

Date of Hearing: April 5, 2017

ASSEMBLY COMMITTEE ON EDUCATION  
Patrick O'Donnell, Chair  
AB 858 (Dababneh) – As Introduced February 16, 2017

**SUBJECT:** Pupil instruction: California Financial Literacy Initiative

**SUMMARY:** Establishes the California Financial Literacy Initiative (Initiative), for the purpose of improving the availability of instructional materials and programs to help students understand how to manage their finances and protect their financial privacy. Specifically, **this bill:**

- 1) Establishes the California Financial Literacy Initiative, to be administered by the Superintendent of Public Instruction (SPI), as a program to improve financial literacy by offering instructional materials for high-quality financial literacy education for K-12 students.
- 2) States that the goals of the initiative are to:
  - a) provide students with tools they will need after high school to manage their finances, including tools to protect their financial information from theft
  - b) promote high-quality programs that provide instruction on financial literacy issues
- 3) Authorizes the SPI to do any or all of the following:
  - a) provide an online library of financial literacy resources and materials to be made available for schools, teachers, parents, and students
  - b) coordinate and collaborate with financial institutions, financial services providers, and nonprofit community organizations in collecting and distributing financial literacy materials
  - c) organize financial literacy materials, to be made available in a manner that ensures that materials are matched to the appropriate grade level
- 4) Authorizes the SPI to convene a Financial Literacy Advisory Committee to review materials that can be provided on the internet in a centralized location for access by local educational agencies for purposes of ensuring that students have access to grade-level-appropriate financial literacy resources.
- 5) States that the Financial Literacy Advisory Committee may include representatives of the SPI the office of the Treasurer, the Division of Financial Institutions of the Department of Business Oversight, and the Office of the Controller.
- 6) Authorizes financial institutions, financial services providers, nonprofit community organizations, and other publishers whose materials or resources are included in the online library to include in those materials a means of collecting data, including, but not necessarily limited to, the following:

- a) the estimated number of users
  - b) the grade levels of the intended users
  - c) whether the person accessing the material is a student, teacher, administrator, parent, or other interested person
  - d) any other relevant information that would aid in fulfilling the purposes of this chapter
- 7) Requires that, beginning with the 2018 calendar year, the data collected be reported to the SPI biennially on or before August 1 of each even-numbered year.
  - 8) Requires the SPI to prepare a biennial report on the data collected and submit this report to the Legislature by January 1 following the submission of the data.
  - 9) States the intent of the Legislature that state agencies involved in the Financial Literacy Advisory Committee actively support the Initiative. States that executive branch agencies, including boards, commissions, and agencies headed by constitutional officers, must use existing resources for support of the Initiative if they elect to participate in it.

**EXISTING LAW:**

- 1) Requires that, when the history-social science curriculum framework is revised after January 1, 2017, the Instructional Quality Commission consider including content on financial literacy at least twice in three grade spans (Kindergarten through grade 5, grades 6-8, and grades 9-12), including instruction on:
  - a) fundamentals of banking for personal use, including, but not limited to, savings and checking
  - b) principles of budgeting and personal finance
  - c) employment and understanding factors that affect net income
  - d) uses and costs of credit, including the relation of debt and interest to credit
  - e) uses and costs of loans, including student loans
  - f) types and costs of insurance
  - g) forms of governmental taxation
  - h) principles of investing and building wealth
  - i) identity theft and security
  - j) planning and paying for postsecondary education
  - k) charitable giving

- 2) Requires that, concurrently with, but not prior to, the next revision of textbooks or curriculum frameworks in the social sciences, health, and mathematics curricula, the State Board of Education (SBE) ensure that these academic areas integrate components of human growth, human development, and human contribution to society across the life course, and also financial literacy, including budgeting and managing credit, student loans, consumer debt, and identity theft security.
- 3) Requires the SPI, with the approval of the SBE, to plan and develop a one-semester course entitled consumer economics, which includes instruction on the uses and costs of credit, for use in schools maintaining any of the seventh to twelfth grades.
- 4) Requires students to complete a one-semester course in economics in order to be eligible to graduate from high school.
- 5) Prohibits an operator of a website, online service, online application, or mobile application from knowingly engaging in targeted advertising to students or their parents, using covered information to amass a profile about a K–12 student, selling a student’s information, or disclosing covered information. Requires an operator to implement and maintain reasonable security procedures and practices appropriate to the nature of the covered information, to protect the information from unauthorized access, destruction, use, modification, or disclosure, and to delete a student’s covered information if the school or district requests deletion of data under the control of the school or district.

**FISCAL EFFECT:** Unknown

**COMMENTS:**

*Need for the bill.* The author’s intent is to increase the availability of curricula to promote the financial literacy of students, thereby increasing students’ knowledge and skills in this area. He notes: “In a financial Industry Regulatory Authority survey, only 42% of Californians answered at least four questions correctly on a five question financial literacy quiz. Another 2009 survey found that 80% of the respondents received scores of 60 or lower on financial questions about retirement. Just 20% received what amounted to a passing grade.

