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Class Schedule: Tuesday & Thursday 9:45 am – 11:00 am
Classroom: Geological Sciences (GY) 1045
Office Hours: Tuesday & Thursday 2:00 pm – 6:00 pm
Schedule office hour visits via
<https://calendly.com/wooserkpark>



SPEA V186: Introduction to Public Budgeting and Finance

Indiana University Bloomington Fall 2024

Objectives

This course explores the budgetary process that governs spending in the public sector. It also describes the various revenue sources available to public and non-profit sectors and the accounting documents that are used to record financial activities in the public and non-profit sectors.

Learning Outcomes

Through an in-depth questioning of the role of the government and public sector, students will gain expertise in the efficient and effective management of public resources. This course emphasizes the importance of an evidence-based approach to evaluating the costs and benefits associated with taxation, spending, and the broader fiscal impacts, including revenue generation and cost management.

Class Meetings and Location

Tuesday and Thursday between 9:45 am and 11:00 am in Geological Sciences (GY) 1045 (Refer to the schedule in Section 1 or on Page 2 for details).

Course Materials

Syllabus, lecture slides, reading assignments, and important announcements are all posted via Canvas.

Grading

Out of a total possible grade of 100% (Refer to the course policies in Section 4 or on Page 6 for details):

- Attendance (10% of the final grade)
- Five Problem Sets (10% of the final grade)
- Three Exams (66% of the final grade: Exam 1: 20%; Exam 2: 20%; Final Exam: 26%)
- Lab Session (14% of the final grade)

Textbook

Finkler, Steven, Daniel Smith and Thad Calabrese, *Financial Management for Public, Health and not-for-profit Organizations*, 6th edition. Thousand Oaks CQ Press/SAGE 2019.¹

¹The required text for this class is available as an e-text on canvas.

1 SPEA V186 Schedule²

| Week | Date | Lecture Topics |
|-----------------------------------------------------------------------------|--------------------|------------------------------------------------|
| Module I: Institutional Failures and the Need for Public/Non-Profit Sectors | | |
| 1 | August 27 (Tue) | Introduction and Three Sector Model |
| 1 | August 29 (Thu) | Institutional Failures |
| Module II: Revenue Sources | | |
| 2 | September 3 (Tue) | Tax Systems |
| 2 | September 5 (Thu) | Taxing Income |
| 3 | September 10 (Tue) | Taxing Consumption |
| 3 | September 12 (Thu) | Taxing Wealth |
| 4 | September 17 (Tue) | Taxing Luxuries and Externalities |
| 4 | September 19 (Thu) | Non-tax Revenue (User-charge, Fees, Transfers) |
| 5 | September 24 (Tue) | Financing Non-profits |
| 5 | September 26 (Thu) | |
| 6 | October 1 (Tue) | Cannons of a Good Tax |
| 6 | October 3 (Thu) | Cannons of a Good Tax |
| 7 | October 8 (Tue) | Exam #1 (Modules I and II) |
| Module III: Budgeting | | |
| 7 | October 10 (Thu) | Definitions and Purpose of Budgets |
| 8 | October 15 (Tue) | Role of Institutions, Laws, and Policy Makers |
| 8 | October 17 (Thu) | Budget Process |
| 9 | October 22 (Tue) | Budget Process |
| 9 | October 24 (Thu) | What Do Governments Buy? |
| 10 | October 29 (Tue) | What Do Governments Buy? |
| 10 | October 31 (Thu) | What Do Non-Profits Buy? |
| 11 | November 5 (Tue) | Exam #2 (Module III) |
| Module IV: Debt and Deficits and Unfunded Liabilities | | |
| 11 | November 7 (Thu) | Debt and Deficit |
| 12 | November 12 (Tue) | Unfunded Liabilities |
| 12 | November 14 (Thu) | Financial Analysis |
| 13 | November 19 (Tue) | Financial Analysis |
| Module V: Financial Reporting | | |
| 13 | November 19 (Thu) | Accounting Standards and Concepts |
| 14 | November 26 (Tue) | Thanksgiving (No Class) |
| 14 | November 28 (Thu) | Thanksgiving (No Class) |
| 15 | December 3 (Tue) | Types of Accounting |
| 15 | December 5 (Thu) | Financial Statement Analysis |
| 16 | December 10 (Tue) | Financial Statement Analysis |
| 16 | December 12 (Tue) | |
| 17 | TBA | Exam #3 (Module IV & V) |

²Note: Topics are tentative, but due dates and assignments are not. The instructor reserves the right to change this syllabus as time and circumstances dictate. Necessary changes will be announced in class in advance when possible.

