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FISCAL AND POLICY NOTE
 First Reader

House Bill 921 (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 \$156,200 in FY 2019 to provide training and technical assistance as local school systems implement the new curriculum. State teacher retirement costs may increase beginning in FY 2022 (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 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	156,200	88,700	91,400	94,600	98,000
Net Effect	(\$156,200)	(\$88,700)	(\$91,400)	(\$94,600)	(\$98,000)

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

Local Effect: Local school system expenditures may increase, potentially significantly for some school systems, beginning in FY 2020 depending on how local school systems choose to implement the bill. Local school system retirement costs may also increase beginning in FY 2022. **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 established the Task Force to Study How to Improve Financial Literacy, which began the movement toward developing financial literacy standards for public schools in the State. 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 financial literacy content standards in regulation and required 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. MSDE advises that financial literacy concepts are also embedded in the economics strand of the social studies content standards.

Although financial literacy is now a required content area, MSDE reports that there are currently no financial literacy content specialists at MSDE and no State monetary resources available to implement the current financial literacy content standards, to provide professional development, or to develop curriculum content in these areas.

Current High School Courses in Financial Literacy and Entrepreneurship

Ten counties currently offer a stand-alone course in financial literacy. Of those, seven counties – Allegany, Calvert, Caroline, Carroll, Charles, Frederick, and Garrett counties – require high school students to complete the course (either one-half or semester long) in order to graduate. In Queen Anne’s, St. Mary’s, and Talbot counties, high school students may take a stand-alone financial literacy course or the required course with integrated financial literacy content. In the other 14 systems, financial literacy content is integrated into one of the courses required for graduation.

Financial literacy education concepts are also included in business and marketing programs. Currently, 22 school systems offer programs in the Business Management and Finance Cluster, and almost 18,000 students are enrolled in 167 schools. Another program that provides students with both financial literacy and entrepreneurship experiences is Career Research and Development. This program is offered in 14 school systems to approximately 7,500 students.

Online Financial Literacy Course Created by MSDE

MSDE advises it expended \$250,000 from its federal Race to the Top grant to develop a one-credit, online financial literacy course. The course is available to all students and school systems through Maryland Virtual Learning Opportunities, which MSDE uses to provide online learning to students, schools, and school systems. MSDE advises that the online course includes discussion forums, written assignments, presentations, and portfolio items and features a pre- and post-assessment.

State Expenditures: General fund expenditures increase by an estimated \$156,171 in fiscal 2019, which accounts for the bill’s October 1, 2018 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 2019</u>	<u>FY 2020</u>
Salary and Fringe Benefits	\$65,812	\$88,034
Contractual Professional Development Costs	80,000	0
Travel	5,000	0
Operating Expenses	469	625
Start-up Costs	<u>4,890</u>	<u>0</u>
Total State Expenditures	\$156,171	\$88,659

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

Teachers' retirement costs are paid primarily by the State based on local school system salaries from the second prior fiscal year. If additional teachers are hired to teach physical education beginning in fiscal 2020, teachers' retirement costs will increase beginning in fiscal 2022.

Local Expenditures: Local school systems have the flexibility to implement the bill in the manner that best uses the resources available for their schools. At a minimum, costs are likely to increase by approximately \$2.0 million to purchase textbooks and materials needed for the required stand-alone course in the 14 counties that do not currently offer one.

MSDE's online course, which became available to all school systems after the 2016-2017 school year, could be used to meet the bill's requirements without significant additional personnel expenditures. The need to hire additional teachers could also be limited to the extent that existing teachers are qualified or could become qualified to teach financial literacy. 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 school system budgets.

For illustrative purposes, if school systems choose to hire an additional teacher for each of the estimated 210 high schools statewide that do not currently offer a stand-alone financial literacy course, local school expenditures could increase by an estimated \$15.1 million beginning in fiscal 2020.

Local school boards are responsible for the actual normal cost of pensions for qualifying personnel. To the extent that additional financial literacy teachers are hired, local retirement expenditures increase beginning in fiscal 2020, or as late as fiscal 2022, depending on extensions granted.

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 may increase for these systems.

Additional Information

Prior Introductions: HB 476 of 2016, 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): Carroll and Harford counties; Maryland State Department of Education; Department of Legislative Services

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