

San Diego State University
School of Public Affairs
PA450 Fiscal and Budgetary Policy
Dr. Salvador Espinosa
(sespinos@mail.sdsu.edu)

Spring 2009

Wednesdays 7-9.40 pm

Classroom: PSFA 350

Office hours: Wednesdays 5.30-6.30 pm or by appointment

Dear student, welcome to PA450!

For some of you, the importance of this class may not be evident at this point. What I can tell you is that you have enrolled in a course that will give you a **hands-on experience** in the design and implementation of a budget. The first question that students tend to ask is *why is this relevant?*

The truth is that, regardless of your major, a successful Public Affairs student needs to understand that the provision of government services is not an easy endeavor, especially since it is usually accompanied by administrative limitations, money constraints and political costs. If this is the case:

- What services shall be considered a priority?
- How do governments make that decision?
- How much money should be spent and where would the money come from?
- And more importantly, **what is the role that each of you can play in this process?**

The purpose of this class is to give you the basic elements to understand these crucial issues.

For the purposes of this **training** think about yourself as a **budget analyst** who has just been hired to work in a local government. Your job will be to work with some of your classmates in the preparation of a budget for a local government. Here are some of the skills that you will acquire by the end of the semester:

- Integrate a line-item budget and understand the difference between this and other budget methods;
- Perform basic expenditure and revenue analysis, as well as revenue forecasting
- Understand the role of politics in the budget

Additionally, you will gain important skills that will make you competitive in the job market. These skills include:

- The ability to **work in teams**;
- The capacity to **write concise and informative policy briefings** to support decision-makers;

- The ability to **successfully deal with different types of constraints.**

Good luck!

Prof. Espinosa

Course objectives:

The class in which you are about to engage has been designed with two specific goals in mind:

- Goal #1:** To expose you to the ways in which the US government deals with its financial matters;
- Goal #2:** To equip you with the necessary skills to analyze budget data and integrate a basic budget document.

Prerequisites: Public Administration 301, Economics 101 and 102

The course does not require math beyond simple algebra. The final examination will include computational problems that involve calculations like those performed in class or on assigned problem sets. Grading of computational problems emphasizes the complete correct answers and thus, no partial credit will be awarded.

The course requires some familiarity with both spreadsheet and word-processing software. Students may use any software packages they prefer but the recommended software is Microsoft Excel and Microsoft Word.

Course materials

Required

- Rabin, Jack, W. Bartley Hildreth and Gerald Miller, eds. (1996); *Budgeting: Formulation and Execution*; Carl Vinson Institute of Government. The University of Georgia (we will refer to it as “**Budget readings**”)
- Rabin, Jack, W. Bartley Hildreth and Gerald J. Miller (1996); *Public Budgeting Laboratory: Workbook*; 2nd Ed. Carl Vinson Institute of Government. The University of Georgia. (we will refer to it as “**Workbook**”)

Supplemental (available on reserve)

The professor will use some sections of this book when preparing the lecture. The student is **not** required to purchase the book but can use it to study for the exams. If the professor uses the book in class, he will inform the student about the chapters/sections

that will be used. The student must be aware that if the material is discussed in class, it is “fair game” for the exam.

Paying attention to the lecture and taking good notes is essential to obtain a high grade in this class!

- J. L. Mikesell. 2007. *Fiscal Administration: Analysis and Applications for the Public Sector*. 7th Edition. Wadsworth Publishers (we will refer to it as “Mikesell”)
- Rabin, Jack, W.Bartley Hildreth and Gerald J. Miller (eds.); *Data Sourcebook*; second edition; Carl Vinson Institute of Government (we will refer to it as “Data sourcebook”)

Graded activities

Budget simulation	40%
Participation (budget simulation)	10%
Midterm	20%
Final	25%
Attendance	5%
Total	100 %

1. Budget simulation

There will be five interrelated assignments over the course of the semester. These assignments will ask students to take the role of budget analysts working for a local government. This simulation will try to reproduce the steps that must be followed to conceive, integrate and implement a budget document. **Students will work in randomly assigned teams.**

Each team will compile a **budget binder** each time an assignment is due. The binder will be a compilation of all assignments and is intended to mimic the budget and financial documents produced by most local governments (you may want to take a look to the budget of the City of San Diego to have a better idea of what we want to accomplish in this class: <http://www.sandiego.gov/fm/annual/index.shtml>) Each assignment will be graded based on issues such as overall presentation, writing quality, supporting materials used to answer the questions, and other factors which will be discussed in class.

