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Maryland General Assembly
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FISCAL AND POLICY NOTE

House Bill 764
Ways and Means

(Delegate Carter, *et al.*)

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 \$152,900 in FY 2011 to provide training and technical assistance as local school systems implement the new curriculum. Future year estimates reflect the elimination of one-time contractual costs after FY 2011, annualization, regular salary increases, inflation, and teachers' retirement costs in FY 2014 and 2015. Revenues are not affected.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	152,900	86,100	90,100	2,273,500	2,478,100
Net Effect	(\$152,900)	(\$86,100)	(\$90,100)	(\$2,273,500)	(\$2,478,100)

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

Local Effect: Local school system expenditures may increase up to \$17.4 million in FY 2012 to implement mandatory financial literacy courses in all public high schools. **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 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.

Background: In response to the current nationwide financial crisis, the Task Force to Study How to Improve Financial Literacy in the State was created during the 2008 legislative session (Chapter 186 of 2008) 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 would include 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 Jump\$tart 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 accordance with MSDE protocol, the draft curriculum was circulated to national, State, and local stakeholder groups, including local superintendents, assistant superintendents of instruction, supervisors of career and technology education, business education, family and consumer sciences education, and social studies, as well as members of the task force. MSDE invited comments on the draft that, upon receipt, were found to be valuable.

MSDE presented the final version of the curriculum to the State board in January 2010. Subsequently, MSDE will request permission to publish the content standards in the *Maryland Register*. Following the requisite period of public comment, MSDE will request permission from the State board to adopt the content standards as regulations. MSDE anticipates the curriculum will be adopted for the 2011-2012 school year.

State Expenditures: General fund expenditures increase by an estimated \$152,866 in fiscal 2011, which accounts for the bill's October 1, 2010 effective date. This estimate reflects the cost of hiring an education program specialist to provide guidance and technical assistance to local school systems as they implement the new 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 2011</u>	<u>FY 2012</u>
Position	1	
Salary and Fringe Benefits	\$61,416	\$83,247
Professional Development	80,000	0
Travel	5,000	0
Operating Expenses	1,733	2,121
Start-up Costs	<u>4,717</u>	<u>0</u>
Total State Expenditures	\$152,866	\$86,095

Future year expenditures reflect a full salary with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses.

Teachers' retirement costs are paid by the State based on local school system salaries from the second prior fiscal year. If additional teachers are hired to teach financial literacy in fiscal 2012, teachers' retirement expenses will increase beginning in fiscal 2014. As estimated in the Local Expenditures section below, the teacher salary base may increase by as much as \$12.6 million in fiscal 2012 and \$12.8 million in fiscal 2013, increasing State-paid retirement costs by \$2.2 million in fiscal 2014 and \$2.4 million in fiscal 2015. 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 somewhat lower.

Local Expenditures: Local school expenditures could increase by an estimated \$17.4 million in fiscal 2012 to hire teachers qualified to teach mandatory financial literacy courses (\$15.5 million) and to purchase textbooks and materials needed for the courses (\$1.9 million). The information and assumptions used to develop this estimate are stated below.

- The mandatory course will be developed in the 2010-2011 school year and will be taught beginning in the 2011-2012 school year.
- There are 181 public high schools, 24 vocational-technical schools, and 58 alternative centers in the State. It is assumed that financial literacy courses will be implemented in each of these 263 schools.
- According to MSDE, 7 of the 24 local school systems offer mandatory or elective financial literacy programs, meaning 17 school systems would have to implement new financial literacy courses under the bill. Assuming the systems that would need to add financial literacy courses represent approximately 71% of the schools, the courses would need to be added in approximately 187 schools.
- The average fiscal 2012 cost per teacher for salary and benefits is estimated at \$82,800. 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 \$15.5 million. However, to the extent that existing teachers are qualified or could become qualified to teach financial literacy, costs for teachers could be less than \$15.5 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 school system budgets.
- In addition to teachers, schools would need to purchase textbooks and other course materials. There are approximately 67,000 students in each grade level.

Assuming schools already have adequate material for 19,715 students, additional textbooks and material will be needed for approximately 47,570 students or 23,785 students each semester. If the materials cost an estimated \$80 per student, school expenditures will increase by \$1.9 million. After fiscal 2012, costs for textbooks and course materials could decrease if the same materials are reused.

These estimates assume no additional costs in the seven school systems that have implemented elective or mandatory financial literacy courses. If the curriculum developed by the State Board of Education does not align with existing financial literacy courses in these seven 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 here.

Additional Comments: The bill has an effective date of October 1, 2010, and requires every student to complete a semester-long course in financial literacy in order to graduate. The fiscal estimate, however, assumes that full implementation of the bill will not occur prior to the 2011-2012 school year. Requiring the students who are scheduled to graduate in 2011 to complete the course for graduation would be nearly impossible to implement.

Additional Information

Prior Introductions: SB 714 of 2008 received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee. Its cross file, HB 1271, received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: SB 264 (Senator Muse, *et al.*) - Education, Health, and Environmental Affairs.

Information Source(s): Maryland State Department of Education; Carroll County; Department of Legislative Services

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ncs/mwc

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