

MPA 875 Budget Planning
2019

Don Drummond
Stauffer-Dunning Fellow
School of Policy Studies, Queen's University
613 692-9105
613 406-9105 (cellular)

don.drummond@queensu.ca

Class Dates: April 26-27; May 13-17; June 3-7

Course Description

MPA 875 Budget Planning will begin by examining the importance and functions of budgets in the governance of national and sub-national governments around the world. It will then delve into how the planning processes behind budgets address key considerations such as: public choice; political economy; sources of resources; budget objectives; budget rules and guidelines; internal and external deliberations, implementation, transparency and accountability.

The course will cut across several disciplines. As budgets are in good part political statements, they will be examined from the perspective of political science. Economics is applied to many facets of budgets. Budgets should reflect the economic environment of the jurisdictions. They often attempt to play a role in countering economic cycles, although as we will discuss, budgets are often pro-cyclical. Budgets often contain measures aimed at increasing an economy's sustainable growth rate, whether through productivity or labour force participation. Increasingly budgets address inclusivity from several perspectives. And budget measures have economic effects which will be examined in the course. Many budgets also address other policy areas including social policy and environmental policy and these too will be addressed. The legislative dimension of budgets will also be studied.

Registration in the course does not require special prerequisites in any of the above disciplines.

Learning Objectives

The course will facilitate a better understanding of practices that distinguish between successful and unsuccessful budgeting. Students working or hoping to work in central agencies will see direct applications to work they will be doing. Those involved in other areas of public sectors will gain insight into how budgets affect their resources,

operations and policy outcomes and how they can effectively input into budget decisions.

Reflecting the strong oral traditions of public policy formation, lectures will be complemented by discussion, debate and student presentations. Ideally the student presentations will involve active roles for all class members as the classroom will be set up to simulate the policy body that would address the issue at hand, with students assigned specific roles to play. The format and duration of presentations will be determined in part by the number of students enrolled.

A formal reading list will not be provided as this seems unnecessary given ready access to information and is inconsistent with practices in the workplace for public policy. Further, the richness of debate in the class will be impinged if everyone forms their views from the same reference material. Students will be expected to do their own research on the topics to be addressed and inform themselves as appropriate for the roles they are assigned for student presentations.

Academic integrity is constituted by the five core fundamental values of honesty, trust, fairness, respect and responsibility (see <http://www.academicintegrity.org>). These values are central to the building, nurturing and sustaining of an academic community in which all members of the community will thrive. Adherence to the values expressed through academic integrity forms a foundation for the “freedom of inquiry and exchange of ideas” essential to the intellectual life of the University (see the Senate Report on Principles and Priorities <http://www.queensu.ca/secretariat/policies/senate/report-principles-and-...>). Students are responsible for familiarizing themselves with the Academic Integrity Policy of the School of Graduate Studies, available at http://www.queensu.ca/calendars/sgsr/Academic_Integrity_Policy.html Departures from academic integrity include plagiarism, use of unauthorized materials, facilitation, forgery and falsification, and are antithetical to the development of an academic community at Queen's. Given the seriousness of these matters, actions which contravene the regulation on academic integrity carry sanctions that can range from a warning and the loss of grades on an assignment to the rescinding of a degree

The course grade will be composed of the following:

1. Note of not more than 2500 words due Monday, May 27th. The note will be a critique of a jurisdiction's budget. The budget can be from any level of government, from any country and from any year. Among other issues, the note should address: was the budget appropriate for the underlying economic, fiscal and social circumstances; were its policies well crafted; did it advance the government's overall objectives and; was it transparent and accountable. If shortcomings are identified, proposals should be made for how the budget could have been better. The note can delve deeply into a particular theme of a budget, provided the overall context of the budget is addressed. 40 per cent.

2. Final note of note more than 2500 words due Monday June 24th. This too will be a critique of a jurisdiction's budget. It is recommended that a different level of government be chosen from the subject of the first assignment. 40 per cent.
3. Participation in class through presentation and engagement in discussion. Each student will give a short presentation to the class on one of the assignments (or another budget-related topic of the student's choice). The other students will be actively engaged through role playing. 20 per cent.

As an alternative to Assignments 1 or 2, or both, students, with prior approval, may instead elect to focus on a particular theme that may cut across more than one budget or possibly even more than one jurisdiction. For example, the history of how a country got into deep fiscal trouble could be evaluated. Or approaches to stimulate innovation could be compared across budgets from different jurisdictions.

Assignments are due by midnight on the indicated dates. 5 per cent will be deducted each day they are late to a maximum of 2 days and then assignments will not be accepted and a grade of zero will be assigned.

Tentative Schedule of Classes:

A tentative schedule of classes is set out below. However, the course will be adapted depending upon certain factors such as: expressed interests of the students; current events including the release of Budgets around the time of the course and; any gaps students perceive in their MPA or PMPA programs to date that could be addressed through this course.

