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# PPD 541

## *Public Financial Management and Budgeting*

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Spring 2024

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Cell: (626) 274-7583

Mondays: 6:00pm-9:20pm

Room: DMC 200

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## Course Objectives

The course will orient students to the critical features of public budgetary institutions and processes including politics of the budgetary process; sources of public and nonprofit revenue; and drivers of public costs (pensions; health care; entitlements). This institutional perspective will be accompanied by the development of financial analysis tools utilizing Excel spreadsheet applications and basic algebraic manipulation. Students will also practice data visualization and communication of financial information. While there will be coverage of basic accounting practices, this is not a course in public-sector accounting. Table 1 summarizes the critical financial analysis skills that will be covered in this course:

### *Table 1: Key Concepts in Public Financial Management and Budgeting*

- Budgeting processes (political and organizational aspects)
- Budget preparation (operating, capital, cash, etc.)
- Budget analysis (justification, performance indicators, etc.)
- Budgeting approaches (PBB, ZBB, etc.)
- Sources of revenue (taxation, user charges)
- Expenditure and revenue forecasting
- Cost-benefit and cost-effectiveness analysis (including present value concepts)
- Capital investment and capital budgeting
- Fiscal impact analysis
- Debt management and long-term financing
- Financial modeling using Excel
- Fundamentals of financial reporting and condition analysis

## Textbooks & Materials

### Required:

[Finkler, Calabrese & Smith \(2022\). \*Financial Management for Public, Health, and Not-for-Profit Organizations, Seventh Edition\*. Sage, Congressional Quarterly Press.](#)

### Additional Required Readings and Resources:

Additional readings and supplementary case materials are listed in the weekly overview pages in the course. In addition, the course will employ several cases available as a course pack from Harvard Business Publishing at the link below:

<https://hbsp.harvard.edu/import/1127398>

**NOTE:** This course develops a skill set in the use of Excel spreadsheets for algebraic financial modeling. Students who have not been exposed to Excel previously and/or do not have a comfort level with basic algebra are encouraged to speak to the course director.

### Optional Readings:

Letourneau, T. (2017). [Mastering the Art: A Step-by-Step Guide to Writing a Quality Staff Report](#), CreateSpace Independent Publishing Platform.

McFedries, P. & Harvey, G. (2022). [Excel Workbook for Dummies, 2<sup>nd</sup> Edition](#). John Wiley & Sons, Inc. (Can be Found through USC Library)

### Grading

This course uses a percentage-based grading schema, as shown below.

Evaluation Categories	Weighting
Participation	5%
Excel Exercises	30%
Case Modeling Challenges (2)	25%
Repeatable Practice Quizzes	10%
Midterm Examination	15%
Final Exam	15%
<b>Total</b>	<b>100%</b>

- *Participation:* Participation in the class is a key part of the learning process, and students are expected to be proactive in their work and to contribute to the class in a constructive and appropriate manner. The participation grade will be based on level of engagement, preparation and listening in class. Where applicable, discussion board postings will be done through Blackboard and will replace in class participation for the specified week. Discussion Board posts, and due dates, will be highlighted during the week in which it is required.
- *Excel Exercises:* To solidify understanding of conceptual materials, students will complete excel exercises during many of the weeks.
- *Case Challenges:* Students will engage in two (2) case challenge exercises that will integrate and apply financial management concepts to a specific management challenge. The students will analyze data using a provided spreadsheet and submit the completed spreadsheet as one of the excel exercises. In addition, each student will prepare a two-page management memo as well as a data visualization of the

answer presented using one or more PowerPoint slides.

- *Repeatable Quizzes*: Quizzes help students understand conceptual material. These quizzes are formative in that students are permitted to repeat the quiz once in order to redress misunderstanding and improve the score. Score will be based on the highest score received.
- *Midterm and Final Examinations*: Students will complete midterm and final examinations, each of which will be worth 15% of the class score. The final examination will focus primarily on work from the second half of the class, although some questions may build cumulatively on earlier concepts.

