

UAP 3604 & 5514 Public Budgeting and Management

Course Description

Detailed examination of the budget process and other basic components of financial planning and management as applied in public organizations. Topics covered include elements of the planning-control continuum, revenue and expenditure analyses in the public sector, cash management and investment strategies, financial analysis and planning techniques, the budget as mechanism for planning and control, government responsibility for capital facilities planning, and information management and performance evaluation systems.

Scope of the Course

Basic responsibility of management in any organization is to reduce uncertainty and to bring risk within tolerable limits to improve the rational bases on which decisions can and should be made. Application of the techniques of financial planning and management provides an important approach to this responsibility

Martin Gannon has suggested that: "Control is the monitoring of plans and the pinpointing of significant deviations from them. Hence planning and control are intimately related and, in fact, represent opposite sides of the same coin. Without planning, there can be no control." Traditional concepts of planning, however, have frequently been an appendage to, rather than an integral part of the management process. The framework of the planning-control continuum provides the first major component to be discussed in this course.

Local revenues have tended to increase at a slower rate than the demands for public services and facilities, creating an ever-widening fiscal gap for many localities. In economic terms, it is said that local government revenues are relatively *inelastic*, that is, most local sources of revenues are not particularly responsive to changes in the overall economy. The second major component in this course involves an examination of the revenue structure of local government and the techniques for analyzing patterns of expenditures.

Local governments and other public organizations can realize considerable financial benefits if their cash flow and investments are managed efficiently. Cash management involves four elements: forecasting, mobilizing the cash flow, maintaining banking relations, and investing surplus cash. The primary focus of cash management is on maintaining sufficient funds on hand to satisfy legal obligations and fiscal commitments while providing opportunities to invest any excess cash in interest-yielding securities. An examination of these procedures and strategies form the third component in this course.

Common denominator among the various resources of any organization is the cost involved in their utilization. Effective financial planning and management requires analytical techniques that can accommodate the risk and uncertainty that inevitably are associated with future decisions regarding the commitment of scarce resources. Therefore, techniques available to analyze the costs involved in providing public services and facilities will serve as a fourth major component.

The budget serves as a primary mechanism of both planning and control in public organizations. Various budgeting techniques and formats serve different aspects of the planning-control continuum, however. An examination of the basic approaches to public budgeting will provide the fourth component of this course.

Provision of public services and facilities for the mutual benefit of all or a majority of citizens can achieve significant economies. Capital facilities represent very large investments of public resources, usually

exert their effects over period of many decades, and once built, are not easy to modify. Provision of capital facilities must involve planning, financing, and programming. Each of these aspects will be delineated in the sixth component.

Effective planning and control requires access to relevant management information. Although vast amounts of facts, numbers, and other data may be processed in any organization, what constitutes management information depends on the problems at hand and the particular frame of reference of the manager. The development of timely information is essential to the understanding and resolution of fiscal issues.

Performance evaluation brings the financial planning and management process full circle by assessing the effectiveness of programs in achieving agreed-upon goals and objectives and identifying areas needing improvements through program modification (including the possible termination of ineffective programs). An examination of basic approaches to evaluation will form a final component of this course.

Class Assignments

The course will be conducted as a seminar/workshop, combining lectures, student participation in case study discussions, and scenario problems. A series of **case studies/scenarios** will be assigned, involving various components in the process of financial planning and management. These exercises will be designed to provide the student with a "hands-on" experience with these basic components and to gain experience using various analytical techniques. Several of the scenario assignments will be undertaken on a team basis, while others will require individual effort. The scenarios will account for **80 percent** of the grade for the course.

Undergraduate students are encouraged to submit responses to all six case studies. However, the lowest grade received by undergraduates will be dropped in calculating the final grade for the course.

Students will be expected to gain familiarity with the literature appropriate to each of the topics included in the course syllabus and to contribute to the discussion from the perspectives gained through these readings. Each student will be required to formulate a question drawn from the readings, lecture notes, and/or discussion of each topic, to be submitted prior to the class sessions (via e-mail). Eight topics are covered in the syllabus, and therefore, eight questions will be expected from each student. **Class participation** will count for **20 percent** of the grade for the course.

Primary readings for this course are from David Nice, *Public Budgeting* (Belmont, CA: Wadsworth/Thomson Learning, 2002). Additional reading assignments will be distributed during the course. Supplemental readings included in the syllabus are not required but are intended to augment the primary readings (should you wish further background on a particular topic).

Course Syllabus and Readings

I. Financial Management and the Planning-Control Continuum: An Overview of Fiscal Responsibilities in the Public Sector

David Nice, *Public Budgeting*, Chapter 1.

Supplemental Readings

Steiss and Nwagwu, *Financial Planning and Management in Public Organizations* (New York: Marcel Dekker, Inc., 2001), Chapter 1

John L. Mikesell, *Fiscal Administration: Analysis and Application for the Public Sector* (Chicago, Ill.: Harcourt Brace & Co., 1999), Chapter 1

Jerome L. Kaufman and Harvey M. Jacobs, "A Public Planning Perspective on Strategic Planning, *Journal of the American Planning Association*, Vol. 53, Winter, 1987

John M. Bryson and William D. Roering, "Applying Private-Sector Strategic Planning to the Public Sector, *Journal of the American Planning Association*, Vol. 53, Winter, 1987

II. Revenue and Expenditure Analysis: Determining the Supply and Demand for Public Fiscal Resources

David Nice, *Public Budgeting*, Chapter 2.

