

Trachtenberg School of Public Policy and Public Administration

Syllabus: Public Budgeting, Revenue, and Expenditure Analysis

PPPA 6005, CRN: 32691, Spring 2018

Time: Wednesday, 6:10 – 8:00 PM

Location: Duques Hall, Room 259

Instructor: Pete Fontaine (petefontaine@gwu.edu)

Cell Phone: 703-946-9937 (text me anytime)

Office Hours: By appointment; also available before and after weekly classes

1. Course Description

This course provides an introduction to governmental budgeting and finance. Funding for public programs is inseparable from the operation of those programs; in addition, the sources of revenue for public programs often play an instrumental role in design of such government spending. As a result, public managers and their advisors (both inside and outside of government) find themselves in need of the knowledge and skills associated with the key principles of public finance and budgeting. A familiarity with and understanding of such principles is vital to professional success in the arena of public administration and public policy.

This course will survey the broad areas of: (1) public budgeting, (2) governmental expenditure and management, and (3) revenue analysis in the public sector.

The course will start with an overview of the budgeting context: allocation of scarce resources in the public sector. We will discuss fundamental concepts such as the development and use of a budget baseline and the need for unbiased cost estimates of the effects of policy options. In the context of the U.S. federal government, we'll learn about the baseline as a neutral benchmark or starting point for the consideration of policy alternatives. We will also cover the 4 key phases of budgeting: from executive preparation of budget proposals to legislative consideration of those proposals to the eventual execution of budgets and auditing of budget results.

During the semester, we will review why governments tax and spend in the ways that they do, including examining taxing and spending approaches in both a theoretical framework and the real world—with a focus on the federal government of the United States. We will, however, explore a variety of examples and the distinctions between budgeting for the federal government and budgeting at the state and local level.

Coursework will include several practical exercises of how to find, evaluate, and use data and other information in the development of budgetary analysis. That work will include opportunities to hone your skills in budget-related research, critical thinking, analyzing data to determine logical and defensible cost estimates, presenting budget-related information, and drafting short memoranda on budget and finance issues.

2. Required Text

Lee, Robert D., Ronald Johnson, and Philip Joyce, *Public Budgeting Systems*, Jones and Bartlett Publishers (9th Edition). Several additional readings are listed in this syllabus (with hypertext links); others may be added during the semester.

3. Student Learning Objectives

After completing this course, the student should understand:

- Principles of public budgeting: concepts, objectives, and processes;
- How governments pursue policy goals through the 4 phases of the annual budget cycle;
- Budgetary accounting;
- Intergovernmental fiscal relations; and
- Basic tools of tax analysis.

The student will also:

- Be able to read and interpret budget documents and other written materials related to public expenditures and revenues;
- Demonstrate a working competence with spreadsheet software for budgetary analysis;
- Conduct and communicate budgetary and tax analysis effectively; and
- Gain an appreciation for the seriousness of the fiscal challenge facing the United States over the long term.

4. Minimum Time Requirement

This is a 3-credit graduate course. Over 14 weeks, students will spend about 2 hours per week in class. Required reading and written assignments are expected to take up, on average, 6 hours per week, plus 5 to 10 hours for the final exam. Over the course of the semester, students will spend 28 hours in instructional time and about 85 hours preparing for classes, including completion of several assignments and projects outside of class. In total, students should expect to complete between 110 and 120 hours of work over the course of the semester. **[Under University Policy, students are expected to spend a minimum of 100 minutes in out-of-class work for every 50 minutes in class.]**

5. Grading -- Your final grade will be the weighted sum of grades on:

<i>Assignments (excluding presentation and daycare project)</i> (Planned: 6 during the semester, 5 points each: for research, Excel spreadsheets, short memoranda, or a combination):	30 %
<i>Quizzes:</i> February 14 and April 4 (in class, ~10-15 minutes)	10 %
<i>State budget presentation assignment as a Group Project</i>	10 %
Complete online “ <i>Learning Activities</i> ” (Discussion Forum Questions – <i>Not graded</i> , but completing all is worth 3 points)	3 %
<i>Mid-term Exam (March 7)</i> (In class, 45 minutes to 1 hour, short-answer format):	12 %
<i>Daycare Center Budget Projections Project</i> (With memo and several tables):	10 %
<i>Final exam (due May 4)</i> (Comprehensive, take-home, roughly 1 week to complete)	25 %

6. Class and University Policies and Resources

Class Policies: *Attendance is required.* Class time will be a key part of learning the budgeting materials covered by lecture slides and assigned readings. Class time will also include discussion of information and observations that are not in those readings. As a result, attending class will be a strong contributor to your success in this course.

