the student. Sound educational practice requires flexibility and the instructor may, with appropriate notice, change content and requirements at any time during the semester.

**CLASS SCHEDULE AT A GLANCE**

**Week 1: Course Overview -- Descriptive analysis (August 31)**
Composition of federal spending

**Week 2: Purpose of government spending; Budgeting Goals (September 7)**
Public goods, externalities, income transfers, etc. associated with the appropriate role for government in the economy (Normative view of spending purposes)
What goals are we trying to achieve in a budget? How do they interact or undermine the other?

**Week 3: The Politics of Public Budgeting (September 14)**
Principal-agent theory in explaining Congress, White House, and bureaucracy, Tragedy of the Commons in explaining Congressional and Executive Budget processes.

**Week 4: Budget concepts. Budget baselines and cost analysis. (September 21)**
[In-class exercise: discretionary scoring]
Day care assignment handed out

**Week 5: Budget Preparation: The Chief Executive’s Budget (September 28)**
Descriptive analysis of the Executive budget process; Institutional focus.
[Hand out legislative scoring exercise – due following week]

**Week 6: Budget Preparation and Approval: The U.S. Congress (October 5)**
Congressional budget process. -- Institutional Design (Descriptive analysis). History of efforts at achieving aggregate controls. Aggregate and allocative efficiency and fiscal policy goals.

**Week 7: Budget Execution and Accounting (October 12)**
• Covers fiscal management, including procurement and contracting, as well as accounting, auditing, and financial reporting. Ties to international development, non-profits – building trust, transparency importance, fund control.

• Bonds.

[MIDTERM 1: Budget formulation]

Week 8: Capital Budgeting, Credit Reform, Cost-Benefit. (October 19)
Tools for determining allocative efficiency
  Capital budgeting assignment handed out
  Day care discussion (assignment due)

Week 9: Performance Management and Program Implementation (October 26)
Program implementation -- Incorporating performance measurement and management (technical efficiency); budget system reforms (performance oriented) history.

Week 10: Intergovernmental Fiscal Relations (November 2)
Fiscal federalism and inter-governmental spending decisions and impacts; program design, implementation choices and challenges.
  Capital budgeting, credit reform (assignment due)

Week 11: Revenue—Evaluation Criteria, Scoring, and Income Taxes (November 9)
  [MIDTERM 2: budget execution and intergovernmental relations]

Week 12: Property tax, and Sales Taxes, and User Fees (November 16)
Applying evaluation standards to different kinds of taxes. Finishes income tax discussion, covers property taxes and user fees.

Week 13: Thanksgiving (November 23)

Week 14: Taxes as instruments of public policy (tax expenditures) (November 30)
Tax expenditures. Where the purpose of the taxes is not to raise revenue but to influence behavior. Taxes as instruments of social policy, acting in a similar way as spending programs.

Week 15: Aggregate Budget Choices (December 7)
Deficit reduction: its importance and politics, covering both revenue and spending choices.
  [Budget simulation on-line exercise and discussion: Hand in results]
  Hand out take-home final

Make –up class December 6
Course Outline and Reading List

Week 1: Course Overview -- Descriptive analysis [25]
Reading:
  o Lee, Johnson and Joyce, Chapter 2 (pp. 31-49) and “Concluding Remarks” (pp. 719-726). [25]

Week 2: Purpose in governmental budgeting [107]
Reading:
  o Lee, Johnson and Joyce, Chapter 1. (pp. 1-24).