Participation Rubric			
Scoring	Level of Engagement __/4 points	Preparation __/3 point	Listening Skills __/3 point
<i>Unsatisfactory</i>	Student never contributes to class by offering ideas and asking questions and/or has trouble staying on task during group project time (0)	Student is almost never prepared for class with assignments and required class materials (0)	Student does not listen when other talk, both in groups and in class, and/or Student often interrupts when others are speaking (0)
<i>Partially Satisfactory</i>	Student rarely contributes to class by offering ideas and asking questions and/or works on group projects only some of the allotted time (2)	Student is rarely prepared for class with assignments and required class materials (1)	Student occasionally listens when others talk, both in groups and in class (1)
<i>Satisfactory</i>	Student proactively contributes to class by offering ideas and/or asks questions once per class and/or works on group projects for most of the allotted time (3)	Student is usually prepared for class with assignments and required class materials (2)	Student listens when others talk, both in groups and in class (2)
<i>Superior</i>	Student proactively contributes to class by offering ideas and/or asks questions more than once per class and/or works consistently on group projects the entire time (4)	Student is almost always prepared for class with assignments and required class materials (3)	Student listens when others talk, both in groups and in class, and Student incorporates or builds off of the ideas of others. (3)

## Discussion Board Rubric

Scoring	Relevance, Application, Originality ___/4 points	Details/ Evidence ___/3 point	Grammar, usage, mechanics ___/3 point
<i>Incomplete</i>	Fails to address the question posed, non-serious or not contemplative response, lacks value added information, thought patterns difficult to follow (0)	Details are random, inappropriate, or barely apparent (0)	Errors are frequent and severe (0)
<i>Partially Proficient</i>	Addresses the question, some relation to topic, inconsistencies in unity and / or coherence (2)	Details lack elaboration or are repetitious (1)	Multiple errors and / or patterns of errors are evident (1)
<i>Proficient</i>	Addresses the question, uses ideas from project research, adds some content, usually has clear focus (3)	Details are elaborated and pertinent to the course (2)	Some errors are present (2)
<i>Superior</i>	Addresses the question, uses ideas from project research, offers a unique perspective, clear focus, fluent, cohesive (4)	Details are effective, explicit, and pertinent to the course (3)	Few, if any, errors are present (3)

## Case Challenge Memo Rubric

Scoring	Quality of analysis ___/10 points	Writing mechanics ___/5 points	Sequencing and analytic argumentation ___/5 points
<b>Unsatisfactory</b>	Does not meet minimum standard of quality (0)	Does not meet minimum standard of quality (0)	Does not meet minimum standard of quality (0)
<b>Partially proficient</b>	Analysis demonstrates application of some concepts to case at hand. (6)	Contains errors in grammar or syntax. (3)	Basic organization detracts from argument; lacks acceptable executive summary (3)
<b>Proficient</b>	Analytic concepts are correctly applied for the most part. (8)	Grammar and style are clear and concise. (4)	A logically structured memo with an acceptable executive summary. (4)
<b>Superior</b>	Superior use of analysis to clarify the issue at hand. (10)	Grammar and style are highly professional and well-polished. (5)	Structure is sophisticated; no wasted words; particularly compelling argument (5)

## Grading Scale

Course final grades will be determined using the following percentage scale:

A	95-100	C	73-76
A-	90-94	C-	70-72
B+	87-89	D+	67-69
B	83-86	D	63-66
B-	80-82	D-	60-62
C+	77-79	F	99 and below

## Policies

### *Weekly Structure*

Each day of the week is numbered (please see below). Day 1 is Monday, the first day of the beginning of each weekly session.

Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday

Due dates for all assignments are stated in day numbers. Assignments are due no later than **11:59 p.m. in the Pacific Time zone** on the day that is stated on the assignment page and the weekly activity table.

### *Late Assignments*

Assignments will not be accepted after the due date without advance written permission of the instructor, who will impose late penalties on late assignments (usually 10 percent per day late). If issues arise that affect your ability to complete work in a timely manner, please inform your instructor who will work with you on accommodations.

### *Guidelines for all written work*

- All documents should be in Microsoft Word format.
- Papers must be type-written or word-processed, single-spaced, with 12-point font.
- Make sure you keep a copy of all submitted papers.
- Any citations should be in APA style. Refer to the APA manual.
- Finally, typos and spelling errors are unforgivable at this level and reflect poorly on you.
- All page length requirements are for spaced pages, with 1-inch margins, in 12-point Times New Roman or Arial font.

## Statement on Academic Conduct and Support Systems

### *Academic Conduct*

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in the USC Student Handbook: <https://policy.usc.edu/studenthandbook/>. Other forms of academic dishonesty are equally unacceptable. See additional information in USC’s Policies and Policy Governance on scientific misconduct, <https://policy.usc.edu/research-and-scholarship-misconduct/>.

Discrimination, sexual assault, intimate partner violence, stalking, and harassment are prohibited by the university. You are encouraged to report all incidents to the *Office of Equity and Diversity / Title IX Office*

<http://equity.usc.edu> and/or to the *Department of Public Safety* <http://dps.usc.edu>. This is important for the health and safety of the whole USC community. Faculty and staff must report any information regarding an incident to the Title IX Coordinator who will provide outreach and information to the affected party. The sexual assault resource center webpage <https://sites.usc.edu/clientservices/> fully describes reporting options. Relationship and Sexual Violence Services, at 213-740-9355, provides 24/7 confidential support.

