

University of Baltimore
PUAD 702–Public Financial Management

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Class Time Mondays, 8:15pm–10:45pm (2015–2245)
Classroom LAP 304

1 Course Description

Topics include municipal expenditure patterns and revenue sources, taxation at the local level, fiscal and economic aspects of federalism and federal-state-local fiscal coordination, and the role of budget in the determination of policy, in administrative integration and in influencing government operations. There is an emphasis on the foregoing as they pertain to the Baltimore metropolitan area.

2 Course Materials

2.1 TEXTBOOK

Finkler, S. A., Calabrese, T., Purtell, R., & Smith, D. L. (2012). *Financial management for public, health, and not-for-profit organizations* (4th ed.). Prentice Hall.

2.2 ADDITIONAL READINGS ON RESERVE

Hendrick, R. (2006). The role of slack in local government finances. *Public Budgeting & Finance*, 26(1), 14–46.

Hildreth, B. W. & Miller, G. J. (2002). Debt and the local economy: problems in benchmarking local government debt affordability. *Public Budgeting & Finance*, 22(4), 99–113.

Hughes, J. (2007). Local government internal controls to ensure efficiency and integrity. In A. Shah (Ed.), *Local public financial management* (Chap. 5, pp. 157–191). Public Sector Governance and Accountability Series. Washington: The World Bank.

Larson, C. M. (2007). Local government cash management. In A. Shah (Ed.), *Local public financial management* (Chap. 2, pp. 33–68). Public Sector Governance and Accountability Series. Washington: The World Bank.

Mullins, D. R. (2007). Local Budget Process. In A. Shah (Ed.), *Local budgeting* (Chap. 8, pp. 213–267). Public Sector Governance and Accountability Series. Washington: The World Bank.

Vogt, J. A. (2007). Local capital budgeting. In A. Shah (Ed.), *Local budgeting* (Chap. 10, pp. 307–360). Public Sector Governance and Accountability Series. Washington: The World Bank.

3 Course Requirements

3.1 HOMEWORK ASSIGNMENTS

There will be homework assignments for each week. These assignments can be turned in via PDF, Word, Excel, or on paper. These assignments are due on the dates listed on the schedule and will not be accepted late except under unusual circumstances. There are 11 homework assignments and they are each worth 6 percent of the final course grade. Collectively, they comprise 66 percent of the course grade. Each will consist of a number of problems of equal weight and will be graded on a 12 point scale presented in table 3.1.

3.2 MEMORANDA

There are two memoranda to be written for this class. The memo will be graded on four key domains, outlined in table 3.1. Each memo will be worth 14 percent of the final course grade.

Category	0 points	1 point	2 points	3 points
Claims	None made	Claims are made, but not directly relevant	Claims are clear and relevant	Claims are correct and support the response
Evidence	None given	Evidence is given, but does not support the claim	Evidence is given, and is relevant to the claim	Evidence directly supports the claim
Clarity	Response is off-topic	Response is on-point, but unclear and not well organized	Response is clear, but occasionally misses key details or lacks organization	Response is well-organized and well-thought out
Mechanics	Response is not understandable	Response contains errors in spelling or grammar that do hamper readability	Response contains errors in spelling or grammar that do not hamper readability	Response is relatively free of spelling and grammar errors

Table 3.1: Primary grading rubric

For the first memorandum, you will select a city or local government, and write a memorandum assessing the government’s fiscal condition. To begin, you will identify a city or county government, in any state, and locate a copy of its Comprehensive Annual Financial Report. This report typically contains the consolidated statements of the government and many breakdowns of income, expenses, and other accounting categories. In addition, these reports often include comparisons of the current year to the last two or three years. For this memorandum, you are to calculate appropriate solvency ratios to assess the financial condition of the local government. Additional ratios can be calculated, at your discretion. Based on these ratios, and any other information included in the report, you will write a memorandum of 2-3 pages that assess the financial health of the government. This memorandum should include the current condition, how that condition has changed since previous years, and any future predictions you are able to make. Your memorandum should also include, in the assessment a definitive statement of whether the government is financially health or not and back that up with appropriate analysis.

