**PADM 7323 --- Public Finance Administration**

**Fall 2016**

**Professor Michael Craw**

Office: 641 Ross Hall

Office hours: M. 4:00-6:00 p.m. and W 4:00-6:00 p.m.

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**Course objectives**

More than any other arena of state and local policymaking, budget policy invites conflict. Budget policy consists of decisions on how governments will raise revenues and how those revenues will be distributed across different policy goals, agencies and programs. In short, budgets determine who will bear the costs of government and who will receive its benefits and thus almost inevitably creates winners and losers.

As future policymaking professionals, you will be an active participant in budgetary decision-making. In many cases, you may need to make decisions between different program priorities. In others, you may need to advocate for resources for a particular program or agency. And in still others, you will need to determine what resources are needed to achieve particular outcomes efficiently and effectively. In this course, you will develop analytic skills for each of these types of policy decisions. By the end of this course, you will have demonstrated your ability to:

 --- Evaluate the economic and political constraints on state and local budgets

--- Analyze the economic and social impact of tax and spending proposals

--- Formulate your own budgetary policy alternatives

 --- Develop a persuasive budget proposal

 --- Interpret financial statements from state and local governments and agencies

**Plan for the course**

We will meet these goals by analyzing three types of budget policy decisions. In the first part to the course, we will consider decisions about how budget responsibilities are divided across types and levels of government, what is called “fiscal federalism.” This is especially relevant for understanding the budgetary constraints and incentives facing local governments. Local governments are embedded in a complex network of local governments that may both drive competition for resources and create opportunities for cooperation. In addition, they are embedded in a federal system of government, which subjects them to the influence of state and federal policy. An important consequence of this is that economic development becomes the *raison d’etre* for local governments in the United States. That is, local governments exist to support growth in income, quality of life, and property values of their communities. This in turn significantly affects the types of decisions local governments make about taxing and spending. We will learn about the implications of these incentives and constraints for policy outcomes, and particularly for financing elementary and secondary education in Arkansas.

In the second part to the course, we analyze the decisions state and local governments make about how to raise revenues and allocate funds across different types of programs and agencies. These decisions inevitably require trade-offs between different types of social and political goals, and thus produce significant conflict. We will consider the implications of different methods of taxes for who bears the burden of government, and differing (and often less publicly visible) methods governments have for raising revenues and allocating resources. We will also analyze the choices that state and local governments make in budget administration, with a particular focus on performance-based approaches to budgeting. Though such approaches have become more common, significant disagreement exists concerning their advantages and disadvantages. In this way, you will develop a more complete understanding of the scope of budget policy and its social and economic implications.

In the final part of the course, we turn to issues of financial management: how do public administrators develop and implement budgets for specific programs and agencies? This too is an aspect of budgetary policy with important consequences. The way in which resources are used affects how efficiently the goals of a program or agency are achieved. Consequently, we will analyze methods of public accounting and strategies such as cost-benefit analysis to better understand the methods governments adopt to produce public services in a cost-effective way.

**Communications**

I encourage and expect contact from you over the semester. The easiest way to reach me is by e-mail (mccraw@ualr.edu). You may also reach me at my cell number above during reasonable hours (between 9 a.m. and 11 p.m.). Or you may see me during my office hours or by making an appointment to see me. I frequently am at my office beyond my posted office hours, so please feel free to come in at other times when my office door is open.

I frequently use UALR e-mail and the course Blackboard system to conduct course business. If you do not use Blackboard and UALR’s e-mail, please be sure to forward messages from those accounts to the e-mail account that you use. I will also place course assignments, handouts and PowerPoint slides on the course Blackboard site whenever possible (usually within 24 hours after class).

**Course materials**

*Books*: You are required to have four books for this course:

Chen, Greg, Lynne Weikart and Daniel Williams. 2015. *Budget Tools: Financial Methods in the Public Sector.* 2nd edition. Washington: CQ Press.

Forsythe, Dall and Donald Boyd. 2012. *Memos to the Governor: An Introduction to State Budgeting*. 3rd edition. Georgetown University Press.

Newman, Katherine, and Rourke O’Brien. 2011. *Taxing the Poor: Doing Damage to the Truly Disadvantaged.* Berkeley: University of California Press.

West, William. 2011. *Program Budgeting and the Performance Movement: The Elusive Quest for Efficiency in Government.* Washington: Georgetown University Press.

An additional book, David Brunori’s *Local Tax Policy: A Federalist Perspective*, is out of print. This will be made available on Blackboard, along with all other course readings.

*Software*: In addition to these books, you must have access to a computer installed with Microsoft Excel (preferably Excel 2007 or later).

