

Public Finance and Budgeting

Professor Agustin Leon-Moreta

Fall 2019

Class Sessions: Dane Smith Hall (DSH) 134, Saturday 12:00 - 2:30 pm

Office Hours for Students: Friday 2 - 4:00 pm. Other times available by appointment.

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Note: Email is best to get in touch. Allow up to 24 hours for a response to emails.

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 12:00 pm. Per the UNM Student Handbook, a student may be dropped from the course as a consequence of absences from class. **This attendance requirement applies equally to main-campus students and distance/online students.** Distance/online students are required to use a computer with a camera and internet connection for participating in class. Your camera must be *on* during the class meeting: students not visible to the professor aren't considered in attendance.

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 that requires **independent work and study**. To successfully learn the course material, graduate **students should commit at least 12 hours per week** to the course outside of class.

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

Academic Integrity: The University of New Mexico believes that academic honesty is a foundation principle for personal and academic development. All University policies regarding academic honesty apply to this course. Academic dishonesty includes, but is not limited to, cheating or copying, plagiarism (claiming credit for the words or works of another from any type of source such as print, Internet or electronic database, or failing to cite the source), fabricating information or citations, facilitating acts of academic dishonesty by others, having unauthorized possession of examinations, submitting work of another person or work previously used without informing the instructor, or tampering with the academic work of other students. The University's full statement on academic honesty and the consequences for failure to comply is available in the Catalog and the Pathfinder.

Accommodation Statement: In accordance with University Policy 2310 and the Americans with Disabilities Act (ADA), academic accommodations may be made for any student who notifies the instructor of the need for accommodation. It is imperative that you take the initiative to bring any such needs to my attention since I'm not legally permitted to inquire. Students who may need assistance in emergency evacuations should contact me as to the most appropriate procedures to follow. If you need an accommodation based on how course requirements interact

with the impact of a disability, you should contact me to arrange an appointment as soon as possible. At the appointment, we can discuss the course format and requirements, anticipate the need for adjustments and explore potential accommodations. I rely on the Disability Services Office for assistance in developing strategies and verifying accommodation needs. If you have not previously contacted them, I encourage you to do so. Contact Accessibility Resource Center at 277-3506 for additional information.

Email Communication: Using your UNM email account is recommended for electronic communication.

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. I reserve the right to change any content of the syllabus, at any time, including the grading rubric, re-weighting, and assignments. Assignments may be changed or added over the semester. If a change is made, I'll update the syllabus. **Use the most recent syllabus posted on Learn.**

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. This participation requirement applies equally to main-campus students and distance/online 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 Friday at 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 Friday at 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.

Grading Rubric:

(A+) Excellent: Exceptional work for a graduate student. Work at this level is unusually thorough, well-reasoned, creative, methodologically sophisticated, and well written. Work is of exceptional, professional quality.

(A/A-) Very good: Very strong work for a graduate student. Work at this level shows signs of creativity, is thorough and well-reasoned, indicates a strong understanding of appropriate methodological or analytical approaches, and meets professional standards.

(B+) Good: Good work for a graduate student; well-reasoned and methodologically sound. This is the graduate student grade that indicates the student has accomplished the basic objectives of the course.

(B) Adequate: Competent work for a graduate student even though some weaknesses are evident. Demonstrates competency in the key course objectives but shows some indication that understanding of some important issues is less than complete. Methodological or analytical approaches used are adequate but the student has not been thorough or has shown other weaknesses or limitations.

(B-) Borderline: Weak work for a graduate student; it barely meets the minimal expectations for a graduate student in the course. Understanding of salient issues is incomplete. Methodological or analytical work performed in the course is minimally adequate. Overall performance, if consistent in graduate courses, would not suffice to sustain graduate status in good standing.

(C/-/+) Deficient: Inadequate work for a graduate student; doesn't meet the minimal expectations for a graduate student in the course. Work is inadequately developed or flawed by numerous errors and misunderstanding of important issues. Methodological or analytical work performed is weak and fails to demonstrate knowledge or technical competence expected of graduate students.

(F) Fail: Work fails to meet even minimal expectations for course credit for a graduate student. Performance has been consistently weak in methodology and understanding, with serious limits in many areas. Weaknesses or limits are pervasive.

COURSE MATERIALS

The textbook will be automatically loaded via RedShelf onto your UNM Learn page. The cost of the book (\$57.75 according to the Bookstore) will be charged to your bursar account. If you prefer to buy the book from another vendor, **opt out before the deadline**. Please check out https://bookstore.unm.edu/t-1unm_inclusiveaccess.aspx or contact inclusiveaccess@unm.edu for more information.

- Finkler, Steven et al., 2018. *Financial Management for Public, Health, and Not-for-Profit Organizations* 6th edition, ISBN 978-1-5063-9682-8. Thousand Oaks, CA: CQ Press (available on Learn)
- Microsoft Excel. Available for free at <http://it.unm.edu/software/students/index.html>
- Additional materials posted on Learn

COURSE CALENDAR

Week	Read	Test-Set by
I	Preface, Chap. 1 Introduction, and Appendix 1-A	Aug 23
II	Chap. 7 Short-term financial management and Appendices 7-A/B	Aug 30
III	Chap. 2 Planning for success: budgeting	Sep 06
IV	Chap. 3 Additional budgeting concepts and Appendices 3-A and 3-B	Sep 13
V	Chap. 8 Accountability and control	Sep 20
VI	Chap. 4 Understanding costs	Sep 27
VII	Chap. 5 Capital budgeting and Appendices 5-A and 5-B	Oct 04
	FALL BREAK	
VIII	Chap. 6 Long-term financing	Oct 18
IX	Chap. 9 Balance sheet and Appendices 9-A and 9-B	Oct 25
X	Chap. 10 Activity statements and Appendices 10-A thru 10-E	Nov 01
XI	Chap. 11 Nonprofit and health accounting and Appendix 11-A	Nov 08
XII	Chap. 12/13 Recording/reporting for state and local governments	Nov 15
XIII	Chap. 14 Financial statement analysis	Nov 22
	THANKSGIVING	
XIV	In-class presentation of case studies	Dec 07
	FINAL EXAM	Dec 14

Note: There is no class meeting on October 12 and November 30. A class picture and presentation of case studies are also 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 100,000 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, sewage)? 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.

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