Teams will receive a grading rubric every time an assignment is released. This rubric will give students a clear idea of the structure of the assignment and the points that will be assigned to each section.

2. Participation in the budget simulation

**** Important ****

Just like you would do in a real-life situation, this simulation requires a lot of team effort. As such, **participation in all group activities is expected**. A student who does not attend group meetings or fails to cooperate with the team will be penalized. If the problem persists, the professor will not give him/credit for the group project. The professor will decide this after consulting the team members and applying a confidential peer evaluation.

3. Exams

There will be two examinations during the semester. These exams may include multiple-choice questions, computational problems, and short essay questions, among others. Occasionally, the professor will upload study materials or supplemental information to Blackboard. Any topics or materials discussed in class or the assignments are fair game for the test.

Failure to take an exam at the scheduled time will result in a grade of zero on that exam.

The professor might consider exceptions only if the student is able to document the reason for his/her absence (e.g. doctor's note)

4. Attendance

You can miss up to three (3) classes during the whole semester. These absences should be enough to cover for illnesses, family issues, unexpected trips, last-minute preparations for exams in other classes, etc. If for any reason you miss a class for the fourth time, you will automatically lose 5% of the final grade. Plan ahead!

What if I missed a fourth class? Make sure you have proper documents to justify your absence.

An attendance sheet will be passed during class. It is the students' responsibility to make sure that their name is on that sheet. I consider an act of academic dishonesty to sign for somebody else.

Grading criteria

The following is the grade distribution that will be used to compute your grades:

A	95-100
A-	90-94.9
B+	87-89.9
B	84-86.9
B-	80-83.9
C+	77-79.9
C	74-76.9
C-	70-73.9
D+	67-69.9
D	64-66.9
D-	60-63.9
F	0-50.9

Special Accommodations

Students who need accommodations of their disabilities should contact me privately to discuss specific accommodations for which they have received authorization. If you have a disability, but have not contacted Student Disability Services at 619-594-6473 (Calpulli Center, Suite 3101), please do so before making an appointment to see me.

In addition, I will make every effort to accommodate difficulties in attendance arising from religious observance. You are asked to bring any possible conflicts to my attention as soon as possible. Students should not expect, if they do poorly on an assignment/exam, to claim at that time the need for an accommodation. This statement is to preclude that problem, and allow people with a need for accommodations to be treated fairly and appropriately.

Laptop and cell phone policy

This is a straightforward policy: **if your cell phone rings during class, you loose 5 points in the upcoming exam (midterm or final).**

Laptops are permitted if the student sits in the last row of the classroom OR if the student agrees not to use the internet during class.

Tentative course schedule

Past experience shows that some topics may require more than one session to be covered properly. This, however, depends on elements that are usually hard to predict. The professor will make his best effort to maintain the course schedule as shown here but reserves the right to adjust it if necessary.

	Goal #1 (Lecture and class discussion)	Goal #2 (budget simulation)
Week 1 January 28	Course objectives and expectations: why are we here? ▪ Syllabus	Assignment 1 (Introduction to the City) released. ▪ Budget readings: Introduction (p7)
Week 2 February 4	Introduction to budgeting ▪ Professor's slides	Introduction to the City (the essentials of socio-economic analysis) See reading list on page 10 of the Workbook
Week 3 February 11		(Students will have in-class time to work on the assignment)
Week 4 February 18	The Logic of the Budget Process: Methods, structures and classification ▪ Professor's slides ▪ Supplemental reading: Mikesell, chapter 2-5 (book is on reserve)	Assignment 1 due + Class discussion (Introduction to the City) + Budget analysis toolkit: Expenditure History + Assignment 2 released ▪ Readings: see workbook, p.19.
Week 5 February 25		(Students will have in-class time to work on the assignment)
Week 6 March 4	Principles of taxation ▪ Professor's slides (students must take notes)	(Students will have in-class time to work on assignment 2)
Week 7 March 11	(...cont) Principles of taxation and revenue policy ▪ Professor's slides (students must take notes)	Assignment 2 due + Discuss assignment 2 results + Assignment 3 (Revenue History) released

