

## **PUBA 608: Public Budgeting**

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### **Purpose and scope**

The purpose of this course is to give you an overview, with some in-depth analysis, of public budgeting at all levels of government (federal, state, and local) in the United States.

### **Student Learning Objectives**

By the end of this course, you will be able to

1. Identify and use common and technical budget terms.
2. Identify and discuss current public budgeting issues at the three levels of government in the U.S.
3. Interpret information from public budget documents.
4. Identify and discuss the relative merits of proposals related to taxation and budgets.
5. Identify and analyze proposals to address fiscal shortfalls in the public sector.

### **Readings:**

#### Books:

(M) Mikesell, John L. 2011. *Fiscal Administration*. 8th edition. Belmont, CA: Wadsworth. This book is available as an e-textbook from CourseSmart.com. You can access the text for purchase/rental [here](#).

(FB) Forsythe, Dall W. and Donald J. Boyd. 2012. *Memos to the Governor: An Introduction to State Budgeting*. 3rd edition. Washington, DC: Georgetown University Press.

Articles/Chapters (Not all of these are required; recommended readings are indicated with \* in the calendar below):

Alesani, Daniele. 2012. "Rethinking Budgeting as a Continuous Process." *Public Administration Review*. 72(6): 885-886 (November/December).

Anderson, Barry. 2012. "Commentary: 'Playing the Wrong PART: The Program Assessment Rating Tool and the Functions of the President's Budget'." *Public Administration Review*. 72(1): 121-122 (January/February).

Anessi-Pessina, Eugenio, Mariafrancesca Sicilia, and Ileana Steccolini. 2012. "Budgeting and Rebudgeting in Local Governments: Siamese Twins?" *Public Administration Review*. 72(6): 875-884 (November/December).

Associated Press. 2012. "California Governor Signs Budget Relying on Taxes." *New York Times*. June 27.

Bae, Suho, Seong-gin Moon, and Changhoon Jun. 2012. "Economic Effects of State-Level Tax and Expenditure Limitations." *Public Administration Review*. 72(5): 649-658 (September/October).

Baker, Peter. 2012. "The Fiscal Deadline in Washington: White House Says It Cannot Raise Debt Ceiling." December 6.

Benito, Bernardino and Francisco Bastida. 2009. "Budget Transparency, Fiscal Performance, and Political Turnout: An International Approach." *Public Administration Review*. 69(3): 403-417 (May/June).

Bifulco, Robert, Beverly Bunch, William Duncombe, Mark Robbins, and William Simonsen. 2012. "Debt and Deception: How States Avoid Making Hard Fiscal Decisions." *Public Administration Review*. 72(5): 659-667 (September/October).

Calmes, Jackie. 2012. "The 'Fiscal Cliff,' Explained." *New York Times*. November 12.

\*Coe, Charles K. 2008. "Preventing Local Government Fiscal Crises: Emerging Best Practices." *Public Administration Review*. 68(4): 759-767 (July/August).

Cooper, Michael. 2011. "Courts Upend Budgets as States Look for Savings." *New York Times*. June 6.

Cooper, Michael and Mary Williams Walsh. 2012. "San Diego and San Jose Lead Way in Pension Cuts." *New York Times*. June 6.

Cornia, Gary C., Ray D. Nelson, and Andrea Wilko. 2004. "Fiscal Planning, Budgeting, and Rebudgeting Using Revenue Semaphores." *Public Administration Review*. 64(2): 164-179 (March/April).

Coyle, Ian M. 2012. "A Local Government Practitioner's View of the Sustainability of Defined-Benefit Pension Plans." *Public Administration Review* 72(6): 786-787 (November/December).

DePledge, Derrick. 2011a. "HSTA claims budget approval interfered with negotiations." *Star-Advertiser*. July 10.

DePledge, Derrick. 2011b. "Big state bond sale will save millions over time." *Star-Advertiser*. December 2.

Diamond, Peter and Emmanuel Saez. 2011. "The Case for a Progressive Tax:

From Basic Research to Policy Recommendations." *Journal of Economic Perspectives*. 25(4): 165-190 (Fall).

