**Katie Porter’s Budget: A Financial Literacy Group Activity**

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**ABSTRACT**

*This paper describes an in-class team ice-breaker activity called “Katie Porter’s Budget”. Inspired by California Congresswoman Katie Porter’s questioning of JPMorgan Chase CEO Jamie Dimon during April 2019, the activity is used the first day of class in the California State University Monterey Bay (CSUMB) Financial Literacy upper division general education course. Students, working in small groups, meet classmates and brainstorm about budgets and trade-off decisions. This paper provides the instructions for the activity and details how the activity is conducted, including discussion and feedback from students. The paper then discusses how this first-day activity provides an anchor we return to throughout the semester as various topics are developed (e.g., making a budget, consumption versus saving and other trade off decisions, finding affordable housing, choosing between job offers and relocation analysis, investment decisions, etc.).*

**INTRODUCTION**

California State University Monterey Bay (CSUMB) began offering Financial Literacy as an upper division general education course in August 2019. CSUMB is a majority-minority university. The course is now popular with waiting lists on all four of its 35-person sections for fall 2020. More than 90% of the students are non-business majors. Some students are transfer students from two-year colleges. This class is sometimes their first opportunity to meet others on campus and start forming their network or study group.

During the first day of class, students are randomly placed in small groups on an ice-breaker activity called “Katie Porter’s Budget”. The inspiration for the activity is California Congresswoman Katie Porter’s questioning of JPMorgan Chase CEO Jamie Dimon in April 2019. Representative Porter described a hypothetical budget for a fictitious person (Patricia) who works as a Chase bank teller for $16.50/hour in Irvine, CA. Patricia is in the red $567 each month. Rep. Porter asked Dimon what he recommends Patricia should do to deal with her budget shortfall. The activity provides an opportunity for students to think and brainstorm about budgets and trade-off decisions. They make suggestions for what a real-world person in Patricia’s situation could do. In addition to providing a setting in which students can meet others, this first-day activity provides an anchor we return to throughout the semester as various topics are developed (e.g., making a budget, consumption versus saving and other trade off decisions, finding affordable housing, choosing between job offers and relocation analysis, investment decisions, etc.).

The rest of the paper is organized as follows. Section 2 provides the instructions for the activity and describes how the activity is conducted in class. Section 3 describes how ideas from the activity are used throughout the semester. Section 4 provides concluding remarks and ideas for future applications.

**Instructions for the Students and Conducting the Activity**

We budget about 15 minutes at the beginning of class the first day of the semester to acquaint students with the course format, the online course infrastructure (“iLearn”), and expectations for in-class activities. Students have received the syllabus in advance. We remind students to read the syllabus. We then point them to the instructions for the ice-breaker activity, which are posted on the iLearn site. Instructions are included in this paper as Attachment 1.

Students are randomly placed into 5-person groups by “counting off”. Students move to their team area, introduce themselves, and start working on the activity. Students are told to plan to regroup in 30 minutes. They are also shown supplemental materials that they can examine as time permits. These materials are:

* an image of Katie Porter and her white board (see Attachment 2),
* a transcript from Katie Porter’s April 2019 questioning of CEO Jamie Dimon which includes a link to the video of the questioning (see Attachment 3), and
* a comment from a VITA volunteer that discusses why Katie Porter’s tax assumptions are too high (see Attachment 4).

After 30 minutes, the class regroups. We rotate through each team to hear an idea, how it would help Patricia, and the trade-offs. Students from other groups weigh in with trade-offs the team might not have considered. Students speak from their own experiences. Many students share how they experienced hardships or tight budgets growing up. Some offer experiences regarding government assistance programs and food banks. Many live or have lived in multi-generational apartments or rented houses. Ideas range from the trade-offs of selling the car and using mass transit to trying to find a roommate or reaching out to family members for help with housing or childcare. Some students suggest changing jobs while others offer concerns about costs of moving and the time needed to change jobs. Some students recommend applying for a better paying position at the bank while others suggest getting a second job.

The instructor keeps the discussion going, making sure each group has time to speak and encouraging each person to speak at least once. Discussion usually lasts until the end of the allotted class time. Students are encouraged to share contact info (e.g., email addresses) with at least one “new friend” before leaving for the day. To memorialize the discussion for future weeks, ideas are typed into an open power point during the discussion and uploaded to the iLearn site at the end of the class.

