

Indiana University  
Master of Public Affairs Program  
O'Neill School of Public and Environmental Affairs

**F610: Seminar in Government Budgeting and Program Analysis**  
**Online Version**  
**Fall 2019**

**Course Overview.**

This is an advanced case-study-based course on the theory and practice of budgeting and financial management in modern governments. The practical dimension of budgeting process and procedure is examined in a more explicit way than in F560, including: application of basic principles and concepts; budgeting procedures, format and structure; their effects on outcomes; projecting revenues; multi-year fiscal planning; budget preparation and development; justification; analysis of capital budgets; and debt management.

Although the course emphasis is on methods and processes, it should not be lost sight of that budgets are political documents; the result of political compromise; infused with political meaning. The late political scientist Harold D. Lasswell defined politics as "Who Gets What, When, How." This is also the problem of budgeting under conditions of resource scarcity -- funds are never ample enough to satisfy all legitimate claimants; some means must be found to reach consensus on the allocation of budget resources. Consequently, many of the cases which have been selected for this course deal with budgetary *politics* as well as the role of *analysis* in the budgetary process.

**Learning Outcomes.**

Upon completion of the course, students should be able to apply a professional level of knowledge, skills, and understanding of public budgeting; to analyze, synthesize, think critically, solve complex, multidimensional fiscal problems and gain comfort making decisions regarding government budgets and programs; to articulate and apply the purposes and processes for communicating with and engaging constituents in budgeting; and to prepare, justify and present an expenditure budget for a program or agency.

**Course Requirements.**

**Participation Policy.** Enrollment in the course will be taken as *prima facie* evidence of the student's commitment to complete all assigned course work, on a timely basis. The purposes of the course will best be met if all students keep up with the work. Consequently, ***all students will be required to read all assigned cases by the date scheduled, whether they intend to submit the case for credit, or not. Seven of nine cases are to be submitted. Further, all students will be required to participate in the weekly discussion thread online regarding your impressions of and analysis of the assigned work. There will be no exceptions.***

**Grading Policy.** This is a Summer course for busy professional people, and there must be some built in flexibility (for work loads, as well as some vacation period). Therefore, final grades will be based on **seven** written cases (which may be completed as members of groups of 2 students – no more – or on

an individual basis). **There are also 3 required assignments that cannot be skipped.** Extensions on assigned work will not ordinarily be given (except in extreme circumstances, such as family emergency, serious illness, killer comets, or the collapse of Western Civilization – the instructor will be the final judge of what qualifies as such). The approximate weighting is as follows:

<i>Written Cases (Any 7 May Be Submitted - Your Choice!)</i>	70%
<i>Required Written Work:</i>	
<i>Written Budget Assessment (Due Sept. 8, 2019)</i>	10%
<i>Written Budget Proposal (Due Sept. 22 or 29, 2019)</i>	10
<i>Budget Conversion Exercise (Due November 4, 2019)</i>	<u>10</u>
<i>Required Written Work Total</i>	30
<i>Participation (instructor's discretion)</i>	<u>± 10</u>
<b>TOTAL</b>	<b><u>100%</u></b>

**Written Cases.** Guidelines for the acceptable completion of group and individual written cases are available on the Canvas website. These elaborate some criteria for successful completion of the written case assignments. The only restriction is that students may not submit for individual credit cases which they also submit for group credit. Students are encouraged (but not required) to pair up with classmates, so as to learn from one another.

**(a) Written Budget Assessment (Due September 8, 2019)** – This is a required piece of work which must be completed by all students. You are to employ the GFOA Criteria for the Award of a Certificate of Excellence for Budgetary Presentation to a budget of your choosing. Your assignment is to provide a thoroughgoing evaluation of the budget you have selected for this part of the exercise. Be sure to select a manageable state or local government (city, town, county). Non profit organizations are not to be selected for this exercise. (They employ different criteria.) Note its strengths and weaknesses respecting the criteria. Make note of any and all opportunities for improvement. Further details are provided in the course schedule, below and online.

**(b) Written Budget Proposal (Due September 22 or 29, 2019 - Your Choice)** – This is a required piece of work which must be completed by all students. You are to complete the required analysis and budget-building exercise called “Day Care Comes to Northville.” The purpose of this exercise is to more thoroughly acquaint the student with the behavior of costs, as well as the many assumptions that must be made when creating a budget. Further details are provided in the course schedule, below and online.