DiNapoli, Thomas P. 2012. "Retirement Security for Americans and the Role of Defined-Benefit Pension Plans." *Public Administration Review* 72(4): 483-484 (July/August).

\*Doyle, Richard. 2011. "Real Reform or Change for Chumps: Earmark Policy Developments, 2006-2010." *Public Administration Review*. 71(1): 34-44 (January/February).

Duhigg, Charles and David Kocieniewski. 2012. "How Apple Sidesteps Billions in Global Taxes." *New York Times*. April 28.

Fisher, Ian. 2000. "Somali Businesses Stunted by Too-Free Enterprise." *New York Times*. August 10, 2000.

Fox, William. 2012. "Selected Issues with the Hawaii General Excise Tax." Prepared for 2010-2012 Tax Review Commission.

Frank, Robert H. 2013. "Heads, You Win. Tails, You Win, Too." *New York Times*. January 5.

Gloo, Donald. 2011. "Commentary on 'PBB in American Local Governments: It's More than a Management Tool'." *Public Administration Review*. 71(3): 402-404 (May/June).

Goodman, Josh. 2012. "Will North Dakota Be the First State to End Property Taxes?" *Pew Center on the States*. June 8.

Heinrich, Carolyn J. 2012. "How Credible Is the Evidence, and Does It Matter? An Analysis of the Program Assessment Rating Tool." *Public Administration Review*. 72(1): 123-134 (January/February).

Hernandez, Raymond. 2011. "Lawmakers Find a Path Around an Earmarks Ban." *New York Times*. March 16.

\*Higgs, Robert. 1987. *Crisis and Leviathan: Critical Episodes in the Growth of American Government*. New York: Oxford University Press. Chapter 2.

Ho, Alfred Tat-Kei. 2011. "PBB in American Local Governments: It's More than a Management Tool." *Public Administration Review*. 71(3): 391-401 (May/June).

\*Hou, Yilin and Gene A. Brewer. 2010. "Substitution and Supplementation Between Co-Functional Policy Instruments: Evidence from State Budget

Stabilization Practices." *Public Administration Review*. 70(6): 914-924.

Hou, Yilin, Robin S. Lunsford, Katy C. Sides, and Kelsey A. Jones. 2011. "State Performance-Based Budgeting in Boom and Bust Years: An Analytical Framework and Survey of the States." *Public Administration Review*. 71(3): 370-388 (May/June).

Howell-Moroney, Michael E. and Jeremy L. Hall. 2011. "Waste in the Sewer: The Collapse of Accountability and Transparency in Public Finance in Jefferson County, Alabama." *Public Administration Review*. 71(2): 232-242 (March/April).

Joyce, Philip G. 2011. "The Obama Administration and PBB: Building on the Legacy of Federal Performance-Informed Budgeting?" *Public Administration Review* 71(3): 356-367 (May/June).

Joyce, Philip G. and Scott Pattison. 2010. "Public Budgeting in 2020: Return to Equilibrium, or Continued Mismatch between Demands and Resources?" 70(Supplement) *Public Administration Review* s24-s32.

King, Gary and Samir S. Soneji. 2013. "Social Security: It's Worse Than You Think." *New York Times*. January 5.

Lindert, Peter H. 2004. *Growing Public: Social Spending and Economic Growth Since the Eighteenth Century*. Vol I: The Story. New York: Cambridge University Press. Chapter 12.

Ma, Jun and Yilin Hou. 2009. "Budgeting for Accountability: A Comparative Study of Budget Reforms in the United States during the Progressive Era and in Contemporary China." Special Issue: S53-S59 (Dec).

Mankiw, N. Gregory. 2012. "A Better Tax System (Assembly Instructions Included)." *New York Times*. January 21.

Mankiw, N. Gregory, Matthew Weinzierl, and Danny Yagan. 2009. "Optimal Taxation in Theory and Practice." 23(40) *Journal of Economic Perspectives* 147-174.

Meyers, Roy T. and Irene S. Rubin. 2011. "The Executive Budget in the Federal Government: The First Century and Beyond." *Public Administration Review*. 71(3): 334-344 (May/June).

