

**Public Policy Course 750.201**  
**Budget Literacy For Mission-Driven Organizations**  
**Fall 2018**  
**Thursday 4:00-5:20 Room 1210 Weill Hall**

Course Objective and Description

Most of you will spend your careers in mission-driven organizations, i.e. public and not-for-profit organizations, where money is the means to the end rather than the end itself. Unfortunately, most of these organizations are under-resourced and, in order to be successful leaders, you will need to understand enough about budgeting and financial management so that you can make the best use of the limited resources that will be available to you. To do this, you will not need to have an MBA and you will not need to understand all the ins and outs of accounting. But you will need to understand enough so that you can, for example:

- know the difference between fixed and variable costs;
- understand the basics of taxation and other revenue sources;
- do basic break-even analyses and multi-year forecasting;
- ask thoughtful questions about organizational budgets;
- understand how to think about long-term, capital assets;
- be able to make smart decisions about employee benefits such as health care and pensions; and
- understand how endowments and restricted funds work.

This course will help you acquire the basic skills needed to develop, understand, and analyze various types of budgets and financial documents. Although the specific materials and examples discussed throughout the course will be drawn from mission-based organizations, the skills and analytic techniques learned in the class will be applicable to any type of entity (and even to managing your personal finances!).

This course will not require any high level math although students will be expected to use their basic quantitative skills and Excel. There will be weekly readings and short assignments, along with a mid-term and a final exam. In addition, students will be expected to participate actively in class discussions.

Texts and Related Materials

1. Financial Management in the Public Sector (3<sup>rd</sup> Edition), 2014, by XiaoHu Wang (Readings will be posted on Canvas)
2. Fiscal Administration: Analysis and Applications for the Public Sector (9<sup>th</sup> Edition, Wadsworth), 2013, by John L. Mikesell (This book is expensive, but an excellent resource if you would like to purchase it for future reference. Readings will be posted on Canvas.)
3. Budgeting and Financial Management for Non-Profit Organizations, 2013, by Lynne A. Weikart, Greg G Chen, and Ed Sermier (Readings will be posted on Canvas.)
4. Various other readings, exercises, etc.

### Instructor Contact Information and Office Hours

- Denise Thal: dathal@umich.edu (I will check email regularly in case there is an urgent situation, but will generally respond to non-urgent emails in the evening).
- Phone: I do not have an office phone.
- Office: 3236 Weill Hall
- Office Hours: I will be in my office on Thursdays after class from 5:30pm-6:30pm, but please feel free to email me to set up an appointment at another time.

### Accommodations for Students with Disabilities

If you believe you need an accommodation for a disability, please let me know as soon as feasible. Some aspects of courses may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, I can work with the Services for Students with Disabilities (SSD) office to help determine appropriate academic accommodations. Any information you provide will be treated as private and confidential.

### Student Mental Health and Well-Being Resources

The University of Michigan is committed to advancing the mental health and wellbeing of its students. We acknowledge that a variety of issues, such as strained relationships, increased anxiety, alcohol/drug problems, and depression, directly impacts students' academic performance. If you or someone you know is feeling overwhelmed, depressed, and/or in need of support, services are available. For help, contact [Counseling and Psychological Services](#) (CAPS) and/or [University Health Service](#) (UHS). For a listing of other mental health resources available on and off campus, visit: <http://umich.edu/~mhealth/>

### Ford School Academic Expectations

Below is a link to Ford School expectations for academic integrity, class attendance and assignments, and Ford School norms for use of technology in the classroom and during office hours. If you have not reviewed them already, please be sure to do so.

<http://fordschool.umich.edu/academics/expectations>

### Ford School Inclusivity Statement

Members of the Ford School community represent a rich variety of backgrounds and perspectives. We are committed to providing an atmosphere for learning that respects diversity. While working together to build this community we ask all members to:

- share their unique experiences, values and beliefs;
- be open to the views of others;
- honor the uniqueness of their colleagues;
- appreciate the opportunity that we have to learn from each other in this community;
- value one another's opinions and communicate in a respectful manner
- keep confidential discussions that the community has of a personal (or professional) nature; and
- use this opportunity together to discuss ways in which we can create an inclusive environment in Ford classes and across the UM community.

## Course Format

Classes will involve a combination of lectures and class discussions. Students will be expected to complete the weekly reading and problem assignments so that they are prepared to thoughtfully participate in class discussions.

