

Department of Legislative Services  
Maryland General Assembly  
2008 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 533

(Senator Muse, *et al.*)

Education, Health, and Environmental Affairs

Ways and Means

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**Task Force to Study How to Improve Financial Literacy in the State**

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This bill establishes a Task Force to Study How to Improve Financial Literacy in the State, staffed by the Department of Legislative Services. The task force is required to report on its findings and recommendations to the Governor and the General Assembly by December 1, 2008.

The bill takes effect July 1, 2008 and terminates June 30, 2009.

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**Fiscal Summary**

**State Effect:** Any expense reimbursements and staffing costs for the Department of Legislative Services could be handled with existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** The task force will • study the current ability of high school students to understand basic financial concepts; • evaluate the current provision of financial literacy education in Maryland's public schools; and • assess the utility of financial literacy education as part of primary and secondary education. The task force will also study the current ability of consumers older than age 21 who have achieved a high school diploma to understand basic financial concepts. Finally, the task force will study the problems created for the average consumer by a lack of financial literacy or knowledge, including

an inability to • determine how to set financial goals; • establish basic household budgets; • locate the best-priced financial services products relative to current economic situations; • understand how credit can improve or impede progress toward financial goals; and • evaluate offers for products. The task force has to make recommendations regarding how to address the aforementioned issues and the benefits and drawbacks utility of requiring financial literacy education as part of primary and secondary education.

Task force members may not receive compensation but are entitled to reimbursement for expenses under the standard State travel regulations, as provided in the State budget.

**Current Law/Background:** In 2002, the U.S. Department of the Treasury's Office of Financial Education reported that • the average American was only able to answer 42% of questions correctly on a personal finance quiz; • 4 out of 10 Americans admitted that they are living beyond their means because of their misuse and misunderstanding of credit; and • personal bankruptcy filings more than doubled between 1990 and 2000. The same report also estimated that America's youth spend approximately \$150 billion annually. In 2006, the national survey of financial literacy by the JumpStart Coalition for Personal Financial Literacy found 65.5% of high school seniors with failing scores, representing a significant increase from the 44.2% with failing scores in 1998.

Material for the Maryland Voluntary State Curriculum in social studies for grades pre-K through eight includes key principles of economics, including • understanding costs, benefits, and consequences of personal spending; • explaining how spending and saving choices affect the standard of living; and • analyzing how personal choices, education, and technology affect an individual's standard of living and the economy. At the high school level, the material also includes • assessing how scarcity influences budgeting, saving, investing, and credit; • analyzing the interdependence of saving, borrowing, and investment decisions of consumers and producers; • comparing short- and long-term saving and investment strategies; • investigating how payment performance determines credit history and why credit records are maintained; • identifying and evaluating the risk, return, and liquidity of various saving and investment decisions; and • analyzing examples of personal financial decisions in terms of opportunity costs and economic risks.

Financial education courses and curricula have been developed by various educational foundations and organizations that have been vetted by the Maryland Coalition for Financial Literacy (a division of the Maryland Council on Economic Education). These courses and materials include instructor's manuals, student workbooks, Internet-based modules, and supplemental materials, as well as support for teacher training, much of

which is available to local school systems at no charge. The Maryland Homeownership Preservation Task Force, commissioned by the Governor in response to rising default and foreclosure rates throughout the State, recommended in October 2007 that the Governor endorse the program sponsored by the coalition. This program could be used in high schools to expand the financial knowledge of Maryland students as one method of increasing future financial literacy.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1242 (Delegate Stein, *et al.*) – Ways and Means.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 22, 2008  
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