

# POSC 6423 Public Financial Management

## **Instructor Information:**

Dr. Jiseul Kim

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I will usually respond to email within 24 hours (M-F)

## **Course Information:**

Spring 2023

Online

*Note: The instructor reserves the right to change or adjust the content in this syllabus any time*

## **Textbooks:**

John R. Bartle, W. Bartley Hildreth and Justin Marlowe (eds.), *Management Policies in Local Government Finance*, (International City Management Association, forthcoming), sixth edition. Referred to as ICMA.

XiaoHu Wang. *Financial Management in the Public Sector*, third edition. ISBN-13: 978-0765636898. ISBN-10: 0765636891.

## **Required Supply:**

MS Office- Excel 2019

Office 365 program downloads are available at my.Astate. Further information is described as follows: <https://www.astate.edu/a/its/software-downloads/office-365-download-steps.dot>

## **Required Skills:**

Minimum requirements to take this course are 1) being able to calculate basic mathematical functions (e.g., multiplication, division, addition, subtraction, and power rule), and 2) being able to use the Microsoft Word; and 3) being able to use simple functions of excel.

## **Course Description**

Welcome to POSC 6423. This is a graduate course for persons in the online MPA program that focuses on government financial management issues. This course addresses the multitude of financial challenges managers of government encounter in pursuit of their organization mission and goals by reviewing journal articles and discussing the current practices. This course is also designed to provide resource management skills and techniques in the public sector, including financial condition analysis, revenue forecasting, and debt analysis.

## **SPA Course Outcomes Assessment:**

### **Program Learning Objectives (PLO):**

Network of Schools of Public Policy, Affairs, and Administration (NASPAA)'s Universal Competencies (UCs) for MPA Programs

1. To lead and manage in public governance

2. To participate in and contribute to the public policy process
3. To analyze, synthesize, think critically, solve problems and make decisions
4. To articulate and apply a public service perspective
5. To communicate and interact productively with a diverse and changing workforce & citizenry

*(The five main USc toward which the program outcomes and course-level objectives apply are noted in PLO 1-6.)*

### **A-STATE MPA PROGRAM OUTCOMES**

**LEADERSHIP:** MPA students will become the next generation of public leaders by mastering student skills in leading and managing diverse people with dignity and respect. (PLO 1, 2, 5)

**ANALYTICAL:** MPA students will develop analytical, problem-solving and decision-making skills appropriate for public and non-profit management. (PLO 3)

**COMMUNICATION:** MPA students will be equipped with interpersonal & communication skills needed to establish and maintain relationships in the public/non-profit institution. (PLO 4, 2)

**ETHICS:** MPA students will establish a personal code of ethics that sustains quality leadership. (PLO 4)

**FINANCIAL MGT:** MPA students will develop fundamental financial management skills as a basis for financial fluency in public institutions. (PLO 3)

**EXPERIENTIAL:** MPA students will engage in experiential learning to find solutions to public problems. (PLO 1, 2, 4, 5)

#### **Course Learning Objectives (CLO):**

After successfully completing this course, you will be able to:

1. Analyze the current debt crisis and develop your own thoughts; (PLO 1, 2, 3, 5)
2. Become competent in the ability to read and analyze government financial statements; (PLO 1, 2, 3)
3. Be able to do analyze and interpret government financial ratios; (PLO 1, 2, 3, 5)
4. Become competent in managing short-term cash investment, and long-term pension and OPEB investment. (PLO 1,2,3,4)
5. Be able to forecast revenues given historical revenue data; (PLO 1,2,3)
6. Apply capital budgeting and management theory in analyzing practices; (PLO 1,2,3,4)
7. Be able to analyze the government's debt service schedule; (PLO 1, 3, 5)
8. Be able to explain the relevance of this analysis to policy and management decisions; (PLO 1, 2, 3)
9. Identify the broader context of government public financial management and the application of the concepts of the course to the practice of public financial management; (PLO 3)
10. Identify financial accountability and apply it to the government financial management; (PLO 1,4)
11. Effectively deliver analytic results by writing memos (PLO 1, 2, 3, 4, 5)