2 Course Description

The public and non-profit sectors play important roles in society. Together, they provide and produce goods and services that are crucial for a well-functioning society. Fulfilling this role requires answers to the following questions: what goods and services will be produced and provided? Who will benefit from these goods and services? Who will pay for these goods and services? How will spending and revenue be recorded? SPEA-V186 explores these questions.

We first explore the budgetary process that governs spending (which goods and services will be financed and who gets them). Next we discuss the revenue sources that are used to finance the goods and services (who pays). Finally, we study the accounting documents that are used to record financial activities in the public and non-profit sectors. The course uses practical applications including real budgets, tax forms, and accounting documents to convey useful information to students. Comparisons to the for-profit sector are made throughout to emphasize some of the key features of the not-for-profit sectors.

SPEA-V186 sets the stage for your O'Neill degree. As a graduate of O'Neill, we expect every student to have a solid understanding of how revenues are sourced and how expenditures are determined in the public and non-profit sectors. This course is the starting point for acquiring this knowledge, and it plays a critical role in your ability to get through upper-level courses.

3 Module Description

Learning Outcomes

Students should be able to do the following at the end of this course:

1. Describe role of public sector.
2. Describe the budgetary process.
3. Identify and describe the main types of spending functions in the public and non-profit sectors.
4. Identify and describe the main revenue sources in the public and non-profit sectors.
5. Identify and distinguish between debt and deficit and explain when/why both are a reason for concern.
6. Identify and read public and non-profit sector financial documents.
7. Demonstrate an understanding of the basic tools of financial analysis.
8. Explain the role of the federal reserve in the US economy.
9. Have a working knowledge of how to use spreadsheets.

Module I: Institutional Failures and the Need for Public/Non-profit Sectors (2 Lectures)

1. Circular flow of goods and services and the three-sector model.
 - A. Role of Private, Public, and Non-profit sectors
2. Institutional Failures and the Role of Government
 - A. Fiscal Policies: Executive and Congress
 - B. Monetary Policies: Federal Reserve

Overview: This section will identify the three main sectors that provide the goods and services that are consumed by society. We will identify and briefly explain the institutional failures that are used to justify the existence of the public sector.

Learning Objectives: Students should be able to do the following at the end of this Module:

1. Identify the three sectors of the economy including their similarities and differences.
2. Identify the institutional failures that are used to justify the existence of the public sector.
3. Basic understanding of the federal reserve and its role in the US economy.

Module II: Revenue Sources (9 Lectures)

1. Tax Systems (1 Lecture)
2. Taxes (4 Lectures)
 - A. Taxing Income: (Personal Income Tax and Corporate Income Tax)
 - B. Taxing Consumption: (Retail Sales Tax and Value Added Tax)
 - C. Taxing Wealth: (Property Tax and Estate Taxes/Gift Taxes)
 - D. Excise Taxes: (Taxing Externalities and Luxury)
3. Other Revenue Sources (2 Lectures)
 - A. User-charges and Fees
 - B. Inter-governmental Transfers
 - C. Financing Non-profits (Fundraising)
4. The Canons of a Good Tax (2 Lectures)
 - A. Equity, Efficiency, Adequacy, Simplicity

Overview: This section will cover all of the major revenue sources available to the public and non-profit sectors. We will cover the major taxes on income, consumption and wealth as well as some of the more common non-tax revenues. These discussions will include some basic details of tax administration and will describe the canons of a good revenue source.

Learning Objectives: Students should be able to do the following at the end of this Module:

1. Identify the main revenue sources in the public and non-profit sectors.
2. Describe how the revenue sources work (e.g., how is income tax liability determined?).
3. Give a general overview of how revenue sources are administered (e.g., income tax administered with withholding, third-party reporting and end of year reconciliation).
4. Identify and explain, in basic terms, the canons of a good tax (revenue sources).

Module III: Budgeting (6 Lectures)

1. Definitions and Purpose of Budgets across Sectors (1 Lecture)
 - A. Definition and Types of Budgets: Operating, Capital, and Cash Budgets
 - B. Function of Budgets
 - C. Comparisons across Sectors
2. Government budgeting (3 Lecture)
 - A. Role of Institutions, Laws, and Policymakers
 - B. Budget processes: Preparation, Deliberation, Execution, and Audit
3. What Do Governments Buy? (2 Lectures)
 - A. Mandatory vs. Discretionary
 - B. Functions vs. Departments
 - C. Federal vs. State vs. Local

4. What Do Non-profits Buy? (1 Lecture)

Overview: This section will provide a fairly broad overview of the budget process. We will cover some details on the types of budgets that are prepared and how they are organized. Students will also learn about the institutions that participate in and the laws that govern the budgetary process at the state and federal level. The role of the various branches of government will also be explained, including a discussion of the various committees that play a role in the budgetary process. We will cover the budgetary process from preparation to audit, and then discuss where the money goes.