Computers may be used to take notes. Out of respect for others in class, please refrain from using your phone during class (i.e., no texting or social media viewing/updating).

Assignments are due on time for posted dates. Late work will be accepted up to *ONE WEEK* after the due date, but grading will be penalized for submission after the original due date. No credit for work submitted more than one week late UNLESS you have extraordinary circumstances such as a serious illness and you have received approval from the instructor PRIOR TO the original due date for a late submission.

Free expression in the classroom is an integral part of this process. Higher education works best when all of us approach the enterprise with empathy and respect for others, irrespective of their ideology, political views, or identity. We value civility because that is the kind of community we want, and we care for it because civility permits intellectual exploration and growth.

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.

Changes to the Syllabus: This syllabus is intended to be a guide to the course but sound educational practice requires flexibility, and so, contents may change during the semester.

Academic Integrity Code: 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. For the remainder of the Academic Integrity Code, see: <http://studentconduct.gwu.edu/code-academic-integrity>

Students are welcome to consult with each other on homework assignments, but all work on the take-home Final Exam should be your own, *solo effort*.

Changing Grades after Completion of Course: No changes can be made in grades after the conclusion of the semester, other than in cases of clerical error.

Incompletes: A student must consult with the instructor to obtain a grade of "I" (incomplete) no later than the last day of classes. At that time, the student and instructor will both sign the CCAS contract for incompletes and submit a copy to the School Director. Please consult the TSPPA Student Handbook for the complete CCAS policy on incompletes.

Accommodation for Students with Disabilities: Any student who may need an accommodation based on the potential impact of a disability should contact the Office of Disability Support Services at 202-994-8250 in the Rome Hall, Suite 102, to establish eligibility and to coordinate reasonable accommodations. For additional information, please refer to <http://www.gwired.gwu.edu/dss>.

GW Counseling Resources: Should you need any support outside of class please consult:

University Counseling Center

Division of Student Affairs Marvin Center, Ground Floor

800 21st Street, NW

Washington, DC 20052

Phone: [202-994-5300](tel:202-994-5300) | Fax: [202-994-5267](tel:202-994-5267)

email: counsel@gwu.edu

<http://counselingcenter.gwu.edu/access-counseling-services>

7. Tentative Class Schedule:

January 17: Week 1 — Budgeting Context, Government’s Role, and Size of Government

Course intro and overview, including a review of syllabus content and semester plans.

Budgeting in the context of the economic problem of scarcity. The role of markets vs. a brief overview of the role of government in resource allocation and assessment of revenues, including the concepts of public goods and externalities. Finally, we’ll take a quick look at the size of government in comparison to the size of the economy.

Please read prior to 1st Class:

Lee/Johnson/Joyce, Chapter 1 — Introduction (pp. 1-21)

Lee/Johnson/Joyce, Chapter 2 — The Public Sector in Perspective (only pp. 25-38)

Assignment 1: Complete the online search assignment to find budget-related information in a variety of public locations including websites for the Bureau of Economic Analysis, the U.S. Treasury, the Office of Management and Budget, the Congressional Budget Office, and the Library of Congress’s legislative system known as “Congress.gov.”

Assignment is due by Wednesday, 5pm, January 24. Please save a Word file with your last name in the file title and upload to Blackboard.

January 24: Week 2 — Budgeting Goals/Policy Tools/Budget Cycles

What is the appropriate role for government in the economy? How do budgets help shape that role? And what is the typical or idealized “budget cycle”?