**(c) Budget Conversion Exercise (Due November 4, 2019)** – This is a required piece of work which must be completed by all students. Your task is to convert the existing line item (object of expenditure) budget of the City of Sparksville Fire Department to a program budget format, with performance measures organized by program. This task may require you to research the programmatic organization of various fire departments online, to see which set of programs makes the most sense. Further details are provided in the course schedule, below and online.

**Math Component.** Mathematical knowledge beyond college algebra is not required to succeed in this course. But if a student has difficulty with numbers, then they may have difficulty with this course. All deficiencies should be remedied prior to registering for this course.

**Required Readings.**

Students need not purchase any explicit texts for this course. All required readings are available on the Canvas course website.

**Topical Outline.**

<u>Week of</u>	<u>Topic</u>
Aug. 26	I. Course Introduction and Overview and
Aug. 26	II. The Context: Budgeting and Financial Management
Sept. 2	III. Evaluation of Budgets: Using the GFOA Criteria
Sept. 9	IV. Budget Formulation: Costs are Cool!
Sept. 16	V. Budgetary Politics
Sept. 23	VII. Participatory Budgeting
Oct. 7 & 14	VIII. Budget Process and Procedure
Oct. 21 & 28	IX. Budget Formats: Program and Performance Budgets
Nov. 4 & 11	X. The Revenue Budget and Revenue Policy
Nov. 18 & Dec. 2	XI. Revenues and the Economic Base
Nov. 25	*** <i>Thanksgiving Break</i> ***
Dec. 9	XII. Budgets as a Management Tool
Dec. 16	XIII. Budget Forecasting





**Week of August 26**

**I. Course Introduction and Overview.**

This course will cover the tools and techniques, vocabulary, processes and politics of governmental budgeting preparation, presentation and review. While the basic principles of public budgeting apply to federal, state and local governmental units, as well as nonprofit agencies, the course will focus on municipal budgeting. The material will be presented through lectures, readings, written and computer exercises, a budget simulation project and class discussion.

To begin the course, please read the hard copy syllabus available under the "files" tab. That will give you a "bird's eye" overview of the course.

All written work should be addressed to your instructor, who is presumed to be your immediate superior. In crafting your case and exercise write-ups, please be sure to exercise care in your writing. In order to assist with that task, please read the following material (also available under the "files" tab):

1. "Notes Regarding Written Cases." [F610 Notes on Written Cases.doc](#) 
2. "Common Errors in Professional Writing." [Common Errors in Professional Writing.pdf](#) 
3. "Brief Guidelines for Writing Action Reports." [Brief Guidelines for Writing Action Memos.pdf](#) 
4. "Writing the Staff Report." [Writing Staff Report.pdf](#) 

## **II. The Context of Budgeting & Financial Management.**

**Role of the CFO.** The context of public budgeting & financial management is changing just now. Chief Financial Officers (CFO) are operating more as bona fide members of the management team -- with an emphasis on the word "management" -- than ever before. The reading by Liz Farmer on "The Evolving Job Description (and Requirements) of a CFO" is instructive. (This reading may be found under the "files" tab.)

[The Evolving Job Description.pdf](#) 

**Purposes and Uses of Budgets.** Budgets serve many purposes. A snapshot and overview of the purposes of budgets and budgeting is found in the OpenGov Executive Brief, "Best Practices in Local Government Budgeting." Further, a broad historical overview of the evolution of budgeting theory and practice is Tyler and Willand's article, "Public Budgeting in America: A twentieth Century Perspective." Both are very useful overviews, as well as being easy reads.

Current challenges and opportunities in state, county and municipal budgeting are reviewed and summarized through a series of short vignettes and case studies in the following recent Route Fifty Report. This report also provides some very current and useful context:

[Budgeting Challenges and Opportunities-ebook.pdf](#) 

**Case Analysis.** Please prepare the following case analysis, and *send me via e-mail the write-up by the end of the day on Sunday, September 1.*

[Theater Budget Case.pdf](#) 

*Be sure to post comments on your impressions of the case on the Canvas website discussion tab for your classmates to read and to react to.*

## **Week of September 2**

### **III. Evaluation of Budgets: Using the GFOA Criteria.**

What makes for a "good" budget presentation? This question is of immense interest to budget and finance personnel at all levels of government. Especially at the state and local levels, the budget is the prime decision- and policy-making document that is in use. For the budget to be effective, it must serve

to communicate how and why decisions have been made. To provide useful guidance and advice to governments in the production of their budget documents, the Government Finance Officers' Association (GFOA) in 1984 established an annual Distinguished Budget Presentation Awards Program.