		▪ Readings: See page 36 of the workbook
Week 8 March 18	Review for the midterm: where are we?	(Students will have in-class time to work on assignment 3)
Week 9 March 25	*** Midterm exam ***	Assignment 3 (Revenue History) due (discussion of the results after the break)
Week 10 April 1	Spring recess: No class Enjoy!	
Week 11 April 8	(...cont) Principles of taxation and revenue policy ▪ Professor's slides (students must take notes)	Class discussion: assignment 3 + Assignment 4 (Revenue projections) released + Toolkit for budget analysis: Revenue Analysis and Projections
Week 12 April 15	When taxes are not enough: how to finance long-term projects? (Cost benefit analysis)	(Students will have in-class time to work on assignment 4)
Week 13 April 22	When taxes are not enough: how to finance long-term projects? (Principles of debt management) ▪ Selected readings from the textbook (to be announced)	Assignment 4 (Revenue projections) due + Discuss assignment 4 + Assignment 5 (Expenditure Proposals and letter of transmittal) released
Week 14 April 29	Expenditure analysis	(Students will have in-class time to work on assignment 5)
Week 15 May 6	Concluding remarks	The whole budget binder (including assignment 5) due. + Discuss results of assignment 5
Week 16 May 13	*** Final exam***	

San Diego, CA. January , 2009.

From: Salvador Espinosa (Assistant to the Mayor)
To: Budget staff

Assignment #1 (Introduction to the City)

MEMORANDUM

Dear members of the budget staff,

The Mayor has just released the budget guidelines for next fiscal year:

MAYOR'S MEMORANDUM

To: Budget Staff Members

From: Mayor

This administration was voted into office to manage City government more professionally and to install a budgeting process in the policy administration process for the first time. As you know, I considered my first step in this direction to be the release of all department heads of the prior administration.

I will name new department heads in the near future. They will add new life and vitality to what was referred to as an "Old Boys' Club."

Since this is the first year for this process, we must formulate a budget without the information sources usually necessary to allocate funds accurately. We will persevere. I have instructed the assistant to the mayor to guide you as much as possible, particularly about the new budget process we will use. I have approved the steps in this process, and my assistant will give them to you.

Let me be very clear about what I expect. First, you have very little time to complete the budget; therefore, I do not expect in-depth analyses on all issues.

Second, I want to see some relationship in budget requests between what departments do and what they spend. I realize discerning such relationships in past spending may be quite difficult, but you must make some effort to do so now.

Third, the size of the budget should depend on what is best for this community and the delivery of quality services. You must take into account the rate of inflation, the real needs of departments, and, of course, expected revenue. The budget must be balanced. Concentrate on paring any department needs that seem unwarranted.

I trust the first year of the new budget process will provide you with greater insights about city management and with a work program for further policy and issue analyses.

+++++

Over the next four months you will be preparing a budget for year VI with five years of history as guidance.

1. Since you have been recently hired by the Budget Office, **your first task is to write a memorandum explaining the characteristics of the City.** To do so, you will need to answer the questions provided in the Workbook (pages 10-18)
2. For the completion of this assignment, you will be working in groups. Each group will be identified by a color badge (we made the team assignments the first day of classes).
3. You DON'T need to respond question 2(a) in the section about socioeconomic characteristics [W: page 13]
4. As is the case in many jobs, there is not just one way to solve this assignment. However, a basic web search will give you plenty of examples of how to write a good policy briefing. Just to give you a broad idea of the things that I will be looking for:

What are the Characteristics of a Well-written Policy Recommendation?

By now you probably have noticed that well-written documents share the same characteristics. They fulfill a well-defined purpose for an identified audience and are clear, concise, complete and easy to read. The same is true of policy documents. However, in the case of policy recommendations, some characteristics are especially important. These are:

Conciseness: Decision-makers tend to be busy people, with lots of documents demanding their attention (and often a backlog). Keep your documents as focused and concise as possible so that your readers spend only the minimum time required to glean the information they need from them. Conciseness is really a product of the revising and editing stages. If you've forgotten about the importance of revising and editing your work, review the section on the editing process in Chapter 2 of LBH.

Readability: No matter how complex the issue, or the recommendation, your ideas must be clear and readable. Review what you learned earlier in this course about plain language, or visit the PlainTrain website, to remind yourself of the characteristics of readable documents.

Accuracy: Like briefing notes, policy recommendations must be based on the most recent, accurate and complete information available. Review the notes on briefings to remind yourself of the characteristics of effective briefing notes; the same guidelines apply to policy documents.

Policy documents must meet an additional criterion. They are a form of argument and should reflect the qualities of effective argumentation. To refresh your memory about (or introduce you to) what constitutes a good argument and how to write one, read Chapter 4: Reading and Writing Arguments, pp. 115-149 in LBH. At a minimum, read the section "Developing an argument," pp. 134-146.