**Course requirements and grading**

To pass the course, students must satisfactorily complete all the following requirements:

Course participation: 20%

Budget policy literature review: 20%

Analytic essays (3@20% each) 60%

Provided that all work for the course is completed, your grade is determined by the weighted average of your scores on each of these three requirements as follows:

 A: 90% and above

 B: 80-89%

 C: 70-79%

 D: 60-69%

 F: 60% or below

**Attendance**: I tolerate 2 absences without penalty; every absence after the second lowers your **course grade** by 10 percentage points (one letter grade).

**Course participation**:  One of the primary objectives of this class is to develop your ability to critically analyze budget policy issues.  During class sessions, we will engage in activities such as discussion and group work that will call on you to apply new ideas from the reading to policy problems. Thus, it is important for you to come to class prepared to participate by having studied the assigned reading and completed the homework. Your participation grade will reflect the following factors:

--- *Collegiality*: Showing respect for your peers by being in class on time, staying through the entire class, cell phones off, and respecting the views of others in class discussion.

--- *Preparation*:  Completing reading before class, coming to class prepared with assignments and reading materials, active participation in discussion and small group work.

--- *Engagement out of class*: Class sessions are not the only opportunity to discuss course ideas with me. I want to know if you are having trouble with the material and what you like and don’t like about the course. You may reach me by e-mail, see me during office hours, or drop by anytime my office door is open (I frequently work at my office beyond my posted office hours).

*---Homework assignments and annotated bibliography:* Ideas from reading are learned much better if they are applied right away. Hence, you will receive weekly assignments that ask you to respond to a discussion question or solve a set of problems.  These assignments will also often serve as a starting point for class discussion.

Since these assignments are preparatory for class sessions, they will be evaluated based on your effort using a check system (a check for a response showing satisfactory thought and effort, 0 otherwise). You must submit your homework response before class in order to receive credit.

In addition, you will prepare an annotated bibliography as part of the budget policy paper (see below). Though this assignment will not be graded, satisfactory completion will be weighted in the homework grade as two homework assignments.

The homework portion of your grade counts as half the participation grade and is computed as the number of checks you receive out of the total number of assignments. I will also offer two bonus homework assignments over the semester that you may complete to make up for a missed homework assignment or to earn extra credit.

**Budget policy paper:** Budget policy requires that one be able to analyze, make connections between, and draw conclusions from the policy research of other professionals. You will demonstrate your skill at this by completing a research paper of at least 3000 words (10 pages double-spaced) that addresses a research question in the field of public finance and budget policy. Your review must use a minimum of five scholarly sources. The paper should not merely summarize these sources. Rather, it should compare and contrast approaches to the topic and draw conclusions about a thesis or research question posed by the readings. Your review may be either argumentative (such as by arguing for adoption or rejection of a particular budget policy proposal) or it may be analytical (such as by evaluating the causes or consequences of a budget policy problem or budgeting method). A problem statement that includes a paragraph explaining the paper’s research question or thesis and an annotated bibliography will be due **Saturday, October 22.** The completed literature review will be due on **Monday, November 28** at the in-class mini-conference on budget policy. You should come prepared that day to explain your research problem and discuss your findings with your peers.

**Analytic essays:** You will complete three take-home essays over the course of the semester, each in response to an essay question that I will provide for you in class. The essays will test your ability to integrate course readings, discussions, assignments, and analytic skills in order to apply them to ongoing public policy dilemmas. You will have one week to prepare your response to each question. Your response to the first essay will be due **Saturday, October 8,** the second on **Saturday, November 5**; and the third on **Monday, December 12.**

**Submitting assignments**

The course Blackboard page includes a folder in which homework, analytic essay and budget policy paper assignments are stored. You may upload your completed assignments here and/or by email to me. I recommend both uploading your assignment to Blackboard AND emailing it to me (mccraw@ualr.edu) to ensure I receive it. It is your responsibility to assure that I have received your work on time. You are also welcome to submit assignments to me in hard copy. These should be delivered to me at my office or to my mailbox on the 6th floor of Ross Hall.

In the interest of fairness, late analytic essays and literature reviews will receive a penalty of 1.0 (out of 4.0) for each day late. In addition, homework assignments must be submitted before class time in order to earn credit.

**Academic integrity**

Cheating, plagiarism and other violations of academic integrity standards will not be tolerated. Any student turning in work that is in violation of UALR’s academic integrity standards will automatically receive a grade of zero in the course and the matter will be referred to the MPA program coordinator for disciplinary action. An overview of academic integrity standards and the University’s policy on academic integrity is at <http://ualr.edu/deanofstudents/index.php/home/academic-integrity/> .

