

## **Public Finance and Budgeting**

### **Professor Agustin Leon-Moreta, PhD**

#### **Fall 2014**

**Class Sessions:** Dane Smith Hall 134, Wednesday 4:00 - 6:30 pm

**Office Hours:** Monday through Friday, 1:00 - 4:00 pm, or by appointment

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#### **PRE-REQUISITES**

Intermediate knowledge of Excel. Students unfamiliar with Excel are encouraged to use one-on-one assistance available from the UNM Graduate Resource Center.

#### **COURSE DESCRIPTION**

Welcome to PADM 544—Public Finance and Budgeting. This seminar 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 establishment of priorities through budgeting and financial management. Additionally, you will have the 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 so as 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 financial 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.

## COURSE MATERIALS

### *Required*

1. Finkler, Steven et al., **2013**. *Financial Management for Public, Health, and Not-for-profit Organizations 4<sup>th</sup> edition*, ISBN 9780132805667. Upper Saddle River, NJ: Pearson Prentice Hall (an e-book is not recommended. Please rent or buy a hard copy if possible).
2. Access to Excel.
3. Access to UNM Learn and e-mail

### *Recommended*

- HP10 BII financial calculator

## GRADES

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

*Participation:* Class participation will be worth 10 points out of 100 course points. Attendance is important, but your active participation in class is expected. This includes asking questions, commenting on the class material, answering instructor's questions, collaborating in group activities, citizenship/team behavior in class, and a one-on-one meeting with the instructor in the first weeks. Also, please feel free to interrupt me in class for any question or comment.

*Tests:* Online tests will be worth 20 points out of 100 course points. They will assess weekly reading assignments. **Readings must be completed prior to class** sessions, when those readings will be discussed. Weekly readings will be based on the textbook, but additional readings may be assigned in the semester. The weekly test will be open on UNM Learn after Wednesday's class and due on Tuesday.

*Problem sets:* Problem sets will be worth 20 points out of 100 course points. They will be applied exercises regarding 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 UNM Learn and/or email. Your problem set must be submitted on UNM Learn by Friday.

*Case study:* A case study will be worth 20 points out of 100 total points. The case study will be about assessing the budget and financial condition of a real-world municipality. I will supply, in

class or by email, additional information about the case study. There are two subcomponents for this case assignment; see the below appendix for additional information. The case study should be written in the format of the PADM 553 Professional Paper (pro-paper) and orally presented for the last class meeting.

*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 at the date/time determined by the UNM Final Exam Schedule.

## **POLICIES**

*Syllabus Change:* A guide to the course, **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 will announce them either in class or by email.

*No Late/Makeup Assignments:* Late or makeup assignments will not be accepted. However, the instructor reserves the right to consider any late submission, for partial credit, under extraordinary circumstances.

*Time/Workload Commitment:* This course is a core course for of the MPA program. In order to learn the course material, graduate students should devote at least 12 (twelve) hours per week to the course outside of class. **Please study well the weekly material in preparation for class participation.**

*Electronic Devices:* In class, please turn off all electronic devices, including phones, tablets and laptops.

*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.

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

*Email Communication:* As required by SPA policy, students should use their UNM e-mail for electronic communication with the instructor.

*Accommodation for Disabilities:* Students with disabilities needing accommodation should: (1) register with and provide documentation to the 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 about services available to UNM students with

disabilities, please contact the Accessibility Resource Center: <http://pathfinder.unm.edu/campus-services/services-students-disabilities.html>

## COURSE CALENDAR

<u>Week</u>	<u>Read</u>	<u>Test</u> <u>Due</u>	<u>Problem</u> <u>Set</u>	<u>Set</u> <u>Due</u>
1	Preface and Ch. 1 Introduction			
2	Ch. 7 Short-term financial management and Appendices 7-A/B	Aug 26	TBA	Aug 29
3	Ch. 5 Capital budgeting and Appendices 5-A and 5-B	Sep 02	TBA	Sep 05
4	Ch. 6 Long-term financial management	Sep 09	TBA	Sep 12
5	Ch. 2 Operating budgets and budgetary process	Sep 16	TBA	Sep 19
6	Ch. 3 Additional budgeting concepts and Appendices 3-A/B	Sep 23	TBA	Sep 26
7	Ch. 4 Cost management	Sep 30	TBA	Oct 03
8	Ch. 8 Budget variance analysis	Oct 07	Case study 1	
9	Ch. 10 Balance sheet and Appendices 10-A-B	Oct 14	TBA	Oct 17
10	Ch. 11 Operating statement and Appendices 11-A/B/C/D/E	Oct 21	TBA	Oct 24
11	Ch. 12 Nonprofit financial reports and Appendix 12-A	Oct 28	TBA	Oct 31
12	Ch. 15 Financial statement analysis	Nov 04	TBA	Nov 07
13	Ch. 13 Governmental Funds	Nov 11	TBA	Nov 14
14	Ch. 14 Governmental financial reports	Nov 18	TBA	Nov 21
15	Ch. 16. Financial condition and Appendix 16-A	Nov 25		
16	Presentation of case studies	Dec 02	Case study 1	Dec 05
17	FINAL EXAM			

*Note:*

A welcome dinner is scheduled for Saturday, September 6<sup>th</sup>, at 5:00 pm.

The presentation of case studies and a class picture is scheduled for the last class meeting.

## APPENDIX Case Study Guidelines

### *I. Introduction (1 page maximum)*

In this case, you will assess the Annual Budget and the Comprehensive Annual Financial Report of a U.S. municipality. You will study the (1) Budget and (2) Financial Reports (CAFR) of a municipality of your choice. Therefore, **your municipality must have a recent Budget and CAFR available online**, because you will need to download and use both documents for this research. Interpreting public budgets and financial reports is one of the most important skills for a Public Manager and, consequently, this assignment is intended to give you that foundation. Your report should be organized into two broad sections. You will analyze the Budget in the first section and the Financial Reports (CAFR) in the second section. In short, **the main objective of this research is to summarize the budget priorities and financial condition of your public organization.**

### *II. The Budget (about 5 pages)*

Using the most recent Budget (and its supplementary information), identify the main policy priorities of your municipality. What are the main operating programs of the municipality (e.g. police, fire fighting). What are the largest capital spending programs (e.g. highways, sewerage)? What are the major sources of revenue of the municipality and why? Discuss how diversified or constrained are the revenues of the municipality. Does the municipality rely on one major tax or does it rely on multiple sources of revenue? What advantages or disadvantages do you see on this municipality dependence on those revenues? Lastly, how could this municipality save money e.g. in the event of a revenue shortfall? Support your analyses presenting major amounts from the budget.

### *III. The Annual Financial Report (about 5 pages)*

Using the most recent Financial Report (CAFR) (and its supplementary information), analyze the financial condition of the municipality. In this analysis, selecting and calculating important ratios from Chapter 16 is expected. Assess the liquidity of the municipality. Does the municipality have enough cash and short-term assets to meet short-term obligations? Assess the fiscal condition and solvency of the municipality. 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 maximum)*

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

### *Format of the Report*

Length: Write about 12 pages, 1½ spaced  
Appendices: Place any graph or table in appendices (rather than in the text)  
References: Include a section for bibliography or references (if any)  
Font: Use Times New Roman, 12 pt.

Margins: Set 1 inch

*Deadlines*

The first half, about the Budget, must be submitted by October 10<sup>th</sup>. The second half, about the CAFR, must be submitted by December 5<sup>th</sup>.

*Suggestions*

You may incorporate preliminary ideas and analyses on your municipality from the weekly problem sets. You may use and cite other bibliography for this case study, though that is not required.