

Department of Legislative Services  
 Maryland General Assembly  
 2015 Session

FISCAL AND POLICY NOTE

House Bill 248 (Delegate Walker)  
 Ways and Means

State Board of Education - Financial Literacy Curriculum - Graduation Requirement

This bill requires the State Board of Education to develop curriculum content for a semester-long course in financial literacy. Each local board of education must implement the curriculum in every high school under the board’s jurisdiction, and a student must complete the course in order to graduate from high school.

Fiscal Summary

**State Effect:** General fund expenditures increase by an estimated \$156,500 in FY 2016 to provide training and technical assistance as local school systems implement the new curriculum. Future year estimates reflect additional teachers’ retirement costs beginning in FY 2019, the elimination of one-time contractual costs, annualization, regular salary increases, and inflation. Revenues are not affected.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	156,500	91,400	95,700	1,595,200	1,527,000
Net Effect	(\$156,500)	(\$91,400)	(\$95,700)	(\$1,595,200)	(\$1,527,000)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Local school system expenditures may increase by up to \$16.4 million in FY 2017 to implement stand-alone financial literacy courses in all public high schools. Local school system retirement costs increase by approximately \$593,500 annually beginning in FY 2019. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Minimal.

## Analysis

**Current Law:** With the advice of the State Superintendent of Schools, the State Board of Education establishes basic policy and guidelines for the program of instruction for public schools. Subject to State law and the regulations, bylaws, policies, and guidelines established by the State Board of Education, each local board of education must establish the curriculum guides and courses of study for schools in its jurisdiction. Policies, rules, and regulations for the graduation of students from Maryland public schools are established by local boards of education and the State Board of Education.

According to regulations, each local school system must provide personal financial literacy programs in elementary, middle, and high schools that at least meet the content standards in the regulations.

**Background:** Pursuant to Chapter 186 of 2008, the Task Force to Study How to Improve Financial Literacy in the State was created to study the ability of high school students to understand basic financial concepts; assess the utility of financial literacy education as part of primary and secondary education; study the ability of consumers older than age 21 who have achieved a high school diploma to understand basic financial concepts; study the problems created for the average consumer by a lack of financial literacy or knowledge; and make recommendations regarding how to address these problems.

In December 2008, the task force submitted preliminary recommendations to the State board that were designed to address the issue of providing financial literacy education to students in primary and secondary schools. In its accompanying letter to the State board, the chairs of the task force expressed that, although some of the local school systems offer financial literacy education as an elective course and a few local school systems require completion of the course as a prerequisite for graduation, the task force was not convinced that enough was being done to prepare all students to understand basic financial concepts, including establishing household budgets, understanding how credit can improve or impede financial progress, and determining how best to save and spend money.

At the January 27, 2009 meeting of the State board, the legislative members of the task force presented these recommendations and emphasized to the State board the extreme urgency and need for financial literacy education in primary and secondary schools. In response, the State Superintendent of Schools directed an internal Maryland State Department of Education (MSDE) team consisting of representatives from the Division of Career and College Readiness and the Division of Instruction to implement an action plan. On February 26, 2009, the State Superintendent reported that, in response to the recommendations of the task force, MSDE would form a Financial Literacy Education Design Team to develop financial literacy education content standards – statements about what students should know and be able to do – and convene the Financial Literacy

Advisory Council to oversee the work of the design team and help leverage resources. Membership on both the design team and the advisory council included members of the task force; educators; and representatives of associations, nonprofit organizations, and financial institutions (including banks and credit unions).

Through the synthesis of the JumpStart Coalition for Personal Financial Literacy standards, the state financial literacy standards in Wisconsin, and other expert opinions and advice, the design team completed its charge of developing content standards. The content standards serve as the framework for Maryland's Personal Financial Literacy State Curriculum. The curriculum consists of the standards, objectives, and indicators to be used to develop local curricula. The curriculum is organized in grade bands of 3 to 5, 6 to 8, and 9 to 12 in order to ensure that financial literacy education is provided in a continuum throughout elementary, middle, and high school.

In June 2010, MSDE adopted regulations based on the design team's content standards. The regulations require each local school system to implement personal financial literacy programs in elementary, middle, and high schools. By September 1, 2011, and every five years after that, local superintendents must certify to the State Superintendent that the instructional program in the elementary, middle, and high school learning years meets, at a minimum, the financial literacy content standards described in the regulations.

Although financial literacy is now a required content area, MSDE reports that there are currently no financial literacy content specialists at MSDE. Generally, every required content area has a supervisory position housed at MSDE; however, current work relating to the financial literacy curriculum is being absorbed by four staff members from the Career and Technology Education and Social Studies curriculum support areas. The effect of this has been to limit staff availability for those responsibilities.

In addition, MSDE reports that there are no State monetary resources available to implement the current financial literacy curriculum or to provide professional development. In past years MSDE has used federal Perkins funds to provide professional development for select teachers on the Family Economics and Financial Education curriculum developed by the University of Arizona at Tucson. These funds are no longer available for training since they cannot be used to maintain an initiative once the program of study is required for all students. Additional curriculum assistance and professional development has been provided by the Maryland Coalition for Financial Literacy, a division within the Maryland Council of Economic Education.

Five local school systems – Allegany, Calvert, Carroll, Charles, and Garrett counties – currently require high school students to complete a semester-long course in financial literacy. Beginning with the 2017 graduating class, students in Caroline County will be required to complete a stand-alone financial literacy course as a graduation requirement.

