

Date of Hearing: April 10, 2019

ASSEMBLY COMMITTEE ON EDUCATION
Patrick O'Donnell, Chair
AB 1087 (Cunningham) – As Introduced February 21, 2019

SUBJECT: Pupil instruction: requirements for graduation: economics

SUMMARY: Requires that the one semester course in economics required for high school graduation include specified content in financial literacy. Specifically, **this bill:**

Requires, as a condition of graduation, that a student complete a one semester course in economics which includes the following content:

- 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

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 course 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: This bill has been keyed a possible state-mandated local program by the Office of Legislative Counsel.

COMMENTS:

Need for the bill. The author states, “Too many students are leaving high school without the ability to cope with or understand real world financial situations. Making sure that high school graduates take some classes on basic financial literacy will help set them up for financial success. Including curriculum on basic financial literacy concepts into existing economics curriculum will provide students greater knowledge of how to succeed into adulthood.”

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 school 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.

Changing course content through statute circumvents state’s established process of curriculum development. This bill proposes to require changes to the state’s required economics course content by statute, outside of the normal, public process used to develop state curriculum frameworks. This Committee’s policy on curriculum measures identifies the problems associated with this approach:

The Legislature has vested the Instructional Quality Commission and the State Board of Education with the authority to develop and adopt state curriculum and instructional materials. The Instructional Quality Commission develops curriculum frameworks by convening expert panels, developing drafts, and holding public hearings to solicit input. Changes are frequently made in response to public comment. The frameworks are then adopted by the State Board of Education in a public meeting. The State Board of Education also adopts, in a public process, instructional materials aligned to those frameworks. School district governing boards and charter schools then adopt instructional materials aligned to these standards and frameworks. This process occurs on a regular schedule which gives schools a predictable timetable to plan and budget for changes to the curriculum. Local adoption of new curricula involves significant local cost and investment in professional development.

These existing processes involve practitioners and experts who have in-depth understanding of curriculum and instruction, including the full scope and sequence of the curriculum in each subject and at each grade level, constraints on instructional time and resources, and the

relationship of curriculum to state assessments and other measures of student progress. This Committee does not have the capacity or mandate to conduct this kind of review.

Legislation requiring the curriculum frameworks to contain specific content overrides this careful and deliberate process. Because legislation forces the inclusion of content without the benefit of thorough review and benefit of context, it can also inadvertently displace other important content in the curriculum.

How is this proposal different from a recently approved measure that would require a course in ethnic studies for graduation from high school? That measure added to the list of courses required for graduation. It did not require changes to an existing required course for which the state had adopted curriculum through the existing open, public, administrative process.

California curriculum includes financial literacy content through the grades. 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.
- **Grade 9 (elective course 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 this year, and may also contain financial literacy content, pursuant to current law.

Financial literacy content already included in economics course. 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.”

The Committee may wish to consider which other economics content might be sacrificed in order to provide additional instruction in financial literacy, as this bill requires. 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.”

Recommended amendments. *Staff recommends that this bill be amended* to delete its contents and instead establish, as proposed by AB 858 of the 2017-18 Session, the California Financial Literacy Initiative as a program for improving financial literacy by offering instructional materials for teachers and parents to provide high-quality financial literacy education for pupils in kindergarten and grades 1 to 12, inclusive. The bill would authorize the SPI to convene a Financial Literacy Advisory Committee to review materials that could be provided on the internet in a centralized location for access by LEAs, as specified. The bill would require online curricula to be included in an online library, or otherwise promoted or made available, through this initiative to conform to specified provisions protecting pupil privacy and protecting pupils against marketing directed at them through instructional materials. The bill would not include a provision of AB 858 which made its implementation contingent upon an appropriation.

Related and prior legislation. SB 583 (Stone) of the 2017-18 Session would have required the development of a model curriculum for an elective course in financial literacy for pupils in grades 9 to 12. This bill was held in the Assembly Appropriations Committee.

AB 858 (Dababneh) of the 2017-18 Session, would have established the California Financial Literacy 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. This bill was vetoed by Governor Brown, who stated:

This bill is unnecessary. The History-Social Science Framework already contains financial literacy content for pupils in kindergarten through grade 12, as well as a financial literacy

elective. In addition, the California Department of Education maintains a Web page with financial literacy resources for pupils in kindergarten through grade 12.

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.

SB 1296 (Liu) of the 2015-16 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 bill 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, who stated:

While I acknowledge that teaching students the importance of financial literacy is meritorious, school districts already have the flexibility to incorporate money management into their lesson plans. Moreover, the State Board of Education adopted content standards are developed by a diverse group of experts and are intentionally broad in order to allow coverage of various events, developments, and issues. I continue to believe that the State should establish rigorous academic standards and frameworks, but refrain from being overly prescriptive in specific school curriculum.

AB 150 (Lieu) of the 2007-08 Session 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 Governor Schwarzenegger, who stated:

Teaching students the principles of money management is a worthy goal. However, this bill would merely authorize the Superintendent of Public Instruction (SPI) 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.

AB 1950 (Lieu) of the 2005-06 Session would have authorized school districts to provide instruction in personal finances in economics courses. This measure was 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 was 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 Credit Union League

Opposition

None on file

Analysis Prepared by: Tanya Lieberman / ED. / (916) 319-2087