

SPEA V372 and S372
Spring 2017
PV 274
MW 8:00 – 9:15 a.m.
Sections #12283 and #10295

Professor C. Kurt Zorn
Offices: SPEA 459 and Maxwell 100
Phones: 855-0563 (SPEA)
855-8783 (Maxwell Hall)
zorn@indiana.edu
Office Hrs: by appointment

V372 and S372 (HONORS) GOVERNMENT FINANCE AND BUDGETS

In order for the public sector in any country to work effectively and efficiently it must employ tools and mechanisms to plan for and control expenditures, raise the necessary revenue to finance these expenditures, and make use of financial management techniques in order to be good stewards of the public's resources. This course provides an introduction to these topics with an emphasis on budgetary practice, revenue structure and administration, and financial management in the United States.

Required Text and Readings

Mikesell, John L. *Fiscal Administration: Analysis and Applications for the Public Sector*. Ninth edition. Boston: Wadsworth, Cengage Learning, 2014. ISBN-13: 978-1-133-59480-2 (This is an expensive book...sorry! There are purchase, rental, and ebook options. See <http://www.cengagebrain.com/shop/search/9781133594802> and <https://www.google.com/search?q=mikesell+fiscal+administration+ninth+edition> for some of these options).

Baker, David L., Mark K. Fudge, and Alexandru V. Roman. *Governmental Budgeting Workbook: Bridging Theory and Practice*. San Diego, California: Birkdale Publishers, 2015. ISBN 978-1-942-45600-1

Additional readings can be found on Canvas or through the link provided in the syllabus. All are required unless otherwise noted as recommended readings.

Your Responsibilities

Attendance

Regular attendance is expected and is a basic courtesy to your classmates, the instructor, and the teaching assistant.

I realize a class that starts at 8:00 am is a real challenge for students, especially undergraduate students. However, my expectation is that you will attend each class meeting unless you have received an excuse from the instructor prior to the missed class. It goes without saying that you should come to class prepared, having completed all assigned readings, exercises, etc. If you think regular attendance or arriving at class at 8 a.m. will be a challenge, you are advised to find another section of V372 or another course that is more suitable to your preferences.

Class Participation

Throughout the course, students will be encouraged (and expected) to be active participants in the class. The instructor regularly will pose questions based on assigned readings, assigned exercises, and current events that are intended to elicit discussion among class participants. The best way to position oneself to

actively participate in these discussions is to prepare for class regularly by doing the assigned readings, working on the assigned and suggested exercises, and staying abreast of current budgeting, finance, and financial management issues (by reading a major newspaper, preferably the Wall Street Journal).

Occasionally unannounced quizzes will be given. In preparation for these unannounced quizzes you should ensure you always have blank paper with you so it can be used for these quizzes. If you are not present when a quiz is administered, you will receive a zero on that quiz. The only exception is if you have already had your absence “pre-approved.”

Examinations

There will be three examinations in the course. The first exam will be on **February 13th**. The second examination will be on **March 8th**. The third exam will occur during the scheduled final examination time period, **Friday May 5, 2016 from 8 am to 10 am**.

Exercises That Will Be Graded

Six exercises from *Governmental Budgeting Workbook: Bridging Theory and Practice* and an income tax assignment will be graded. Details about these graded assignments can be found on Canvas.

Exercises That Will Not Be Graded

Relevant exercises from the Mikesell text and two other exercises – Simple Agency and Local 1984’s Contract -- have been assigned. These exercises will not be graded but some are likely to find their way onto the exams, providing ample incentive to work on them. The assigned ungraded exercises in the Mikesell text are listed by the relevant reading assignment on the tentative schedule below.

Policy Issue Paper (S372 students only)

Each class participant enrolled in the honors section will prepare a policy paper related to a topic or topics discussed in the course. **No later than Wednesday January 25th** participants will select a paper topic from the list below (or s/he may suggest an alternative topic):

The Future of the Affordable Care Act After Obama

Tax Reform During the Trump Administration

Infrastructure Improvements in the Trump Era

The Trump Effect on Government Expenditures

The Federal Deficit and Debt During a Trump Administration

Given the relative infancy of the Trump Administration you most likely need to rely heavily on sources of current information about public policy and public sector financial matters. It is incumbent on you to ensure that these sources are reliable and reputable. Please feel free to discuss your ideas with the instructor as you are selecting sources for your research.

In order to ensure reasonable progress on the paper, an outline of the research paper is due ***no later than Monday March 6th***. This will allow the instructor to provide input and guidance before the research is too far along.

Please note the papers should be based on ***your own research*** and will be written ***solely by you***. It is essential that you properly “source” the supporting materials used in researching and writing your paper. That means you need to correctly and completely list all of your sources of information and use a generally accepted format for bibliographies and footnotes. Excellent online guides can be found at <http://owl.english.purdue.edu/owl/resource/747/01/> <http://www.wisc.edu/writing/Handbook/DocChicago.html> and in the Bucknell file on Canvas

The policy paper is **due no later than 8 am the last day of class, Wednesday April 26th**. It should be submitted through Canvas.