In addition to the financial literacy content integrated into required courses in U.S. History and Government in Talbot County juniors and seniors may take a stand-alone course in personal finance course. Queen Anne’s and St. Mary’s counties offer a stand-alone financial literacy course in addition to the required course with integrated financial literacy content. In Frederick County students may take a semester-long financial literacy course or courses with integrated financial literacy content. In the other 14 counties and Baltimore City, financial literacy content is integrated into one of the courses required for graduation.

**State Expenditures:** General fund expenditures increase by an estimated \$156,499 in fiscal 2016, which accounts for the bill’s October 1, 2015 effective date. This estimate reflects the cost of hiring an education program specialist in MSDE to provide guidance and technical assistance to local school systems as they implement the financial literacy curriculum. A full-time salary, fringe benefits, start-up costs, and ongoing operating expenses, as well as one-time contractual costs and travel associated with professional development, are included in the estimate.

	<u>FY 2016</u>	<u>FY 2017</u>
Salary and Fringe Benefits	\$66,775	\$90,853
Contractual Professional Development Costs	80,000	0
Travel	5,000	0
Operating Expenses	439	591
Start-up Costs	<u>4,285</u>	<u>0</u>
<b>Total State Expenditures</b>	<b>\$156,499</b>	<b>\$91,444</b>

Future year expenditures reflect a full salary with annual increases, employee turnover, and annual increases in ongoing operating expenses.

Teachers’ retirement costs are paid based on local school system salaries from the second prior fiscal year. If additional teachers are hired to teach financial literacy in fiscal 2017, teachers’ retirement expenses will increase beginning in fiscal 2019.

Based on the assumptions below for local expenditure increases, the teacher salary base may increase by as much as \$14.1 million in fiscal 2017 and \$15.0 million in fiscal 2018, increasing State-paid retirement costs by \$1.5 million in fiscal 2019 and \$1.4 million in fiscal 2020. To the extent that school systems hire fewer teachers in other fields, effectively replacing some existing subjects with financial literacy courses, these costs will be considerably lower.

**Local Expenditures:** Local school expenditures could increase by an estimated \$16.4 million in fiscal 2017 to hire teachers qualified to teach mandatory financial literacy courses (\$14.1 million) and to purchase textbooks and materials needed for the courses

(\$2.3 million). The information and assumptions used to develop this estimate are stated below.

- The mandatory course will be developed in the 2015-2016 school year and will be taught beginning in the 2016-2017 school year. The course would not, therefore, be a graduation requirement until the 2017 graduating class.
- There are approximately 266 schools with a grade 12 in the State. It is assumed that financial literacy courses will be implemented in each of these 266 schools.
- According to MSDE, 10 of the 24 local school systems offer mandatory or elective semester-long financial literacy programs, meaning at least 14 school systems would have to implement new financial literacy courses under the bill. Based on the counties in which the schools are located, it is assumed that the courses would need to be added in approximately 216 schools statewide.
- The statewide first quartile salary and benefits per teacher in fiscal 2017 is estimated at \$52,531. Assuming each new school implementing semester-long financial literacy courses would need just one additional teacher, the total cost for the teachers would be approximately \$14.1 million. However, to the extent that existing teachers are qualified or could become qualified to teach financial literacy, costs for teachers could be considerably less than \$14.1 million. Furthermore, as some existing courses are eliminated to make room for mandatory financial literacy courses, teacher positions in other fields could also be reduced to make room in local school system budgets.
- In addition to teachers, schools would need to purchase textbooks and other course materials. There are approximately 68,586 students in each high school grade level. Assuming schools already have adequate material for 12,267 students, additional textbooks and material will be needed for approximately 56,319 students or 28,160 students each semester. If the materials cost an estimated \$80 per student, school expenditures will increase by \$2.3 million. After fiscal 2017, costs for textbooks and course materials could decrease if the same materials are reused.
- Chapter 1 of the 2012 first special session requires local school boards to share in the costs of teachers' retirement by phasing in school board payments of the annual normal costs over four years and sets out the payment required from each school board for fiscal 2013 through 2016. Beginning in fiscal 2017, local school boards will be responsible for the actual normal cost for pensions for qualifying personnel.

- Under the assumptions described above, local expenditures for teacher retirement increase by \$593,479 in fiscal 2019 and by \$592,969 in fiscal 2020.

These estimates assume no additional costs in the 10 local school systems that have implemented elective or mandatory semester-long financial literacy courses. If the curriculum developed by the State Board of Education does not align with existing financial literacy courses in these 10 systems or if systems with elective courses need to add financial literacy teachers to offer the required courses to all high school students, costs will be greater than projected.

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### **Additional Information**

**Prior Introductions:** HB1429 of 2014, HB 843 of 2013, and HB 191 of 2012 each received a hearing in the House Ways and Means Committee, but no further action was taken. SB 307 of 2012 received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee. SB 262 of 2011 passed the Senate and was referred to the House Ways and Means Committee, but no further action was taken. Its cross file, HB 127, received a hearing in the House Ways and Means Committee. Also identical was HB 224 of 2011, which likewise received a hearing in the House Ways and Means Committee. No further action was taken on either of these bills.

**Cross File:** None.

**Information Source(s):** Maryland State Department of Education; Maryland Association of Boards of Education; Charles, Frederick, and Montgomery counties; Maryland Association of Boards of Education; Department of Legislative Services

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Analysis by: Caroline L. Boice

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510