

May 16, 2019

Syllabus [Draft]

Fall 2019

PPPA 6054.10 : Issues in Federal Budgeting:

Federal Budget Process: Performance and Reform

CRN: 97062

Mondays, 6:10 to 8:00 PM

Duques 152

Instructor: Marvin Phaup (MPhaup@gwu.edu, 202 531-1862)

Office hours: Monday 5:00 – 5:45 PM; 8:00 – 8:45 PM (and by appointment)

Alan Schick, on public budgeting:

“Everybody does it.

They do it every year.

And, they never get it right.”

George Will, describing the current federal budget process:

“...a labyrinth of trickery.”

This course uses the basic principles of microeconomics, findings of behavioral science, and accounting to enable students to deepen their understanding of public budgeting, assess performance, and develop constructive reforms, where appropriate.

We also integrate our study with current budget events. To that end, we devote some time to monitoring budget activity via news items, Committee hearings and websites, CBO/OMB/GAO/CRFB and public interest reports and conferences. When important budget events are open to the public, we will attempt to observe via internet in class or as an out-of-class assignment.

No textbook is required but you will need access to a federal budgeting text for reference. (The one used in your introductory class may be most useful). Current popular texts are: Mikesell, *Fiscal Administration*, Johnson, Lee, and Joyce, *Public Budgeting Systems*; and Schick, *Federal Budget: Politics, Policy, and Process*.

Weekly assigned readings will be posted on Blackboard or linked to a source website.

Learning Outcomes

This course enables students to:

- Understand the historical antecedents of today's federal budget process and how those developments shape current budget analyses, practices and results;
- Evaluate the current budget process by consistency of decisions with the objectives of efficiency, equity, and stability;
- Identify sources of budget "errors" and assess the likelihood that various proposed reforms will improve budget decisions by adding critical but missing information, increasing the salience of available information, or better aligning Congressional incentives with public objectives.

Course grades will be the weighted sum of: quizzes and other in-class assignments 0.10; policy brief (3 – 5 pages) 0.35, mid-term exam: 0.25, final exam: 0.30.

Policy Brief. One paper is required. Paper topics are to be selected from the attached list or agreed with instructor. To assist you in preparing the paper, you will make an (ungraded) presentation (w/ Power Point) to the class for feedback, before you write it. I also will provide advice on your topic, approach and analysis.

The University has adopted a policy on contact time and independent work time required for each credit-hour earned. This policy requires me to advise you how time is to be allocated for this course. In general, you should expect to spend an *average* of 5-6 hours of preparation for class (reading, preparing assignments, reviewing, reflecting) and about 2 hours in class, each week.

For statements of GWU/TSPPPA policy regarding observance of religious holidays, accommodation for students with disabilities, academic integrity, safety and security, and mental health services, please see me.

Tentative Class Schedule [Adjustments likely, based on your choice of paper topics, current budget events, and your professional interests.]

August 26: Introductions: all participants. Review of Syllabus. Budgeting and micro-economics: It all starts with scarcity. Role of government in market economy. Objectives of budgeting. Information required for informed decisions. Review of current budget process, history and performance.

September 2: Labor Day (no Class)

September 9: Desirable features of a budget process: comprehensive; salient, relevant constraint; up-front--at decision--recognition of cost of resources and expected benefits.

September 16: Budgetary accounting: mostly cash-basis. Matching principle for budgetary accounting. Assignment: OMB Analytical Perspectives, Ch. 9, Budget Concepts. Federal Credit Reform Act. Lucas and Phaup, Reforming Credit Reform. Budgetary Accounting for Market Risk.

September 23: Accounting: financial and budgeting, illustrated with pensions. Budgeting for Mandatory Programs. Role of "standard setters".

September 30: Review of President's Budget Proposal; Capital Budgeting, analysis & spending cap v. full accounting integration. Human capital. Proposal for a Federal Infra-structure Bank. Public-Private Partnerships.

October 7: Budgeting for Uncertainty, Risks and Adverse Surprises: The decennial census (!), war, natural disasters, and other unanticipated "emergencies."

October 14: Including performance, benefits, and alternatives in budget decisions. GPRA, Modernization Act, Performance Budgeting, Evidence-Based Budgeting.

October 21: GW Fall Break

October 28: Mid-term Exam, in-class

November 4: Mid-term debrief; taking stock of where we've been, where we are headed. Implied guarantees as a policy instrument. Cargo preferences. Mandates.

