

Date of Hearing: April 26, 2023

ASSEMBLY COMMITTEE ON EDUCATION
Al Muratsuchi, Chair
AB 984 (McCarty) – As Introduced February 15, 2023

SUBJECT: Pupil instruction: high school graduation requirements: personal finance

SUMMARY: Requires students to complete a one semester course in financial literacy in order to graduate from high school, commencing with the graduating class of 2028-29, and requires local educational agencies (LEAs) and charter schools to offer a one semester course in financial literacy commencing with the 2025-26 academic year. Specifically, **this bill:**

- 1) Requires that students, commencing with the graduating class of 2028–29, complete a one-semester course in personal finance.
- 2) Authorizes an LEA and a charter school to require a full-year course in personal finance at its discretion.
- 3) Requires, commencing with the 2025–26 school year, an LEA and a charter school enrolling students in grades 9 to 12, to offer at least a one-semester course in personal finance.
- 4) States that, subject to the course offerings of an LEA and a charter school, a student may fulfill this requirement through the completion of either of the following types of courses:
 - a) An existing personal finance course that has been approved as meeting the A–G requirements of the University of California (UC) and the California State University (CSU); or
 - b) A locally developed personal finance course approved by the governing board of the school district or the governing body of the charter school.
- 5) Requires that the proposed course first be presented at a public meeting of the governing board or body at which the public has had the opportunity to express its views on the proposed 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 or world languages or career technical education (CTE), two courses in physical education, and, commencing with students graduating in the 2029-30 academic year, a one-semester course in ethnic studies.
- 2) Requires that, of the three courses in social studies, two must be year-long courses in U.S. history and geography, and in world history, culture, and geography, and that the remaining two be a one-semester course in U.S. government and civics, and a one-semester course in economics.

- 3) Authorizes the governing board of a school district to require a student 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; and
 - 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, but not limited to, budgeting and managing credit, student loans, consumer debt, and identity theft security.

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

COMMENTS:

Need for the bill. The author states, “Many young Californians are entering college and the workforce without a baseline understanding of financial literacy. This has concerning implications for their success as individuals and our society as a whole. AB 984 guarantees access to a personal finance course to all high school students, instilling them with the skills and support they will need throughout their lives.”

“We have long noted with dismay that students who take a high school course in personal finance tend to do no better on our exam than those who do not.” Research on the impact of high school financial literacy instruction shows limited impact on knowledge and behavior.

Numerous sources of data suggest that many American adults lack the understanding needed to make sound financial decisions (Milken Institute, 2021) and that adult financial knowledge is related to their financial behavior (Hilgert, 2003). Survey data also show that high school students have poor understanding of personal finance, with students from families with greater financial resources substantially more financially literate than those from families that are less well-off. (Mandell, 2008).

Financial literacy is viewed as particularly important given the complexity of financial products and services, and the increased responsibility of individuals for their own financial security, after the deregulation of the financial services industry. (Greenspan, 2005)

Over the years, authors of numerous bills before the Committee (see related legislation) have used these findings to propose increasing financial literacy instruction in high school as a solution to this problem. They have argued that financial literacy instruction in high school will improve financial knowledge and subsequently improve financial behavior in adulthood.

However, research on the relationship between high school financial literacy instruction and financial knowledge and behavior after high school is decidedly mixed and mostly negative. Some of the available evidence includes the following findings:

- One study found that after several years, students who took a financial literacy course were no more financially literate than those who did not. Young adults who took the course did not consider themselves to be more savings-oriented, and did not report better financial behavior, than those who did not take the course. (Mandell, 2009)
- One study found that financial literacy mandates do not significantly affect saving behavior. (Cole, 2008)
- One report on the results of a popular financial literacy curriculum found that students who had taken a high school class in personal finance or money management were no more financially literate than those who had not. (Mandell, 2006).
- Research published as a TIAA brief found no definitive increases in account ownership, non-retirement investment accounts, or homeownership among students who took a financial literacy course. (Harvey, 2022)
- One study found that financial literacy education decreases reliance on nonstudent debt and improves repayment behavior, but that these effects tend to fade out with age. (Brown, 2016)
- One study found short-term (3 month) benefits in financial knowledge, behavior, and self-efficacy among students after studying a financial literacy curriculum. (Danes, 1999)
- One study found that financial education mandates reduced the likelihood and frequency of the use of payday loans (Harvey, 2019).

- One study found increased credit scores and decreased delinquencies among students subject to a financial literacy course requirement. (Urban, 2018)
- One study found increases in aid applications and federal loans and a decrease in private loans and the likelihood of holding credit card balances among students who had experienced financial literacy instruction. (Stoddard, 2020)

One author concludes that, “We have long noted with dismay that students who take a high school course in personal finance tend to do no better on our exam than those who do not. This finding has been a great disappointment to consumer educators and to those who support efforts to make courses in personal finance a requirement for high school graduation, and it points to the need for better materials and teacher training.” (Mandell, 2006).

