
SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

Bill No: AB 858 **Hearing Date:** June 28, 2017
Author: Dababneh
Version: April 18, 2017
Urgency: No **Fiscal:** Yes
Consultant: Brandon Darnell

Subject: Pupil instruction: California Financial Literacy Initiative

SUMMARY

This bill establishes the California Financial Literacy Initiative (Initiative), to be administered by the Superintendent of Public Instruction, with the purpose of improving financial literacy by offering instructional materials for teachers and parents to provide high-quality financial literacy education for pupils in school.

BACKGROUND

- 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 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.
- 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.

ANALYSIS

This bill establishes the California Financial Literacy Initiative (Initiative), to be administered by the SPI, with the purpose of improving financial literacy by offering instructional materials for teachers and parents to provide high-quality financial literacy education for pupils in school. Specifically, this bill:

- 1) Provides that the goals of the initiative are to accomplish both of the following:
 - a) To provide pupils in kindergarten and grades 1 to 12, inclusive, with tools they will need after high school to manage their finances, including tools to protect their financial information from theft.
 - b) To promote high-quality programs that provide instruction on pertinent financial literacy issues as determined by the SPI.
- 2) 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 pupils.
 - 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.
- d) Convene a Financial Literacy Advisory Committee (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 pupils in kindergarten and grades 1 to 12, inclusive, have access to grade-level-appropriate financial literacy resources. If the committee is convened:
 - i) It is authorized to include representatives of the office of the Superintendent, the office of the Treasurer, the Division of Financial Institutions of the Department of Business Oversight, and the office of the Controller.
 - ii) The Superintendent of Public Instruction is required to ensure that at least 50 percent of the members of the committee are credentialed, current classroom teachers with expertise in financial literacy curriculum and instruction.
- 4) Requires all online curricula included in the online library, or otherwise promoted or made available through the initiative, in order to protect the privacy of pupil information and to protect pupils from marketing, to conform to both of the following:
 - a) Pupil privacy protections set forth in the Business and Professions Code.
 - b) Protections against marketing directed at pupils through instructional materials that are currently applicable to other instructional materials, as specified.
- 5) States the intent of the Legislature:
 - a) That the materials selected pursuant to the bill include one or more curricula designed for pupils with disabilities.
 - b) That state agencies involved in the committee, if convened, shall actively support the initiative.
 - c) That state agencies in the executive branch of government, including boards, commissions, and agencies headed by constitutional officers, shall use existing resources for support of the initiative if they elect to participate in supporting the initiative.

STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author, "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\$Start 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."

- 2) **Nearly identical to AB 150 (Lieu) from the 2007-08 Regular Session, which was vetoed by Governor Schwarzenegger.** In his veto message, Governor Schwarzenegger 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."

This bill differs from AB 150 in the following ways:

- a) It states the intent of Legislature that the material selected pursuant to this section include one of more curricula designed for pupils with disabilities.
- b) Revises the makeup of the Financial Literacy Advisory Committee to require the Superintendent of Public Instruction to ensure that at least 50 percent of the members of the committee are credentialed, current classroom teachers with expertise in financial literacy curriculum and instruction.
- c) In order to protect the privacy of pupil information and to protect pupils from marketing requires all online curricula included in the online library or otherwise promoted or made available through the Initiative to conform to certain state laws regarding pupil privacy and marketing. Conversely, AB 150 specifically authorized financial institutions, financial services providers, nonprofit community organizations, and other publishers whose materials or resources were included in the online library to include in those materials a means of collecting data, including, but not limited to, all of the following:
 - i) The estimated number of users.
 - ii) The grade span of the intended user.
 - iii) Whether the person accessing the material is a pupil, teacher, administrator, parent, or another interested person.

- iv) Any other relevant information that would aid in the purpose of this chapter.

While the changes in this bill regarding pupil privacy and marketing to pupils are significant, those issues were not included in Governor Schwarzenegger's veto message, which focused on the Superintendent of Public Instruction's (SPI) existing authority to take similar action. It should be noted that AB 150 was vetoed by the previous administration.

- 3) **California Department of Education (CDE) already doing this?** 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. CDE maintains a webpage, <http://www.cde.ca.gov/eo/in/fl/finlitk12.asp>, with nearly 50 financial literacy resources. The webpage was updated as recently as June 16, 2017. According to CDE's website, "This electronic resource library for grades K–12 provides links to programs that are appropriate for use in the classroom or at home as a resource for students, teachers, and parents who want to increase financial literacy. This is a partial list of the wide universe of resources available to the public." Moreover, the website invites the public to submit a financial literacy program for consideration of being included in the electronic resource library.
- 4) **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:
 - a) 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.
 - b) 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.
 - c) 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.
 - d) 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.

Moreover, 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.

- 4) ***Fiscal Impact.*** According to the Assembly Appropriations Committee, "Assuming the California Department of Education (CDE) implements the bill as intended, CDE could incur between \$200,000 and \$400,000 General Fund in administrative cost. These costs include convening an advisory committee and the development and implementation of the online financial resource tool, which will require substantial technological expertise and maintenance. Convening an advisory committee is not required, CDE confirms that the Advisory Committee is a key component of implementing the intent of this bill. *The committee may wish consider whether* the activities envisioned by this bill have already largely been accomplished by CDE and the newly revised History-Social Science framework.
- 5) ***Related and previous legislation.*** SB 583 (Stone) of this Session would require the development of a model curriculum for an elective course in financial literacy. SB 583 is pending in the Assembly Appropriations Committee.

AB 2546 (Calderon, Chapter 616, Statutes of 2016) required 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.

SB 1296 (Liu) of the 2015-16 Regular 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. SB 1296 was placed on the inactive file at the request of the author.

AB 166 (Hernández, Chapter 135, Statutes of 2013) required 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.

AB 391 (Wieckowski) of the 2013-14 Session would have proposed the Common Cents Curriculum Act of 2013, requiring the Superintendent of Public Instruction's (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. AB 391 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. SB 1080 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 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 identity theft. This bill would have also required the California Department of Education (CDE) to consider developing a personal finance curriculum in the next cycle in which the history/social science curriculum framework would have been adopted. SB 779 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. SB 223 was held in the Assembly Appropriations Committee.

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. AB 150 was vetoed by the Governor.

AB 1502 (Lieu) of the 2007-08 Session would have required the State Board of Education (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 Superintendent of Public Instruction's (SPI) to accept private donations for the purposes of implementing these provisions. AB 1502 measure was vetoed by Governor Schwarzenegger.

AB 1950 (Lieu) of the 2005-06 Session would have authorized school districts to provide instruction in personal finances in economics courses. AB 1950 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 would have school districts to include instruction related to the understanding of personal finances in economics

courses. AB 2435 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.

SUPPORT

California Bankers Association
California Charter Schools Association
California Community Banking Network
California Council for the Social Studies
California Council on Economic Education
California Credit Union League
California Society of CPAs
California State University, San Bernardino, Center for Economics Education
California Teachers Association
Financial Services Institute
San Diego Center for Economics Education at Cuyamaca College
State Board of Equalization member, Fiona Ma

OPPOSITION

None received

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