No two budget documents are alike, nor should they be. If they are to communicate effectively, and serve as instruments of planning, control, and accountability, budgets must be adapted to the needs of the programs they describe and represent. Other factors which contribute to diversity in budget documents include: legal requirements, tradition, personal preferences of fiscal administrators, and budget reforms. Guidelines for evaluating budgets have been developed by GFOA in order to permit wide variation in budget presentation, as well as to encourage innovation in budget design. As such, the guidelines address the essential ingredients of a good budget document.

**GFOA Criteria.** Following is a summary of the GFOA criteria in two documents. (Detailed descriptions and examples of successful presentation of budget information may also be found on the GFOA website.) Not all of these criteria will apply to the agency, department or program budgets selected by each student. However, to the extent that they do apply, they should be employed in your evaluations. You must be the best judge of which ones apply, and which ones do not. The attached is a short "scorecard" for evaluating budgets and assigning numerical scores. The evaluation scorecard will be most helpful to you in determining the likelihood that your budget would win an award.

[GFOA Budget Criteria Explanations.pdf](#) 

[GFOA Budget Detailed Criteria Location Guide.pdf](#) 

[F610 Budget Assessment Scorecard.pdf](#) 

**Required Written Work.** Your assignment is to provide a thoroughgoing evaluation of the budget you have selected for this part of the exercise. Be sure to select a manageable state or local government (city, town, county). Non profit organizations are not to be selected for this exercise. (They employ different criteria.) Note its strengths and weaknesses respecting the criteria. Make note of any and all opportunities for improvement. ***Send me via e-mail the write-up by the end of the day on Sunday, September 8th.***

***Be sure to post your unit of government's name, and a brief comment on why they would or would not win the GFOA award on the Canvas website discussion tab for your classmates to read and to react to.***

## **Week of September 9**

### **IV. Budget Formulation: Costs are Cool!**

Budget formulation is not as easy as it appears. Oftentimes assumptions must be made about the behavior of cost and/or revenue variables. The following reading on "Understanding Costs" provides valuable insight on how costs behave and move relative to one another. In this context, we wish to distinguish between fixed costs, variable costs, step costs, and total costs. Understanding these costs and how they behave in response to changes in the volume of work will be useful in completing this week's case assignment.

[Finkler-Understanding Costs Chapter.pdf](#) 

**Required Written Work.** Please prepare the following case analysis, and *send me via e-mail the write-up by the end of the day on Sunday, September 22 or 29 - Your Choice.*

*Be sure to post comments on your impressions of the case on the Canvas website discussion tab for your classmates to read and to react to.*

[Day Care Comes to Northville Case.pdf](#) 

## **Week of September 16**

### **V. Budgetary Politics.**

Budgeting is fraught with politics, but of a highly bureaucratic nature. In order to protect budgets, program managers will seek to mobilize the support of constituent groups, beneficiaries of the program, and the program's past supporters. These informal entities are sometimes referred to as "iron triangles," or "subgovernments." They are also related to "issue networks," as the following brief reading indicates:

[Iron Triangle and Issue Network.doc](#) 

**Case Analysis:** Prepare a careful analysis of the following case study, indicating how and why the program manager sought external and internal support in order to protect his budget from impending budget cuts, and *send me via e-mail the write-up by the end of the day on Sunday, September 29.*

*Be sure to post comments on your impressions of the case on the Canvas website discussion tab for your classmates to read and to react to.*

[Budget Beef at AATDDDB The Choyce Cuts.pdf](#) 

## **Week of September 23**

### **VI. Internal Politics and Communications.**

Misunderstandings, false starts, resentment, and recriminations can all result from poor, ill-conceived and misused communications. A message that is "taken the wrong way," or -- worse yet -- was intended to be off-putting, can do more harm than good, and poison good working relationships for years. Please point your web browser at the following reading by Heidi Burgess on "Misunderstandings" as preparation to address the case that follows.

<http://www.beyondintractability.org/essay/misunderstandings> (Links to an external site.).

