Spring Semester, 2012  
Tuesday 1600-1850

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This course provides an overview of the basic principles of local government finance. It is designed to give you a basic understanding of public sector financial management and the context within which financial management and budgeting takes place in the public sector. Students will learn about the types of local governing structures, historical development of local governments in the United States, taxation policies and philosophies, types of revenue sources used by local governments to fund services, capital improvement plans and capital budgeting, long range financial planning, budget preparation and monitoring, economic development and debt management.

Budgets are one of the most significant policy documents in the public domain. They reflect priorities, values, and relationships. They reflect the choices that result from a political process. In addition to studying budgets as documents, we will study the managerial roles and challenges in developing and implementing budgets.

Course Requirements

1) Quizzes (2) 30 points each  60 Points  
2) Final Examination - Comprehensive  100 Points  
3) Budget Research Assignment  50 Points  
4) Long Range Financial Plan  50 Points  
5) Current Events Presentation  20 Points  
6) Class Participation  20 points  

Total points possible  300

Grading Range:  
270 to 300 points  A  
240 to 269 points  B  
210 to 239 points  C  
180 to 209 points  D  
179 and below  F
Readings: Students are expected to read the Chapter to be discussed and any articles sent out via email by the instructor prior to class and be prepared to participate in the discussion. Topics to be discussed are listed each week. It is up to the student to stay up to date on required readings.

Lectures: Class lectures will focus on key aspects of the readings as well as other relevant information in local, state and federal government finance. PowerPoint slides will be posted prior to the lecture; however students are encouraged to take notes in class as the PowerPoint’s provide only an outline of the key aspects of the chapter.

Quizzes – There will be two quizzes made up of multiple choice, short answer questions and some basic mathematical problems related to budgeting. Quizzes are based on readings, lecture/discussion. The first quiz will cover Chapters 1, 2 & 4 and will be held on February 21st; the 2\textsuperscript{nd} quiz will cover Chapters 5, 6, and 7 and will be March 20\textsuperscript{th}. Scantrons are required.

Final Examination – is comprehensive. It will be made up of multiple choice, short answer, essay and basic mathematical problems related to topics covered throughout the semester. The final exam will be on May 15\textsuperscript{th}. A scantron and Blue Book are required to take the final.

Budget Research Assignment – Students are required to choose a local government (City, County or Special District) and research their budget. The local government has to be approved by the instructor prior to research beginning. Student cannot choose the County or City of San Diego. Only a few students will be allowed to research each location, so make your choice early. You will be allowed to change your local government selection only once. Students will be provided a template that contains questions about the local government, its governing structure, its budget and operations. Assignment due April 17.

Long Range Financial Plan – Students will assume the role of a city manager of a small city for this assignment. You will be provided with a sample Long Range Financial Plan and a list of issues your local government agency is facing in the years ahead. You need to decide which issues are most important to your local government operations, look at your financial outlook and decide which services/issues to allocate resources to. Student’s will be provided with an excel template that contains a mock Long Range Plan and will make any changes in funding allocations on this template.

You are required to submit a Word document that explains each change in funding allocations made, why you made the choices you did and document the cost of your choices in the plan. The programs or services you choose to fund cannot exceed available resources. Assignment will be explained in full on February 21\textsuperscript{st} in class.

Long Range Financial Plans submitted with a deficit in any year of the plan will be marked down 2 full letter grades, making a C the highest possible grade for the assignment. Assignment due March 20.
Current Events Presentation – Students are required to read the newspaper and find an article related to public finance. Students will present the article to the class and explain how it relates to what has been discussed in class. In addition, student will provide a written review of the article and how it relates to the issues/topics covered in class.

Class Participation: Student may earn up to 20 points during the course of the semester based on their level of participation in class.

Written Work Requirements: Students are urged to proofread all written work prior to submission. Written work submitted with typos or grammatical errors, such as incomplete sentences, will result in a reduction in points for the assignment. Abbreviations such as those used in texting are not acceptable in written work.

Schedule may change at instructor’s discretion.

Class Schedule:

January 24
Orientation/Overview

January 31
Ch. 1 – The Finance Function in Local Government

Topics for discussion: Why have older central cities in the US become vulnerable to fiscal stresses? How have urban development patterns impacted local government finance? Are the demographic conditions commonly found in cities described in the book what is occurring in redeveloped city centers such as San Diego? What are some examples of Urban Sprawl in San Diego County? How does sprawl impact local government service delivery? How do unfunded mandates interfere with local government service priorities?