*(The eleven course-level objectives toward which the course-level outcomes apply are noted in CLO 1-6.)*

#### **Course Outcomes:**

After successfully completing this module, you will be able to:

- a. Identify public financial management (CLO 9)
- b. Explain and analyze current national debt issue (CLO1, 11)
- c. Define financial accountability and apply it to your personal and government financial management (CLO 10)
- d. Define accounting and financial reporting (CLO 2)
- e. Compare and contrast accounting basis (CLO 2)
- f. Identify functions of the different types of funds (CLO 2)
- g. Identify the functions/ roles of Generally Accepted Accounting Principles (CLO 2)
- h. Explain the Government-wide Financial Statements (CLO 2)
- i. Compare between the Statement of Net Position and the Statement of Activities (CLO 2)
- j. Utilize relevant financial information from CAFRs (CLO 2)
- k. Calculate cash and budgetary solvency measures (CLO 3)
- l. Interpret financial conditions of government (CLO 3, 8)
- m. Identify the roles of treasury management (PLO 4)
- n. Demonstrate managing short-term financial assets in case of a temporary cash surplus (PLO 4, 8)
- o. Demonstrate managing long-term financial assets to fund pension plans (PLO 4, 8)
- p. Compare the difference between pension benefits and other postemployment benefits (OPEB) (PLO 4)
- q. Explain OPEB management environment and methods (PLO 4, 8)
- r. Develop fluency in evaluating major revenue sources of local governments (CLO 5)
- s. Analyze historical revenue data and forecast future revenues using various forecasting methods (CLO 5, 8)
- t. Analyze new financing method for public capital assets (CLO 6)
- u. Identify capital and maintenance expenditures (CLO 6, 8, 11)
- v. Identify capital budgeting and management process (CLO 6, 8, 11)
- w. Identify information quality (CLO 6, 8, 11)
- x. Define debt management and explain the importance of it (CLO 7)
- y. Analyze the interest payment schedule for issuing the bond series (CLO 7, 8)
- z. Analyze the debt service payment schedule for issuing the bond series (CLO 7, 8)

### **Course and University Academic Policies:**

The following is a list of general rules for success in the class:

1) Students are expected to honor the *Arkansas State University and Department of Political Science Codes* concerning student conduct on cheating and plagiarism (on all written work and the class exams). Each student is expected to read the information on the following web sites before turning in any assignment (it will take about 5 minutes):

<https://www.astate.edu/college/liberal-arts/departments/heritage-studies/current-students/plagiarism/>

<http://www.astate.edu/a/student-conduct/student-standards/handbook-home.dot>

2) Some students may choose not to conduct original research, but try to pass off a paper as if they did. If this is suspected on any given paper, students will be confronted and challenged about the authenticity of their work. Those students who do not do their own work, but ask others for help to get them through writings and exams and students who give information to others to help them complete writings or exams are equally guilty of cheating in my book. If caught, both students will fail the course and their names will be passed on to the relevant departments, advisors, professors and deans to alert future teachers or employers of their behavior. If, at any time in the course, you are asked to give information to others, or you suspect

cheating by another student, please see me immediately. Your confidentiality will be fully respected.

3) Students who require academic adjustments in the classroom due to a disability must first register with the ASU Disability Services office (972-3964). Following registration and within the first two weeks of class, please talk with me regarding appropriate academic accommodations.

4) The grading/point scheme is as follows: 92-100% = A, 83-91% = B, 74-82% = C, and below 74% = F.

5) Late discussion forums will not be accepted. This policy cannot be waived in any circumstance. Late penalties for assignments and quizzes will be one letter grade per day late. I do not accept the late final assignment in Module 7. I do not accept e-mailed assignments. All assignments are to be submitted via Blackboard. It is **your** responsibility to obtain class notes from a classmate if you miss class.

