

Date of Hearing: Jun 21, 2017

ASSEMBLY COMMITTEE ON EDUCATION

Patrick O'Donnell, Chair

SB 583 (Stone) – As Amended May 3, 2017

SENATE VOTE: 40-0

SUBJECT: High school graduation course requirements: economics: financial literacy

SUMMARY: Allows a course in financial literacy to satisfy state high school graduation requirement that students take a one-semester course in economics, if the course meets specified requirements. Specifically, **this bill:**

- 1) Allows a course in financial literacy offered by a high school to satisfy the economics course state graduation requirement if all of the following conditions are satisfied:
 - a) the course, at a minimum, offers instruction on the following topics:
 - i. fundamentals of banking for personal use, including, but not limited to, savings and checking
 - ii. principles of budgeting and personal finance
 - iii. employment and understanding factors that affect net income
 - iv. uses and costs of credit, including the relation of debt and interest to credit
 - v. uses and costs of loans, including student loans
 - vi. types and costs of insurance
 - vii. forms of governmental taxation
 - viii. principles of investing and building wealth
 - ix. identity theft and security
 - x. planning and paying for postsecondary education
 - xi. charitable giving
 - xii. elementary contracts
 - xiii. consumer guides to purchasing
 - b) the course is approved by the University of California (UC) as meeting either the history-social science requirement or the college preparatory elective requirement of the A-G admissions requirements of the UC.

- c) the course incorporates financial literacy instruction in the existing history-social studies curriculum framework, and, if the history-social studies curriculum framework is revised to include additional instruction on financial literacy, that instruction is also incorporated into the course.

EXISTING LAW:

- 1) Specifies requirements for graduation from high school, including three courses in English, two courses in mathematics, two courses in science, three courses in social studies, one course in visual or performing arts, foreign language, or career technical education, and two courses in physical education.
- 2) Requires that, of the three courses in social studies, two must be year-long courses in United States history and geography, and in world history, culture, and geography, and that the remaining two are a one-semester courses in American government and civics, and a one-semester course in economics.
- 3) Authorizes the governing board of a school district to require a pupil to complete additional coursework, beyond the courses required at the state level, in order to receive a diploma of graduation from high school.
- 4) Requires that, when the history-social science curriculum framework is revised after January 1, 2017, the Instructional Quality Commission (IQC) 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

- 5) 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.
- 6) Requires the Superintendent of Public Instruction (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.

FISCAL EFFECT: According to the Senate Appropriations Committee, “The bill’s authorization for a course in financial literacy to satisfy the existing requirement for a course in economics as a condition of graduating from high school is not expected to result in significant costs for the state. However, there may be local costs for schools to offer these courses at their discretion to the extent they are not currently offering such courses. Any costs to the University of California to review these courses to determine whether they meet its A-G admissions requirements are expected to be minor and absorbable within existing resources.”

COMMENTS:

Need for the bill. The author’s office states: “SB 583 would mandate that a course in financial literacy while in grades 9 through 12 would count towards the existing economics graduation requirement. Currently, California does not count a financial literacy course as a graduation requirement. As a result, high school graduates enter the job market or head to college lacking the financial tools they need and end up accumulating debt or encountering credit problems which end up negatively affecting their financial future. The goal of this bill is to properly prepare all students for the financial pitfalls ahead.”

Curriculum, standards, frameworks, and model curricula. California’s public school curriculum is based on content standards in various subjects, including English language arts, mathematics, science, history-social science, physical education, English language development, career technical education, health education, world languages, and visual and performing arts. These standards are developed by the IQC through a public process, and are adopted by the SBE. The standards form the basis of California’s curriculum frameworks, which guide the implementation of these standards, and are used to establish criteria for the evaluation of instructional materials for state adoption for grades kindergarten through grade eight. They also guide district selection of instructional materials for grades nine through twelve. In addition to developing standards in the above subject areas, the SPI is sometimes directed by law to develop model curricula.