### *Support Systems*

A number of USC's schools provide support for students who need help with scholarly writing. Check with your advisor or program staff to find out more. Students whose primary language is not English should check with the American Language Institute <http://dornsife.usc.edu/ali>, which sponsors courses and workshops specifically for international graduate students. The Office of Disability Services and Programs <https://osas.usc.edu/> provides certification for students with disabilities and helps arrange the relevant accommodations. If an officially declared emergency makes travel to campus infeasible, USC Emergency Information <http://emergency.usc.edu/> will provide safety and other updates, including ways in which instruction will be continued by means of blackboard, teleconferencing, and other technology.

### **About the Instructor**



Dr. Kevin Kearney is an Adjunct Professor at the USC Sol Price School of Public Policy. He is the current City Manager with the City of Bradbury and he previously worked at the City of Beverly Hills. Dr. Kearney's involvement in the government, nonprofit, and educational sectors is rich, as he currently sits on the Board of Directors for Granite Mountain Charter School, Cal Poly Pomona's Masters in Public Administration Program, CivicPulse, the Los Angeles County Office of Emergency Services – Area D, San Gabriel Valley City Manager's Association, and the San Gabriel Valley Council of Government's City Managers' Steering Committee. He was previously a non-profit Board Member with Haynes Family of Programs and David & Margaret Youth and Family Services. In 2017, the California City Management Foundation named Dr. Kearney as a "Rising Star in the City Management Community."



## Weekly Activities

Week 01: January 8		
Learning Activity	Due Date	Point Value
Readings: Finkler et. al., Chapter 1, Introduction to Financial Management  Petek, G. (2023, January 13). <a href="#">The 2023-24 budget: Overview of the Governor's budget</a> . California Legislative Analyst's Office.		~
Week 01 Participation: Self-Introductions and CA Budget Exercise Activity		10
Week 01 Excel Exercise: California Taxation	Day 7	20

Week 02: January 15		
Learning Activity	Due Date	Point Value
Readings: Finkler et al. (2023): Chapter 2, "Planning for Success: Budgeting."  Mitchell, D., & Thurmaier, K. (2012). <a href="#">Currents and undercurrents in budgeting theory. Exploring the swirls, heading upstream</a> . In J.C.N. Raadschelders & R.J. Stillman II (Eds.), <i>Foundations of public administration</i> (192-211). Melvin & Leigh, Publishers.  Graves, S. (2023, December). <a href="#">Guide to the California State Budget Process</a> . California Budget and Policy Center.  Chapman, J., Maciag, M., & Levine, A. (2021, March 22). <a href="#">Great economic uncertainty requires that states plan for budget swings</a> . The Pew Charitable Trusts.		~
Week 02 Participation		10
Week 02 Excel Exercise: Zoo Extravaganza	Day 7	20

Week 03: January 22		
Learning Activity	Due Date	Point Value
<p>Readings:</p> <p>Finkler et al. Ch. 3 (Including Appendices), Additional Budgeting Concepts.</p> <p>Musso, J. and Weare, C. (2020). <a href="#">Performance management Goldilocks style: A transactions cost analysis of incentive intensity in performance regimes</a>. <i>Public Performance and Management Review</i> 43(3), 1-27.</p> <p><a href="#">States continue efforts to advance the use of data &amp; evidence</a>. (2019, July 31). The National Association of State Budget Officers. Retrieved January 18, 2023, from <a href="https://www.nasbo.org/reports-data/using-data-and-evidence">https://www.nasbo.org/reports-data/using-data-and-evidence</a>.</p> <p>The Pew Charitable Trusts. (2020, September 8). <a href="#">How public officials can use data and evidence to make strategic budget cuts</a>.</p>	~	~
Week 03 Participation		10
Week 03 Excel Exercise: Flexible and Special-Purpose Budgeting	Day 7	20

Week 04: January 29		
Learning Activity	Due Date	Point Value
<p>Readings:</p> <p>Finkler et. al. Ch. 4, Understanding Costs</p>	~	~
Week 04 Participation		10
Week 04 Repeatable Practice Quiz: Weeks 01-04	Day 7	100

Week 05: February 5		
Learning Activity	Due Date	Point Value
Readings: Harvard Case: Moray Junior High School. Available in Harvard Business Press CoursePack	~	~
Week 05 Participation		10
Week 05 Excel Exercise: Case Challenge #1	Day 7	20
Week 05 Case Challenge #1 Memo and Infographic	Day 7	50

