

Public Finance and Budgeting

Professor Agustin Leon-Moreta

<https://www.icpsr.umich.edu/icpsrweb/ICPSR/search/studies?q=leonmoreta>

Fall 2018

Class Sessions: Dane Smith Hall (DSH) 134, Thursday 4:00 - 6:30 pm

Office Hours: Friday 3:00 - 5:00 pm. Alternative times available by appointment.

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RECOMMENDED BACKGROUND

- PADM 500 Public Management & Policy
- Basic familiarity with Excel spreadsheets. Students unfamiliar with Excel are encouraged to seek one-on-one support from the instructor or the UNM Graduate Resource Center.

COURSE DESCRIPTION

Welcome to *PADM 544 Public Finance and Budgeting*. This course introduces you to the theory and practice of public budgeting and financial management. In this core course, you will learn the fundamentals of budgeting and financial management for government and not-for-profit organizations. Through readings, lectures, problem sets, and exams, you will gain an understanding of how to use budgetary and financial information in organizational planning, implementation, control, reporting, and analysis. Topics include basic management of public funds, preparation and processing of budgets, revenue projection and expenditure controls, issues of fiscal policy, and the establishment of priorities through budgeting and financial management. Additionally, you will have a chance to develop spreadsheet skills by using Excel to perform financial calculations and create financial documents.

COURSE OBJECTIVES

The primary objective of this core course in public budgeting and financial management is to teach students how to use budgetary and financial information to make decisions in public and nonprofit organizations. A secondary objective is to help students develop their quantitative and communication skills. This course looks at budgeting and financial management as a process. The process begins with the development of a plan for the future. The plan is then implemented. Actions are taken to control operations to keep to the plan. Results of operations are then reported, and those results are analyzed.

The first half of the course focuses on developing, implementing and controlling the plan. The course covers the development of operating budgets, tools for short-term decision making, capital-budgeting decisions, and the analysis of long-term financing options. Management of short-term resources and variance analysis are also covered in this half of the course. The

material in the first half of the course is often referred to as budgeting and accounting for managerial control.

The second half of the course focuses on summarizing, reporting, and analyzing an organization's financial position and the results of its operations. We will study theory and practice related to accounting principles, financial statements, financial analysis, and specific aspects of accounting for government and not-for-profit organizations. We will consider how financial information is presented and how it can be used to provide meaningful conclusions about the financial position and performance of a public service organization. The material in the second half of the course is often referred to as financial accounting and reporting.

The following MPA core learning outcome is addressed in this course:

- Students will demonstrate knowledge of public budgeting and financial management.

POLICIES

Punctual Attendance Required: Beginning the first day, attendance will be recorded at 4:00 pm. Per the UNM Student Handbook, a student may be dropped from the course as a consequence of absences from class.

No Late/Makeup Assignments: Late or makeup assignments won't be accepted. Under extraordinary circumstances, I may consider a late submission for partial credit.

Time/Workload Commitment: This course is a core course of the MPA program. To successfully learn the course material, graduate **students should commit at least 10 hours per week** to the course outside of class.

Electronic Devices: In class, **turn off cell phones**. A laptop is permitted for class-related work only, such as taking notes. **Don't use a laptop for other purposes.**

Academic Integrity: The UNM Student Handbook outlines the University's expectations for the integrity of students' academic work, the procedures for resolving alleged violations of those expectations, and the rights and responsibilities of students and faculty members throughout the process. Students are responsible for reading the Student Code of Conduct and for upholding the highest standards of integrity in this class. Violation of the Code carries penalties discussed in the Code. Students' submissions will be checked for originality through the SafeAssign software.

Accommodation for Disabilities: Students with disabilities needing accommodation should: (1) register with and provide documentation to the UNM Accessibility Resource Center, and (2) bring a letter to the instructor indicating the need for accommodation and what type. This should be done during the first week of class. This syllabus and class materials are available in alternative format upon request. For more information regarding resources available to students with disabilities, please contact Accessibility Services at Mesa Vista Hall 2021; phone: (850) 277-3506; or <http://pathfinder.unm.edu/campus-services/services-students-disabilities.html>

Email Communication: Per SPA policy, students should use their UNM email for electronic communication with the instructor.

Student Feedback: Your feedback on the course will be welcome and appreciated. We'll ask for your feedback through various channels, formal and informal, throughout the semester.

Syllabus Changes: **This syllabus will be updated as needed.** The instructor reserves the right to change any content of the syllabus, including grade weights allocated to course assignments. Assignments may be added or changed during the semester. If syllabus changes are made, I'll announce them in class or by email. **Please use the syllabus posted on Learn for the most recent, updated version.**

COURSE MATERIALS

Required

1. Finkler, Steven et al., **2017**. *Financial Management for Public, Health, and Not-for-Profit Organizations 5th edition*, ISBN 978-1-5063-2684-9. Thousand Oaks, CA: CQ Press: <https://study.sagepub.com/finkler5e>
2. Microsoft Excel. Available for free at <http://it.unm.edu/software/students/index.html>
3. UNM *Learn* and email

GRADING

| | |
|--------------------|-------------------|
| Participation | 10 |
| Problem sets | 10 |
| Tests | 20 |
| Case study | 30 |
| <u>Final exam</u> | <u>30</u> |
| Total grade | 100 points |

Participation: This will be worth 10 points out of 100 course points. **Punctual attendance is required for every class** meeting of the semester. Active participation in class is expected. In class, please feel free to interrupt me with questions or comments. Please thoroughly study the weekly material in preparation for class participation. Participation includes asking questions, commenting on the class material, answering instructor's questions, collaborating in group activities, and citizenship behavior in class. These requirements apply equally to Zoom and main-campus students.

