

## **Public Finance and Budgeting**

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

Spring 2016

**Class Sessions:** Woodward Lecture Hall 147, Saturday 9:00-11:30 am

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

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### **RECOMMENDED BACKGROUND**

- PADM 500 Public Management
- Basic familiarity with Excel spreadsheets. Students unfamiliar with Excel are encouraged to seek one-on-one support from the instructor, the teaching assistant, 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 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 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.

## **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'll announce them in class or by email.

*Punctual Attendance Required:* Beginning the first day, attendance will be recorded at 9:00 am. Per the UNM Student Handbook, a student may be dropped from the course as a consequence of absence from class.

*No Late/Makeup Assignments:* Late or makeup assignments won't be accepted. However, I reserve the right to consider any late submission, for partial credit, under extraordinary circumstances.

*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, 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. Students' work may be checked for originality through the UNM Turnitin system <http://turnitin.unm.edu/>

*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>

*E-mail Communication:* Per SPA policy, students should use their UNM e-mail for electronic communication with the instructor.

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

## 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 (e-book is not recommended. Please rent or buy a hard copy if possible).
2. Microsoft Excel: <http://it.unm.edu/software/students/index.html>
3. UNM email and *Learn*

### *Recommended*

- HP 10BII financial calculator

## GRADING

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

*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, citizenship behavior in class, and a meeting with the instructor at the beginning of the semester (one-on-one with main-campus students; by phone with ITV students). **Please send me an email to schedule this meeting.**

*Problem sets:* Problem sets will be worth 10 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 Learn and/or email. Problem sets must be submitted on *Learn* by Friday—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 prior to class** sessions, when those readings will be discussed. Weekly readings will be based on the textbooks, but additional readings may be assigned in the semester. Weekly tests will be open on *Learn* after class and due on Friday—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 for 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 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 in our last class meeting. Papers may be checked for originality through the UNM *Turnitin* system. The first half of the paper must be submitted by March 18th, and the final paper by May 6th.

*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-Problem Set by
I	Preface and Chap. 1 Introduction	Jan 22
II	Chap. 7 Short-term financial management and Appendices 7-A/B	Jan 29
III	Chap. 5 Capital budgeting and Appendices 5-A and 5-B	Feb 05
IV	Chap. 6 Long-term financial management	Feb 12
V	Chap. 2 Operating budgets and budgetary process	Feb 19
VI	Chap. 3 Additional budgeting concepts and Appendices 3-A/B	Feb 26
VII	Chap. 4 Cost management	Mar 04
VIII	Chap. 8 Budget variance analysis	Mar 11
IX	PAPER 1	Mar 18
X	Chap. 10 Balance sheet and Appendices 10-A-B	Mar 25
XI	Chap. 11 Operating statement and Appendices 11-A/B/C/D/E	Apr 01
XII	Chap. 12 Nonprofit financial reports and Appendix 12-A	Apr 08
XIII	Chap. 15 Financial statement analysis	Apr 15
XIV	Chap. 16 Financial condition and Appendix 16-A	Apr 22
XV	Chap. 14 Governmental financial reports	Apr 29
XVI	PAPER 2	May 06
XVII	FINAL EXAM	May 14

*Note:*

- a) There is no class on March 19th due to the spring break.
- b) A guest speaker, presentations of case studies, and a class picture are scheduled for May 7th's last class.

## APPENDIX Case Study Expectations

### *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  
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 of the paper must be submitted by March 18th, and the final paper must be submitted by May 6th.

*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.

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