Week 06: February 12		
Learning Activity	Due Date	Point Value
Readings: Chapter 8, " <a href="#">Taxation: Criteria for judging revenue options.</a> " in Mikesell, J. (2018). <i>Fiscal administration</i> , (10th ed.). Cengage Learning.  Dadayan, L. (2019, October). <a href="#">Are states betting on sin? The murky future of state taxation.</a> <i>Tax Policy Center. Urban Institute &amp; Brookings Institution.</i>  Podcast: Critical Value Podcast #4: Sin Taxes Are Sweeping the States!	~	~
Week 06 Participation		10

Week 07: February 19		
Learning Activity	Due Date	Point Value
Readings:  Finkler et al.: Chapter 5, "Capital Budgeting."  Ackerman, F. & Heinzerling, L. (2002). <a href="#">Pricing the priceless: Cost-benefit analysis of environmental protection</a> . <i>University of Pennsylvania Law Review</i> , 150(5), 1553-1584.  Frank, R. H. (2000). <a href="#">Why is cost-benefit analysis so controversial?</a> <i>The Journal of Legal Studies</i> 29(S2), 913-930.  <a href="#">Radio Lab: How Do You Put a Price Tag on Nature</a> (Podcast)	~	~
Week 07 Participation		10
Week 07 Excel Exercise: Time Value of Money: Compounding, Discounting, Rate of Return, and Annualized Costs	Day 7	20

Week 08: February 26		
Learning Activity	Due Date	Point Value
No reading this week	~	~
Week 08 Participation: Midterm Review		10
Midterm Examination	Day 7	100

Week 09: March 4		
Learning Activity	Due Date	Point Value
Readings: Finkler et al.: Chapter 6, "Long Term Financing"		~
Week 09 Participation	~	10
Week 09 Excel Modeling Assignment: Math of Mortgages and Bonds	Day 7	20

Week ----: March 11
Spring Break – No Class

Week 10: March 18		
Learning Activity	Due Date	Point Value
Readings: Harvard Case: <i>San Francisco International Airport and Quantum's SAFE for aviation system: Making the business case for corporate security</i> . Available in Harvard Business Press CoursePack		~
Week 10 Participation		10
Week 10 Case Challenge #2 Excel Exercise Assignment	Day 7	20
Week 10 Case Challenge #2 Memo and Infographic	Day 7	50

Week 11: March 25		
Learning Activity	Due Date	Point Value
Readings: Finkler et. al., Chapter 8, "Accountability and Control"  Nezhina, T. G. and Brudney, J.L. (2010). <a href="#">The Sarbanes-Oxley Act: More Bark than Bite for Nonprofits. Nonprofit and Voluntary Sector Quarterly, 39: 275-301.</a> (Available in the E-reserve)	~	~
Week 11 Participation		10
Week 11 Repeatable Practice Quiz: Weeks 08-11	Day 7	100

Week 12: April 1		
Learning Activity	Due Date	Point Value
Readings: Finkler et. al. Ch. 9, Taking Stock of Where you Are: The Balance Sheet, and Ch. 10, Reporting the Results of Operations: The Activity and Cash Flow Statements  Harvard Business Case: New England Trust. Available in Harvard Business Press CoursePack.	~	~
Week 12 Participation		~
Week 12 Discussion Board: New England Trust	<i>Post: Day 7</i>	10

Week 13: April 8		
Learning Activity	Due Date	Point Value
Readings: Finkler et. al. Ch. 14, Financial Statement Analysis, and Ch. 15, Financial Condition Analysis	~	~
Week 13 Participation		10
Week 13 Excel Exercise: Financial Ratios	Day 7	20

Week 14: April 15		
Learning Activity	Due Date	Point Value
Readings:  Thom, M., & Randazzo, A. (2015). <a href="#">Underfunding annual pension contributions: examining the factors behind an ongoing fiscal phenomenon</a> . <i>State and Local Government Review</i> 47(1), 35-44.  Brainard, K., & Brown, A. (2018). <a href="#">In-depth: Risk sharing in public retirement plans</a> . <i>National Association of State Retirement Officers</i> .  Mehlotra, R., & Murphy, P. (2019, March). <a href="#">Public pensions in California</a> . <i>Public Policy Institute of California</i> .  Kilgour, J. (2013). <a href="#">Public pension reform in California</a> . <i>Compensation &amp; Benefits Review</i> 2013 (45)6, 350-356.	~	~
Week 14 Participation		~
Week 14 Discussion Board: Public Pension Reform in California	<i>Initial Post: Day 5</i> <i>Responses: Day 7</i>	10

Week 15: April 22		
Learning Activity	Due Date	Point Value
No New Reading Material	~	~
Week 15 Participation		10
Week 15 Final Exam	Day 7	100