

**Department of Legislative Services**  
 Maryland General Assembly  
 2014 Session

**FISCAL AND POLICY NOTE**

Senate Bill 1007 (Senator Klausmeier)  
 Education, Health, and Environmental Affairs

**State Board of Education - Financial Literacy Curriculum - Graduation Requirement**

This bill requires the State Board of Education to require each public school to administer the *National Financial Capability Challenge Test* to each student before high school graduation during the 2014-2015 and 2015-2016 school years to evaluate student performance based on the financial literacy curriculum taught in public schools. The State board must develop curriculum content for a semester-long course in financial literacy to be taught beginning with the 2018-2019 school year. Each local board of education must implement in every high school beginning with the 2018-2019 school year (1) the financial literacy curriculum content developed by the State board or (2) curriculum content that has been develop by each local board that is comparable to that developed by the State board. Beginning with the 2019-2020 school year, every student must complete a financial literacy course in order to graduate from high school.

The bill takes effect July 1, 2014.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by an estimated \$159,400 in FY 2015 to oversee the required test and to provide training and technical assistance as local school systems implement the new curriculum. General fund expenditures increase by an estimated \$1 million in FY 2015 to develop and administer the required test as described below. Future year estimates reflect additional teachers' retirement costs beginning in FY 2021, the elimination of one-time contractual costs, annualization, regular salary increases, and inflation. Revenues are not affected.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	1,159,400	95,900	100,400	105,000	109,900
Net Effect	(\$1,159,400)	(\$95,900)	(\$100,400)	(\$105,000)	(\$109,900)

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

**Local Effect:** Local school system expenditures may increase by up to \$17.5 million in FY 2019 to implement mandatory financial literacy courses in all public high schools. Local school system retirement costs increase by approximately \$650,100 annually beginning in FY 2021. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** None.

---

## 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:** 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 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.

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

Six local school systems – Allegany, Calvert, Carroll, Charles, Garrett, and Queen Anne’s counties – currently require high school students to complete a semester-long course in financial literacy. Beginning with the 2017 graduating class, students in Caroline County will be required to complete a stand-alone graduation requirement. Students in Talbot County are required to take a personal finance course or a fourth year of mathematics; in addition financial literacy content is integrated into U.S. History and Government. In Frederick County students may take a semester-long financial literacy course or courses with integrated financial literacy content. In all the other counties and Baltimore City, financial literacy content is integrated into one of the courses required for graduation. St. Mary’s County offers a standalone financial literacy course in addition to the required course with integrated financial literacy content.

#### *National Financial Capability Challenge Test*

The National Financial Capability Challenge Test was last administered in 2012, and the test is no longer available as the hosting website cannot be accessed. MSDE advises that the test is not likely to be reintroduced due to high costs. The test, along with an Education Toolkit for the test, was developed by the U.S. Department of Treasury, in conjunction with the U.S. Department of Education. More than 84,000 students and 2,500 educators from 1,692 schools in all 50 states participated in the 2011 test. The online test took students on average less than 30 minutes to complete.

**State Expenditures:** General fund expenditures increase by an estimated \$159,379 in fiscal 2015, which accounts for a 90-day startup delay following the bill’s July 1, 2014 effective date. This estimate reflects the cost of hiring an education program specialist in MSDE to oversee the required test and to provide guidance and technical assistance to local school systems as they implement the new curriculum and graduation requirement.

Since the National Financial Capability Challenge Test is no longer administered by the U.S. Treasury Department, the requirement that each public school administer the test to each student before high school graduation during the 2014-2015 and 2015-2016 school years may be impossible. MSDE advises that to develop and administer a new assessment based on the financial literacy curriculum taught in the public schools during those school years will cost \$5.0 million based on the costs associated with the Government High School Assessment. This estimate includes determining the number of objectives to be tested, developing the item bank, administering the exams multiple

times, scoring and having both electronic and paper versions of the exam. MSDE further advises that even using an existing exam will result in considerable cost since the assessment must be aligned with the Maryland State Curriculum for Personal Financial Literacy Education and included in professional development and instruction.