Mihm, J. Christopher. 2011. "Commentary on 'The Obama Administration and PBB: Building on the Legacy of Federal Performance-Informed Budgeting?' *Public Administration Review*. 71(3): 368-369 (May/June).

Moynihan, Donald P. and Stephane Lavertu. 2012. "Does Involvement in

Performance Management Routines Encourage Performance Information Use? Evaluating GPRA and PART." *Public Administration Review*. 72(4): 592-602 (July/August).

Nixon, Ron. 2012a. "Congress Appears to Be Trying to Get Around Earmark Ban." *New York Times*. February 5.

Nixon, Ron. 2012b. "Postal Service Defaults on a \$5.6 Billion Benefits Payment." *New York Times*. October 1.

Pattison, Scott. 2011. "Commentary on 'State Performance-Based Budgeting in Boom and Bust Years: An Analytical Framework and Survey of the States'." *Public Administration Review*. 71(3): 389-390 (May/June).

Pattison, Scott. 2012. "A Time to Reevaluate the Rules for Rainy Day Funds." *Public Administration Review*. 72(3): 386-387 (May/June).

\*Posner, Paul L. 2007. "The Continuity of Change: Public Budgeting and Finance Reforms over 70 Years." *Public Administration Review*. 67(6): 1018-1029 (November/December).

Rattner, Steven. 2012. "More Chips for Tax Reform." *New York Times*. November 24. and Graph.

Reinhardt, Uwe. 2012. "Capital Gains vs. Ordinary Income." *New York Times*. March 16.

Rodriguez-Tejedo, Isabel. 2012. "The Determinants of the Structure of Rainy Day Funds." *Public Administration Review*. 72(3): 376-386 (May/June).

Rousslang, Donald J. 2012. "Tax Expenditures in Paradise." unpublished manuscript (October 11).

Sayare, Scott. 2012. "French Council Strikes Down 75% Tax Rate." *New York Times*. December 29.

StarAdvertiser.com. 2012. "Surprised taxpayers paying for bonds they did not vote on." June 26.

Tax Review Commission. 2012. "Report of the 2010-2013 Tax Review Commission." State of Hawaii.

Walsh, Mary Williams. 2012. "How Plan to Help City Pay Pensions Backfired." *New York Times*. September 3.

Wehner, Joachim. 2011. "The Case for Congressional Budgeting." *Public*

*Administration Review*. 71(3): 349-351 (May/June).

White, Joseph. 2012. "Playing the Wrong PART: The Program Assessment Rating Tool and the Functions of the President's Budget." *Public Administration Review*. 72(1): 112-121 (January/February).

\*White House, U.S. Government. 2010. *The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform*. December.

Relevant online documents:

City and County of Honolulu, FY 2013 Budget.

State of Hawaii, *Executive Supplemental Budget (for Budget Period 2011-2013)*.

State of Hawaii, *Multi-Year Program and Financial Plan, 2013-2015*.

State of Hawaii Constitution, Article VII.

Hawaii Revised Statutes, Chapter 37.

State of Hawaii Council on Revenues

State of Hawaii Tax Review Commission

U.S. Federal Budget, FY 2013.

\*U.S. Office of Management and Budget, "The Budget System and Concepts." FY2013.

### **Required work:**

Attendance and participation are important because we meet only weekly and because this will be a small class. Each week, participants will be expected to attend class AND to make a posting on the discussion section of our course in Lulima. The weekly contribution must be posted BEFORE class each week, and may comment on such things as the readings for the week, an issue raised in a previous class, related issues found in newspapers or other periodicals, or the comments/postings of other class members.

Commenting on each others' postings is especially encouraged, as this promotes dialogue and mutual understanding. The purpose of these postings is to encourage you to actively think about, and apply, the ideas and concepts that we discuss; and to encourage others to engage your observations and ideas. The postings need not be long, but they should be substantive in terms of content. On occasion, I may post something, but I will typically not participate in these postings. I will, of course, monitor them.

Because unexpected events happen to all of us, up to three missed classes may be made up by a substantial posting in the week of the absence. A fourth missed class will negatively affect the final grade in the course. A fifth missed class will result in an Incomplete or failing grade.

