

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 500 (Senator Muse, *et al.*)

Education, Health, and Environmental Affairs

Ways and Means

Prince George's County - Board of Education - Financial Literacy Pilot Program Course

This bill requires the Prince George’s County Board of Education to develop and implement a pilot program that includes a semester-long elective course in financial literacy as part of the board’s curriculum. The bill requires the board to select three high schools in the county to participate in the pilot program and to submit a report on the success of the pilot program to the Prince George’s County delegation of the General Assembly by June 30 of each year.

The bill takes effect July 1, 2009 and terminates June 30, 2011.

Fiscal Summary

State Effect: General fund expenditures for teachers’ retirement may increase by \$33,000 in FY 2012 and by \$37,300 in FY 2013 if new teachers are hired in Prince George’s County to teach financial literacy courses. Revenues are not affected.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	0	33,000	37,300	0
Net Effect	\$0	\$0	(\$33,000)	(\$37,300)	\$0

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

Local Effect: Prince George’s County school expenditures may increase by an estimated \$263,600 in FY 2010 to implement the pilot program. Revenues are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The Prince George's County Board of Education must develop curriculum content for a semester-long course in financial literacy, which must include instruction regarding:

- choosing a career and earning income;
- economic and financial decision making;
- basic economic concepts including opportunity cost, cost/benefit analysis, and supply and demand;
- saving and investing money;
- credit;
- charitable giving;
- household budgeting;
- insurance;
- consumer awareness;
- understanding contractual agreements; and
- fraud and identity theft.

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 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.

Background: Chapters 186 and 187 of 2008 created the Task Force to Study How to Improve Financial Literacy in the State. The task force was established to (1) study the current ability of high school students to understand basic financial concepts; (2) evaluate the current provision of financial literacy education in Maryland's public schools; (3) assess the utility of financial literacy education as part of primary and secondary education; (4) study the current ability of consumers older than age 21 who have achieved a high school diploma to understand basic financial concepts; and (5) study the problems created for the average consumer by a lack of financial literacy or knowledge, including specified items.

The Maryland State Department of Education (MSDE) advises that it is in the process of developing financial literacy content standards, as a result of the work of the task force. All local school systems will be offered these content standards as well as the opportunity to participate in related professional development. MSDE further advises that teachers from Prince George's County public schools, along with other Maryland teachers, have received professional development on using and implementing family economics and financial education curriculum.

State Expenditures: Teachers' retirement cost for local school systems are paid entirely by the State government. Pursuant to this legislation, teacher salaries may increase by \$202,700 beginning in fiscal 2010. This would affect State paid teachers' retirement cost beginning in fiscal 2012. Assuming retirement contribution rates of 15.45% in fiscal 2012 and 16.51% in fiscal 2013, State general fund expenditures will increase by \$33,000 in fiscal 2012 and \$37,300 in fiscal 2013. Costs could be less to the extent that current teachers are qualified to teach the proposed course.

Local Expenditures: Prince George's County school expenditures may increase by an estimated \$263,580 in fiscal 2010 to hire teachers qualified to teach financial literacy courses (\$247,200) and to purchase textbooks and materials needed for the courses (\$16,380). The information and assumptions used to develop this estimate are stated below.

- The course will be developed prior to the 2009-2010 school year and would be taught beginning in that school year.
- MSDE advises that approximately 1,333 students are enrolled in the average Prince George's County high school. If the course was required, about one-fourth of high school students would take the course in a given year. Because the course is an elective, it is assumed that 50% of students will elect to take the course each year. This represents 167 students per school for each of the two years of the pilot program.
- Each teacher would have approximately 84 students per semester. Given that the financial literacy courses would be one semester long and assuming that a teacher could teach approximately four classes of 21 students, a total of three new teachers may be needed.
- The average cost per teacher for salary and benefits is estimated at \$82,400 for fiscal 2010. The total cost for three teachers would be approximately \$247,200.

- Enough textbooks and other course materials would be needed for 252 students each semester. The materials would cost an estimated \$65 per student, or \$16,380 in total.

Prince George's County Public Schools advises that three teachers will be needed to teach the financial literacy course, though some elements of the proposed course are already part of public school curriculum in the county. Expenditures may be lower to the extent that existing teachers are qualified to teach the course, eliminating the need to hire new teachers. However, expenditures may increase to the extent that existing teachers would require training in order to teach the course.

After fiscal 2010, costs for textbooks and course materials could decrease if the same materials are reused. Additional school system costs could also be incurred for curriculum development and to meet the bill's reporting requirement.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County, Maryland State Department of Education, Department of Legislative Services

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