Financial literacy content is already in the curriculum. The state’s 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 required for graduation: 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 that “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 current law, the next revision of the History-Social Science framework will include more financial literacy content, including:

- Fundamentals of banking for personal use, including, but not limited to, savings and checking;

- Principles of budgeting and personal finance;
- Employment and understanding factors that affect net income;
- Uses and costs of credit, including the relation of debt and interest to credit;
- Uses and costs of loans, including student loans;
- Types and costs of insurance;
- Forms of governmental taxation;
- Principles of investing and building wealth;
- Identity theft and security;
- Planning and paying for postsecondary education; and
- Charitable giving.

Financial literacy content included in required 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:

- “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.”

Arguments in support. California Jumpstart Coalition writes, “AB 984 would guarantee that all California high schoolers would cross the graduation stage with the benefit of a semester-long course in financial literacy. California currently ranks at the bottom of the pack nationally regarding access to this introductory course, according to the 2023 State of Financial Education report. This bill will help level the playing field for the next generation of California students who need to know how to manage credit, invest for the future, plan for life after college, and avoid the financial pitfalls that befall all too many. Encouraging financial education for California students will help prepare them for their future and strengthen communities as they enter adulthood and are more well-rounded, financially sound individuals.”

Recommended Committee amendments. *Staff recommends that this bill be amended* to delete its current contents and instead specify that the economics course currently required for graduation be one that includes content in personal finance aligned to the content in the history-social science curriculum framework.

Related legislation. AB 526 (Ta) of the 2023-24 Session would require the Superintendent of Public Instruction (SPI), subject to an appropriation for this purpose, to allocate funding for the purchase of standards-aligned instructional materials and professional development in financial literacy.

AB 431 (Papan) of the 2023-24 Session would require the SPI, subject to an appropriation for this purpose, to allocate funding for the purchase of standards-aligned instructional materials and professional development in financial literacy.

AB 1161 (Hoover) of the 2023-24 Session would add the importance of estate planning and the use of trusts to the list of content which the IQC must consider adding to the history-social science curriculum framework the next time it is revised.

AB 2051 (Cunningham) of the 2021-22 Session would have required the SPI to allocate funding to LEAs and the state special schools for the purchase of standards-aligned instructional

materials and professional development in financial literacy. This bill was held in the Senate Appropriations Committee.

AB 2215 (Rubio) of the 2021-22 Session would have established a financial education public-private partnership, composed of 16 members and administered by the State Treasurer, to promote instruction in financial literacy instruction, as specified. This bill was held in the Assembly Appropriations Committee.

AB 639 (Cunningham) of the 2021-22 Session would have authorized school districts and charter schools, commencing with the 2022–23 school year, to incorporate a financial literacy program into an economics course required for graduation. This bill was held in the Assembly Education Committee.

AB 2187 (Cunningham) of the 2019-20 Session would have authorized school districts and charter schools, commencing with the 2022–23 school year, to incorporate a financial literacy program into an economics course required for graduation. This bill was held in the Assembly Education Committee.

AB 1087 (Cunningham) of the 2019-20 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 held in the Assembly Appropriations Committee.

SB 83 (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 specified content on financial literacy at least twice in three grade spans.

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 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 would have required the SPI and SBE to plan and develop a one-semester course in consumer education, include specified areas of content related to financial literacy, and encourage 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. 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 bill was held in the Assembly Judiciary Committee.

SB 779 (Lieu) of the 2011-12 Session would have 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 the Governor, who stated:

I vetoed a substantially similar bill, AB 2435 (Wiggins, 2004). As I previously stated, the bill is unnecessary because school districts already have the authority to teach budgeting, savings, and credit, under current law. Thus, my veto message remains applicable.

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 the Governor, who stated:

Allowing school districts to teach middle school and high school students about the importance of properly maintaining their personal finances is a worthy objective. However, this bill is unnecessary because school districts already have the authority to teach "budgeting, savings, and credit," under current law. Although I am unable to support this legislation, I agree with the importance of learning to spend wisely and properly managing finances. Learning to balance a checkbook, saving money for a rainy day, and understanding the dangers of too much credit card debt are all vital skills for kids to learn in order to become responsible adults. While teaching financial responsibility is important for our children, I would welcome future legislation that requires all members of the State Legislature to complete a course in financial management and responsibility. Requiring legislators to take a refresher course on managing finances may be the wisest investment the State could ever make. California may never have found itself in the deep fiscal crisis that it has had to endure, if such a requirement were signed into law earlier. One of the best lessons we can offer to our children, is to practice sound financial principles, and I believe the Legislature should begin teaching kids by example.

REGISTERED SUPPORT / OPPOSITION:

Support

403bwise.org
Achieve
American Council of Life Insurers
Association of California Life and Health Insurance Companies
California Association of Collectors, INC
California Bankers Association
California Chamber of Commerce
California Community Banking Network
California Credit Union League
California Jump\$tart
California Parents Union
California Retailers Association
California Society of Certified Public Accountants
Financial Planning Association
Genup (generation Up)
Independent Insurance Agents & Brokers of California, INC.
National Association of Insurance and Financial Advisors - California
Natomas Usd for Freedom
Safe Credit Union
Stand Up Sacramento County
30 individuals

Opposition

None on file

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