### **Course Requirements:**

We have seven weeks to complete the seven modules. The discussion forums are 350 points (35% of the final grade), assignments are 450 points (45% of the final grade), and quizzes are 200 points (20% of the final grade). The specific grading rubrics will be separately uploaded in Blackboard.

### ***Discussion Forums (35%)***

There will be six discussion forums throughout the semester. Each assignment is 60 points, which is 6% of the total grade, except for the first discussion forum which is 50 points. These assignments aim to develop skills to address current issues and dilemmas faced with public financial management. The main purpose of the discussion forum is to enable you to develop your own ideas based on the class materials and generate knowledge spillovers by sharing your thoughts with your classmates. Thus, meeting the deadline is significant. Generally, you have 40 points (4%) for participation grade, 10 points (10%) for critical thinking using class materials. Specifically, if you submit your answers by Wednesday of the week, you will receive 30 participation points. If you read your classmates' answers and reply to "at least" one of the students' answers "to discuss" the topic by Sunday of the week, you will receive 10 participation points. Another dimension of the grade is developing critical thinking. If you submit quality answers based on the class materials and logical thoughts, you will receive 5 points. If you reply to your classmates with your agreement or disagreement based on solid/logical reasons, you will receive 5 points. Total possible points are 50 points for each module. Please read the grading rubrics for further detailed information for each module.

Again, please note that you have to answer the question(s) in each discussion forum by Wednesday night (11:59 pm CST) of the assignment week. Then, you have to answer to your classmates by Sunday night (11:59 pm CST) of that week.

### ***Assignments (45%)***

There will be five assignments throughout the semester. The first assignment is 50 points (5%). The rest assignments are 100 points each (100%). Thus, the total possible points are 450 points (45% of the grade). These assignments mainly aim to develop analytic skills in public financial

management. The first assignment asks analyzing the current national debt issue and writing a short essay. The second assignment asks analyzing and interpreting the financial condition of the State of Arkansas. The third assignment asks to project future revenues given historical revenue data. You will be asked to utilize several revenue forecasting methods. The fourth assignment asks for conducting a case study for evaluating a capital improvement plan of a government of your choice. The fifth assignment asks analyzing a government's interest payment and debt service schedule.

For some of the works, you will need Excel to analyze data. I will explain how to calculate them using Excel through videos. But, you will get benefitted if you know the basics of Excel. The following is the assignment schedule. The due dates are Sunday (11:59pm CST) of each module week, except for the assignment 7 which is due to Friday (April 28) (11:59pm CST) of the week.

- Assignment 1: Short Essay.  
Class learning: Module 1
- Assignment 2: Financial Condition Analysis  
Class learning: Module 3
- Assignment 3: Revenue Forecasting  
Class learning: Module 5
- Assignment 4: Case Study  
Class learning: Module 6
- Assignment 5: Debt Analysis  
Class learning: Module 7

### **Quizzes (20%)**

There will be two quizzes throughout the semester. Each assignment is 100 points (10% of the grade). The first quiz will be in Module 2 week, and the second quiz will be in Module 4 week. There are 20 questions with multiple choices for each quiz. Each question is worth 5 points. The maximum possible points for each quiz are 100 points. The test has a time limit of 3 hours. The test will be saved and submitted automatically when the time expires. Once started, this test must be completed in one sitting. Please make sure to digest course materials, including the Green book, Wang, video, and other materials. The due date is Sunday (11:59 pm CST) of each week of Module 2 and 4.

### **Recommended Journals:**

For current research on specific topics, I suggest you consult: Public Budgeting & Finance, Government Finance Review, Public Works & Management, Journal of Public Budgeting, Accounting & Financial Management, and Public Administration Review.

The following table explains each module's expected course outcomes, readings, activities, and possible points earned.

