

Department of Legislative Services  
 Maryland General Assembly  
 2019 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1138 (Delegate Shoemaker, *et al.*)  
 Ways and Means

State Board of Education - Financial Literacy Course and Exam - Graduation Requirement

This bill requires, by July 1, 2020, the State Board of Education to develop curriculum content for a one-half credit course in financial literacy. Beginning with the 2020-2021 school year, each local board of education must implement the curriculum in every high school under the board’s jurisdiction. Beginning with students graduating in 2021, a student must complete the course, including achieving a passing score on a final examination, in order to graduate from high school. **The bill takes effect July 1, 2019.**

Fiscal Summary

**State Effect:** General fund expenditures increase by an estimated \$76,000 in FY 2020 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, annualization, regular salary increases, and inflation. Revenues are not affected.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	76,000	94,600	97,800	101,000	104,400
Net Effect	(\$76,000)	(\$94,600)	(\$97,800)	(\$101,000)	(\$104,400)

*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 2021 depending on how local school systems choose to implement the bill. Local school system retirement costs may also increase beginning in FY 2023. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Minimal.

## Analysis

**Current Law/Background:** 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 State 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.

The current credit requirements required to earn a public high school diploma are shown in the **Appendix – State Public High School Diploma Credit Requirements**. Local school systems may establish graduation requirements beyond the minimum requirements established by the board.

### *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.

*Online Financial Literacy Course Created by MSDE*

MSDE advises that 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.

*Current High School Courses in Financial Literacy*

Nine counties currently offer a stand-alone course in financial literacy. Of those, seven counties – Allegany, Calvert, Caroline, Carroll, Charles, Frederick, and Garrett – require high school students to complete the course (either one-half or semester long) in order to graduate. In Frederick County, students may choose from among 13 different courses that include financial literacy content to meet the requirement. In Queen Anne’s and St. Mary’s counties, high school students may take a stand-alone financial literacy course or the required course with integrated financial literacy content. In the other 15 systems, financial literacy content is integrated into one of the courses required for graduation. Additional information about financial literacy courses taken by Maryland students can be found in [MSDE’s Personal Financial Literacy Education 6th Annual Report](#).

**State Expenditures:** General fund expenditures increase by an estimated \$75,975 in fiscal 2020, which accounts for the bill’s July 1, 2019 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.

	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>
Salary and Fringe Benefits	\$69,363	\$92,352
Travel	1,253	1,671
Operating Expenses	469	625
Start-up Costs	<u>4,890</u>	<u>0</u>
<b>Total State Expenditures</b>	<b>\$75,975</b>	<b>\$94,648</b>

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

This estimate assumes that the financial literacy final examination that students are required to pass in order to graduate from high school is a teacher-produced assessment. Developing and scoring a State-produced financial literacy assessment would increase general fund expenditures, potentially significantly.

**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 \$2.1 million to purchase textbooks and materials needed for the required one-half credit stand-alone course in the 15 counties that do not currently offer one. This estimate assumes that textbooks are only needed to be purchased for one-half of a high school grade, due to the course being a semester course.

The bill requires students to pass the financial literacy course, including achieving a passing score on a final examination. This estimate assumes that the assessment is a teacher-produced assessment. As stated above for MSDE, if local school systems were required to produce the assessment centrally, then local school system expenditures would increase, potentially significantly. The actual costs would depend on the type of assessment created.

Local school system expenditures may also increase to track that students passed the financial literacy course and the final examination. It is likely that these costs are absorbable by most if not all school systems.

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 220 high schools statewide that do not currently offer a stand-alone financial literacy course, local school expenditures could increase by an estimated \$16.9 million beginning in fiscal 2021.

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 2023.

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 may increase for these systems.

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### **Additional Information**

**Prior Introductions:** HB 921 of 2018 and HB 476 of 2016 each received a hearing in the House Ways and Means Committee, but no further action was taken. Similar bills have also been introduced in 2010 through 2015.

**Cross File:** None.

**Information Source(s):** Maryland State Department of Education; Anne Arundel County Public Schools; St. Mary's County Public Schools; Department of Legislative Services

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# Appendix – State Public High School Diploma Credit Requirements

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According to State regulations, to be awarded a high school diploma, a student must be enrolled in a Maryland public school system and have earned a minimum of 21 credits in specified subjects as detailed in **Exhibit 1**.

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## Exhibit 1 Distribution of Credits Required to Graduate High School

<u>Subject</u>	<u>Credits</u>
English	4.0
Fine Arts	1.0
Mathematics <sup>1</sup>	3.0
Physical Education	0.5
Health Education	0.5
Science	3.0
Social Studies	3.0
Technology Education	1.0
World Language <i>or</i> American Sign Language <i>or</i> Advanced Technology Education <sup>2</sup>	2.0
Electives <sup>2</sup>	3.0

Note: The credits must meet other requirements specified in the Code of Maryland Regulations. Elective programs and instruction must be developed at the discretion of the local school system, be open to enrollment for all students, and focus on in-depth study in required subject areas, exploration, or application and integration of what has been learned. In addition, all students must complete a locally designed high school program of environmental literacy approved by the State Superintendent of Schools.

<sup>1</sup>However, beginning with students entering grade 9 in the 2014-2015 school year, each student must enroll in a mathematics course in each year of high school that the student attends, up to a maximum of four years of attendance, unless in the fifth or sixth year a mathematics course is needed to meet a graduation requirement.

<sup>2</sup>Alternatively, a student may successfully complete a State-approved career and technology program for four credits and one credit in an elective.

Source: Code of Maryland Regulations; Department of Legislative Services

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