

**WWS 593j—State and Local Finance**  
**Fall Term, 2006—Monday---9 A.M to Noon**  
**Robertson Hall—Room 020**  
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**Richard F. Keevey**  
**Office Hours: Monday**  
**12:15-2:00**  
**Wallace Hall Room 337**

**COURSE EXPECTATIONS and REQUIREMENT**  
**REVISED (NEW) COURSE SYLLABI for FALL 2006**

The purpose of the course is to review both conceptual and technical aspects of public finance as they relate to state and local government. The course will follow the major processes of taxation, budgeting, tax policy, capital and debt, money management, pensions, internal controls and financial systems.

Budgeting is perhaps the most important of these financial processes. The budget establishes the Chief Executive’s goals and objectives to carry out the pledges made during the political campaign. But, sometimes the reality of the fiscal and economic situation limit what can be accomplished. How a Governor or Mayor goes about the process of building the budget and just as importantly, establishes his/her fiscal, tax, capital and program policies is the principal focus of the course.

Funding for public programs is inseparable from the operation of programs. All public managers, therefore, find themselves needing knowledge and skills in the basic principles of finance and budgeting. Whether you become an official who is immersed in budgeting and finance on a day-to-day basis, or you become an official who must make policy based on the relationship between dollars and program goals and objectives, an understanding of major processes of finance is vital to both your personal success and the success of your organization.

The course will involve lectures and the use of case studies.

Each student will be required to do a 10-15 page final paper on a budgeting or finance topic. Possible topics will be discussed on the first day of class. You will need to write a paragraph describing the proposed topic for prior approval of the professor, which is due at the end of the third class.

Students will be expected to: (a) attend all classes and come prepared for all class discussions, (b) submit a final paper, (c) complete a short mid-term test in class; and (d) complete a short “take- home” (easy) final examination. Students will be graded based on how they meet these expectations as follows:

Mid-Term Test	15%
Final Examination	25%
Research Paper	40%
Class participation	20%

## **Texts for Course**

- “Memos to the Governor-An Introduction to State Budgeting,” Dall Forsythe, 2<sup>nd</sup> Edition, 2004  
“Public Budgeting Systems,” Robert D. Lee and Ronald W. Johnson, 7<sup>th</sup> edition.

## **Other Readings for Course**

- Case Study--Kennedy School: Budgeting in State Government.  
Case Study--Kennedy School: Oregon Governor Takes on Fiscal Reform.  
Tax Policy Study--NJ State and Local Expenditure and Revenue Policy Report.  
Selected articles from journals and magazines---Provided by Professor

## **Other Text Books for Reference**

- “Public Budgeting in America,” Thomas D. Lynch, 1995  
“Fiscal Administration: Analysis and Application for the Public Sector,” John Mikesell, 1998.

## **Course Outline**

### **November 6 Major elements of state and local finance. Federalism at a Crossroads.**

The first class will provide an overview of the major elements of state and local finance—budgeting, revenue, tax policy, debt management and capital budgeting, cash flow and investments, pension issues and accounting for funds and how they interrelate. The major differences between federal financial issues and state and local finance will also be discussed.

Think there are dangerous fiscal signs on the federal horizon? There are just as many in the state and local arena and we will see how federalism is now at a significant financial crossroads—perhaps a more ominous crossroad than at any times in our past.

Centralization of authority and impact on state and local finance will be discussed as well as Preemption Issues

Preparation: Lee Text—Chapters 3, 5, 6.  
Selected readings from Professor

### **November 13 Budget Process: Part 1--Planning and Spending**

Discussion on the role and decision-making responsibilities of the various players in the state and local process. We will discuss, in detail, budget planning and development, budget adoption, budget execution and post audit—process and theory.

- Preparation: -- Forsythe Book--pp 1-91.  
-- Lee—Chapters 7, 8, 10  
-- Article—“How to fill a \$ 3 Billion Budget Gap”  
--Kennedy Case study—“Budgeting In State Government.”  
-- Kennedy Case study—“Oregon Governor...”

### **November 20 Budget Process: Part II--Where the Money Comes From-- Revenue and Taxes**

Discussion on the major revenue sources in a state government as well as the major source of revenue for local governments---the property tax. Discussion on tax equity and related issues. Also, discussion on tax estimating problems and issues.

- Preparation: Lee—Chapter 4.  
Article: The Case for Earmarking  
Keevey---Revenue Estimating Processes  
Keevey---Revenue Estimating: Recommendations

### **November 27 Budget Process: Part III--- Revenue and Spending Coming Together.**

Developing budget options. Current Service Budgets vs. Zero-Base analysis—are they in Conflict? Budget formats and their importance. Solving projected shortcomings. A recent presentation by a state government to one of the Credit Rating Agencies in New York will also be analyzed and discussed.

- Preparation:
- Case Study: “Strategic Issues and Alternatives for a new Budget and Planning Process.”
  - Article: Managing Fiscal slack
  - Formats from a typical State Budget will be reviewed
  - Development of a Current Services Budget-- Spread- sheet building and analysis.
  - Establishing a Governor’s Management Agenda—Process and Contents

### **December 4 Capital Budgeting, Debt Management and Bonding**

Discussion on the capital planning and budgeting process. Discussion on the major terms and concepts associated with issuing debt and financing capital projects. The role of the Rating Agencies, the players in the bond issuing process, and concepts such as coupon, yield, present value, discount, etc. will also be discussed

Pension financing, Investment policy and cash flow will be part of the presentation.

Preparation:

- Lee and Johnson—Chapter 12 and pages 414-419.
- Article: Impact of Management Practices on Municipal Debt
- Article: The Case against State Appropriation Debt
- Article: Anatomy of an Upgrade
- Case Study: Financing the Dulles Corridor Rapid Transit Project: Pros and Cons

### **December 11 Tax Policy Options: Expenditure and Revenue Trade-offs**

State governments frequently review how they and their school districts, municipalities, and county governments raise revenues to pay for services.

Issues such as what services are provided at what level of government and who pays for the service are important considerations. School financing equity issues are usually a major component of such discussions as is the burden of the local property tax and most importantly, how to achieve the best balance between state and local taxes and the most equitable distribution of the tax burden among the citizenry.

Students will be given the report of the NJ State and Local Expenditure and Revenue and Policy Commission as well as related reports and papers from other states. Students will be given a list of questions to guide their readings. The class will be devoted to a discussion of key topics such as: who should pay for what governmental services; what functions are best provided at what level of government; how should school costs be distributed and financed; how much should the business community contribute to the cost of government; how best to formulate a tax structure without discouraging business development; and related tax and spending issues. **No formal presentation is required.**

Preparation: -- NJ State and Local Expenditure and Revenue Report

-- Article: Tax Reform : The Commission Approach

-- Tax Options for Arkansas

--Florida State Tax Reform Task Force Report

-- Newspaper articles: Decision Time in Virginia / Governor Pushes Tax Mix.

**January 22 Exam Week—Course Paper and take Home Exam are due**

Final Class Paper and take Home Exam must be received at my home by January 19 2007—either my post or e-mail (2808 Roesh Way; Vienna, Virginia 22181; [RKeevey@napawash.org](mailto:RKeevey@napawash.org)); or RFKeevey@yahoo.com. Size of paper would probably dictate that the paper be mailed to my Yahoo address with a note to my other e-mail address that you have mailed it.