**COURSE REQUIREMENTS**

<b>Weakly Modules and Course Outcomes</b>	<b>Readings</b>	<b>Activities in Blackboard</b>	<b>Points Possible</b>
<p><b>Module 1 The Major Public Financial Management (PFM) Issue (March 6- March 12)</b></p> <p><u>Main Objectives</u> Identify public financial management</p> <p>Explain and analyze current national debt issue</p>	<p><u>Green Book (Bartle et al.6<sup>th</sup> Edition)</u> Chs. 2, 4</p> <p><u>Journal Article</u> Ryu, Cho, and Kim (2020)</p> <p><u>Other Resources</u></p> <ul style="list-style-type: none"> <li>• Major PFM Issue Video</li> <li>• National debt video (I.O.U.S.A.) <a href="https://www.youtube.com/watch?v=0_TjBNjc9Bo">https://www.youtube.com/watch?v=0_TjBNjc9Bo</a></li> </ul>	<p><u>1.1 Discussion Forum</u> Introduce yourself and discuss your interest and/or experience in public financial management.</p> <hr/> <p><u>1.2 Assignment 1</u> Short Essay: Watch the debt history video and analyze the current debt issue. <a href="https://www.youtube.com/watch?v=0_TjBNjc9Bo">https://www.youtube.com/watch?v=0_TjBNjc9Bo</a> Then, do your own research for both positive(supporters’) and negative (opponents’) aspects of increasing debt, and summarize each perspective. Which perspective do you support, and why? The work should be four paragraphs. 1<sup>st</sup> paragraph: explain the current debt issue 2<sup>nd</sup> paragraph: supporters’ perspective 3<sup>rd</sup> paragraph: opponents’ perspective 4<sup>th</sup> paragraph: develop your thoughts with logical analysis.</p>	<p>50</p> <hr/> <p>50</p>
<b>Module 1 Total Point</b>			<b>100</b>
<p><b>Module 2 Financial Reporting and Statements (March 13- March 19)</b></p> <p><u>Main Objectives</u></p> <p>Define financial accountability and apply it to your personal and government financial management</p> <p>Define accounting and financial reporting</p> <p>Compare and contrast accounting basis</p>	<p><u>Green Book (Bartle et al.6<sup>th</sup> Edition)</u> Ch 5</p> <p><u>Wang (3<sup>rd</sup> Edition)</u> Chs 7, 9-11</p> <p><u>Journal Article</u> Kim, Chen, and Ebdon (2018)</p> <p><u>Other Resources</u></p> <ul style="list-style-type: none"> <li>• Financial statement overview video</li> <li>• GFOA’s best practice: accounting and</li> </ul>	<p><u>2.1 Discussion Forum</u> What does the term “financial accountability” mean to you in your personal financial management? What does it mean in government? How is financial accountability served by the accounting process?</p> <hr/> <p><u>2.2 Quiz 1</u> Please read green book-chapter 5, Wang changers7, 9-11, Kim et al. (2018), GFOA’s best practice, and watch videos. Then, take Quiz 1. There are 20 questions with multiple</p>	<p>60</p> <hr/> <p>100</p>