**Accessibility**

Your success in this class is important to me, and it is the policy and practice of the University of Arkansas at Little Rock to create inclusive learning environments consistent with federal and state law. If you have a documented disability (or need to have a disability documented), and need an accommodation, please contact me privately as soon as possible, so that we can discuss with the Disability Resource Center (DRC) how to meet your specific needs and the requirements of the course. The DRC offers resources and coordinates reasonable accommodations for students with disabilities. Reasonable accommodations are established through an interactive process among you, your instructor(s) and the DRC. Thus, if you have a disability, please contact me and/or the DRC, at 501-569-3143 (V/TTY) or 501-683-7629 (VP). For more information, please visit the DRC website at [ualr.edu/disability](http://www.ualr.edu/disability).

**Course schedule**

These topics and reading assignments may change throughout the course of the semester, depending on our speed and interests. Changes will be announced in class.

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| **Date** | **Topic and reading assigned** |
| **Monday, August 22** | **Introduction**Course syllabus (Blackboard)Film: "Cleveland: Confronting Decline in an American City" |
| **Monday, August 29** | **Revenue options for local governments**Brunori, *Local Tax Policy: A Federalist Perspective* |
| **Monday, September 5** | **Labor Day (no class)** |
| **Monday, September 12** | **Constraints on local government budgeting & SimCity tournament**Judd and Swanstrom, "The Metropolitan Chase" (Blackboard)Peterson, excerpt from *City Limits* (Blackboard)Mullins and Wallin, "Tax and Expenditure Limitations: Introduction and Overview" (Blackboard) |
| **Monday, September 19** | **Analyzing intergovernmental revenues: case study of urban development policy**Judd and Swanstrom, "National Policy and the City/Suburban Divide" and "Federal Programs and the Divisive Politics of Race" (Blackboard)Judd and Swanstrom, "Community Development Corporations" (Blackboard)Congressional Research Service, "An Introduction to the Low Income Housing Tax Credit" (Blackboard) |
| **Monday, September 26** | **Education finance and reform**Augenblick et al., "Equity and Adequacy in School Funding" (Blackboard)Reeve, "A Citizen's Guide to Arkansas Public School Financing" (Blackboard) Bureau of Legislative Research, "Foundation Funding and the Matrix" (Blackboard)Encyclopedia of Arkansas History and Culture, "Lake View School District No. 25 v. Huckabee" (Blackboard)Michigan State University Education Policy Center, "Michigan School Finance Under Proposal A" (Blackboard) |
| **Monday, October 3** | **State budget process**Chen et al, Appendices B and CChen et al, Budget Tools, Modules 10-11 and 16Vestal, "The Arkansas Approach: How One State Has Avoided Fiscal Disaster" (Blackboard)Jordan, "Arkansas Revenue Stabilization Act: Stabilizing Programmatic Impact through Prioritized Revenue Distribution" (Blackboard) |
| **Saturday, October 8** | **Essay 1 due at 11:00 p.m.** |
| **Monday, October 10** | **Evaluating state budgetary policy**Forsythe and Boyd, *Memos to the Governor* |
| **Monday, October 17** | **Analyzing state tax policy**Newman and O'Brien*, Taxing the Poor* |
| **Saturday, October 22** | **Problem statement and annotated bibliography due at 11:00 p.m.** |
| **Monday, October 24** | **Performance-based budgeting**West, *Program Budgeting and the Performance Movement* |
| **Monday, October 31** | **Cost accounting and break-even analysis**Chen et al, Modules 1-5 and 12-13 |
| **Saturday, November 5** | **Essay 2 due at 11:00 p.m.** |
| **Monday, November 7** | **Budgeting for capital projects**Chen et al, Modules 6-7 and 17-19 |
| **Monday, November 14** | **Financing capital projects**Caro, excerpt from *The Power Broker* (Blackboard)Chen et al., Modules 20-21Howell-Moroney and Hall, "Waste in the Sewer: The Collapse of Accountability and Transparency in Public Finance in Jeﬀerson County, Alabama" (Blackboard) |
| **Monday, November 21** | **Writing budget proposals and justifications**Chen et al, Module 14Karsh and Fox, "The Only Grantwriting Book You Will Ever Need" (Blackboard)"A Budget From Recovery Resources To Saint Luke’s Foundation of Cleveland, Ohio" (Blackboard) |
| **Monday, November 28** | **In class mini-conference on budget policyBudget policy paper due at beginning of class** |
| **Monday, December 5** | **Cash management and financial statement analysis**Chen et al. Modules 22-26 |
| **Monday, December 12** | **Essay 3 due at 11:00 p.m.** |