**Case Analysis.** Putting yourself in the shoes of the budget officer in this case can be really frustrating. Just imagine how hard it must be to work with the hard-nosed manager at the other end of the line. What would the town manager think of two of his key people behaving so? Finally, after reading the case, ask yourself whether there is a gender bias at work on the part of either of the two parties? Please

prepare your case analysis, and ***send me via e-mail the write-up by the end of the day on Sunday, September 29.***

***Be sure to post comments on your impressions of the case on the Canvas website discussion tab for your classmates to read and to react to.***

[Seven Letters.pdf](#) 

## **Week of September 30**

### **VII. Participatory Budgeting.**

Who "owns" the budget? The citizens? The elected executive leadership? The civil servants who formulated most of it? The legislative branch that formally approves it? There are lots of good reasons for widening the circle of participation to include a direct, up-front role for the citizenry. There are, of course, many ways to achieve greater citizen participation. They include: citizen surveys, public hearings, citizen advisory committees, town hall Q&A sessions, and so forth. Some of these institutional means to achieve greater participation are discussed in the following readings:

[Whose Budget Our Budget Broadening Political Stakeholdership via Participatory Budgeting.pdf](#) 

[City of Vallejo Participatory Budgeting Cycle 1 Summary Report.pdf](#) 

[How to Start Participatory Budgeting in Your City - Shareable.pdf](#) 

[How City of Shawnee, Kansas Takes Program Budgeting Open Data... icma.pdf](#) 

**Case Analysis:** Prepare an analysis of the following case, with an eye to what the decision maker knows, what they can know, and what they should have taken greater pains to know during the process of formulating their budget. ***send me via e-mail the write-up by the end of the day on Sunday, October 6.***

***Be sure to post comments on your impressions of the case on the Canvas website discussion tab for your classmates to read and to react to.***

[Unknown Taxpayer Preferences.pdf](#) 

## **Weeks of October 7 & 14**

### **VIII. Budget Process and Procedure.**

Every seasoned budget analyst knows that "process drives outcomes." That is, institutions (i.e., processes, procedures, bottlenecks, decision makers and veto players) matter, and *they matter crucially*. Most of the time, the design of an effective budget process -- one that works -- amounts to applying common sense to the task of budget process design. Such is the situation in this week's case.

**Case Analysis:** Based on the situation in the case, formulate a recommendation as to how you would redesign the town budget process into one that would work well, and in the interest of everyone concerned. (Note: this is a small community, with a seemingly uncomplicated budget process. But you

may find that changing the budget process is more tricky than it would first appear!) *send me via e-mail the write-up by the end of the day on Sunday, October 20.*

*Be sure to post comments on your impressions of the case on the Canvas website discussion tab for your classmates to read and to react to.*

[V610 Redesigning the Budget Process Case.pdf](#) 

**Weeks of October 21 & 28**

#### **IX. Budget Formats: Program and Performance Budgets.**

Program Budgeting was all the rage in the 1960s, when former Secretary of Defense Robert McNamara brought the concept to the Kennedy Administration from The Rand Corporation, where it had been developed. The idea was to budget by program efforts and results, so as to be able to calculate a return on funds employed or invested. Programs often coincide with organizational boundaries, so that program budgets are often confused with ordinary object (line item) budgets. Program budgeting is now considered pretty standard, and the so-called New Program Budgeting is employed across many departments of the U.S. Executive Branch.

Program organization of budgets today is employed mainly as means to facilitate performance budgeting. According to the National Council of State Legislatures (NCSL), a performance budget has the following characteristics:

- It presents the major purpose for which funds are allocated and sets measurable objectives.
- It tends to focus on changes in funding rather than on the base (the amount appropriated for the previous budget cycle).
- It identifies programs and agencies that are seeking similar outcomes, thereby drawing such inter-relationships to the legislature's attention.
- It offers agencies flexibility to reallocate money when conditions merit, rewarding achievement and possibly imposing sanctions for poor performance.

Although comprehensive legislative performance budgeting is relatively uncommon—almost half of the states use performance information at some point in the legislative process—states that use performance information are similar with respect to the types of performance information used but differ in when and where the information comes into play in the budget process.

For legislators, performance based budgeting allows for:

- Assisting legislators with helpful background on the purposes of state-funded programs and the results they achieve.
- Helping explain previous legislative funding decisions.
- Aid with estimating and justifying the potential consequences of new funding decisions.
- Deeper legislative understanding of agency activities.



- The potential to communicate what is received in return for the investment of tax dollars.
- Instead of focusing on the preservation of existing programs and associated spending levels, both agency personnel and policymakers may gain understanding of program effectiveness.