<b>COURSE REQUIREMENTS</b>			
<b>Weakly Modules and Course Outcomes</b>	<b>Readings</b>	<b>Activities in Blackboard</b>	<b>Points Possible</b>
Identify functions of the different types of funds. Identify the functions/roles of Generally Accepted Accounting Principles Explain the Government-wide Financial Statements	financial reporting (see the link below) <a href="https://www.gfoa.org/best-practices/internal-controls">https://www.gfoa.org/best-practices/internal-controls</a>	choices. Each question is worth 5 points. This test has a time limit of 3 hours. This test will save and submit automatically when the time expires. Once started, this test must be completed in one sitting. The due date is Sunday (11:59 pm CST) of the week of Module 2.	
<b>Spring Break March 20-26</b>		<b>Module 2 Total Point</b>	<b>160</b>
<b>Module 3 Financial Condition Measurements (March 27- April 02)</b>  <u>Main Objectives</u> Compare between the Statement of Net Position and the Statement of Activities  Utilize relevant financial information from CAFRs  Calculate cash and budgetary solvency measures  Interpret financial conditions of government	<u>Green Book (Bartle et al.6<sup>th</sup> Edition)</u> Ch 17  <u>Wang (3<sup>rd</sup> Edition)</u> Ch 12  <u>Journal Article</u> Johnson et al. (2012)  <u>Other Resources</u> <ul style="list-style-type: none"> <li>Financial condition overview video</li> <li>PPT Slides</li> </ul>	<u>3.1 Discussion Forum</u> Discuss the differences and connections between the Statement of Net Position and the Statement of Activities. Comment on the following remark: “A combination of both net assets (net position) and revenue/expense information provides a relatively complete picture of an organization’s finances.”	60
		<u>3.2 Assignment 2</u> Obtain relevant financial information from the State of Arkansas 2017 and 2018 CAFRs, calculate current ratios and operating ratios for governmental-activities (GA), business-type activities (BA), and total primary government (TPG), and interpret the ratios. Specific questions will be provided.	100
		<b>Module 3 Total Point</b>	<b>160</b>
<b>Module 4 Cash, Investments, and Public Pension (April 3 – April 9)</b>  <u>Main Objectives</u>	<u>Green Book (Bartle et al.6<sup>th</sup> Edition)</u> Ch 13  <u>Wang (3<sup>rd</sup> Edition)</u> Ch 8	<u>4.1 Discussion Forum</u> Do you consider that governments should establish and manage OPEB trust funds? Why? Or why not? What are the major issues?	60

**COURSE REQUIREMENTS**

<b>Weakly Modules and Course Outcomes</b>	<b>Readings</b>	<b>Activities in Blackboard</b>	<b>Points Possible</b>
<p>Identify the roles of treasury management</p> <p>Demonstrate managing short-term financial assets in case of a temporary cash surplus</p> <p>Demonstrate managing long-term financial assets to fund pension plans</p> <p>Compare the difference between pension benefits and other postemployment benefits (OPEB)</p> <p>Explain OPEB management environment and methods.</p>	<p><u>Journal Article</u> Hoang and Goodman (2018)</p> <p><u>Other Resources</u></p> <ul style="list-style-type: none"> <li>Actuarial valuation video</li> <li>Pew research (2020): The State Pension Funding Gap: 2018 <a href="https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2020/06/the-state-pension-funding-gap-2018">https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2020/06/the-state-pension-funding-gap-2018</a></li> <li>GFOA’s best practice: pension and benefit administration (see the link below) <a href="https://www.gfoa.org/best-practices/pension-policy-governance-and-management">https://www.gfoa.org/best-practices/pension-policy-governance-and-management</a></li> </ul>	<p><u>4.2 Quiz 2</u> Please read green book-chapter 13, Wang chapter 8, Hoang and Goodman (2018), and other resources (e.g., Videos, GFOA best practices). Then, take Quiz 2. There are 20 questions with multiple choices. Each question is worth 5 points.</p> <hr/> <p><b>Module 4 Total Point</b></p>	<p>100</p> <hr/> <p><b>160</b></p>
<p><b>Module 5 Revenue Sources and Forecasting (April 10 - 16)</b></p> <p><u>Main Objectives</u></p> <p>Develop fluency in evaluating major revenue sources of local governments</p> <p>Analyze historical revenue data and forecast future revenues using various forecasting methods</p>	<p><u>Green Book (Bartle et al.6<sup>th</sup> Edition)</u> Chs 8-10</p> <p><u>Wang (3<sup>rd</sup> Edition)</u> Ch 1</p> <p><u>Journal Articles</u> Hendrick and Crawford (2014) Carroll (2009)</p> <p><u>Other Resource</u></p> <ul style="list-style-type: none"> <li>Revenue forecasting methods video</li> </ul>	<p><u>5.1 Discussion Forum</u> Select a local government, obtain its most recent CAFR, and find the major revenue sources for governmental activities. What are the major issues of the government in revenue management? How do you think the government approach for revenue policies? Each student is encouraged to find a different local government.</p> <hr/> <p><u>5.2 Assignment 3</u> Given historical revenue data, project future revenues using the simple moving average (SMA), exponential smoothing (EXS), and transformation</p>	<p>60</p> <hr/> <p>100</p>