April 26

Introduction to the course

Survey of students' backgrounds, interests and career intentions

Budgets as a reflection of public choice

* Main needs and desires of the public and how these are reflected in budgets

* Budgets as a reflection of "market failures" and the general roles of the public sector in allocation, stabilization and distribution

* Budgets in the context of the 4 general tools of public policy – moral suasion, spending, taxation and regulation

- * Mechanisms for translating public needs and desires into budgets (elections, surveys, consultations etc.)
- * Budgets as legislative and financial authority for government actions and spending

April 27

Budgets as a reflection of “political economy”

- * The transformation of budgets in many jurisdictions from a financial accounting to a “political statement”
- * The effect of the transformation on broadening involvement in Budgets across Governments
- * The identification of themes for budgets
- * Mapping budget themes for the Government’s “philosophy” and reining socio-economic and fiscal conditions

Budgets from 3 jurisdictions will be chosen. For their respective budget, we will:

- * Identify the major themes of the budget and how those themes were communicated
- * Analyze the consistency between the themes and the socio-economic and fiscal circumstances of the jurisdiction
- * Infer the balance between the themes reflecting the “philosophies” of the Government and the underlying circumstances

May 13

Distinctions in budget domains and approaches across national and sub-national governments

- Major spending areas for national, sub-national and local governments with emphasis on the Big Three (health, education, pensions)
- Different policy domains
- Different annual cycles

- Different political and legislative processes

May 14

How governments get the resources to finance their activities

- * Forms of taxation and other revenue generation
- * Own-source revenues and intergovernmental transfers
- * Tax expenditures
- * Costs of various forms of taxation

May 15

Key variables in a budget

- * Balance
- * Debt (gross and net)
- * Program spending
- * Interest on the public debt
- * Revenue (along with tax expenditures)
- * Capital spending
- * Key ratios with respect to GDP, the “interest bite” etc.
- * Key accounting concepts (such as accrual versus cash accounting)

Common objectives for key variables

- * For example, should budgets always be balanced, balanced over the cycle etc.
- * Are there desirable and undesirable ratios of debt to GDP?

May 16

How accountable and transparent are budgets? What are the usual areas of contention (pensions, for example)? Do some jurisdictions do better than others?

Group work: You are in charge of developing a budget for a new country (average income for a developed country, average resource endowment, imagine it is a national state):

- * How much would you have the government spend?
- * How would you generate the revenue to finance this spending?
- * How would public choice be reflected in the spending and revenue decisions?
- * How would you identify and promote themes for the budget?
- * In general terms, how might this spending and revenue differ from that in place in existing, similar countries?

May 17

Budget Rules: helpful or hindrances in theory and practice?

- * Balanced budget laws
- * Debt ceilings etc.

Stabilization role of budgets: the gap between theory and practice

- * A review of recent global budget experience in being “pro-cyclical”

Group work:

- * Return to the budget you created for a new country
- * That focused mainly on levels and composition of spending and revenue
- * Now consider what kind of objectives you would strive for in terms of the key variables such as balances and debt
- * And whether you would propose various budget rules

June 3

Dynamics internal to governments

* Respective roles of President's/Prime Minister's Offices, Cabinet, Central Agencies, Line Ministries

* Annual budget cycle

Dynamics outside of governments

* Stakeholder groups, business, citizens, media, watchdogs, think tanks and advocacy groups, international agencies

* Financial markets

* Role and usefulness of "independent" budget agencies (CBO, PBO, Fiscal Accountability Officer of Ontario etc.) and Auditor Generals

Presentations

June 4

What goes wrong when countries get into deep budget trouble (like Greece, Italy and Spain)?

* What internal forces did not work properly?

* Do external forces help or hinder?

* Do financial markets (including rating agencies) exert discipline on budget planning?

Are there factors in common behind jurisdictions that appear to use budgets to achieve economic, fiscal and social success?

Presentations

June 5

Group work: Inside the Budget Briefing Room

3 proposals will be chosen from budgets being planning or already in place. For their proposal, each group will:

- * Identify the goals of the proposal
- * Identify the challenges in achieving those goals
- * Discuss how the goals, challenges and underlying socio-economic and fiscal circumstances should shape the proposal
- * Discuss how stakeholder interests and communications should be handled

Presentations

June 6

- * how budget plans become “actionable” (internal deliberations, spending authority, legislation)
- * How budgets are judged ex post (transparency, accountability, were the goals achieved)

Presentations

June 7

Course conclusion

- * What elements of budget planning should be reformed/improved across a variety of governments at the national, sub-national and local levels?

Group work

- * For pre-assigned jurisdictions, advise what should be reformed/improved in that jurisdiction’s budget planning in terms of: process, objectives, structure, transparency, accountability and outcomes

Presentations

.