The problem of poor financial literacy is even more pressing for youth, minorities, and women. According to the Jump\$tart Coalition, the average high school student’s score in financial literacy was 48%. However, minority students fared far worse than their white counterparts. 89% of African-Americans and 83% of Latinos failed to score a passing grade on the financial literacy test compared to 64% of white students. In addition, 38% of men, in contrast to 22% of women, correctly answered all three financial literacy questions in a 2014 survey.”

*CDE maintains webpage with financial literacy resources.* This bill authorizes the SPI to establish provide an online library of financial literacy resources and materials to be made available for schools, teachers, parents, and students. The California Department of Education (CDE) currently maintains a webpage listing links to nearly 30 financial literacy resources.

*Teaching students about how to protect personal information online, while authorizing financial services companies to collect information about students?* One of the stated goals of

the Initiative established by this bill is to provide students with “tools to protect their financial information from theft.” This bill also authorizes financial institutions, financial services companies, and others to collect information about users, including whether they are students, and “any other relevant information that would aid in fulfilling the purposes of this chapter.”

In recent years this Committee has approved legislation to protect students against the collection of their personal information by online programs in use in schools. Current law now prohibits operators of websites and other online and mobile services from collecting specified information about students, prohibits them from knowingly targeting advertising to students, and requires that they maintain reasonable security procedures appropriate to the nature of the information.

To ensure that any online curriculum endorsed through this initiative conforms to current law regarding the privacy of student information online, *staff recommends* that the bill be amended to 1) strike the proposed Section 52987, and 2) in its place insert a requirement that all online curriculum or other materials included in the online library or otherwise promoted or made available through this Initiative conform to applicable state law regarding the privacy of student information (Section 22584 of the Business and Professions Code).

***Financial literacy curriculum resources, commercial content.*** There are numerous financial literacy curricula which could be identified through this initiative. Some are produced by non-profit organizations, and some are published by financial institutions, such as banks, credit card companies, and insurance companies. Examples of curricula published by non-profit organizations or governmental agencies include:

- High School Financial Planning Program, published by the National Endowment for Financial Education
- National Standards in K-12 Personal Finance Education, published by the Jump\$tart Coalition
- The MoneySmart curriculum published by the Federal Deposit Insurance Corporation (FDIC)

Examples of curricula developed by financial institutions include:

- Hands on Banking and Financial Football, published by Wells Fargo
- Practical Money Skills, published by VISA
- \$aveUSA, published by Junior Achievement and Allstate Insurance

There are also financial literacy curricula specifically designed for students with disabilities, such as the My Money curriculum developed by the Florida Department of Financial Services.

Current law requires instructional materials adopted by school districts to be free from unnecessary brand names and logos, in order to prevent the marketing of products or services to students. Since some of the curricula which are chosen to be included in this initiative are produced by commercial institutions, *staff recommends* that the bill be amended to require that these materials conform to the requirements currently set forth for other instructional materials by Education Code section 60048, including applicable guidance authorized by section 60048(b). And recognizing the importance of financial literacy to the transition of students with disabilities, *staff recommends* that the bill be amended to include a statement of intent that the

curricula identified through the Initiative include some specifically designed for students with disabilities.

***Educator representation on Financial Literacy Advisory Committee.*** This bill would establish a Financial Literacy Advisory Committee, comprised of representatives of the SPI, the office of the Treasurer, the Division of Financial Institutions of the Department of Business Oversight, and the Office of the Controller. While the goal of the Initiative is to identify high quality curriculum and instructional materials, the bill does not require that any educators serve on this Committee. ***Staff recommends*** that the bill be amended to require that 50% of the members of the Committee be credentialed, current classroom teachers with expertise in financial literacy curriculum and instruction.

***Similar bill vetoed.*** AB 150 (Lieu) of the 2007-08 Session was nearly identical to this bill. That bill was vetoed by the Governor, who stated:

Teaching students the principles of money management is a worthy goal. However, this bill would merely authorize the Superintendent of Public Instruction to convene an advisory committee and make financial literacy resources and materials that are grade-level appropriate available online. Superintendent O’Connell already has the authority to do these things, if he so chooses. In addition, many financial institutions and services providers already provide an abundance of information on financial literacy that is readily available on the Internet.

***New History-Social Science Framework revision addresses financial literacy.*** The state’s new History Social Science Framework, adopted in July, 2016, contains financial literacy content in at least the following grades:

- Grade 1: Students acquire a beginning understanding of economics, including how people exchange money for goods and services, and how people make choices about how to spend money, including budgeting.
- Grade 2: Students learn basic economic concepts of human wants, scarcity, and choice; the importance of specialization in work today. Students also develop an understanding of their roles as consumers in a complex economy.
- Economics course: Students learn about personal budgeting, banking, debt, credit cards, interest, student loan debt, mortgage debt, saving, and investing. This content is presented in relation to larger economic issues and concepts.
- Elective course outline in financial literacy: Students learn about credit cards and other forms of consumer debt, savings and budgeting, retirement planning, state and federal laws related to personal finance (e.g., bankruptcy), financial credit scores, credit card applications, bank account applications, simple and compound interest calculations, retirement calculations, and mortgage and interest rates. Students also learn about the importance of managing credit and debt, and identity theft security.