**COURSE REQUIREMENTS**

Weakly Modules and Course Outcomes	Readings	Activities in Blackboard	Points Possible
		moving average (TMA) methods.	
		<b>Module 5 Total Point</b>	<b>160</b>
<p><b>Module 6 Capital Budgeting, Management, and Finance (April 17-23)</b></p> <p><u>Main Objectives</u></p> <p>Analyze new financing method for public capital assets</p> <p>Identify capital and maintenance expenditures</p> <p>Identify capital budgeting and management process</p> <p>Identify information quality</p>	<p><u>Green Book (Bartle et al.6<sup>th</sup> Edition)</u> Chs 11, 14</p> <p><u>Journal Article</u> Kim and Ebdon (2020)</p> <p><u>Other Resources</u></p> <ul style="list-style-type: none"> <li>• Capital planning, budgeting, and management overview video</li> <li>• <a href="https://www.rand.org/pubs/research_briefs/RB9576.html">https://www.rand.org/pubs/research_briefs/RB9576.html</a></li> </ul>	<p><u>6.1 Discussion Forum</u> Read Rand’s summary and do your research on a per-mile road user tax (e.g., search for Oregon and/or California’s cases or other studies related to this new tax system)</p> <p>Do you support the idea of a per-mile road user tax? What are the pros and cons? Do you think a per-mile road user tax will replace the gas tax? Why or why not?</p> <p><u>6.2 Assignment 4 Case Study</u> Select a local government that has a capital improvement plan (CIP). Based on the recent CIP, answer the following questions.</p> <ol style="list-style-type: none"> <li>1. What is the definition of capital expenditure? Which capital expenditures belong in the capital budget?</li> <li>2. Who are the decision-makers in developing, adopting, and/or implementing capital budget?</li> <li>3. Does the CIP include routine maintenance expenditures of capital assets? If so, to what extent (e.g., asset types, amounts) it is included in the CIP?</li> <li>4. What are the major issues/problems for the government’s capital</li> </ol>	<p>60</p> <p>100</p>

<b>COURSE REQUIREMENTS</b>			
<b>Weakly Modules and Course Outcomes</b>	<b>Readings</b>	<b>Activities in Blackboard</b>	<b>Points Possible</b>
		<p>management? Are they explicitly explained and discussed in the CIP?</p> <p>5. What are the major financing methods for the major capital assets for the government?</p> <p>6. Do you consider that the developed CIP is well connected to the government's master and strategic plans?</p> <p>7. Do you consider that the government developed the CIP based on the strategic prioritization process?</p> <p>8. What is your impression of the information quality as a citizen evaluator?</p>	
		<b>Module 6 Total Point</b>	<b>160</b>
<p><b>Module 7 Debt Management and Analysis (April 24 - 28)</b></p> <p><u>Main Objectives</u></p> <p>Define debt management and explain the importance of it</p> <p>Analyze the interest payment schedule for issuing the bond series. Analyze the debt service payment schedule for issuing the bond series.</p>	<p><u>Green Book (Bartle et al.6<sup>th</sup> Edition)</u> Ch 12</p> <p><u>Wang (3<sup>rd</sup> Edition)</u> Ch 13</p> <p><u>Journal Article</u> Ely and Calabrese, 2016</p> <p><u>Other Resources</u></p> <ul style="list-style-type: none"> <li>• Debt analysis video</li> <li>• PPT slides</li> <li>• Wu, 2020</li> <li>• GFOA's best practice: Debt management (see the link below) <a href="https://www.gfoa.org/best-practices/debt-best-practices">https://www.gfoa.org/best-practices/debt-best-practices</a></li> </ul>	<p><u>7.1 Assignment 5</u> Given the basic bond insurance characteristics of a government. Please analyze the government's total interest payment schedule and total debt service schedule.</p>	<p>100</p>
		<b>Module 7 Total Point</b>	<b>100</b>