**Scaffolding throughout the Semester**

Throughout the semester, we return to the activity, sometimes opening the power point slide, as various topics are introduced (e.g., making a budget, consumption versus saving and other trade off decisions, finding affordable housing, choosing between job offers and relocation analysis, investment decisions, etc.). In preparation for this, during the first-day ice-breaker activity, the instructor keeps a bullet point list of topics to be covered and tries to the extent possible to offer up an idea if not offered by one of the student teams. The complete list of bullet points is:

* Understanding your spending: As their first homework assignment, students are asked to write down their expenditures for 7 consecutive days.
* Career planning (Chapter 2 of the textbook[[1]](#footnote-1)): Can Patricia ever hope to get out of the red if she continues to work as a bank teller? How important is “expected salary” in the career planning process? Students read Chapter 2 and work in-class and online activities to assist their career planning.
* Budgeting (Chapter 3 of the textbook): Does Patricia know she’s in the red each month? What expenses hasn’t Patricia’s budget incorporated (e.g., car repair, school clothes for her daughter, emergencies)? Students make a budget for the third month of the class and evaluate that experience.
* Income taxes, deductions, and credits (Chapter 4 of the textbook): Students check online resources for changes in the tax code in 2018. A VITA representative from United Way visits the class to discuss availability of free services and encourage volunteering.
* Vehicle purchases and/or leasing (Chapter 8 of the textbook): What are the trade-offs of mass transport and/or ride sharing versus having your own vehicle?
* Affordable housing (Chapter 9 of the textbook): What are the realistic options? What costs are associated with moving? What are the trade-offs associated with roommates and/or living with family? Students work in teams using online resources (e.g., Zillow) and Google maps to find affordable housing for a fictitious person who is relocating to Santa Cruz to take an entry-level position for the City of Santa Cruz.
* Insurance decisions: Chapters 10, 11, and 12 of the textbook discuss health, property and auto, and life insurance.
* Investments and savings (Chapters 13 through 15 of the textbook): How much should Patricia be saving for her daughter? For herself? Why? Most of the second half of the semester is devoted to savings and investment analysis and decision making.

**Concluding Remarks**

The activity worked well during the first two semesters the course was offered (Fall 2019 and Spring 2020). For Fall 2020, CSUMB instruction is almost entirely online. We planned to use the activity in Fall 2020 in Zoom breakout rooms. Unforeseen wildfires and evacuations disrupted the ability of some students to attend synchronous Zoom meetings the first week of class. As a result, the activity was postponed.

Although quite timely during the first year we gave the financial literacy course, as time goes by, this activity will become “dated” and may seem stale to students. At the writing of this paper, we are thinking about whether it can be freshened up and used in future semesters, or whether a new ice-breaker activity, with similar learning objectives, is preferable. Anyone reading this paper is encouraged to share ideas with me at [lboni@csumb.edu](mailto:lboni@csumb.edu) .

**Attachment 1**

**Instructions for Week #1 In-Class Team Exercise: Trade-Offs, Budgets, and Decisions**

Chapter 1 of your text defines a *trade-off* as giving up one thing for another. Katie Porter is a U.S. Congresswoman from Orange County, California. Last April at a House Financial Services Committee hearing with the CEOs of several major bank, she questioned JPMorgan Chase CEO Jamie Dimon. Representative Porter describes a hypothetical budget for a fictitious person (Patricia) who works as a Chase bank teller for $16.50/hour in Irvine, CA. Patricia is in the red $567 each month. Rep. Porter asks Dimon what he recommends Patricia should do to deal with her budget shortfall. Porter later told a TV-interviewer that her goal of the interchange with Dimon was to open up a discussion of whether JP Morgan Chase should increase the hourly wage they pay entry-level bank tellers. She said Bank of America pays $20/hour for that job.

This example provides an opportunity for you and your team to think about budgets and trade-off decisions and make suggestions for what a real-world person in Patricia’s situation could do.