February 7
Ch. 2 – Fiscal Structure in the federal system

Topics: Why should the central or federal government be in charge of stabilizing the economy and not local and state governments? What services, if any, are provided by the federal government that could be provided better locally? How does mobility impact local government finance? Why does the principle of Hard Budget Constraints make sense? What is the rationale behind intergovernmental grants?
February 14
Ch. 4 – Local Government expenditures and revenue

Topics: Why are budget decisions ultimately political? What are the key concerns that drive budget decisions by local government officials? Why is local preference for services an important factor in budget decisions? What are spillover benefits? What different types of expenditures are made by a local government? What types of revenue is collected by a local government? What is an example of a progressive tax? Regressive tax? Why does national economic performance impact local government finance?

February 21
Quiz Ch 1, 2, 4
Ch. 5 - Forecasting local revenues and expenditures
Long range Financial Plan exercise discussed & posted

Topics: What is meant by the long term health of the local economy? Why should governments do long term financial planning? What is the difference between a forecast and a budget? How can a long range financial plan improve the Capital Planning process?

February 28
Ch. 6 Cost Benefit analysis and the capital budget
Long Range Planning

Topics: Why is using cost-benefit analysis to activities in the public sector more difficult than in the private sector? What are the differences between capital expenditures and operating expenditures? What is Net Present Value used to determine? How does inflation impact capital planning? Why are the full-life costs of owning and maintaining a capital asset sometimes overlooked? What are the differences between pay-as-you-go and pay-as-you-use financing?

March 6
Ch.7 – Budgeting

Topics: How does government budgeting differ from budgeting in the public sector? Who is responsible for budget formulation in a local government? What are the 5 types of governmental funds? What are the 6 major steps on budgetary analysis? What is the incremental approach to budgeting? What are the 4 phases of the budget cycle? Who adopts the budget ordinance? What options are available if estimated revenues and lower than estimated expenditures? What is an encumbrance and what is it used for? What are the 4 advantages of multiyear budgeting?

March 13
Ch.7 – Budgeting (continued)
Ch.8 – Financial accounting, reporting and auditing
**Topics:** Who are external users of local government accounting information? Who are internal users of local government accounting information? What is included in the "management's discussion and analysis" part of financial statements? What are the three components of the total cost of a product or service? What is a variance analysis? What are the three principal types of audits?

**March 20**
Quiz Chs. 5, 6, 7
Long Range Planning exercise due

**March 27 – Spring Break**

**April 3**
Ch. 10 Property Tax

**Topics:** What are tangible and intangible personal property? Why is the discovery of intangible personal property difficult? What is the difference between an appraisal and an assessment? What problems can result from infrequent assessment of property? What is the main criticism of spot reassessments? What 2 factors contributed to the property tax revolt in California in the 1970s? What impact did the *Serrano vs. Priest* ruling have on funding education in California? What are the main provisions of Proposition 13?

**April 10**
Ch. 11 – General sales, income and other non-property taxes
Ch. 12 – User Charges and Special Districts

**Topics:** Ch. 11 – Why do local governments use non-property tax sources? Why are sales taxes criticized for violating both horizontal equity and vertical equity? Are local sales taxes equitable according to the benefits-received principle? What is a local income tax? What cities have it?

Ch. 12 – Why have local governments moved away from property tax and toward user charges? What is an example of a user charge? What type of local government relies the most on user charges? How does a well designed user charge system improve the provision of public services? What are some of the advantages of using user charges to pay for new development? What is a special assessment? What is tax increment financing? What is a special district? What services are most often provided by special districts?
April 17
Budget Research Assignment Due
Ch. 13 Economic Development

Topics: What are 2 general categories of economic development programs? What are the most common barriers to local economic development? Why are local economic development programs sometimes politically controversial? Under what conditions would providing a subsidy to the business sector be an appropriate role for local government? Why should business retention be an important component of local economic development programs? What is an enterprise zone?

April 24 – no class

May 1
Ch. 14 Debt Management

Topics: What are the major limitations of general obligation bonds? What are the differences between general obligation and revenue bonds? What factors influence the type of bonds a government issues? What is front loading in terms of a bond issuance? Why do state and local governments request and pay for bond ratings when they issue new securities? What is the purpose of bond insurance?

May 8
Review for Final

May 15
Final Exam

Late Policy: 10% grade reduction per week after deadline; work not accepted after 2 weeks from due date.

Plagiarism Policy: “Plagiarize – to steal and pass off (the ideas or words of another) as one’s own: use (another’s production) without crediting the sources” (Merriam-Webster Dictionary, 2011).

Any written work should be written in your own words. All sources of reference from which students take quotations, major theories or concepts for papers must be properly cited. Plagiarism will result in a zero for the assignment.