Please bring to each class a device to do calculations--a calculator, computer with spreadsheet program, etc. We will sometimes have exercises that require you to do computations.

Project: Your main graded work in this course will be related to a semester-long project. You have a basic choice between a project related to the U.S. federal budget deficit or a project of your creation (subject to my approval).

#### **A. Federal Deficit**

As you are aware, the United States is struggling with large fiscal imbalances (deficits and mounting debt). Your project could explore one of the dimensions of this problem for the U.S. federal budget. Possible sources of information include articles, studies, and reports by reputable organizations (e.g. Brookings Institution, Cato Institute, Center on Budget and Policy Priorities, National Taxpayers Union), scholars, government executive agencies (e.g. Office of Management and Budget), and Congress (e.g. Congressional Budget Office). I presume most of you will access this information on the internet, but other sources are also acceptable. If using information from the internet, it is important that you evaluate the credibility and reliability of the source.

To assist you, here are some possible approaches. You may choose one of these, or you may create your own (which must be approved by me).

- Choose one of the suggestions from the President's 2010 National Commission on Fiscal Responsibility and Reform report (on Laulima, see WhiteHouse-120110Report.pdf). Identify the issues involved in that suggestion, the interested parties, and any action taken.
- Explore the proposal to amend the Constitution to require a balanced budget.
- Explore the deficit problem as it relates to Social Security and/or Medicare.
- Explore the proposal to replace the income tax with a consumption tax (or a value-added tax).
- Consider the degree to which bond markets and rating agencies are effective in constraining the federal deficit.
- Compare and contrast the emerging resolution of deficit issues with the approach that Congressman Paul Ryan made in 2010 in the 111th Congress.

Alternatively, you may create your own project. For example, you could choose a topic related to the Hawaii State budget. Aligning resources to meet expenditures is always an issue. This year, the Legislature is likely to consider revising the solar tax credit program because of fears that too much revenue is being lost. There has also been a recent Tax Review Commission report, some of the proposals of which, may make an interesting project. Or, you could choose a public budgeting topic in another country. Increasingly, public budgets of one country have implications for budgets of others. For example, one could explore aspects of the linked fiscal situations of European countries (the on-going sagas of Greece, Portugal, Spain, Italy, and so on). Or one could consider the implications for another country's fiscal conditions of decisions made relative to the U.S. budget situation.

You should formulate a relatively well-defined approach for your project. The key to success will be identifying a portion of your topic that you can reasonably research and think about in the time available. My goal for you is to learn about your topic throughout the semester, bringing to it your growing knowledge from our class sessions, and completing research that substantially deepens your understanding and produces a high-quality work product.

In the following project reports, please be sure to cite sources for the specific information that you provide and give a list of references. All of the written reports should be submitted electronically.

On January 23, you will report to me by email your intended project topic/approach for my approval. Your short description should be sufficient to convey the most important issues as you see them. That is, why is this project topic interesting/important? I will respond either approving your topic or making suggestions for changes.

On February 13, you will submit your First Written Project Report. This is a short, written report that describes your intended approach to the project, including a statement of the major issues as you see them, a description of your intended approach for analyzing them, a mention of the sources you expect to use, and some speculation about what you expect to find/conclude. The report should not exceed 6 pages (double-spaced, Times-Roman 12-point font, 1" margins all around).

On March 13, you will provide to the class a brief oral report on the status of your project. The report should include a statement of the main issues, what you have found so far, and where you expect/hope the project to go.

On April 17, you will submit the Second Written Project Report. This will provide a detailed discussion of the topic seen through the lens(es) that you have chosen. The second project report is not likely to exceed 12 pages (same formatting as in the first report).

On May 1, you will make a final class presentation on your project. To the extent appropriate, you should incorporate, or link to, the budgetary concepts/issues that we discussed in class. The purpose of this presentation is to display your ability to identify and apply the concepts and ideas discussed in class to the project as you have framed it.

On or before May 8, you will hand in a written reflection piece in which you consider what you have experienced in this project. In thinking about the project, what are the three most important “lessons” that you learned? What might leaders have done differently? What seemed to be the major obstacles? What seemed to work pretty well? These are only suggestions of the kinds of questions that may be relevant; feel free to add/substitute your own. I would expect most of these reflection pieces to be about 3 pages (same formatting as above).