For the second memorandum, you will select a nonprofit and write a memorandum of 2-3 pages critiquing its annual report. This memorandum will not address the contents, but rather its presentation, including any recommendations included. Some organizations, public, private, for profit, and not, use the annual report as a showcase for its current position beyond the basic financial statement. Some organizations have relegated actual financial statements to other documents and only leave a high-level financial statement or none at all in the annual report. For this memorandum, you should find a nonprofit organization and locate its annual report. Analyze the presentation and the usefulness of the information provided within the report for the assessment of the organizations financial status. Your memorandum should include this assessment, and any appropriate recommendations that would make the report more useful to someone interested in the financial health of the organization. Both the assessment and recommendations should be supported by relevant details and potential applications to the organization.

3.3 CLASS PROJECT

Finally, there is a group project in this course. For the group project, together, we will launch a new nonprofit organization. During this process, we will focus on the technical financial administration of the organization. At the same time, our goal is to have a functioning organization at the end of the semester. Each student will take a different lead role in the organization at different times and lead the course through establishing that component of the organization’s startup. The high-level tasks are outlined on the weekly task list, but additional tasks of varying sizes will be necessary and may come up unexpectedly. We will use a project management tool to ensure all core tasks are completed.

Points	Explanation
0	No work done to advance the organization
1	Student contributed to class discussions on the organization but did not engage in any outside work on the organization
2	Student completed one or two smaller tasks on the organization but did not lead any component of the start up process
3	Student led a component of the start up process and completed numerous smaller tasks during the organization opening

Table 3.2: Class project grading rubric

For the project, individual grades will be based on contributions to the startup process and outlined in table 3.2. The project will be 6 percent of the final grade.

4 Academic Dishonesty

The Academic Integrity Policy for the Yale Gordon College of Arts and Sciences, College of Public Affairs and Merrick School of Business can be found in the student handbook.

5 Accommodation for Students with Special Needs

Accommodation for students with special needs can be set up through the Center for Educational Access. Please contact the Center for more information.

6 Resource Centers for Students

Academic and counseling resources for students include but are not limited to:

- Achievement and Learning Center
- Langsdale Library
- Technology Services
- The Counseling Center
- Office of Community Life and Dean of Students
- Sakai Support
- Academic Advisors

7 Tentative Schedule

Week 1 Introduction and Foundations of Public Finance

- Finkler, Calabrese, Purtell, and Smith (2012), chapter 1
- Objectives:
 - Explain the goals of financial management
 - Understand the differences between for-profit and nonprofit organizations
 - Understand how government funds itself
 - Explain the role of profits in different organizational types
- Nonprofit startup:
 - Initial discussion and explanation of the project

Week 2 Budget Theory

- Finkler et al. (2012), chapters 2 and 3
- Mullins (2007)

- Objectives:
 - Differentiate between a vision statement and mission statement
 - Explain the role of the mission statement in budgeting
 - List and explain the differences among different budgeting techniques
 - Understand the differences between program and functional budgets
- Nonprofit startup:
 - Identification of purpose
 - Decide a name for the organization

Week 3 Costs and Expenditures

- Finkler et al. (2012), chapter 4
- Homework due: problems 2-26, 2-31, 3-26
- Objectives:
 - Understand fixed and variable costs
 - Conduct a breakeven analysis
 - Perform a cost allocation using different methods
- Nonprofit startup:
 - Develop a mission statement and vision statement
 - Create the outline of the strategic plan

Week 4 Capital Budgeting

- Finkler et al. (2012), chapter 5
- Vogt (2007)
- Homework due: problems 4-34, 4-43
- Objectives:
 - Explain why capital budgets are separate from operating budgets
 - Understand the time-value of money
 - Explain a benefit-cost analysis
- Nonprofit startup:
 - Develop a list of costs to execute the mission
 - Outline a basic budget of the organization