Our discussion of spending will provide basic understanding of the main spending functions (e.g., social security, healthcare, defense, and education). Future courses will dig deeper into the administrative details (V374) and the behavioral impacts (V371) of these programs.

Learning Objectives: Students should be able to do the following at the end of this Module:

1. Explain what a budget is and describe its functions.
2. Identify and describe the federal committees, institutions and laws that govern the budgetary process in the US.
3. Describe the stages of the budget processes at the federal, state, and local level.
4. Identify the similarities and differences between the public and non-profit budget processes.
5. Identify some of the key differences between budgeting in the US and other countries (e.g., balanced budget requirements; parliament versus federalist countries).
6. Identify the main things that are bought in the public and non-profit sectors.
7. Distinguish between mandatory and discretionary spending.

Module IV: Debt and Deficits and Unfunded Liabilities (4 Lectures)

1. Interest Rate and Time Value of Money
2. Deficit and Debt
3. Debt Markets
 - A. Federal Debt Instruments
 - B. State and Local Debt Instruments
4. Role of the Federal Reserve
5. Unfunded Liabilities

Overview: This section will define and discuss debt and deficit, and cover some of the issues related to long-term unfunded liabilities affecting several states. Students will also be introduced to interest rates and the time value of money. This will allow us to discuss the connection between the Federal Reserve, the treasury and State & Local municipal bond markets.

Learning Objectives: Students should be able to do the following at the end of this Module:

1. Define debt and deficit and distinguish between them.
2. Explain how debt and deficit arise and provide a general overview of their policy implications.
3. Give a basic description of debt markets.
4. Explain the concept of time-value-of money.
5. Find present and future value of money.

Module V: Financial Reporting (4 Lectures)

1. Accounting Standards, Concepts, and Statements
 - A. FASB and GASB
 - B. Revenues, Expenses, Equity, Assets, and Liabilities
 - C. Balance Sheet, Profit and Loss, Reconciling Statements
2. Types of Accounting
 - A. Cash, Accrual, and Modified Accrual
 - B. Fund Accounting
3. Financial Statement Analysis

Overview: This section will introduce students to the financial documents used/required in the public/non-profit sectors. We will cover some basics about the accounting standards that govern accounting practices in the public and non-profit sectors. This will be followed by an introduction to accounting concepts and types of accounting; special emphasis will be placed on fund accounting. Finally, we will identify and work our way through several financial documents that are commonly used in the public/non-profit sectors. The material you cover in this module will feature in subsequent account courses: V246, V346 and V356.

Learning Objectives: Students should be able to do the following at the end of this Module:

1. Identify basic accounting concepts and types of accounting.
2. Identify and read financial statements commonly used in the public and non-profit sectors.
3. Identify and explain the general accounting standards that govern accounting practices in the public and non-profit sectors.
4. Analyze the financial health of an organization.

4 Course Policies

Grading:

Your final grade for the course will be based on the following out of a possible total of 100%:

1. Attendance: 10% of the final grade.
2. Five Problem Sets: 10% of the final grade.
3. Three Exams:
 - A. Midterm Exam 1: 20% of the final grade
 - B. Midterm Exam 2: 20% of the final grade
 - C. Final Exam: 26% of the final grade
4. Lab Session: 14% of the final grade.

| Final Grade Range (Suppose your final score is "x"): | | | | | | | | | | | | |
|------------------------------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| x >= | 97% | 93% | 90% | 87% | 83% | 80% | 77% | 73% | 70% | 67% | 63% | 60% |
| 97% | > x | > x | > x | > x | > x | > x | > x | > x | > x | > x | > x | > x |
| | >= | >= | >= | >= | >= | >= | >= | >= | >= | >= | >= | |
| | 93% | 90% | 87% | 83% | 80% | 77% | 73% | 70% | 67% | 63% | 60% | |
| A+ | A | A- | B+ | B | B- | C+ | C | C- | D+ | D | D- | F |

Policy on use of electronic devices: You are not permitted to use your cellphone during class unless expressly instructed by your instructor. Laptops and tablets may be used in class to take notes as long as they do not disrupt the learning environment for other students.