**Course Grade:** Your grade in this course will be assigned as follows:

Class discussion (including weekly Laulima discussion postings)	15%
Email report of topic choice (due January 23)	5%
First Written Project Report (due February 13)	15%
Brief Oral Report of Status (March 13)	10%
Second Written Project Report (due April 17)	30%
Final Project Presentation (May 1)	15%
Reflection Piece (due by May 8)	10%

**Outline/Calendar:**



Session/Date	Topic	Readings marked with * are optional (but recommended)
Session 1 Jan. 9	Introduction and Overview Public Budget Principles & Concepts	M: 1 FB: Introduction <a href="#">Fisher Ma and Hou</a>
Session 2 Jan. 16	Government Size, Budget Process, Players	M: 2 FB: Memo 1
Session 3 Jan. 23	Federal Budget I General <b>Email on Topic Choice due</b>	M: 3 (pp. 97-131) FB: Memo 2 <a href="#">Budget System and Concepts*</a> (useful for definitions) <a href="#">Higgs*</a> <a href="#">Posner 2007*</a> <a href="#">Doyle*</a> <a href="#">Meyers and Rubin, Wehner Joyce and Mihm</a>
Session 4 Jan. 30	Federal Budget II Deficits and Debt	M: 3 (pp. 131-142). <a href="#">White House*</a> <a href="#">Calmes</a> <a href="#">Baker</a> <a href="#">King and Soneji</a>
Session 5 Feb. 6	State Budget I States Generally	M: 3 (pp. 142-157) FB: Memo 3 <a href="#">Cooper</a> <a href="#">Associated Press</a> <a href="#">Hou et al. and Pattison 2011</a> <a href="#">Bae et al.</a>
Session 6 Feb. 13	State Budget II Hawaii	FB: Memo 4 <a href="#">Hawaii Constitution, Article VII</a> <a href="#">Hawaii Revised Statutes, Ch. 37 (light skim)</a> <a href="#">DePledge 2011a</a> <a href="#">Hou and Brewer*</a> <a href="#">Rodriguez-Tejedo and Pattison 2012</a> <a href="#">Rousslang</a> <a href="#">Tax Review Commission Report 2012</a>

Session 7 Feb. 20	Local Budget <b>First Written Project Report Due</b>	FB: Memo 5 C&C Operating Budget FY2013 (4.3 Mb) C&C Capital Budget FY2013 (3.2 Mb) Coe* Ho and Gloor Anessi-Pessina et al. and Alesani
Session 8 Feb. 27	International Perspective & Intergovernmental Relations	M: 13 Benito and Bastida Duhigg and Kocieniewski
Session 9 Mar. 6	Capital Budgeting & Debt	M: 6 & 14 DePledge 2011b Star-Advertiser.com Howell-Moroney and Hall Bifulco et al.
Session 10 Mar. 13	Government Revenue <b>Brief Oral Report on Project</b>	M: 7 & 11 Lindert Mankiw et al. Diamond and Saez Mankiw
Session 11 Mar. 20	Taxation: Income Tax	M: 8 FB: Memo 6 Reinhardt Sayare Rattner and Graph
Mar. 27	SPRING BREAK	
Session 12 Apr. 3	Taxation: Sales/Consumption Taxes  Taxation: Property Taxes	M: 9 Fox Frank  M: 10 Goodman
Session 13 Apr. 10	Revenue Forecasting	M: 12 FB: Memo 7 Cornia, Nelson, and Wilko

Session 14 Apr. 17	Budget Reforms; Performance Measurement <b>Second Written Project Report Due</b>	M: 5 FB: Memo 8 & Final Word Hernandez Nixon 2012a White and Anderson Heinrich Moynihan and Lavertu
Session 15 Apr. 24	Public Employee Retirement Systems	M: 15 (683-692) Cooper and Walsh Walsh Nixon 2012b DiNapoli and Coyle
Session 16 May 1	<b>Student presentations</b>	Joyce & Pattison
May 8	NO CLASS <b>Reflection Piece on Project Due</b>	