Course Policies

Office Hours

The instructor does not have regularly scheduled office hours due to the uncertainty of his administrative responsibilities. Generally he will be available immediately after class, so if you don't have class at 9:30 am that will be an ideal time to see him most of the time but not always. If that time is not convenient, appointments can be arranged by contacting his assistant, Ms. Christy Moore (cmgallag@indiana.edu or 855-8783). If you want to contact the instructor via e-mail, please use his regular e-mail address (zorn@indiana.edu) and ***NOT*** the Canvas mail messaging utility.

Teaching Assistant

Evan Linskey will be serving as the teaching assistant for the course. Evan will be available each week to assist you with course-related questions. His availability will be communicated to you via Canvas. Evan's email is elinskey@umail.iu.edu

Students with Disabilities

For students with disabilities, the instructor will make appropriate accommodations as long as you are registered with Disability Services for Students Office in the Herman B. Wells Library, Room W302. Their phone number is 855-7578. URL is <https://studentaffairs.indiana.edu/disability-services-students/index.shtml>

Late Assignments and Missed Examinations

Please note that **late assignments will not be accepted**, nor will incompletes be granted. Students are required to take examinations at the scheduled times and to hand in assignments on the designated date at the time indicated. There will be no make-up exams. **Failure to take an exam or to hand in an assignment at the scheduled time will result in a grade of zero on that exam or assignment.** Only in the case of a **dire emergency** will the instructor consider accepting a student's absence from an examination or a late assignment. If there is such an emergency, the student must contact the instructor or his assistant before or during the exam or before the assignment is due. The student must also be prepared to fully document the emergency with detailed medical or other explanations.

Academic Misconduct and General Academic Policies

Cheating and plagiarism are forms of academic dishonesty that cannot be tolerated in university education. Definitions of various types of academic misconduct and University policies for dealing with violations are included in the *Code of Student Rights, Responsibilities, and Conduct*. Please refer to <http://www.iu.edu/~code/> for more information. Any student found cheating or plagiarizing will be sanctioned by the instructor.

Grading

The weighting of the course elements for the semester grade is:

For V372 Students

First Examination	20%
Second Examination	20%
Third Examination	20%
Graded Exercises from Budgeting Workbook	30%
Income Taxation Exercise	5%
Unannounced Quizzes	5%

For S372 Students

First Examination	15%
Second Examination	15%
Third Examination	15%
Graded Exercises from Budgeting Workbook	22%
Income Taxation Exercise	3%
Unannounced Quizzes	5%
Policy Paper	25%

TENTATIVE SCHEDULE OF TOPICS AND ASSIGNMENTS

January 9	Introduction <ul style="list-style-type: none">• Mikesell, Chapter 1• Exercise #1 and 4
January 11	Budgeting Basics <ul style="list-style-type: none">• Mikesell, Chapter 2 and Chapter 5, pp. 178-181• Definitions and terminology handout (Canvas under Readings tab)• Exercises #2, 3 and 6 in Chapter 2 and 14 in Chapter 5
January 16	Martin Luther King Day – no class

- January 18 Budgeting Basics continued
- January 23 Budgeting at the Federal, State, and Local Level
- Mikesell, Chapters 3 and 4 including appendices
 - “Simple Agency” reading and **exercise** (Canvas under Exercises tab)
- January 25 The Nitty-Gritty of Budgeting
- Mikesell, Chapter 5 including appendix
 - “Costing Out in the Public Sector” reading (Canvas under Exercises tab)
 - “Local 1984’s Contract” reading and **exercise** (Canvas under Exercises tab)
 - **Exercises #3, 4, 5, 6, 9, 11, 14, and 17**
- January 30 The Nitty-Gritty of Budgeting continued
- Mikesell, Chapter 5 including appendix
 - **Exercises #3, 4, 5, 6, 9, 11, 14, and 17**
- February 1 Budget Classifications and Reforms
- Mikesell, Chapter 6 including appendices
 - (Recommended Reading) “Performance Budgeting: Efforts to Restructure Budgets to Better Align Resources with Performance”, [GAO-05-117SP](#), February 1, 2005
 - (Recommended Reading) “21st Century Challenges: How Performance Budgeting Can Help,” Statement of David M. Walker, Comptroller General of the United States, Testimony before the Committee on the Budget, House of Representatives, GAO-07-1194T, September 20, 2007 <http://www.gao.gov/new.items/d071194t.pdf>
- February 6 -8 Capital Improvement Programming and Capital Budgeting
- Mikesell, Chapter 7
 - Examples of Capital Improvement Programs (CIPs)
 - Seattle, Washington <http://www.seattle.gov/financedepartment/1722proposedcip/documents/2017-2022ProposedCIPBook.pdf>
 - Oklahoma City, Oklahoma (the CIP begins on page 494, Section E-1) <https://okc.gov/home/showdocument?id=4682>
 - Hillsborough County, Florida <http://www.hillsboroughcounty.org/library/hillsborough/media-center/documents/budget/fy16-fy21-adopted-cip-hillsborough-count.pdf?la=en>
 - Boulder, Colorado
 - https://www-static.bouldercolorado.gov/docs/Attachment_A_2017-2022_Draft_CIP-1-201609071607.pdf?_ga=1.234338396.351863286.1483389883