Lee/Johnson/Joyce, Chapter 3 — Govt., the Economy, Econ. Development (only pp. 47-91)

Watch just the first 15 minutes and 30 seconds of an hour-long lecture by economist Milton Friedman (in the late 1960s) on the “*Role of Government in a Free Society*” at:

<https://www.youtube.com/watch?v=LucOUSpTB3Y>

Brookings Hutchins Center primer on Federal Reserve Monetary Policy (focusing on the Fed’s 2% inflation target): <https://www.brookings.edu/blog/up-front/2018/01/04/the-hutchins-center-explains-the-framework-for-monetary-policy/> <=*you can skip the last section on “Alternatives”*

Lee/Johnson/Joyce, Chapter 4 — Budget Cycles (pp. 117-130)

January 31: Week 3 — Budget Concepts and the Outlook: Baselines, Cost Estimates, Intro to Congressional Budget Process (Role of the Legislature)

Overview of the Executive branch timeline for submitting a budget proposal and the Congressional budget process. Key budget laws and recent history, and an introduction to the concept of creating current-law baseline projections.

Week 3 Reading & Assignment:

Lee/Johnson/Joyce, Chapter 9 — Budget Approval: Role of the Legislature (only pp. 273-293)

Lee/Johnson/Joyce, Chapter 10 — Budget Approval: The U.S. Congress (only pp. 303-318)

Bill Heniff Jr., Congressional Research Service, *Basic Federal Budgeting Terminology*
<https://www.fas.org/sgp/crs/misc/98-410.pdf>

Report of the President's Commission on Budget Concepts (only pp. 1-6, 11-13, & pp. 24-25; use “*page flip view*”): <http://cdm16021.contentdm.oclc.org/cdm/ref/collection/p16021coll5/id/30>

Assignment 2: Create an Excel spreadsheet for a baseline projection of a mandatory spending program, with a few policy options.

Assignment is due by Wednesday, 5pm, Feb. 7 (include your name in the Excel filename).

Excel Lab #1: Thursday, Feb. 1, 7:30pm or later; GOV 103

February 7: Week 4 — The Current U.S. Budget Outlook & More on Budget Process

History of federal spending, revenues, deficits, and debt in the United States. What is the current outlook for those key budget aggregates under current policies?

Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2017 to 2027*, June 29, 2017: **Summary and Budget Outlook sections** <https://www.cbo.gov/publication/52801>

Office of Management and Budget, *Analytical Perspectives*, chapter on “*Budget Concepts*”

****1. Also: Group project for navigating through the “Fiscal Ship Game” and upload summary of your results to Blackboard (see BB Discussion Forum for instructions) – Due Feb. 21***

February 14: Week 5 — Constructing a Baseline & Executive Budgeting

Quiz to start class: Covering material from Weeks 1-4, including Lee/Johnson/Joyce Chapters 1, 2, 3, 4, 9, 10, CBO Outlook, & other readings above.

Developing a baseline as a “bottom-up” exercise; followed by an intro to budget formulation through the agencies and the executive.

Elizabeth McNichol & Dylan Grundman, *The Current Services Baseline: A Tool for Understanding Budget Choices*. Center on Budget and Policy Priorities (2011)

<https://www.cbpp.org/research/state-budget-and-tax/the-current-services-baseline-a-tool-for-understanding-budget-choices>

Lee/Johnson/Joyce, Chapter 7 — Budget Preparation: The Expenditure Side

Lee/Johnson/Joyce, Chapter 8 — Budget Preparation: The Decision Process

OMB Circular A-11: skim the table of contents, read p. 1-5 of section 51 (p.125 of pdf)

https://obamawhitehouse.archives.gov/sites/default/files/omb/assets/a11_current_year/a11_2016.pdf

Assignment 3: Excel spreadsheet for baseline projection of a discretionary spending program, with analysis of alternative funding proposals, including a short memo — Assignment due by 5pm, February 21 (complete Word & Excel files).

Excel Lab #2: Thursday, Feb. 15, 7:30pm or later; GOV 103

February 21: Week 6 — Budget Preparation and Budget Approval

Details on budget preparation and approval; intro to budget execution.

Plus a *Budget Tool: Recognizing inflation and calculating constant dollars*

Lee/Johnson/Joyce, Chapter 11 — Budget Execution (**only pp.341-358**)

U.S. Code on baselines: Enter Title **2** & Section **907** in search boxes at: <http://uscode.house.gov/>

OMB, *Analytical Perspectives*, just SKIM the chapter on “*Current Services Estimates*” to get a sense of how the federal budget is organized and what current-services projections look like.

OMB Circular A-11, Section 120; just pages 369-377 of the pdf:

https://obamawhitehouse.archives.gov/sites/default/files/omb/assets/a11_current_year/a11_2016.pdf

Note: Group Project results on Fiscal Ship game due this week (completion worth 1 point).