For today’s in-class exercise, complete the following with your team so that when we regroup as the entire class we can have everyone contribute to our conversation:

1. Work with your team to understand Patricia’s budget. Read the one-page “Transcript for Katie Porter’s budget example” pdf. Katie Porter posted of picture of herself and a white board of her calculations. It is on the iLearn site (“Katie Porter's white board”).
2. You can probably think of items that are not yet in the budget. These would make things even worse for Patricia. Katie mentions some of these later in the hearings. Try to think of 3 things that you think are important but missing from the budget.
3. Read the “Additional info for Katie Porter’s budget example” pdf. This is a suggestion posted on the YouTube video of the interchange indicating that the person believes Katie has overestimated the taxes Patricia would pay.
4. Katie Porter told CNN in an interview that people in her district told her that her numbers were too conservative (i.e., things are actually more expensive).
5. Brainstorm with your team: What could Patricia do? List your ideas in a table like the one below. For each idea, indicate how it would help and the trade-offs Patricia would have to make. Consider ideas for changing her income as well as for changing her expenses.
6. Team deliverable: Come up with at least five good ideas and type them into the table. Each person should upload an electronic copy of the table with 5 ideas to today’s iLearn block.
7. Be prepared in 30 minutes to rejoin the class and discuss your favorites.

|  |  |  |
| --- | --- | --- |
| **Idea** | **How would it help?** | **What are the trade-offs?** |
| 1. |  |  |
| 2. |  |  |
| 3. |  |  |
| 4. |  |  |
| 5. |  |  |

**Attachment 2**

**Katie Porter and her White Board**

**Attachment 3**

**Transcript from Katie Porter’s April 2019 questioning of CEO Jamie Dimon**

In April 2019, Jamie Dimon, the CEO of JPMorgan Chase Bank, testified to Congress. Katie Porter represents the 45th Congressional district in California. Irvine is its biggest city. Below is an excerpt from a portion of her interchange with Jamie Dimon.

REP. KATIE PORTER (D-CA):  I went to monster.com and I found a job in my home town of Irvine at JPMorgan Chase that pays $16.50 an hour.

The bank teller who gets this job is a woman named Patricia and she has a 6-year old daughter. She files taxes and claims her daughter as a dependent. That should leave her after-tax $2,425 a month.

She rents a one-bedroom apartment.  She and her daughter sleep together in the same room in Irvine, California.

That average one-bedroom apartment is going to be $1600.

She spends $100 on utilities.  Take away the $1700 and she is net $725.

 She`s like me.  She drives a 2008 Minivan and has gas, $400 for car expenses and gas.  Net $325.

The Department of Agriculture says a low-cost food budget that is Ramen Noodles, a low food budget is $400.  That leaves her $77 in the red.

She has a cricket cellphone, the cheapest cellphone she can get for $40. She`s in the red $117 a month.

She has after-school childcare because the bank is open during normal business hours.  That`s $450 a month.  That takes her down to negative $567 per month.

My question for you, Mr. Dimon is how should she manage this budget shortfall while she`s working full-time at your bank? She`s short $567, what would you suggest she do?

DIMON:  I don`t know.  I`d have to think about that.

If you’re interested, you can see Katie Porter’s follow up white board calcs and video link at: <https://www.cnn.com/2019/04/10/politics/katie-porter-jamie-dimon-bank-employees/index.html>

You can view the video at: <https://www.youtube.com/watch?v=0QKOLydDfNg>

This transcript is taken from: <http://www.msnbc.com/transcripts/the-last-word/2019-04-11>

**Attachment 4**

**VITA Volunteer’s Comments about Katie Porter’s Tax Assumptions**

**Additional info per “**[**Doug Joslin**](https://www.youtube.com/channel/UCjKLrKSl1bgEMpmgLz-Lp6Q)**” that might be helpful at**

<https://www.youtube.com/watch?v=0QKOLydDfNg&lc=UgyE241Tx24-huLKpJN4AaABAg>

“I am a retired accounting and finance professional. For the past six years, I have volunteered with AARP VITA as a tax preparer. We do taxes for older people and for other households, many like the person described by the Congresswoman. I ran a set of U.S. and California 2018 Income tax returns based on the information given above. The taxpayer would be Head of Household with one dependent, qualifying for child credit, earned income credit, and childcare credit. The taxpayer is going to be taxed for Social Security and Medicare at 7.65% or $2,682. She pays NO federal income tax, in fact because of refundable credits she gets $1,781 paid to her due to these credits. For California, she actually pays NO income tax at all. Netted together she actually pays $901 in federal and state taxes on her $35,070 in income. Effectively, her budget balances and she has no shortfall.”

1. The textbook for the course is “Personal Finance”, 13th Edition, by Garman & Forgue (used copies are okay; a Cengage website access card is not needed for our course). [↑](#footnote-ref-1)