Source (downloaded 08/28/07):

<http://web.uvic.ca/~sdoyle/E302/Notes/Policy%20Recommendation.html>

If you still need a more precise idea of the things that I will take into account when grading:

- a. Overall presentation: Examples of things I pay attention to are:
 - It follows the characteristics of a well-written memo mentioned above
 - Tables (if required) are properly labeled and placed in a section at the end of the document
- b. If you are substantiating your answer with good supporting materials.
- c. In some cases, the material covered in class (lecture) will be useful to answer some of the questions. If that is the case, I expect you to apply these concepts in the solution of the assignments (example: in session II, I will talk about the arguments that make government action a necessity. You could use some of these arguments to answer the second question in page 14 of the workbook: *How can public goods and services be produced without direct public delivery?*).

5. What are you going to submit on the due date (deliverables)?

- a. **Outline for the policy memorandum**: This section includes the answers to each of the questions mentioned in the workbook.

Example:

Question #1: What is the form of government?

- There is a council
- There is a Mayor
- Etc.

Question #2: What are the available sources of revenue?

- Property tax
- Local sales tax...

- b. **Memorandum**: Using the answers from the draft memo (see above), write a short document explaining the most important characteristics of the City. Discuss with your team the best way to structure the memorandum (remember the three elements of a good policy briefing: conciseness, readability and accuracy).
- c. **Summaries**: A brief summary (two double-space pages at most) of the readings used to complete this assignment. Each summary will address the following questions:
 - What is the central issue of the reading?

- Was this reading useful when solving the assignment? (Yes/No). Why?
- What can you conclude from this reading?

d. **Peer evaluation:** Each student will complete a peer evaluation for all the members of his/her team.

The student will put all his/her evaluations in a **sealed** envelope and will write His/her last name on the upper right corner.

This evaluation is **strictly confidential** (only the professor will review its content).

Grading criteria (rubric) for assignment 1
Budget Simulation
(Step 2: Introduction to the City)

These are the things that your professor wants to see in the document that you will hand in:	Total Points	
<u>Overall presentation</u>		
The team presented a professional memo (easy to read, no grammar mistakes) (5 points). The document was presented in a budget binder (5 points)	__ out of 10	
<u>Policy briefing about the characteristics of the city</u>		
The team was able to tell a <u>coherent</u> story by using the above information. The team made effective use of the information and presented a budget briefing that was informative, concise and included pertinent information. (20 points)	__ out of 20	
<u>Supporting materials: Appendix 1</u>		
The team answered the following questions from the workbook correctly: (a) Form of Government (5 pts) (b) Socioeconomic characteristics (5 pts) (c) Role of local government (5 pts) (d) Tax base (5 pts) (e) Revenue sources (5 pts) (f) Changes in revenue sources and indebtedness (5pts)	__ out of 30	
<u>Supporting materials: Appendix 2</u>		
Reading summaries: The team included <u>brief</u> summaries of the readings required to complete this assignment.	__ out of 30	
Peer evaluation: the student submitted a peer evaluation of each of his/her teammates.	__ out of 10	
Total points:	100	

How about the CONFIDENTIAL peer evaluation?

***** Example *****

Team: _____ **Person you are evaluating:** _____

Instructions: Put a checkmark in the answer that reflects the performance of your teammate more accurately.

1. Attended the meetings, kept in touch with other members (by phone, in person and by email) and was available to discuss issues related to the assignment.

←Always ←Most of the time ←Occasionally ←Never

2. My teammate cooperated with other members of the group and maintained a positive attitude. He/she did his/her work to help the team accomplish its goal.

←Always ←Most of the time ←Occasionally ←Never

3. Participated in group discussions and added useful ideas

←Always ←Most of the time ←Occasionally ←Never

4. Was well prepared for the group meetings (e.g. read in advance, knew the topic to be discussed, etc)

←Always ←Most of the time ←Occasionally ←Never

5. Listened to differing viewpoints and showed respect for others' opinions

←Always ←Most of the time ←Occasionally ←Never

6. Did a fair share of the work

←Always ←Most of the time ←Occasionally ←Never

7. Completed the assigned tasks on time.

←Always ←Most of the time ←Occasionally ←Never

8. In a scale between zero and ten (zero being the lowest. Ten being the highest), how would you rate the overall performance of your teammate?

←10 ←9 ←8 ←7 ←6 ←5 ←4 ←3 ←2 ←1 ←0

9. Do you have any additional comments about the student that you have just evaluated?

Your comments here→