****2. Also: Answer the Blackboard discussion question about the advantages or disadvantages of having separate executive and legislative branch projections of the budget outlook.***

February 28: Week 7 — Guest Speaker: Amber Marcellino - CBO estimate; Budget Execution; Plus a Budget Tool: Time Value of Money and Calculating Net Present Value

Moving to budget execution, including management and implementation issues; budgeting for long-lived assets, credit activities, capital assets, etc.

CBO: *Frequently Asked Questions about Cost Estimates*

<https://www.cbo.gov/about/products/ce-faq>

Lee/Johnson/Joyce, Chapter 13 — Capital Assets (p. 451-468 only)

OMB, Analytical Perspectives, Federal Investment (Section 18, just 6 pages incl. tables):

https://www.obamawhitehouse.archives.gov/sites/default/files/omb/budget/fy2017/assets/ap_18_investment.pdf

Brookings/Hutchins Center primer on Public Investment:

<https://www.brookings.edu/blog/up-front/2017/01/03/the-hutchins-center-explains-public-investment/>

Center on Federal Financial Institutions (COFFI) primer on credit reform:

<http://www.coffi.org/pubs/Primer%20on%20Credit%20Reform%20by%20Stanton.pdf>

(this primer is 19 pages, double-spaced; but you only need to read through page 11)

Assignment #4: Excel spreadsheet and problem evaluation for a federal loan program.

Assign. due 5pm, Mar. 7. *Excel Lab #3: Thursday, Mar. 1, 7:30pm or later; GOV 103*

**3. Also: Respond to Blackboard discussion question on federal loans.*

March 7: Week 8 — Mid-term Exam; followed by Introduction to State Budgeting

Watch **Parts 1 and 4** of NASBO State Budget Basic Videos:

<http://www.nasbo.org/resources/budget-basics-videos>

National Association of State Budget Officers (NASBO), *State Expenditure Report*:

<https://www.nasbo.org/reports-data/state-expenditure-report>

(Read the “**Summary**”; to the extent you have time and interest: skim the “**Full Report**”)

Note: State budget presentations will be DUE on Sunday, March 25, with “live” presentations on Wednesday, March 28 (a group project, with groups assigned this week).

For some background to help you prepare your presentations, **skim** these NASBO links:

<http://www.nasbo.org/reports-data/budget-processes-in-the-states>

<http://www.nasbo.org/reports-data/fiscal-survey-of-states>

Spring Break: Week of March 12-19

March 21: Week 9 — Audit/Evaluation; Federalism and Intergovernmental Relations

Plus a *Budget Tool: Conducting a Breakeven Analysis*

Guest Speaker: Jason Juffras on auditing/evaluation

Government Accountability Office (GAO) report on [Additional Opportunities to Reduce Fragmentation, Overlap, & Duplication and Achieve Other Financial Benefits](#) (only pp. 1-10)

Lee/Johnson/Joyce: Chapter 14, Capital Finance and Debt Management (pp. 489-506)

Lee/Johnson/Joyce: Chapter 15, Intergovernmental Relations (pp. 543-587)

Watch **Part 2** of NASBO State Budget Basic Videos:

<http://www.nasbo.org/resources/budget-basics-videos>

**4. Also: Respond to Blackboard discussion question on state vs. federal budgets.*

To be provided this week: Daycare Budget Project assignment:

Completion in TWO parts: (1) a “baseline” projection in Excel is due by 5 pm, Wed., March 28; (2) analysis of alternate scenarios and a memo is due by 5pm, Wed., April 4.

In total, you will have two weeks to prepare a baseline budget and alternative scenarios in spreadsheet form for a hypothetical nonprofit organization working with a local government, and an accompanying memo (not to exceed 2 pages + summary table) highlighting the budget figures for the project, along with your recommendations.

Excel Lab #4: Thursday, Mar. 22, 7:30pm or later; GOV 103

March 28: Week 10 — State Presentations (*Group project – each group will present its state budget story: about 8-10 slides over 8-to-10 minutes per group.*)

NASBO, *Spring 2017 Fiscal Survey of States*:

<https://www.nasbo.org/reports-data/fiscal-survey-of-states>

(Read the “**Summary**”; and to the extent you have the interest: skim the “**Full Report**”)

Note: Baseline table for Daycare project is due this week.