The Department of Legislative Services (DLS) advises that costs associated with developing a replacement assessment will be significantly less than \$5.0 million, since it is assumed that under the bill only taking, *not passing*, the test is a graduation requirement and only for two years. However, DLS advises that the costs to develop and administer a financial literacy exam and offer both online and paper versions will still be significant. It is estimated that it will cost approximately \$1.0 million to develop and administer a financial literacy test for two academic years.

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 2015</b></u>	<u><b>FY 2016</b></u>
Salary and Fringe Benefits	\$69,574	\$95,349
Contractual Assessment Development and Administration	1,000,000	0
Contractual Professional Development Costs	80,000	0
Travel	5,000	0
Operating Expenses	435	586
Start-up Costs	<u>4,370</u>	<u>0</u>
<b>Total State Expenditures</b>	<b>\$1,159,379</b>	<b>\$95,935</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 2019, teachers' retirement expenses will increase beginning in fiscal 2021. Due to comprehensive pension reform provisions within the Budget Reconciliation and Financing Act of 2011 (Chapter 379), local school systems are required to pay a prorated share of the administrative costs of the State Retirement Agency based on the number of their employees who are members of the Teacher Pension System of the Teachers' Retirement System. Chapter 1 of the 2012 first special session requires local school boards to share in the costs of teachers' retirement by phasing in school board payments of the annual normal costs over four years and sets out the payment required from each school board for fiscal 2013 through 2016. Beginning in fiscal 2017, local school boards will be responsible for the actual normal cost for pensions for qualifying personnel.

Based on the assumptions below for local expenditure increases, the teacher salary base may increase by as much as \$12.3 million in fiscal 2019 and \$12.7 million in fiscal 2020, increasing State-paid retirement costs by \$1.7 million in fiscal 2021 and 2022. 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 \$17.5 million in fiscal 2019 to hire teachers qualified to teach mandatory financial literacy courses (\$15.4 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.

- This estimate assumes that there are no local costs associated with administering the defunct National Financial Capability Challenge Test or any replacement test developed by MSDE. However, it is assumed that local school systems will need to divert resources from current activities to administer the test.
- The mandatory course will be developed in the 2014-2015 through the 2017-2018 school years and will be taught beginning in the 2018-2019 school year. According to the bill, the course will be a graduation requirement beginning with the 2020 graduating class.
- There are 182 public high schools, 27 vocational-technical schools, and 50 alternative centers in the State. It is assumed that financial literacy courses will be implemented in each of these 259 schools.
- According to MSDE, 9 of the 24 local school systems offer mandatory or elective semester-long financial literacy programs, meaning at least 15 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 201 schools statewide.
- The first quartile salary and benefits per teacher in fiscal 2019 ranges from \$62,613 to \$97,259 in all 24 school systems. 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 \$15.4 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 \$15.4 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 64,180 students in each high school grade level. Assuming schools already have adequate material for 11,240 students, additional textbooks and material will be needed for approximately 52,940 students or 26,470 students each semester. If the materials cost an estimated \$80 per student, school expenditures will increase by \$2.1 million. After fiscal 2019, costs for textbooks and course materials could decrease if the same materials are reused.
- Beginning in fiscal 2017, local school boards will be responsible for the actual normal cost of pensions for qualifying personnel. Under the assumptions described above, local expenditures for teacher retirement increase by \$650,147 in fiscal 2021 and by \$669,651 in fiscal 2022.

These estimates assume no additional costs in the nine 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 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.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland State Department of Education, Charles and Montgomery counties, U.S. Department of Treasury, Department of Legislative Services

**Fiscal Note History:** First Reader - March 18, 2014  
ncs/rhh

---

Analysis by: Caroline L. Boice

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510