

Department of Legislative Services  
 Maryland General Assembly  
 2011 Session

FISCAL AND POLICY NOTE

House Bill 224 (Delegate Carter, *et al.*)  
 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 \$153,800 in FY 2012 to provide training and technical assistance as local school systems implement the new curriculum. Future year estimates reflect additional teachers’ retirement costs beginning in FY 2015, the elimination of one-time contractual costs, annualization, regular salary increases, and inflation. Revenues are not affected.

(in dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	153,800	87,500	91,800	2,158,700	2,225,400
Net Effect	(\$153,800)	(\$87,500)	(\$91,800)	(\$2,158,700)	(\$2,225,400)

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

**Local Effect:** Local school system expenditures may increase by up to \$15.6 million in FY 2013 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.

According to regulations, each local school system must implement personal financial literacy programs in elementary, middle, and high schools by September 1, 2011, that at least meet the content standards in the regulations.

**Background:** Pursuant to Chapter 186 of 2008, the Task Force to Study How to Improve Financial Literacy in the State was created 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 included 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.

In June 2010, MSDE adopted regulations based on the design team's 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 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 anticipates that local school systems will adopt the curriculum for the 2011-2012 school year.

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. For the past three 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 has been provided by the Maryland Coalition for Financial Literacy, a division within the Maryland Council of Economic Education.

Carroll and Allegany counties currently require high school students to complete a semester-long course in financial literacy. Seven additional counties offer semester- or year-long elective courses with financial literacy embedded into the curriculum.

**State Expenditures:** General fund expenditures increase by an estimated \$153,769 in fiscal 2012, which accounts for the bill’s October 1, 2011 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><b>FY 2012</b></u>	<u><b>FY 2013</b></u>
Position	1	
Salary and Fringe Benefits	\$62,476	\$84,851
Contractual Professional Development Costs	80,000	0
Travel	5,000	0
Operating Expenses	1,958	2,636
Start-up Costs	<u>4,335</u>	<u>0</u>
<b>Total State Expenditures</b>	<b>\$153,769</b>	<b>\$87,487</b>

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 2013, teachers’ retirement expenses will increase beginning in fiscal 2015. Based on the assumption below for local expenditure increases, the teacher salary base may increase by as much as \$11.1 million in fiscal 2013 and \$11.5 million in fiscal 2014, increasing State-paid retirement costs by \$2.1 million in fiscal 2015 and \$2.1 million in fiscal 2016. 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 considerably lower.

**Local Expenditures:** Local school expenditures could increase by an estimated \$15.6 million in fiscal 2013 to hire teachers qualified to teach mandatory financial literacy courses (\$13.9 million) and to purchase textbooks and materials needed for the

courses (\$1.7 million). The information and assumptions used to develop this estimate are stated below.

- The mandatory course will be developed in the 2011-2012 school year and will be taught beginning in the 2012-2013 school year. The course would not, therefore, be a graduation requirement until the 2013 graduating class.
- There are 185 public high schools, 24 vocational-technical schools, and 54 alternative centers in the State. It is assumed that financial literacy courses will be implemented in each of these 263 schools.
- According to MSDE, 9 of the 24 local school systems offer mandatory or elective financial literacy programs, meaning at least 15 school systems would have to implement new financial literacy courses under the bill. It is assumed that the courses would need to be added in approximately 164 schools statewide.
- The average fiscal 2013 cost per teacher for salary and benefits is estimated at \$84,800. 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 \$13.9 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 \$13.9 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 68,000 students in each grade level. Assuming schools already have adequate material for 25,500 students, additional textbooks and material will be needed for approximately 42,500 students or 21,250 students each semester. If the materials cost an estimated \$80 per student, school expenditures will increase by \$1.7 million. After fiscal 2013, costs for textbooks and course materials could decrease if the same materials are reused.

These estimates assume no additional costs in the nine 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 nine 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 Information**

**Prior Introductions:** HB 764 of 2010 received a hearing but no further action in the House Ways and Means Committee. Its cross file, SB 264, passed the Senate with amendments and received a hearing in the House Ways and Means Committee, but no further action was taken in the House. Also identical was, HB 335 of 2010 which was referred to the House Ways and Means Committee. Its cross file, SB 1030, received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee.

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:** None designated; however, SB 262/HB 127 are identical.

**Information Source(s):** Maryland State Department of Education; Department of Labor, Licensing, and Regulation; Baltimore City; Montgomery, Washington, and Worcester counties; Department of Legislative Services

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