

Department of Legislative Services  
 Maryland General Assembly  
 2016 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 476 (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 \$159,300 in FY 2017 to provide training and technical assistance as local school systems implement the new curriculum. State teacher retirement costs increase beginning in FY 2020 (not shown). Future year estimates reflect the elimination of one-time contractual costs, annualization, regular salary increases, and inflation. Revenues are not affected.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	159,300	93,700	97,300	101,000	104,900
Net Effect	(\$159,300)	(\$93,700)	(\$97,300)	(\$101,000)	(\$104,900)

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

**Local Effect:** Local school system expenditures may increase by up to \$16.5 million in FY 2018 to implement stand-alone financial literacy courses in all public high schools. Local school system retirement costs increase beginning in FY 2020. **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:**

#### *Maryland's Personal Financial Literacy Standards*

Chapter 186 of 2008, the Task Force to Study How to Improve Financial Literacy in the State, began the movement towards developing financial literacy standards for public schools in the State. Through the synthesis of the Jump\$tart Coalition for Personal Financial Literacy standards, the state financial literacy standards in Wisconsin, and other expert opinions and advice, content standards were developed to 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, the Maryland State Department of Education (MSDE) adopted regulations based on the 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 have been required to 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 have been provided by the Maryland Coalition for Financial Literacy, a division within the Maryland Council of Economic Education.

*Current High School Courses in Financial Literacy*

Seven local school systems – Allegany, Calvert, Caroline (beginning with the 2017 graduating class), Carroll, Charles, Frederick, and Garrett counties – currently require high school students to complete at least a semester-long course in financial literacy in order to graduate from high school. Charles and Garrett counties require high school students to complete a year-long course in financial literacy. Queen Anne’s, St. Mary’s, and Talbot counties offer a stand-alone financial literacy course in addition to the required course with integrated financial literacy content. In the other 14 counties (including Baltimore City), financial literacy content is integrated into one of the courses required for graduation.

**State Expenditures:** General fund expenditures increase by an estimated \$159,320 in fiscal 2017, which accounts for the bill’s October 1, 2016 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.

	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>
Salary and fringe benefits	\$69,505	\$93,042
Contractual professional development costs	80,000	0
Travel	5,000	0
Operating expenses	452	608
Start-up costs	4,363	0
<b>Total State expenditures</b>	<b>\$159,320</b>	<b>\$93,650</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 2018, teachers' retirement expenses paid by the State will increase beginning in fiscal 2020.

**Local Expenditures:** Local school expenditures could increase by an estimated \$16.5 million in fiscal 2018 to hire teachers qualified to teach mandatory financial literacy courses (\$14.5 million) and to purchase textbooks and materials needed for the courses (\$2.1 million). The information and assumptions used to develop this estimate are stated below.

- The mandatory course will be developed in the 2016-2017 school year and will be taught beginning in the 2017-2018 school year. The course would not, therefore, be a graduation requirement until the 2018 graduating class.
- There are approximately 263 schools with a grade 12 in the State. It is assumed that financial literacy courses will be implemented in each of these 263 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 211 schools statewide.
- The statewide first-quartile salary per teacher in fiscal 2018 is estimated at \$52,819. 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 \$14.5 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 \$14.5 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 63,475 students in each high school grade level. Assuming schools already have adequate material for 12,202 students, additional textbooks and material will be needed for approximately 51,273 students or 25,637 students each semester. If the materials cost an estimated \$80 per student,

school expenditures will increase by \$2.1 million. After fiscal 2018, 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. Beginning in fiscal 2017, local school boards will be responsible for the actual normal cost for pensions for qualifying personnel. To the extent a local school system hires additional personnel, which increases the salary base for the local school system, local retirement expenditures increase beginning 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:** HB 248 of 2015, HB 1429 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, Department of Legislative Services

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