Attendance: Attendance is worth 10% of the final grade. Students are allowed three absences without penalty. Each additional absence will result in a 1% deduction from the attendance grade, up to a maximum of 10%.

Late Assignments: All assignments must be submitted via Canvas. You may submit your assignment up to 2 hours after it is due. Assignments submitted after this grace period will receive 0.

Late Withdrawal: NOTE: The auto-W deadline is NO LONGER THE LAST DAY OF CLASS (as it was during and post-Covid). After the auto-W deadline, withdrawal will be significantly limited and you will need permission to withdraw and must meet requirements established by O'Neill.

5 Professional Conduct

O'Neill School Expectations of Civility and Professional Conduct

The O'Neill School takes matters of honesty and integrity seriously because O'Neill is the training ground for future leaders in government, civic organizations, health organizations, and other institutions charged with providing resources for the public, and for members of society who are vulnerable and who are lacking in power and status. Precisely because O'Neill graduates tend to rise to positions of power and responsibility, it is critical that the lessons of honesty and integrity are learned early.

O'Neill requires that all members of its community — students, faculty, and staff – treat others with an attitude of mutual respect both in the classroom and during all academic and nonacademic activities outside the classroom. A student is expected to show respect through behavior that promotes conditions in which all students can learn without interruption or distraction. These behaviors foster an appropriate atmosphere inside and outside the classroom:

- Students are expected to attend class regularly and to be prepared for class.
- Students must be punctual in their arrival to class and be present and attentive for the duration of the class. Eating, sleeping, reading the newspaper, doing work for another class, wandering in and out of the classroom, and leaving class early are not civil or professional behaviors.
- Students must abide by the course policy regarding use of electronic devices in the classroom.
- Students must responsibly participate in class activities and during team meetings.
- Students must address faculty members, other students, and others appropriately and with respect, whether in person, in writing, or in electronic communications.
- Students must show tolerance and respect for diverse nationalities, religions, races, sexual orientations, and physical abilities.

Academic Integrity

Note Selling: Several commercial services have approached students regarding selling class notes/study guides to their classmates. Selling the instructor's notes/study guides in this course is not permitted. Violations of this policy will be reported to the Dean of Students as academic misconduct (violation of course rules). Sanctions for academic misconduct may include a failing grade on the assignment for which the notes/study guides are being sold, a reduction in your final course grade, or a failing grade in the course, among other possibilities. Additionally, you should know that selling a faculty member's

notes/study guides individually or on behalf of one of these services using IU email, or via Canvas may also constitute a violation of IU information technology and IU intellectual property policies; additional consequences may result.

Use of AI (such as ChatGPT): Using AI (such as ChatGPT) to assist in completing assignments will be allowed, but this course requires a clear attribution to avoid plagiarism. If you use AI in an unauthorized manner, you will be committing plagiarism³ and will be subject to penalties in this class and sanctions by Indiana University.

Online Course Materials: The faculty member teaching this course holds the exclusive right to distribute, modify, post, and reproduce course materials, including all written materials, study guides, lectures, assignments, exercises, and exams. While you are permitted to take notes on the online materials and lectures posted for this course for your personal use, you are not permitted to re-post in another forum, distribute, or reproduce content from this course without the express written permission of the faculty member. Any violation of this course rule will be reported to the appropriate university offices and officials, including to the Dean of Students as academic misconduct.

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 Ethics*. Please refer to Student Code for more information. Any student found cheating or plagiarizing will receive a failing grade for the course.

6 Student Support Services

Boost

Indiana University has developed a smartphone app to help students stay on top of their schoolwork in Canvas. The app is called “Boost,” it is available for free to all IU students, and it integrates with Canvas to provide reminders about deadlines and other helpful notifications. For more information, see <https://kb.iu.edu/d/atud>.

Virtual Math Advancement program (VMAP)

V186 will require a basic understanding of several mathematical concepts. The working assumption is that you understand and know how to apply these concepts. You are strongly encouraged to utilize VMAP to refresh your math skills if you believe you are not able to keep up with the math requirements. You can access [VMAP Here](#).

Counseling and Psychological Services

In partnership with the Health Center and Counseling and Psychological Services (CAPS), O’Neill offers students a Counselor in Residence. Students wanting to make an appointment should call [812-855-5177](tel:812-855-5177) and indicate they are O’Neill students.

In addition, check out CAPS workshops and the O’Neill Mental Health Guide. For additional information about services offered to students by CAPS, please see [here](#).