Pursuant to legislation signed in 2016 (AB 2546, Calderon) the next revision of the framework will include more financial literacy content. The next adoption of this framework is scheduled to

occur in 2024. The state's health curriculum framework is currently under revision and is due to be adopted in 2019, and may also contain financial literacy content, pursuant to current law.

***Related and prior legislation.*** SB 583 (Stone) of this Session would make a course in financial literacy a state graduation requirement. That bill is pending in the Senate Education Committee.

AB 2546 (Calderon, Chapter 616, Statutes of 2016) requires that, when the history-social science curriculum framework is revised after January 1, 2017, the IQC consider including content on financial literacy at least twice in three grade spans.

AB 150 (Lieu) of the 2007-08 Session, was nearly identical to this bill. It would have established the California Financial Literacy Initiative (Initiative), for the purpose of improving the availability of instructional materials and programs to help students understand how to manage their finances and protect their financial privacy, and would have authorized financial institutions to collect information about students who use online curricula which the institutions develop and which are endorsed by the Initiative. That bill was vetoed by the Governor.

SB 1296 (Liu) of this Session would require "consumer and homemaking education" to include financial literacy instruction on subjects including, but not limited to, student loans, credit cards, and investment and retirement accounts.

AB 166 (Hernández), Chapter 135, Statutes of 2013 requires that, concurrently with, but not prior to, the next revision of textbooks or curriculum frameworks in the social sciences, health, and mathematics curricula, the SBE ensure that these academic areas integrate components of human growth, human development, and human contribution to society, across the life course, and also financial literacy, including, but not limited to, budgeting and managing credit, student loans, consumer debt, and identity theft security.

AB 391 (Wieckowski) of the 2013-14 Session proposed the Common Cents Curriculum Act of 2013, requiring the SPI and SBE to adopt a one semester course in consumer education, include specified areas of content related to financial literacy, and encouraged financial literacy instruction to be included in the next revision of the history-social science frameworks. This bill was held in the Assembly Appropriations Committee.

SB 1080 (Lieu) of the 2011-12 Session would have authorized instruction provided in economics to include personal finances, including budgeting, savings, credit, and identity theft. The bill would have required the CDE to develop a personal finance curriculum in the next cycle in which the mathematics and history-social science curriculum framework were to be adopted. This was held in the Assembly Judiciary Committee.

SB 696 (Lieu) of the 2011-12 Session would have encouraged the instruction provided in economics to include instruction related to the understanding of personal finances, including budgeting, savings, credit, and identity theft. The bill would also make several legislative findings and declarations. This bill was not heard in any committee.

SB 1080 (Lieu) of the 2011-12 Session would have authorized instruction provided in economics to include personal finances, including, but not limited to, mathematics, budgeting, savings, credit, and identity theft. The bill would have required the CDE to develop a personal finance curriculum in the next cycle in which the mathematics and history-social science curriculum

framework were to be adopted. This measure was not heard by this committee and was held in the Assembly Judiciary Committee.

SB 779 (Lieu) of the 2011-12 Session authorized a school district, as part of providing economics instruction in grades 7-12, to include personal finances, including, but not limited to, budget savings, credit, and identify theft. This bill would have also required the CDE to consider developing a personal finance curriculum in the next cycle in which the history/social science curriculum framework would have been adopted. This bill was held in the Assembly Appropriations Committee.

SB 223 (Wyland) of the 2009-10 Session would have required that one-half of the economics course required for high school graduation focus on personal finance and financial literacy. This measure was held in the Assembly Appropriations Committee.

AB 1502 (Lieu) of the 2007-08 Session would have required the SBE and the Curriculum Development and Supplemental Materials Commission (now the IQC) to ensure that information about financial literacy be included in appropriate subject area frameworks, encouraged school districts to include instruction in personal finance, as specified in economics, and authorized the SPI to accept private donations for the purposes of implementing these provisions. This measure was vetoed by Governor Schwarzenegger.

AB 1950 (Lieu) of the 2005-06 Session authorized school districts to provide instruction in personal finances in economics courses. This measure vetoed by Governor Schwarzenegger who stated that school districts already have the flexibility to incorporate money management into their lesson plans and that the state's content standards are intentionally broad in order to allow instruction on a range of topics.

AB 2435 (Wiggins) of the 2003-04 Session authorized school districts to include instruction related to the understanding of personal finances in economics courses. This measure vetoed by Governor Schwarzenegger who stated that school districts already have the flexibility to incorporate money management into their lesson plans and that the state's content standards are intentionally broad in order to allow instruction on a range of topics.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

California Charter Schools Association  
California Community Banking Network  
California Credit Union League  
California Society of CPAs

### **Opposition**

None on file

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