Supplemental Readings

Steiss and Nwagwu, chap. 2

Mikesell, chapters 9, 11, &12

James C. Snyder, *Financial Planning and Management in Local Government* (Lexington, Mass.: Lexington Books, 1977), chap 6.

Jack Rabin and Thomas D. Lynch, *Handbook on Public Budgeting and Financial Management*, (New York: Marcel Dekker, Inc., 1983), chap. 7 & 8.

Robert W. Burchell, *Practitioner's Guide to Fiscal Impact Analysis* (New Brunswick, N.J.: Rutgers University Press, 1980).

III. Resource Management and Investment Strategies

David Nice, *Public Budgeting*, Chapter 5.

Supplemental Readings

Steiss and Nwagwu, chap. 3 and 4.

Miskell, chap. 15

Roger W. Hill, Jr., *Cash Management Techniques* (New York: American Management Association, 1970).

W.C.F. Hartley, *Cash: Planning, Forecasting and Control* (London: Business Books, 1977).

Kenneth Sanders and James E. Kirk, *Local Government Cash Management and Investments* (Columbia, S.C.: University of South Carolina, Bureau of Government Research and Services, 1981).

Rhett D. Harrell and Lisa A. Cole, *Banking Relations: A Guide for Local Government* (Chicago: Municipal Finance Officers Association, 1982).

Frank Pataucci and Michael Lichtenstein, *Improving Cash Management in Local Government: A Comprehensive Approach* (Chicago: Municipal Finance Officers Association, 1977).

IV. Budgeting as a Mechanism for Financial Planning and Management

David Nice, *Public Budgeting*, Chapters 3 & 4.

Supplemental Readings

Steiss and Nwagwu, chap. 6 and 7

Miskell, chap. 3 & 4

Donald Axelrod, *Budgeting for Modern Government* (New York: St. Martin's Press, 1995), chap. 2, 3, & 4.

Rabin and Lynch, *Handbook on Public Budgeting and Financial Management*, chap. 12 & 13.

Steiss, *Strategic Management and Organizational Decision Making* (Lexington, Mass.: Lexington Books, 1985), chap. 5, 6, & 7.

V. Budget Adoption and Execution

David Nice, *Public Budgeting*, Chapters 6 & 7.

Larry R. Jones and Fred Thompson, *Responsibility Budgeting & Accounting*

Supplemental Readings

Snyder, *Financial Planning and Management in Local Government*, chap 5.

Leo Herbert, Larry Killough, and Alan Walter Steiss, *Accounting and Control for Governmental and Other Nonbusiness Organizations* (New York: McGraw-Hill, 1987), chap. 4, 5 & 21

Axelrod, *Budgeting for Modern Government*, chap. 10

Rabin and Lynch, *Handbook on Public Budgeting and Financial Management*, chap. 9-11.

VI. Analytical Techniques for Budgeting and Financial Planning

Steiss and Nwagwu, chap. 5

Supplemental Readings

Snyder, *Financial Planning and Management in Local Government*, chap 10-13.

Alan Walter Steiss, *Management Control in Government* (Lexington, Mass.: Lexington Books, 1982), chap. 10.

Alan Walter Steiss, *Public Budgeting and Management* (Lexington, Mass.: Lexington Books, 1972), chap. 9 & 11.

Steiss, *Strategic Management and Organizational Decision Making*, (Lexington, Mass: Lexington Books, 1985), chap. 4.

Robert N. Anthony and Regina Herzlinger, *Management Control in Nonprofit Organizations* (Homewood, Ill.: Richard D. Irwin, 1975), chap. 8 & 9.

VII. Capital Budgeting and Debt Administration

David Nice, *Public Budgeting*, Chapter 8.

Supplemental Readings

Steiss and Nwagwu, chap. 8 and 9.

Mikesell, *Fiscal Administration*, chap 5 & 13.

Snyder, *Financial Planning and Management in Local Government*, chap 8.

Steiss, *Local Government Finance*, chap. 6 & 9.

VIII. Management Information and Performance Evaluation Systems

Steiss and Nwagwu, chap 12

Supplemental Readings

Peter H. Rossi, Howard Freeman, and Sonia Wright, *Evaluation: A Systematic Approach* (Beverly Hills, Calif.: Sage Publications, 1979).

Richard Y. Chang and Mark W. Morgan, *Performance Scorecards: Measuring the Right Things in the Real World* (San Francisco, CA: Jossey-Bass, 2000).

Carol Taylor Fitz-Gibbon and Lynn Lyons Morris, *How to Design a Program Evaluation* (Beverly Hills, CA: Sage Publications, 1978)

Harry P. Hatry, *Performance Measurement: Getting Results* (Washington, D.C.: Urban Institute Press, 1999).

Judith R. Gordon and Steven R. Gordon, *Information Systems: A Management Approach* (Fort Worth, TX: Dryden Press, 1999).

Kenneth C. Laudon and Jane Price Laudon, *Essentials of Management Information Systems* (Upper Saddle River, N.J.: Prentice-Hall, 1999).

Raymond McLeod, *Management Information Systems* (Upper Saddle River, N.J.: Prentice-Hall, 1998).