Following are useful resources about performance budgeting, performance measurement and management:

[An Overview of Performance Measurement-1.pdf](#) 

[Performance Measurement Terminology.pdf](#) 

[The Perils of Performance Measurement.pdf](#) 

[Performance Measurement Overcoming the Fear Factor-1.pdf](#) 

[Defining Performance Budgeting for Local Government.pdf](#) 

[San Francisco Guide to Good Measures.pdf](#) 

**Required Written Work:** Convert the existing line item (object of expenditure) budget of the City of Sparksville Fire Department to a program budget format, with performance measures organized by program. This task may require you to research the programmatic organization of various fire departments online, to see which set of programs makes the most sense. ***send me via e-mail the write-up by the end of the day on Sunday, November 3.***

***Be sure to post comments on your impressions of the case on the Canvas website discussion tab for your classmates to read and to react to.***

[F610 Conversion to Program Budget with Performance Measures.pdf](#) 

## **Weeks of November 4 & 11**

### **X. Revenue Budget & Revenue Policy.**

It is very often the case that states grant tax authority to local governments, but do so in a manner where they check one another. County option income taxes are one example, and they are relatively prevalent in the Midwestern United States. The institutional arrangements for approval of local taxes may involve having two or more municipalities work together to enact a tax for the county. That is the subject of this week's case study.

The following readings will provide valuable background as you address the central issues in the case:

[Overview of Local Option Income Taxes.pdf](#) 

[Local Option Income Taxes in Indiana.pdf](#) 

[History of Local Option Income Taxes in Indiana.pdf](#) 

**Case Analysis.** Please prepare the following case analysis, and *send me via e-mail the write-up by the end of the day on Sunday, November 17.*

*Be sure to post comments on your impressions of the case on the Canvas website discussion tab for your classmates to read and to react to.*

[V610 Banovetz Case 1 To Tax or Not to Tax.pdf](#) 

## **Weeks of November 18 & December 2**

### **XI. Revenues and the Economic Base.**

Cities, counties, and states often employ targeted expenditures in order to spur development of the revenue base. Economic development can increase the taxable property within a jurisdiction sufficient to enable infrastructure and other projects to be financed without recourse to property tax increases. It should be obvious that a cost-benefit analysis of such projects can shed valuable light on such decisions.

**Case Analysis.** Please prepare the following case analysis, with an eye to the two major plans being advanced by the major protagonists in the case. Which one seems best supported by a cost-benefit analysis? Be careful not to take either analysis at face value without first satisfying yourself that the assumptions behind the numbers are plausible. Please *send me via e-mail the write-up by the end of the day on Sunday, December 8.*

*Be sure to post comments on your impressions of the case on the Canvas website discussion tab for your classmates to read and to react to.*

[V610 Banovetz Case 2 Finances & Development.pdf](#) 

## **Week of December 9**

### **XII. Budgets as a Management Tool.**

The use of budgets in order to stabilize a program that is out of control, and to motivate the employees to perform well, is a potentially powerful weapon in any manager's "holster". It isn't easy, however, as this week's case study will reveal.

**Case Analysis.** Please prepare an analysis of the following case, both Parts A and B, and *send me via e-mail the write-up by the end of the day on Sunday, December 15.*

*Be sure to post comments on your impressions of the case on the Canvas website discussion tab for your classmates to read and to react to.*

[Career Manager & Budget Process A.pdf](#) 

[Career Manager & Budget Process B.pdf](#) 

## Week of December 16

### **XIII. Budget Forecasting.**

One thing that can be said about forecasts, any and all forecasts: they are wrong! Managers need to ask just how far off a given forecast is. But even more important, they need to ask why the forecast was off the mark. In this regard, the most elaborate, scientifically-based forecast model may not be the best one to use. It may seem counter-intuitive, but the relevant question is not their scientific accuracy, and not even their explanatory power (in a statistical sense), but their relative usefulness. If the model works, then it works!

Modelling techniques and scientific grounding are not always particularly helpful in forecasting local revenues. The "leakage" of commerce to and from outside jurisdictions can confound even the most scientifically-valid model (which, ironically, may not be the best model to use). There is also the issue of things changing in fundamental ways (employers close, people move, the economy dips into recession), so that a good deal of judgement may be necessary in preparing a useful forecast. The case study for this week is an instance of just this problem.

First, as to forecasting techniques, the following PowerPoint slide deck will provide some technical background. (Obviously, not all of these methods will be relevant to the case at hand.)

[F610 Revenue Forecasting Fundamentals.pdf](#) 

**Case Analysis.** Please prepare the following case analysis, and *send me via e-mail the write-up by the end of the day on Friday, December 20, if possible. (Otherwise please get it to me as soon as you can thereafter. I need to record grades by December 23. Thanks!)*

*Be sure to post comments on your impressions of the case on the Canvas website discussion tab for your classmates to read and to react to.*

[V610 Banovetz Case 3 Forecasting in Timber City.pdf](#) 

**END OF COURSE - Have a Great Holiday Break!**