- Exercises #1, 2, 3, 4, 7, and 8

February 13	First Exam
February 15	Group Work and Presentations: Exercise #13 “A Case Study of Budgetary Obligations” in <i>Governmental Budgeting Workbook</i>
February 20	Time Allocated for Group Work on Exercise #11 “Performance Budgeting” in <i>Governmental Budgeting Workbook</i>
February 22	Group Presentations: Exercise #11 “Performance Budgeting” in <i>Governmental Budgeting Workbook</i>
February 27	Group Work and Presentations: Exercise #9 “Capital Budgeting” in <i>Governmental Budgeting Workbook</i>
March 1	Exercise Session – in class time devoted to reviewing any questions about assigned exercises
March 6 - 20	Revenue Policy Criteria and Revenue Administration <ul style="list-style-type: none"> • Mikesell, Chapter 8 and Chapter 13, pp. 590-594 • Tax Expenditure Basics (video) http://www.gao.gov/multimedia/video#video_id=654597 • (Recommended Reading) Tax Policy: Summary of Estimates of the Costs of the Federal Tax System, GAO-05-878, August 26, 2005 • Exercise #2
March 8	Second Examination
March 13 - 15	Spring Break
March 22 - 27	Income Taxation <ul style="list-style-type: none"> • Mikesell, Chapter 9 • “Your Federal Income Tax: For Individuals,” Internal Revenue Service, Publication 17 http://www.irs.gov/pub/irs-pdf/p17.pdf • Tax Foundation, “Income Taxes Illustrated,” http://interactive.taxfoundation.org/income-tax-illustrated/#income-taxes-illustrated • Charitable Giving and the Personal Income Tax, <i>SPEA Insights</i>, September 2010. https://spea.indiana.edu/doc/research/rushton_on_charitable_giving.pdf • Exercises #2, 3, 4, 7, and 8
March 29	Taxes on Consumption <ul style="list-style-type: none"> • Mikesell, Chapter 10

- (Recommended Reading) Murray Rothbard, “The Consumption Tax: A Critique,” http://mises.org/sites/default/files/rae7_2_4_2.pdf
- Gale, William G. and Harris, Benjamin H., “A VAT for the United States: Part of the Solution,” The VAT Reader: What a Federal Consumption Tax Would Mean for America, Washington, D.C: Tax Analysts, 2011, pp. 64 – 82. Downloaded from [http://www.taxanalysts.com/www/freefiles.nsf/Files/VATReader.pdf/\\$file/VATReader.pdf](http://www.taxanalysts.com/www/freefiles.nsf/Files/VATReader.pdf/$file/VATReader.pdf) Accessed December 13, 2016
- **Exercises #3, 4, and 5**

April 3 – 5

Property Taxation

- Mikesell, Chapter 11
- *A Primer on Property Tax: Administration and Policy*, edited by William J. McCluskey, Gary C. Cornia, and Lawrence C. Walters. Wiley-Blackwell, 2013. Chapters 3, 5, 6, and 9. You can access the book through the IU Library site at <http://site.ebrary.com/lib/iub/docDetail.action?docID=10617901>
- Interesting websites
- <https://monroein.elevatemaps.io/#extent=3278281.7708333335,2957318.2291666665,1513758.8541666667,1346441.1458333333,2245>
- <http://prc.chathamcounty.org/>
- <http://www.allencounty.us/view-property-record-cards>
- **Exercises #2, 3, 4, 5, 6, 7, 8 and 9**

April 5

Income Tax Exercise Due

April 10

Other Sources of Revenue

- Mikesell, Chapter 12
- Zorn, “User Charges and Fees.” (Canvas under Readings tab)
- **Exercises #1, 3 and 4**

April 12

Debt Administration

- Mikesell, Chapter 15
- (Recommended Reading) W. Bartley Hildreth and C. Kurt Zorn, “The Evolution of the State and Local Government Municipal Debt Market over the Past Quarter Century,” *Public Budgeting and Finance* 25(Supplement 1) (December 2005): 127-153
<http://www.ingentaconnect.com/content/bpl/pbaf/2005/00000025/a00104s1/art00007>
- **Exercises #3, 4, 6 and 9**

April 17

Intergovernmental Fiscal Relations

- Mikesell, Chapter 14
- Roy Bahl, “Intergovernmental Transfers in Developing and Transition Countries: Principles and Practice,” Municipal Finance Background Series, The World Bank, April 2000.
<http://www1.worldbank.org/publicsector/LearningProgram/Decentralization/ITFPrinciples.pdf>

- April 19 **Group Work and Presentations: Exercise #14 “Cutback Budget Management” in *Governmental Budgeting Workbook***
- April 24 **Group Work and Presentations: Exercise #5 “Revenue Forecasting” in *Governmental Budgeting Workbook***
- April 26 **Group Work and Presentations: Intergovernmental Fiscal Relations exercise. *Program Expenditure Development Exercise is Due.***
- May 5 **Third Examination 8:00 am to 10:00 am**