Problem sets: Problem sets will be worth 10 points out of 100 course points. They will be applied exercises regarding the weekly material. The problem sets are a very important component of the course because they give an opportunity for practical applications. The weekly problem set will be announced by *Learn* and/or email. Problem sets must be submitted on *Learn* by Wednesday 10:00 PM—a day before class meets.

Tests: These will be worth 20 points out of 100 course points. They will assess weekly reading assignments. **Readings must be completed before class** meetings when those readings will be discussed. Weekly readings will be based on the textbooks, but additional readings may be assigned during the semester. Weekly tests will be open on *Learn* after class and due on Wednesday 10:00 PM—a day before the next class meets. Tests may include a variety of questions. Tests are a very important component of this course because they give you opportunities for skill application and practice toward the final exam.

Case study: A case study will be worth 30 points out of 100 total points. The case study will be about assessing the financial condition of a city government. The case study should be written in the format of the PADM553 professional paper (pro-paper). You'll present, in class, reports of your case study over the semester. Papers may be checked for originality through the UNM Safe Assign system. See the appendix for case study guidelines. I will also provide, in class or by email, additional information regarding this case study.

Final exam: The final exam will be worth 30 points out of 100 total points. The exam format will be similar to the tests but comprehensive of all course materials. This final examination will be administered on the day determined by the UNM Final Exam Schedule.

COURSE CALENDAR

| Week | Read | Test-Set by |
|------|--|-------------|
| I | Preface, Chap. 1 Introduction, and Appendix 1-A | Aug 22 |
| II | Chap. 7 Short-term financial management and Appendices 7-A/B | Aug 29 |
| III | Chap. 2 Planning for success: budgeting | Sep 05 |
| IV | Chap. 3 Additional budgeting concepts and Appendices 3-A and 3-B | Sep 12 |
| V | Chap. 8 Accountability and control | Sep 19 |
| VI | Chap. 4 Understanding costs | Sep 26 |
| VII | Chap. 5 Capital budgeting and Appendices 5-A and 5-B | Oct 03 |
| | FALL BREAK | |
| VIII | Chap. 6 Long-term financing | Oct 17 |
| IX | Chap. 9 Balance sheet and Appendices 9-A and 9-B | Oct 24 |
| X | Chap. 10 Activity statements and Appendices 10-A thru 10-E | Oct 31 |
| XI | Chap. 12/13 Recording/reporting for state and local governments | Nov 07 |
| XII | Chap. 14 Financial statement analysis | Nov 14 |
| | THANKSGIVING | |
| XIII | Chap. 15 Financial condition and Appendix 15-A | Nov 28 |
| XIV | In-class presentation of case studies | Dec 06 |
| | FINAL EXAM | Dec 13 |

Note: There is no class on October 11 and November 22. A class picture is scheduled for the last class meeting.

APPENDIX Case Study Expectations

I. Introduction (1 page)

In this case, you will assess the financial condition of a city government. You will examine the (1) Budget and (2) Financial Reports (CAFR) of a large U.S. city of your choice. The city must have over 75,000 population. Additionally, **your city must have a recent Budget and CAFR available online**, because you will need to download and use both documents for this research. Interpreting financial reports is one of the most important skills for a public manager. Your report should be organized into two major sections. In the first section, you will present the social, economic, and fiscal characteristics of your city. In the second section, you will develop the financial analysis of your city.

II. Social, Political and Economic Characteristics (about 5 pages)

Using the most recent Budget and the CAFR, identify the main functions of your city. Describe the socioeconomic and demographic characteristics of your city. Next, describe the main programs and services provided by your city. What are the main operating programs of the city (e.g., police, fire)? What are the largest capital spending programs (e.g., highways, sewerage)? What are the major sources of revenue for the city and why? Discuss how diversified or constrained are the revenues of the city. Does the city rely on one major tax or does it rely on multiple sources of revenue? What advantages or disadvantages do you see on this city dependence on those revenues? Lastly, how could this city save money, e.g., in the event of a revenue shortfall? Support your analyses presenting major amounts from the budget. At a minimum, questions to examine include:

- What are the largest spending programs of your city?
- What sources of revenues support those expenditures? Calculate the percentage of own-source revenue out of total revenues.
- How many functions (or services) does the city provide? E.g. public works, safety, utilities, parks, etc. Calculate the percentage of expenditure allocated to each of those functions out of total expenditures.

III. Financial Analysis (about 5 pages)

Using the most recent Financial Report (CAFR) (and its supplementary information), analyze the financial condition of the city. Assess the liquidity and solvency of the city. Does the city have enough cash and short-term assets to meet short-term obligations? Assess the financial condition and solvency of the city. Does the municipality have strong ability to serve long-run obligations? Using the Notes, identify significant accounting policies that potentially affect the reliability of the financial reports. Are you concerned about the credibility of the financial report based on your reading of the Notes?

IV. Conclusion and Recommendations (1 page)

In this concluding section, briefly summarize your findings concerning the financial condition as well as the service priorities of the city for the upcoming year. May suggest policy priorities or good practices for future years based on your research. May suggest what the city can do to strengthen its long-run financial condition.

Format of the Paper

Length: Write at least 10 double-spaced pages, besides any appendices
Appendices: Place references, graphs, or tables in appendices (not within the text)
Font: Use Times New Roman, 12 pt.
Margins: Set 1 inch

Deadline

The paper on your case study must be submitted by the last week of class.

Suggestions

You may incorporate preliminary ideas and analyses on your city from the weekly problem sets.
You may use and cite additional bibliography for this case study.