State graduation requirements. Current law establishes requirements for graduation from high school, including: three year-long courses in English, two year-long courses in mathematics, two year-long courses in science, two year-long courses in social studies, a one semester social studies course in government, a one semester course in economics, one year long course in visual or performing arts, foreign language, or career technical education. School districts may adopt additional graduation requirements.

Revised History-Social Science Framework adopted last year 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.
- 9th grade 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.
- High school 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. The Framework also emphasizes the ability of personal finance concepts to be taught through the required economics course, noting: “budgeting can be taught as an example of scarcity; job applications can be taught as examples of human capital inventories; student loans can be taught as an investment in developing human capital; use of credit cards can be taught to explain the opportunity cost of interest and repayment; and interest on credit can be taught as an example of price determination through supply and demand.”

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.

New history-social science textbooks scheduled for adoption in November of this year. Each time a curriculum framework is updated the SBE conducts an instructional materials adoption for Kindergarten through the eighth grade. Publishers use the framework to guide revisions to their materials, and submit them for review and adoption. For grades 9-12, the CDE provides “standards maps” to guide publishers in the development of aligned materials.

Once the SBE has adopted instructional materials which are aligned to the framework, it publishes a list which school districts can use in their local adoptions and purchasing. Most districts purchase materials on the SBE-adopted list. Though this list does not include materials for grades 9-12, school districts are required to adopt instructional materials for those grades, and they often purchase materials in a series for all grades, Kindergarten through grade 12.

As noted above, the SBE adopted a new history-social science framework in 2016, and that framework includes considerable content in personal finance. According to the CDE, the

instructional materials adoption process is underway, and the final adoption of aligned history social studies materials is scheduled for November of this year.

What's the benefit of this proposal, and what is the cost? This bill proposes to allow the substitution of a course in financial literacy for a course in economics for the purpose of satisfying a high school graduation requirement, under certain conditions.

As noted above, the state's new History-Social Science framework includes a significant amount of personal finance content in the course outline for the required economics course, and encourages the use of personal finance concepts to help students learn about macroeconomic principles. The following examples from the economics course outline provide examples of how personal finance content is integrated into the course [emphasis added]:

- “Teachers might begin by telling students they will be assigned a unique (and imagined by the teacher) economic identity: this identity initially consists of a **monthly salary, a list of bills, and a checkbook or an online system of sending and receiving money**. Starting with their monthly salary, students are directed to **determine their take home pay** by subtracting **federal and state taxes**.”
- “Next, students must pay their bills. **Bills consist of a pre-determined amount for these categories: rent/mortgage, utilities, cell phone, student loan payment, car payment, car insurance**. Once bills are paid, students allocate money for the remainder of the month. They can choose whether or **how much to save; how much to devote to food, gas, and other staples; and how to use any discretionary money left over**. Once students have divided their resources for a month, they should take a step back and look at their larger **budgets, perhaps using budgeting tools online**, making charts or graphs to understand how and where they spend money.”
- With a budget in hand, students can begin to **learn about different kinds of debt and different kinds of ways of accumulating personal wealth**. Starting with debt, teachers provide students with an overview of **what a credit card is, how interest gets calculated, what compound interest consists of, and how credit card debt affects individuals in the marketplace**. Students can **calculate credit card payments** and factor that into their contrived economic identities for practice. In addition, teachers can provide similar overviews of **student loan debt and mortgage debt**.”
- “Students should also learn about different **options of saving money**. While teachers will go into more depth later in the semester about marketplace investments (in which students can learn to “play” the stock market, for example), students can learn now about **different options for saving their resources from their above-described budgets**.”
- “By learning about personal finance from this individual perspective, students will now learn about how international markets are interrelated and how they affect their own finances and economic opportunities. At the more local level immediate relevance can be achieved by discussing city and/or county budgets (i.e., revenues and expenditures), **payday loans, rent-a-centers**, and even chambers of commerce.”
- “Studying these topics now will help students when they become adults, and must confront decisions about **household budgets, student loans, credit cards, mortgages**,

and savings and investment strategies. Just as students began this course learning about personal finance, the concepts can be woven throughout the course, applying the economic ideas and analytical tools mentioned above to other sectors of the economy.”