November 11: Budgeting for regulation: Regulatory Reform Act or full monte?

November 18: Budgeting for Tax Expenditures

November 25: Behavioral Economics and the Budget Process.

December 2: Prospects for Reform: Ameliorating political polarization; Adding effective constraints; Broadening coverage; Increasing Salience and Relevance of Information; Improving incentives; Bringing the future closer to the present; Making better decisions Easier.

December 9: (last class): Unfinished business, wrap up, review

December 10 11: (Make-up class, if necessary)

December 16: Final exam: time limited, take home.

Suggested Policy Brief Topics, Fall 2019:

Will it take a fiscal crisis to effect significant change in the current federal budget process?

What are fiscal councils (e.g. Swedish) and how might they be used in the US?

Does the federal government need an independent budgetary accounting oversight and/or accounting standards-setting board?

Can federal debt be constrained by rule or constitutional amendment? Why is doing so being proposed?

Will the US always be able to sell its debt on the international financial markets? Why or why not?

Does the size of the federal debt matter?

What is the Era of the Two Fiscal Santas (spending and tax cuts). Would a national Grinch be useful?

Is it true of the federal debt that we merely “owe it to ourselves”?

The role of Keynesian Economics in Federal Budgeting.

Should mandatory spending be subject to annual appropriations?

Lengthening the Budget Planning Horizon: How long would be ideal?

The budget cost of the federal takeover of the DC Police, Firefighters and Teachers' pension plan.

Report, President's Commission on Budget Concepts, 1967: Select Recommendations and Effects?

What is the difference between on-budget and off-budget (activities, costs, or accounts) and why, if at all, does it matter?

Budgeting for Emergencies

Adding an Explicit Budget Constraint to the Federal Budget Process

Good and Bad Deficits: How to identify and improve the mix

Automatic Fiscal Adjustments: sequesters, triggered grants, disaster assistance, and other adjustments

Is the federal budget a common pool resource? What problems does a common pool resource create for society? How might these be addressed?

Budgeting for Tax Expenditures

Budgeting for Mandatory Spending

Budgeting for Regulation/Mandates: Alternatives

Assessment of the Federal Credit Reform Act of 1990

Reforming the Debt Ceiling

Dynamic Scoring (of taxes and spending)

The Fair Value Debate about the Cost of Federal Credit Assistance.

Gross Debt, Debt Held by the Public, and other measures: What is a government liability? How much does the Federal Government owe?

Budgeting for Financial Insurance Programs: Deposit, Pension, or Disability

Evaluating the Use of Implied Federal Guarantees as an Instrument of Policy

Government Performance and Results Act, and Modernization Act: Effects on Budgeting

Portfolio Budgeting (Posner, Redburn)

The Bowles-Simpson Commission: Successes and Failures.

Evidenced-Based Budgeting: Old wine in new bottles?

Use and Abuse of Reconciliation

Increasing Timeliness of Congressional Budget Decisions and Actions

Federal Capital Budgeting (& asset sales)

A fiscally-responsible Federal Infra-Structure Bank

Public Private Partnerships: University Buildings (U Ky., UC Merced, Wash State), Military Housing, or VA Enhanced-Use Leases

Pricing Public Infra-Structure: HOV Lanes, Tolls, EZ Pass, Transit fees, Homeland Security screening

Thaler and Sunstein, *Nudge*: Applications to Federal Budget Reform

Budgeting for Federal Flood Insurance

(Elements of) the House Budget Committee's November 2016 Proposal for Federal Budget Process Reform.

Why are appropriations enacted so late in the fiscal year?

Measuring, Assessing, and Ameliorating the End-of-Fiscal-Year Spending Frenzy

Use and Usefulness of Independent Fiscal Authorities (following the Federal Reserve model)

The CBO Cost Estimate for (your choice of legislation): A Closer and More Critical Assessment.

The Budgetary Treatment of the Strategic Petroleum Reserve (and link to Highway Trust Fund).

The CLASS Act as an Offset to New Spending.

The Federal Buildings Fund: A failed experiment?

Working Capital Funds: Efficiency Innovation? Budgetary Evasion?

Federal and State Budgeting Compared: Why the differences? What are the shared lessons?

A fiscally-responsible National Health Insurance policy.

How to create (and possibly ameliorate) polarization in groups: The Robbers' Cave State Park Experiment and the Stennis Fellowship Program.

Is a rational, democratic budget process possible?

I welcome other proposed topics of high interest to you.