³Plagiarism is defined as presenting someone else’s work, including the work of other students, as one’s own. Any ideas or materials taken from another source for either written or oral use must be fully acknowledged, unless the information is common knowledge. What is considered “common knowledge” may differ from course to course, <https://studentcode.iu.edu/responsibilities/academic-misconduct.html>.

TimelyCare

Indiana students have free, 24/7 access to virtual mental health care services with TimelyCare. Students do not need insurance to access **TimelyCare** services.

Religious Observation

In accordance with the Office of the Dean of Faculties, any student who wishes to receive an excused absence from class must submit a request form available from the Dean of Faculties for each day to be absent. This form must be presented to the course instructor by the end of the second week of this semester. A separate form must be submitted for each day. The instructor will fill in the bottom section of the form and then return the original to the student.

Accessible Educational Services (formerly Disability Services for Students)

Securing accommodations for a student with disabilities is a responsibility shared by the student, the instructor, and the AES Office. For information about support services or accommodations available to students with disabilities.

Sexual Harassment

As your instructor, one of my responsibilities is to help create a safe learning environment on our campus. Title IX and our own Sexual Misconduct policy prohibit sexual misconduct. If you have experienced sexual misconduct, or know someone who has, the University can help.

If you are seeking help and would like to talk to someone confidentially, you can make an appointment with:

- A. The Sexual Assault Crisis Service (SACS) at [812-855-8900](tel:812-855-8900)
- B. Counseling and Psychological Services (CAPS) at [812-855-5711](tel:812-855-5711)
- C. Confidential Victim Advocates (CVA) at [812-856-2469](tel:812-856-2469)
- D. IU Health Center at 812-855-4011 [812-855-4011](tel:812-855-4011)

For more information about available resources: visit **Stop Sexual Violence**. It is also important to know that federal regulations and University policy require me to promptly convey any information about potential sexual misconduct known to me to our campus' Deputy Title IX Coordinator or IU's Title IX Coordinator. In that event, they will work with a small number of others on campus to ensure that appropriate measures are taken and resources are made available to the student who may have been harmed. Protecting a student's privacy is of utmost concern, and all involved will only share information with those that need to know to ensure the University can respond and assist. I encourage you to visit **Stop Sexual Violence** to learn more.

Emergency Food Relief

If you find you are in need of food and do not have the resources to purchase it, please consider utilizing the emergency food relief system on campus and in the community. The following units/agencies are here to assist with food relief:

- A. **Crimson Cupboard**
- B. **Emergency Meal Project @ IU**
- C. **Mother Hubbard's Cupboard Food Pantry**
- D. **Other pantries**

Emergency Funding

For emergency funding issues, please visit the Student Advocates Office (SAO) website. For additional concerns not covered by the SAO, apply for funding from the O'Neill School.

Commitment to Diversity: Find Your Home and Community at IU

A. Asian Culture Center

Address: 807 East Tenth Street, Bloomington, IN 47408

Phone: [812-856-5361](tel:812-856-5361)

Email: acc@indiana.edu

Website: <https://asianresource.indiana.edu/index.html>

B. First Nations Educational & Cultural Center

Address: 712 E 8th Street, Bloomington, IN 47408

Phone: [812-855-4814](tel:812-855-4814)

Email: fnecc@indiana.edu

Website: <https://firstnations.indiana.edu/contact/index.html>

C. LGBTQ+ Culture Center

Address: 705 E 7th Street, Bloomington, Indiana 47408

Phone: [812-855-4252](tel:812-855-4252)

Email: glbtserv@indiana.edu

Website: <https://lgbtq.indiana.edu/contact/index.html>

D. La Casa Latino Culture Center

Address: 715 E 7th Street, Bloomington IN, 47408

Phone: [812-855-0174](tel:812-855-0174)

Email: lacasa@indiana.edu

Website: <https://lacasa.indiana.edu/>

E. Neal Marshall Black Culture Center

Address: 275 N Jordan Ave Bloomington, Indiana 47405

Phone: [812-855-9271](tel:812-855-9271)

Email: nmgrad@indiana.edu

Website: <https://blackculture.indiana.edu/index.html>

Social Justice:

Indiana University is committed to social justice. I concur with that commitment and expect to maintain a positive learning environment based upon open communication, mutual respect, and non-discrimination. Our University does not discriminate on the basis of race, sex, age, disability, veteran status, religion, sexual orientation, color, or national origin. Any suggestions as to how to further such a positive and open environment in this class will be appreciated and given serious consideration.