Recommended
  o V.O Key, “The Lack of a Budgetary Theory,” American Political Science Review 34 (December 1940), pp. 1137-1144 (from Classics of Public Administration—PAD 201 text) 7
  o Lee, Johnson and Joyce, Chapter 15. (pp. 659-713) 54
  o The World Bank. The Public Expenditure Management Diagnostic Toolkit
http://go.worldbank.org/ID5OTTCH0

Week 3: The Politics of Public Budgeting – positive theory [84]
Reading:

Recommended


Week 4: Budget Baselines and Cost Analysis:

- Anthony, Robert, and David Young, Chapter 4, “Cost Accounting” of Management Control in Nonprofit Organizations (Irwin, 1984). [18]

Recommended (optional)


Week 5: Budget Preparation: The Chief Executive’s Budget [83]

Reading:
- Lee, Johnson and Joyce, Chapter 3 (53—66) and 7 (pp. 187—237)
- Excerpts Fiscal Year 2011 Budget
Week 6: Budget Preparation and Approval: The U.S. Congress -- Institutional Design [64]
Reading:
- Lee, Johnson and Joyce, Chapter 8 (pp. 245-272) and 9 (pp. 279-316).
- Congressional Budget Office, A Preliminary Analysis of the President’s Budget and an Update of CBO’s Budget and Economic Outlook (March 2011- excerpts).

Recommended:

Week 7: Budget Execution and Accounting [94]
Reading:
- Lee, Johnson and Joyce, Chapter 10 (pp. 325-338 and 370-392) and Chapter 11 (pp 409-463)

Recommended:
World Bank article on the importance of fund transparency

Lee, Johnson and Joyce, Chapter 10 (pp. 338-347) [regulatory process]

Kaiser, Frederick M. and Oleszek, Walter J. and Tatelman, Todd B. (2011)

Week 8: Capital Budgeting, Cash and Debt Management, Cost-Benefit and Credit Reform.
Reading:
Lee, Johnson and Joyce, Chapter 12 (pp. 473-513)

Report of the President's Commission to Study Capital Budgeting (1999),

Lee, Johnson and Joyce, Chapter 10 (pp. 357-370) and Chapter 13 (pp. 519-566)

Recommended:


Week 9: Performance Measurement
Reading:
Lee, Johnson and Joyce, Chapter 6 (pp. 133-175)


http://online.wsj.com/article/SB10001424052748703440604575496400167957026.html


Point/Counterpoint  
Radin, Beryl A. (2009), “What Can We Expect From Performance Measurement Activities?”  

Recommended


**Week 10: Intergovernmental Fiscal Relations and State Budgets** [57]

Reading:

Lee, Johnson, and Joyce, Chapter 14 (575-622)  [57]

National Association of State Budget Officers (2008). *Budget Processes in the States*  
http://nasbo.org/LinkClick.aspx?fileticket=AaAKTnjgucg=&tabid=80 [review]


http://bisc.3cdn.net/79beb0db8d50d769bd_w9m6bx4xy.pdf
Week 11: Revenue—Evaluation Criteria, Income Taxes and Revenue Estimation [56]

Recommended:

Reading:
- Lee, Johnson and Joyce, Chapter 4 (pp. 69-89).
- President’s Advisory Panel on Federal Tax Reform, Nov. 2005. Simple, Fair, and Pro-Growth, Ch. 3, Tax Basics (pp. 19-37)

Recommended:
- Lee, Johnson and Joyce, Chapter 10 (pp.347-356)

Week 12: Property Taxes, Sales Taxes, User Fees, and Gambling Revenues.

- Lee, Johnson and Joyce, Chapter 4 (pp. 89-104), Chapter 5 (pp. 105-127).
- Congressional Budget Office, 1992. “Effects of Adopting a Value-Added Tax”. (Prof Cordes co-directed this study in 1990 when the US was seeking new revenues to close a budget deficit. The issues raised then are still alive today (only more $000’s are now involved). Read the Executive Summary, and Chapters I and II.

Week 13: Thanksgiving
Week 14: Taxes as instruments of public policy (tax expenditures)


Week 15: Aggregate Spending; Summing Up


Aggregate Budget Simulators


- [http://crfb.org/](http://crfb.org/)

- [http://www.budgetsimulator.com/info](http://www.budgetsimulator.com/info)


Take home Final Examination