## Grading

- 10% Class Participation
- 10% Personal Budget Assignment
- 20% Completion of Regular Homework Assignments
- 20% Mid-Term Exam
- 40% Final Exam

## Course Topics By Week

### September 6

1. Introduction and Overview

### September 13

2. Cost Concepts and Break-even Analysis
  - Reading: Wang Chapter 3
  - Assignment #1: Personal Budget
  - Assignment #2: Cost Calculations

### September 20

3. Costs Over Time and Cost Analysis
  - Reading: Wang Chapters 4 & 5
  - Assignment #3: Understanding Cost and Present Value

### September 27

4. More on Costs: Fringe Benefits and Entitlements
  - Reading (links available in file on Canvas):
    - Mikesell, pp. 169-173 (available in Chapter 4 on Canvas)
    - Khan Academy explanation of Defined Benefit and Defined Contribution pension plans: <https://www.khanacademy.org/humanities/us-history/american-civics-parent/american-civics/v/pension-obligations>
    - Khan Academy explanation of Illinois underfunded pension: <https://www.khanacademy.org/humanities/us-history/american-civics-parent/american-civics/v/illinois-pension-obligations>
    - The Dutch System: <http://www.nytimes.com/2014/10/12/business/no-smoke-no-mirrors-the-dutch-pension-plan.html>
    - Mikesell, pp. 124-133 (available in Canvas)
  - Assignment #4: Fringe Benefits and Break-even Review

#### **October 4**

5. Government Revenue Sources: Taxes
  - Reading: Mikesell, Chapter 8
  - Assignment #5: Road Tax Ballot Initiative

Order of topics, readings, and assignments below this line may change; be sure to review updated versions as they are loaded to the Canvas site.

#### **October 11**

6. Government Revenue Sources: Tax Expenditures & User Fees
  - Reading: Mikesell, pp. 590-594
  - Optional] In case you want to understand "Exclusion of net imputed income", one of the large tax expenditures noted in the Mikesell reading, try this:  
<http://www.businessinsider.com/imputed-rent-hidden-tax-break-homeowners-2016-9>
  - Reading: Mikesell, Chapter 12 (available on Canvas), including cases 12-1 and 12-2 at the end of the chapter

#### **October 18: Mid-term Exam during first part of class**

7. Budget Analysis
  - Study for mid-term
  - Assignment #6: Personal Budget Update and Variance Analysis

#### **October 25**

8. Budget Process, Budget Analysis, Program Budgets, and Cost Allocations
  - Reading: Weikart pp. 25-47 (available on Canvas)
  - Reading: Weikart pp. 71-76 (available on Canvas)
  - Assignment #7: Budgeting Practice

#### **November 1**

9. Financial Statements, Restricted Funds, and Budget Variances
  - Reading: Financial Management at the Red Cross (best to read in the order shown below)
    - <http://edition.cnn.com/2001/US/11/06/rec.charity.hearing/index.html>
    - [http://www.nbcnews.com/id/9518677/ns/us\\_news-katrina\\_the\\_long\\_road\\_back/t/despite-huge-katrina-relief-red-cross-criticized/#.WBADNdzsYfp](http://www.nbcnews.com/id/9518677/ns/us_news-katrina_the_long_road_back/t/despite-huge-katrina-relief-red-cross-criticized/#.WBADNdzsYfp)
    - <https://www.propublica.org/article/red-cross-ceo-has-been-misleading-about-donations>
  - Assignment #8: Grant Budget and Budget Variances

#### **November 8**

10. Cash, Debt, and the Balance Sheet (all readings available on Canvas)

- Reading: Finkler Chapter 9 (only pp 315-339)
- Reading: Weikart Chapter 3

### **November 15**

#### 11. Public Sector Financial Information

- Reading: excerpts from City of Ypsilanti CAFR (Note: There is a lot of information here.)
  - Read the Introductory Section (pp 1-5);
  - Read Management's Discussion (pp 11-17);
  - Skim Government-Wide Financial Statements (pp 18-32);
  - Take a look at the Index to the Financial Statement Notes (right after page 32);
  - If interested, study the Pension Liability Summary and notice that the pension is not fully funded (page 69); and
  - Review the Statistical Section so you know what is covered.

### **November 22: No Class**

### **November 29**

#### 12. Endowments and Multi-Year Budgeting

- Reading: Review Finkler Chapter 9 (only pp 315-339)
- Reading: Weikart pp. 274-277 (available on Canvas)
- Reading: Endowment FAQs (available on Canvas)
- Assignment #9: Multi-year Budgeting and Organizational Budgets

### **December 6**

#### 13. Catch-up and Exam Review

- Reading: Review readings from prior week
- Assignment #10: Finalize Personal Budgets

### **Final Exam TBD**