Week 5 Cash Management

- Finkler et al. (2012), chapter 7
- Larson (2007)
- Hendrick (2006)
- Homework due: problems 5-28, 5-33, 5-37
- Objectives:
 - Understand fundamental cash management
 - Explain marketable securities, accounts receivable, and inventory
 - Distinguish short-term obligations from long-term obligations
- Nonprofit startup:
 - Create a capital budget for the organization

Week 6 Long-Term Financing

- Finkler et al. (2012), chapter 6
- Homework due: problems 7-30, 7-31, 7-32
- Objectives:
 - Explain capital stock and retained earnings
 - Describe different types of long-term debt
 - Recommend financial strategies under different circumstances
- Nonprofit startup:
 - Develop an asset management plan for the organization

Week 7 Debt Management

- Finkler et al. (2012), chapter 16
- Hildreth and Miller (2002)
- Homework due: problems 6-16, 6-18
- Objectives:

- Explain different financial analysis ratios
- Recommend analysis ratio for different questions
- Nonprofit startup:
 - Create a capital financing plan for the organization

Week 8 Accountability

- Finkler et al. (2012), chapter 8
- Hughes (2007)
- Homework due: problems 16-10, 16-11, 16-12, 16-13
- Objectives:
 - Explain budgetary variances and detecting them
 - Explain fiscal controls and how to use them
- Nonprofit startup:
 - Fill out a draft IRS Form 1024 for tax exemption

Week 9 Local Government Reporting

- Finkler et al. (2012), chapter 13
- Hughes (2007)
- Homework due: problems 8-28, 8-30
- Objectives:
 - Show how local governments use fund accounting and why
 - Explain the difference between cash, accrual, and modified accrual accounting
- Nonprofit startup:
 - Create a financial management controls for the organization

Week 10 Accounting Processes

- Finkler et al. (2012), chapter 14
- Homework due: problems 13-4
- Objectives:
 - Explain why governments use financial reporting
 - Describe the different types of financial reports governments use
 - Describe the components of different financial reports
- Nonprofit startup:
 - Develop any additional funds necessary to provide improved accounting

Week 11 Balance Sheets

- Finkler et al. (2012), chapter 10
- Homework due: Memo on a Local Government Fiscal Condition
- Objectives:
 - Describe the differences between assets, liabilities, and equity
 - Explain when to record assets and liabilities
 - Describe the general ledger
- Nonprofit startup:
 - Create a tree of accounts for the organization

Week 12 Cash Flows

- Finkler et al. (2012), chapter 11
- Homework due: problems 10-23, 10-24
- Objectives:
 - Describe income and expenses
 - Explain how the activity statement relates to the balance sheet
 - Explain when and how to record income and expenses
- Nonprofit startup:
 - Create the balance sheet for the first quarter of operations

Week 13 Health Care and Nonprofit Organizations

- Finkler et al. (2012), chapter 12
- Homework due: problems 11-14, 11-17
- Objectives:
 - Describe how government is different from other public organizations, financially

- Explain depreciation
- Describe how to record donated goods and services
- Know when an organization is subject to the unrelated business income tax
- Nonprofit startup:
 - Create the statement of activity for the first quarter of operations

Week 14 Financial Statements

- Finkler et al. (2012), chapter 15
- Homework due: problems 12-15, 12-17
- Objectives:
 - Consider the components of a financial report together
 - Understand the notes accompanying financial statements
- Nonprofit startup:
 - Create a long-term funding plan for the organization

Week 15 Case Studies

- Finkler et al. (2012), chapter 9
- Homework due: Memo on a Nonprofit Annual Report
- Objectives:
 - Review a financial management case study
- Nonprofit startup:
 - Decide on the future of the organization