April 4: Week 11 — Revenues—Evaluation Criteria, Estimation Issues, and an Introduction to Income Taxes; Plus: Benefit-Cost Analysis tool example

Lee/Johnson/Joyce, Chapter 5 — Budgeting for Revenues (only pp. 133-151)

CBO, *Budget and Economic Outlook*, March 2018: Chapter 1 section on Revenues (only pp. xx through yy, plus Figure 1-? on page zz) <https://www.cbo.gov/publication/xxxxx> <= TBD

CBO, *The Distribution of Household Income and Federal Taxes, 2013*:
<https://www.cbo.gov/publication/51361> (Read only pages 1-13)

Tax Foundation, *Putting a Face on America's Tax Returns: A Chart Book, 2013*:
<https://files.taxfoundation.org/legacy/docs/PuttingAFace2013.pdf> <= (Just review pages 1-25)

Note: Alternative tables and memo for Daycare project are due this week.

Assignment 5 on completing federal income taxes and computing average and effective tax rates (using Excel) — due by 5pm, Wed., April 11.

**5. Also: Respond to Blackboard discussion question on using tax policy to promote equity.*

April 11: Week 12; Class #12 — Property and Sales Taxes; Tax Expenditures

Lee/Johnson/Joyce, Chapter 5 (pp. 152-161)

Lee/Johnson/Joyce, Chapter 6 — Budgeting for Revenues: Transaction Sources (pp. 165-171)

Watch **Part 3** (Revenues) of [NASBO State Budget Basic Videos](#)

Tax Policy Center, [Briefing Book on State and Local Tax Policy](#)
(Read 2 one-page entries: first on “*What are the sources of revenues for states?*” and second on sources of revenues for local governments.)

Lincoln Institute of Land Policy – [Data on Property Taxes](#)
(Review the first summary table: Local Property Tax Revenue by State – 2013; note the variation of per capita tax amounts across states: which states are highest? lowest?)

CBO: **Tax expenditures section** of 2018 *Budget and Economic Outlook*;
pp. xxx - yyy in the print-version of: <https://www.cbo.gov/publication/xxxxx> <= TBD

Assignment #6 on Property and Sales Taxes and equity, due by 5 pm, Wed., April 18.

April 18: Class #13 — Wrap-up on Revenues: Excises, User Charges, and Gambling; “dynamic estimates”; revenues summary

Lee/Johnson/Joyce, Chapter 6 (pp. 171-181)

Donald Marron, “*Should Governments Tax Products That Are Fun But Harmful?*”
<http://dmarron.com/2015/11/10/should-governments-tax-products-that-are-fun-but-harmful/>

Tax Policy Center, Briefing Book entry on [Dynamic Scoring and Dynamic Analysis](#)
(also: skim some of the “*Further Reading*” links provided at the end of the short TPC article)

Watch PBS Newshour video on “[Dreading doing your taxes?](#)”

April 25: Class #14 (Last class): Quiz on Revenues to start class; Followed by a look at the Long-Term Fiscal Challenge & Course Wrap-Up

A review of key principles and topics; issues in making aggregate budget choices for the near term and the long term, with a shift in focus from near-term issues to long-term sustainability of the budget. Finally: A review of the key course material covered.

CBO, The 2017 Long-Term Budget Outlook
(read Summary and pages 1-17; skim pages 18-28)

<https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/52480-ltbo.pdf>

Peter G. Peterson Foundation, Selected Charts on the Long-Term Fiscal Challenges of the United States (focus on charts 1-25; there are 30 in total)

<http://www.pgpf.org/sites/default/files/PGPF-Chart-Pack.pdf>

Read the OECD report, [Achieving Prudent Debt Targets Using Fiscal Rules](#)

Review the IMF paper, [Fiscal Rules at a Glance](#) (read the Introduction on page 8 and then read a small sample of country fiscal rules: Netherlands on p. 55, Spain on p. 70, the United Kingdom on p. 75, and the United States on p. 76)

Potential Make-up Class (if there is a weather cancellation during the semester):

Tuesday, May 1, or Wednesday, May 2

Final Exam (take-home) due by 11pm, Friday, May 4
(The exam will be posted on Blackboard prior to April 25)