Since this content is already included in the new framework, it is unclear what benefit would accrue to students from the substitution of an entire course in financial literacy for a course in economics.

It is clear, however, that students who took a course in financial literacy to satisfy the economics course requirement would not receive instruction in other content in economics. The framework outlines the required economics course as follows:

“The study of twelfth-grade economics provides students with a unique opportunity to consider the impact of choice upon individuals, groups, and institutions. It offers a lens to understand and analyze human behavior and it builds a student’s ability to make informed decisions based upon relevant economic information such as: an analysis of costs and benefits; the trade-offs between consumption, investment, and savings; the availability and allocation of natural resources; the distribution of resources among investors, managers, workers, and innovation; the role of the government in supporting, taxing, and investing in industries; and human and physical capital. The discipline also provides an important frame from which to consider the impact of governmental action (or inaction) on the lives of its citizens. Understanding how the economy functions and how economic reasoning can inform decision making will provide students with the tools they need to become financially literate and independent.

Economics is the study of how people choose to use resources. It is also a discipline that analyzes how to promote productive economic activity such as entrepreneurship, education, government investment in infrastructure, and research; it studies how to promote full employment, fair wage growth, and return on capital; it explores how to avoid financial dislocations and predatory business practices; and it argues how best to provide basic safety-net supports such as retirement for each citizen. The resources people use are land, labor, and capital; these resources are finite, or what some people call scarce. Scarcity means that resources, such as natural and human resources, are limited in quantity compared with the competing demands for their use.

In this one-semester economics course, students examine more deeply the choices they make and explore how these choices have consequences that ripple across the world.”

Role of the University of California. This bill requires that any course used to satisfy the graduation requirement in economics be approved by the University of California (UC) as meeting either the history-social science or the elective A-G admissions requirements. To receive approval as a course which meets A-G admissions standards, school districts voluntarily submit course outlines to the UC.

Because this bill conditions the use of a course in financial literacy to meet a state graduation requirement on approval by the UC, it indirectly places the UC in the role of determining whether a course will satisfy state graduation requirements. This represents a significant departure from the current role of the UC in the course approval process.

Arguments in support. The California State PTA writes, “The California State PTA believes financial literacy is important for all our students and supports this effort. This will allow school districts to offer students a choice to take a course in financial literacy that satisfies high school graduation requirements and meet the approval of the University of California.”

Arguments in opposition. The California Council for the Social Studies writes, “While we support the desire to provide all students more personal finance education for all grade levels K-12, including via integrated math lessons and other means, we cannot accept the notion that all students should not also have macro-economics instruction that place micro-economics principles into understandable context.”

The California Teachers Association writes, “SB 583 poses the unintended consequence of jeopardizing students’ access to a comprehensive economics course with financial literacy skills. These skills are appropriately integrated into local high school economics courses. The 2016 revision of the history-social science framework includes instruction on financial literacy in high school and an elective course outline in financial literacy.”

Model curriculum for an elective course has value. Another approach, consistent with the new history-social science framework, would be to require the development of a model curriculum in financial literacy which could be provided as an elective course. As noted above, the framework provides an outline for such an elective course. Such a curriculum could be used on a voluntary basis to provide a semester-long elective course to secondary students. Accordingly, **staff recommends that this bill be amended** to delete the current contents and instead require the development of a model curriculum for an elective course in financial literacy.

Related and prior legislation. AB 858 (Dababneh) of this Session would establish the California Financial Literacy Initiative, to be administered by the Superintendent of Public Instruction, 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. This bill is pending in the Senate.

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 the 2015-16 Session would have required “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. This bill was held in the Senate Education Committee.

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 State PTA

Opposition

California Council for the Social Studies
California Council on Economic Education
California School Boards Association
California Teachers Association
EconEd Foundation of San Diego
1 individual

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